

COOPERATION AND CONFLICT: THE DYNAMICS OF OIL AND GAS IN CENTRAL ASIA

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Introduction

The current article analyzes some paradigmatic cases of the tension between conflict and cooperation, of the limited cooperation and of the difficulties for initializing cooperation processes in Central Asia, notably in relation to oil and natural gas. The central argument is that hydrocarbons are frequently generators of rivalries that prevent significant advances in the Central Asian regional integration.

International security practices have underlying games of cooperation and conflict, or, in other words, competitive and cooperative games. Welch and Wilkinson (1999) state that conflict and cooperation coexist in interdependence situations and, hence, it is important to understand why conflicts develop. According to Tjosvold and Johnson, “being alive is to be in conflict” (1989, 1). Conflicts are “natural situations in any kind of relationship” (Tjosvold and Johnson 1989, 1). Defined in broadly terms, conflict denotes “the incompatibility of ideas” (Diez et al 2006, 565). This definition leaves open the exactly nature of such incompatibilities, that is, “to what extent they occur between individuals, groups or social positions”; to what extent they reside in

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“different interests and beliefs”; and how far they have “a material existence” or “gain existence only through discourse” (Pia and Diez 2007, 2). Deutsch (1973) presents some variables that affect the course of a conflict, including the characteristics of the parties involved in it and the history of their relationship and the nature of the question that originated the conflict. Another feature of conflict lies in the fact that it generates changes. System’s stability is placed under turbulence, continuing to exist until a new equilibrium is reached (Stern and Gorman, 1969).

States and individuals do not have, necessarily, to pursue a logic of conflict, to the extent that they can opt for cooperation. By cooperation, it is meant any form of social interaction between actors that allow them to reach, voluntarily, a set of common goals through the sharing of certain resources (Hebert 1996). However, even though cooperation is “a concept endowed with a positive charge”, it does not, necessarily, presuppose “a harmonious relationship, devoid of conflicts” (Siitonen 1990, 7). Rather, cooperation may involve hidden power struggles between partners and/or a domination mode of one actor over another. This is related to the “cooperation social context”, and, therefore, with “our ideas of social systems as contexts of cooperation and conflict” (Siitonen 1990, 7). What, then, characterizes international cooperation? According to Jean Toussez, “international cooperation refers to all ‘projects’ that allow international actors to achieve defined goals together, through the sharing of resources” (1981, 17). Less than integration, however, more than common sporadic efforts, “international cooperation aims to the establishment of relations between sovereign actors willing to share some values” (Siitonen 1990, 7).

Security cooperation is, in general, perceived as “the collaboration among parties in conflict”; this is the reason why alliances are often treated as *sui generis* entities” (Muller, 2002: 370). This distinction, nonetheless, is not entirely convincing. If international relations are marked by anarchy, in which conflict is possible, then “alliances tend to be problematic” (Muller, 2002: 370). On the other hand, if temporary cooperation, performed to rule out any imminent threat, encourages too much one of the partners, “cooperation may translate into less security instead of more, and in a loose of sovereignty in the worst cases” (Muller 2002, 370).

Important oil and gas pipelines at the regional level

In oil diplomacy, it is essential to take into consideration a matter which is, in Rachel Freire's understanding (2012), "often relegated to the sidelines", that is related to the "rentier" states, i.e. states that receive "income through the passage of oil and gas pipelines" (Mahdavy 1970; Kaldor et al 2007). It is the case of Turkey, for example, which has already been asserted, according to Rachel Freire (2012), as a "power core". Another important issue to consider in oil diplomacy, as underlined by Rachel Freire (2012), is that of "dependencies". In this regard, the specialist highlights the example of Russia, sort of a "giant that controls and features", although, in practice, the country also needs stable buyers (Freire 2012). In turn, as stated by António Costa Silva² (2012), "all Eastern Europe states show a strong dependence on Russian natural gas", what has caused "many quarrels between Moscow and these countries in terms of energy tariffs", in contrast with the stability climate in energy supply by Moscow to the European markets in the Soviet era.

The geographic isolation of Central Asian republics raised the question on how to put their energy resources on the market (Chow and Hendrix 2010). In response to this situation, men tried to circumvent the adversities imposed by nature building gigantic structures, large pipelines that allow the draining of oil and natural gas production, attenuating, on the other side, the big Central-Asian republics' dependence in face of the logistical infrastructure of neighboring Russia (Fonseca, 2011). It is interesting to note that while agreements, alliances and treaties can be ignored, dismissed or subjected to change, pipelines survive the circumstances that gave rise to them, as "umbilical cords of steel", which unite economic and, often, political interests (Blinick, 2008). A significant part of the "New Great Game" in Central Asia assumes the construction of oil and gas pipelines (Fishelson 2007). These constitute vital arteries, susceptible to connect the region to the global economy (The Encyclopedia of Earth 2007). Once built, pipelines cannot be removed or redirected. Moreover, they symbolize strategic commitments when ensuring the

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continuous flow of energy throughout the project's life expectancy (Demir 2012; Seaman 2010).

Once overcame an initial hurdle, i.e. "the decision to build infrastructure capable of mitigating Central Asian republics' isolationism", it is necessary to resolve another question: "what routes should the pipelines take?" (Fonseca 2011). Certainly, the West would be a good option due to the broad market it is capable to offer to the Central Asian resources. Nonetheless, "let oil and gas flow only to the West could compromise the diversification of consumer's policy" (Fonseca 2011). In other words, it was also important to ensure that energy resources would reach the East, building up, to such end, infrastructure capable of transporting oil and gas to neighboring China. Betting on the Middle Kingdom and, to some extent, in India, provides the Central-Asian republics "greater capacity of negotiation", preventing, at the same time, the occurrence of any monopoly: "West and East are presented as two separate markets, but needed to the producers of oil and gas" (Fonseca 2011). On the other hand, according to Emílio Rui Vilar³ (2011), "it is in the interest of Europe to create alternative routes to the pipelines crossing Russia (under which Turkey and Caucasus' countries have played an important role)", a strategy that aims to "diversify supplies to the European continent, which has not followed a coordinated policy in this regard".

Since the collapse of the Soviet Union, multiple pipelines have been negotiated and constructed in order to transport oil and gas from the Caspian Sea into all directions: "West – to Black and Mediterranean Seas; East – to China; North – to Russia; and South – to Iran and, possibly, to Afghanistan" (Bahgat 2006, 10). The decision to build a pipeline system is not only based on the cost analysis of a project, however. As Jean-Paul Rodrigue and Brian Slack state, "geopolitical interests play a key role in the selection of the transit countries for the pipelines" (2013, para. 1). Moreover, as the experts add, "the pipelines routes that link the Middle East to the Mediterranean were designed to avoid their crossing through Israeli territory" (Rodrigue and Slack 2013, para. 3). Furthermore, "the planning of new pipelines that are designed to link

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Central Asia to the Mediterranean seeks to take into account the ethnic and religious mosaic of the Caucasian Republics” (Rodrigue and Slack 2013, para. 3). Pipelines’ construction costs vary with their diameter, increasing proportionally to the distance (and consequently necessity of pumping stations) and the viscosity of the transported fluids (Rodrigue and Slack 2013, para. 4). An argument that weighs in the decision to build these infrastructure is, according to Gawdat Bahgat, the wish that countries bordering the Caspian Sea have in “achieving political and economic independence from the Russian giant”, as well as “to deprive Tehran of any political or financial benefit” (2006, 10).

There are four major routes that a pipeline could follow through Central Asia (U.S. Congressional Record 1998; Ventura 2010). The first and most common, through North, crossing Russian territory, towards ports located in the Black Sea, or into the Russian pipeline system (Badalyan 2012). The second is the Western route, through Turkey, either by the Caucasus Mountains, or via Caspian Sea (U.S. Energy Information Administration 2013). Both routes raise security problems, and the cost of building a pipeline along these tracks is considerable high. The shorter route is through South, going through Iran, a path that is politically unacceptable to the United States and that displeases most Western energy investors (Kaplan 2012; Greenwald 1996; Rodrigue and Slack 2013). In this regard, Edward Chow and Leigh Hendrix consider that “apart from the existence of international sanctions and other political barriers, a southern route via Iran remains a credible alternative to Kashagan”, located alongside Kazakhstan’s coast, which may eventually produce “more than a million barrels of oil per day” (2010, 35). Nevertheless, the emergence of such route is dependent on the international situation’s political evolution, at the time that Kashagan start producing large quantities of oil, at the end of the decade (Chow and Hendrix 2010, 35). The creation of a southern route has as advantage the cost reduction by connecting it to Iran’s existing pipeline system, and by adding another direction, aiming to diversify the routes for Caspian oil” (Chow and Hendrix 2010, 35). However, despite Iran constitutes, in theory, a perfect viable option regarding the export of oil from the Caspian Sea to Asian markets, in practice, tense relations between the international community and Tehran reduce substantially the interest for this possibility.

Meanwhile, the Eastern route is not only very costly, but could also lead, on the other hand, to China coming to absorb most, if not all, the exports (U.S. Congressional Record 1998). The last option is, as Morgan Davis emphasizes, “probably, the most desired by the United States, the path to the southeast, through Afghanistan, Pakistan and India” (2011, 445). However, due to violence and instability in Afghanistan, this route involves high risks in terms of security (Dawncom Business 2012).

Compared to gas pipelines, oil ducts are the most common logistics infrastructure in Central Asia (Worldwide Pipeline Construction Report 2012). Currently, there are several important oil pipelines in the region.

Starting with the Baku-Tbilisi-Ceyhan oil pipeline (BTC), this carries “more than a million barrels of oil per day from the coast of Azerbaijan, at the Caspian Sea, to the Mediterranean coast of Turkey”, with a length of “1,768km” (Iftexharul Islam 2012, 38). Among BTC’s shareholders stands out British Petroleum (BP), the major shareholder, Unocal, and ConocoPhillips (The Guardian 2012). The oil pipeline Baku-Tbilisi-Ceyhan is, probably, the most controversial of the existing ones in the region (International Finance Corporation: Lessons of Experience 2006). Among the reasons that led to its construction, it is underlined the necessity to diversify Europe’s energy supply (extremely dependent on oil from the Middle East), as well as to reduce the dependence of Central-Asian oil producers in face of Moscow’s controlled oil pipelines (Iftexharul Islam 2012). To Starr and Cornell, “in the post-imperial era, when many Russian politicians still believed to be possible to restore Moscow’s dominance in the Caspian basin, the construction of BTC could jeopardize the ‘recent independences’”, since “it would divert the energies invested in creating independent free states and societies to negligible geopolitical concerns” (2005, 8). Despite these fears, BTC was so much awaited that, at its opening ceremony in 2005, the then U.S. President George W. Bush had referred to the project completion as “a monumental feat, which opens a new era in exploitation at the Caspian basin” (Sultanova 2005, 8). It is noteworthy that this would never have been realized without the steadfast political support of the United States, as it has been recognized by the President of Azerbaijan, Ilham Aliyev, in 2005 (Yevgrashina 2005).

Another oil pipeline, the Baku-Novorossiysk, with a transport capacity of 100,000 barrels per day, connects Azerbaijan’s coast, in the Caspian Sea, to

the Russian port of Novorossiysk, in the Black Sea (Iftekhharul Islam 2012). The oil pipeline Baku-Supsa, by its turn, stretching from Azerbaijan to the Georgian port of Supsa, in the Black Sea, “has a limited transport capacity (115,000 barrels per day)” (DeLay 1999, 73). Its opening was a “remarkable achievement for Azerbaijan, for Georgia, as well as for international energy companies” (DeLay 1999, 73).

For its part, the Atyrau-Samara oil pipeline “is owned by Russia and carries oil from Atyrau, in Kazakhstan, to Samara, in Russia”, with a transport capacity of “300,000 barrels per day” (Davis 2011, 445-446).

Regarding the Kazakhstan-China pipeline, it is noted that Beijing has proposed, for the first time, the construction of an oil pipeline to Kazakhstan in 1996. Western experts considered it unworkable in the long term due to its considerable length, as well as the underlying engineering challenges to its construction, and the difficult political situation in the region (Energy Information Administration 2008). Both Moscow and Washington opposed the project. Russia encouraged the Kazakh government to exclusively use Russian pipelines, and the United States argued that the oil surplus from Tengiz should be sent by sea (across the Caspian Sea) to Europe (Kleveman 2003). However, the Chinese continued with the construction in September 2004 and, “at December 15, 2005, President Nursultan Nazarbayev authorized the commencement of filling about 1,000 km of the pipeline” (Oil, Gas & Energy Law Intelligence 2006, 3). The oil pipeline connects Atasu, in central Kazakhstan, to Alashankou, in Xinjiang. In 2006, it had transported about 200,000 barrels per day to the Chinese Dushanzi refinery (PetroChina 2006). The then Chinese Vice-President of PetroKazakhstan, Zhou Jiping, even claimed that this was the “new Silk Road” (Pala 2006, para. 7). Nonetheless, even though Kazakhstan’s oil production has doubled since the late 90s, when the Kazakhstan-China oil pipeline has been negotiated, it has operated well below its maximum capacity. Indeed, as Oleg Egorov (2011) explains, the pipeline has transported “approximately 10 million tons of oil”, having been “projected to carry out double of that capacity”.

Another important infrastructure is the Caspian Pipeline Consortium (CPC), which carries about 730,000 barrels of oil per day from Tengiz (Kazakhstan) to the Russian port of Novorossiysk (Black Sea), being owned

and operated by a consortium of Western oil companies, as well as by Russian, Kazakhs and Omani state-owned companies (Chevron 2011; Iftekharul Islam 2012). Completed in 2001, the Caspian Pipeline Consortium was, from the beginning, as Adrian Dellecker notes, “the result of a delicate balance between states, eager to maintain control over the oil flows, and private companies, capable of financing the much needed infrastructure” (2008, 2).

The future of oil pipelines in Central Asia will depend, in large part, on the fate of the oil produced in Kashagan. This field is the world’s largest discovery in the last thirty years, and the only significant oil discovery in the Caspian since it was open to foreign exploitation, owning approximately 30 billion barrels of oil, of which an estimated 8 to 12 billion are potentially recoverable (Upstream – The International Oil and Gas Newspaper 2013). When Kashagan reach its peak production of more than one million barrels per day, Caspian’s volume of oil will tend to, probably, double to around 1.5 to 3 million barrels per day, heading, this way, in direction to meet the expectations of the 90s, which indicated that the Caspian would become a kind of renowned oil province, alongside the North Sea at its peak (Mukhtarov 2012; U.S. Energy Information Administration 2012).

Since Kashagan’s oil field discovery in 2000, however, its energy potential’s exploitation has suffered several delays “due to a fiscal issue between the Kazakh government and the investors in the field”, as well as due to the scale and technical complexity of the project (Embassy of the Kingdom of the Netherlands in Kazakhstan, 2012: 2). Among the many uncertainties still to be clarified in regard to Kashagan, it continues for being explained how its oil will be exported. It should be noted that, in this regard, “about 80% of Kazakh oil arrives at international markets through Russia” (The Business Year 2011, para. 4). The Atyrau-Novorossiysk, Atyrau-Samara and Atyrau-Alashankou oil pipelines constitute the main export routes for Kazakh oil. In order to bypass Russia and to find new ways to export oil to the West, there have been planning for other routes.

There are, however, other questions to be answered, according to Chow and Hendrix (2010, 39):

(...) in view of its vast energy potential, will Kashagan originate a new export system, such as Tengiz did with the Caspian Pipeline Consortium, or as the Azeri-

Chirag-Guneshli did with the Baku-Tbilisi-Ceyhan oil pipeline?; Will Kashagan provide the creation of a new route to the South, through Iran, or will it benefit, instead, the already existing corridors through Russia, China, or through the Caspian and the Caucasus?; Alternatively, will the oil tend to flow in two or three different directions with a view to diversify export routes?; Who will take the biggest strategic and commercial decisions: the Kazakh government, the national oil company, KazMunaiGaz, or the major international oil companies (ENI, ExxonMobil, Shell, Total, ConocoPhillips, Inpex)?

The answer (still uncertain) for these questions will have a fundamental impact on Central Asian oil exploration. The gas pipelines network in Central Asia is owned and controlled almost entirely by the Russian Gazprom (The Encyclopedia of Earth 2008). As Azarch Luba explains, “[energy] trade with the Central Asian Republics brings advantages to Moscow, which can benefit from the usage of former Soviet energy infrastructure” (2009, 61-62). As an example, the cost for maintaining this is inferior to the “required investment for the construction of new pipelines” that “China and Europe have to do” (Azarch 2009, 62). The vast reserves of natural gas in the region have generated many competing proposals in relation to the construction of pipelines. Among the many factors that are likely to influence in their future are, “the economic viability of the planned transit routes, the Russian desire to limit competition for their share of the European gas market, and the growing Chinese interest in ensuring the supply of natural gas from the Caspian and Central Asia” (Weiss et al 2012, 13).

Among the main existing gas pipelines in the region, let us begin by highlighting the Central Asia Center Pipeline, built in 1974, which has two branches (Davis 2011). The West branch transports natural gas from the Caspian Sea’s Turkmen coast to North, where it intersects with the East branch, in Western Kazakhstan (Davis 2011). The East branch transports natural gas from Eastern Turkmenistan and Southern Uzbekistan to the western part of Kazakhstan (Davis 2011). Both pipelines intersect in the Western Kazakhstan, then continuing northward to the Russian pipeline system (Davis 2011).

In turn, the gas pipeline Korpedzhe-Kurt-Kui, built in 1997, is a joint project of Turkmen and Iranian governments, carrying Turkmen gas to Iran (Cohen 2006). It is the “first non-Russian gas pipeline in Central Asia”, and has

an annual transport capacity of “approximately 8.5 billion cubic meters of gas” (Cohen 2008, 5).

The South Caucasus Pipeline, also known as Baku-Tbilisi-Erzurum pipeline, is a 692km gas pipeline, built in 2006 by an international consortium led by British BP and Norway’s Statoil ASA, which transports natural gas from Shah Deniz, in the Azerbaijani area of the Caspian Sea, to Erzurum, in Turkey (British Petroleum website 2013). Nabucco, which was designed to connect to the South Caucasus Pipeline, is, according to Paul Belkin, “the emblem-project of the European Union in Central Asia and the Caspian region” (2008, 8). This will carry the maximum amount of 31 billion-cub meters/year of natural gas, from Central Asia and the Caucasus to the European Union, through Turkey and the Balkans, with a projected length of 3,300km (Nabucco Web Portal, 2013). According to Huseyin Seslikaya, “Nabucco comes to reinforce the strategic importance of Turkey to the European Union”, being “at the center of this effort to reduce the dependence on Russian natural gas” (2008, 13). As emphasized by Haydar Efe, “Nabucco will help the European Union to diversify its sources of supply”, contributing, on the other hand, to ensure that Turkey becomes the “fourth largest artery of energy supply into Europe, alongside Norway, Russia and Algeria” (2011, 127). This will open “a new way for cooperation between Turkey and the European Union”, susceptible, also, to reinforce the last’s ties with “Central Asia” and the “South Caucasus” (Efe 2011, 127). Russia has, on several occasions, sought to “undermine the Nabucco project”, perceiving it as an “undesirable competitor” with regard to European natural gas markets (Kardas 2011-12, 84). According to Aleksey Malashenko, “Nabucco is likely to be to Moscow more a political than an economic threat”, since “natural gas provides a mean of influence into European politics” (Aze News 2011, para. 1). Nabucco’s construction will tend to “significantly weaken the importance of natural gas as a strategic tool for [the policy of] Moscow” (Aze News 2011, para. 1).

In practice, Gazprom has promoted a rival project, the South Stream. Once built, it is expected that it can carry up to “63 bcm of natural gas per year” to supply the same markets – in Eastern Europe and in the Balkans – that Nabucco is designed to serve (Gazprom 2013, para. 2). As William Engdahl regards (2011), the dispute South Stream (Russian) vs. Nabucco (backed by Washington) is, fundamentally, geopolitical. The long underwater route – about

900km – of South Stream and its high cost (estimated to be at least 15.5 billion euros, or 22.3 billion dollars), i.e. more than double the estimated cost of Nabucco, have promoted the widespread idea that the South Stream project is not commercially viable, and that its main goal is to annihilate potential sources of investment for a southern gas corridor that is not controlled by Russia (RT News Line 2012; Kanter 2011; Socor 2012). In this respect, António Costa Silva (2012) underlines the curious behavior of Putin’s Russia, which “went to Turkmenistan and Kazakhstan to buy, for many years, these countries’ gas”; and, “to try to dry the sources of supply to Western countries, offered two to three times the price that then existed”; it is necessary to consider that “Russia acquires very cheap gas from these Central Asian countries, when compared to the market price, reselling it, then at higher prices, to Europe”. This is a way that allows Russians “to manage their reserves from a point of view that benefits their interests”, although it be “prejudicial to the Central Asian Republics and, also, for the European Union” (Silva 2012).

The Turkmenistan-Afghanistan-Pakistan-India gas pipeline (TAPI) is another important logistical infrastructure at the regional level. According to Rainer Palau, “the TAPI project has been debated for nearly two decades [even though it has not yet entered in phase of construction]” (Civil Military Fusion Center, 2012: 5). It is estimated that the gas pipeline will come to significantly contribute to “enhance energy security in South Asia”, to provide an “important source of revenue” to the Afghan government, and to “promote regional integration” (Civil Military Fusion Center 2012 5). Likewise Central Asia Oil Pipeline, TAPI will transport natural gas from Turkmenistan to Afghanistan through the Indian city of Fazika, on the Indo-Pakistani border (The Tribune 2013). According to Tridivesh Maini and Manish Vaid (2013), there are some obstacles to TAPI’s construction, such as New Delhi’s apprehension regarding the project’s security after the withdrawal of U.S. forces from Afghanistan, in 2014; as well as concerns about the ability of Pakistan to ensure the pipeline’s safety. Indeed, these factors may “contribute to the loss of interest on the part of the Asian Development Bank in supporting the project” (Maini and Vaid 2013, para. 29).

In addition to the oil and gas pipelines already mentioned, many other (some in operation, other in construction phase, or even as mere projects) will

not be addressed in the framework of this dissertation since they are not as strategically important as those already listed. In the “black gold” diplomacy, there are, in the background, constraints, interests concerned, preferred oil routes and others to avoid. All these aspects are inscribed in the logic of the New Great Game, which is not restricted to competition for oil and natural gas: in fact, “the pursuit of economic influence is often linked to the desire for political influence” (Edwards 2003, 86). Raquel Freire (2012) shares, similarly, with this view by emphasizing that the New Great Game in Central Asia “is not reduced to a mere contest for control of energy routes”, since “there is a whole series of components” that should be addressed. Nevertheless, the energy dimensions still assume an extraordinary weight in this New Great Game, counterbalancing, for example, potential military and political “weaknesses”, as highlighted by Heitor Romana (2012) in relation to the Russian strategy to contain China. The author, who admits to keep talks with “several Russian scholars”, explains that they feel that “militarily and politically, Russia has neither the ability nor the willing to compete with the Chinese for Central Asia’s control”, being “preferred to play the game in a different manner” (Romana 2012). As an example, Heitor Romana (2012) specifies that “in the energy field”, Moscow intends that “the supply of Central Asian oil and natural gas to China continues to be conducted by the Russians, for the Russian companies to control in source the production of the oil and gas exported to China”. This is the case of “Gazprom” and “Rosneft”, which “seek to do this” though, for example, the creation of “joint ventures with local companies” (Romana 2012). In a process which “knowledge is Russian”, and in which “Russia does not directly provide natural gas and oil to China”, Moscow can benefit, nonetheless, for “participation in state enterprises in these countries” (Romana 2012).

The intricacies of competition

The global financial crisis and the theory that water will be one of the next sources of conflict have served, in part, “to hide an extremely important global energetic game silently been played” (Vishwanath 2010, para. 1). This “game” consists of a fierce contest for control of Central Asia’s oil and natural gas reserves (Pop 2010). With the discovery of new reserves in Turkmenistan and Kazakhstan, along with the already known in Azerbaijan, the region has

transformed itself into an “important energetic arena” (Vishwanath 2010, para. 1). On one hand, we have “the Western powers headed by the United States, strongly dependent on oil and natural gas issues”, and, on the other hand, “the emergence of new competitors, such as China and Russia” (Vishwanath 2010, para. 1). Add to this equation Iran, which aims to become a regional power (Peterson 2013).

This region, which transcends political boundaries and ethnic lines, “is a new area of competition between the old and new competitors”, and “the game will be played in the form of energy conduits from Central Asia to the rest of the world, through routes still under discussion” (Vishwanath 2010, para. 2). Each competitor seeks however, to defend its preferred route. Turkmenistan, Kazakhstan and Azerbaijan are all isolated states and, therefore, dependent on neighbors to sell its oil and gas (Pop 2010). From a historical point of view, oil and natural gas has flowed through Russia to Europe and other destinations, being that Moscow prefers to maintain the status quo, controlling the energy resources’ sales to European markets (Lande 2011). In turn, Iran wants to change this trend, making the resources to flow south through its territory and be exported “to the whole world from the Persian Gulf” (Vishwanath 2010, para. 3). China, for its turn, which proposed to build 3,000km of pipelines since the Caspian, going through Kazakhstan, started to build smaller lines to first support its economy and to come to supply other Asian economies (Indeo 2010). Ideally, “the United States, which does not have direct access to [Central Asian] oil and natural gas fields, aims that [these] resources reach open markets without being subjected to the conditioning of China, Russia or Iran” (Vishwanath 2010, para. 4).

On the outskirts of this game lies Turkey. Enjoying a strategic location, “Turkey stands to gain as a country of transit of energy to Europe, and, above all, to Asia” (Vishwanath 2010, para. 6). It could be extremely useful and prudent, in the long run, for the other players, to realize the potential of this stable country and involve it in future negotiations (Stevens 2009). It is also very important to recognize that Asia will be the major energetic market in the next decades, and that any country that has a participation in the control of the energy flux to the Asian economies will have a share in the control of future markets (Lande 2011). A route through Turkey has several advantages over

other routes (Locatelli 2010). Benefitting from its good relations in the region, Turkey could negotiate more strategically and politically viable routes than the ones that would cross Russia or China (Locatelli 2010). Oil and gas dispatched through Turkey can be sent to anywhere in the world, what “is likely to offer an alternative to any Iranian monopoly in the Persian Gulf” (Vishwanath 2010, para. 7). A trans-Caspian oil pipeline from Turkmenistan and/or Kazakhstan to Turkey presents “less political complications than any other route, even though financial and environmental aspects raise serious questions” (Vishwanath 2010, para. 7). In turn, Turkey could serve up from its positions and influence to ensure that the region does not become a mere stage/scenario in this energy game, and that the equilibrium of power be maintained (Boonstra et al 2010).

Given its inner nature, Central Asia depends on long distance conduits capable of transporting its oil and natural gas to international markets (Liao Xuanli 2006). Previously, soviet pipelines existing in the region led almost all to Moscow (Morse 2009). The control over this infrastructure continued to provide the Russians influence over the transit of oil and natural gas from the region, even after the collapse of the Soviet Union (Magen and Bagno-Moldavsky 2010). However, Western investments in oil and natural gas would also generate new pipelines that are not controlled by Transneft (on oil), or by Gazprom (on gas) (Magen and Bagno-Moldavsky 2010). It is the case of the Caspian Pipeline Consortium, “supported by international oil companies (led by Chevron), by Kazakhstan and by Russia”, which transports oil from Western Kazakhstan to the Russian Black Sea coast (Chow 2012, 3). It is also the case of Baku-Supsa and Baku-Tbilisi-Ceyhan pipelines, “supported by Western oil companies (led by BP) and by Azerbaijan”, carrying oil from Azerbaijan to, respectively, the Georgian Black Sea coast and the Turkish Mediterranean coast (Chow 2013, 3). And it is also the case of South Caucasus Gas Pipeline, that “transports natural gas from Azerbaijan, through Georgia, to Turkey”, which will be expanded in the Shah Deniz deposit’s next phase of development (Chow 2013, 3-4). These new pipelines decreased Russian control over the flow of oil and natural gas coming from the Caucasus and Central Asia, and contributed to achieving the 90s objectives, which consisted of providing more economic options to the region, allowing the production of oil and natural gas to flow freely into international markets (Morse 2009).

When the Soviet Union collapsed, in 1991, China was about to go from and exporter of oil to an importer of it. The country was a “late player in the race for Central-Asian oil and natural gas” (Chow 2013, 4). At the time, the best opportunities for exploration had been acquired by Western companies, such as the deposits of Tengiz, Karachaganak and Kashagan, in Kazakhstan, and the fields of Azeri-Chirag-Guneshli and Shah Deniz in Azerbaijan (Magen and Bagno-Moldavsk 2010). The Chinese have sought to recover, since then, from this delay (Collins 2009). In this sense, Chinese energy companies have been investing in oil and natural gas worldwide, with Central Asia being an important card in the Chinese energy deck (Duarte 2012). The “[Chinese NOCs] hold about 30% of Kazakh oil, although this originates from smaller deposits than the ones operated by Western companies, and control, for now, the only onshore concession in Turkmenistan” (U.S. House of Representatives Committee on Foreign Affairs 2013, 4).

Chinese leaders have proved favorable to the construction of terrestrial oil and gas pipelines as a way to circumvent their extraordinary dependence on energy imports, which are mostly operated by sea (Swanstrom 2011). Due, in part, “to a certain frustration” in dealing with Russia in the field of oil and gas, “Beijing has prioritized the construction of energy infrastructure from Central Asia, such as an oil pipelines from Western Kazakhstan to gas pipelines from Turkmenistan, going through Uzbekistan and Kazakhstan, to China” (Chow 2013, 4). The Middle Kingdom has overtaken Russia as the “largest importer of Turkmen gas”, being expectable that its imports “will double or triple in the coming years” (Chow 2013, 4). Note, in relation to Turkmenistan, that this is “the country that has been the target of the fiercest competition at the global level in regard to gas resources” (Feng Dan 2010, 5). Similar to other Central Asian Republics, “currently Turkmenistan has been promoting cooperation with foreign partners in the natural gas sector” (Feng Dan 2010, 9). In a certain way, “cooperation will tend to help Ashgabat to eliminate Russian monopoly over its natural gas; on the other hand, cooperation may help the country to achieve a balance between the main actors and to maximize its economic gains when stimulating competition between buyers/investors” (Feng Dan 2010, 9). Moreover, “the competition between Russia, Europe and the United States, regarding the construction of pipelines to Turkmenistan, can effectively

enhance the status of Turkmenistan in international relations, which is likely to increase its bargaining power (on the natural gas prices level) in future negotiations with Russia” (Feng Dan 2010, 9).

In the opinion of Edward Chow, “another competitor, increasingly important, with regard to Central Asian oil and gas, is India” (2013, 4). In fact, “as the Chinese population growth slows and its population ages, it is estimated that India’s energy demand will increase more rapidly than the Chinese, within a decade” (Chow 2013, 4). Although it has a better location than China to get oil and natural gas from the Persian Gulf, India also would like to diversify its imports, including on these the supplies with origin from Central Asia (Chow 2013, 4).

Note that “the concept of wars over energy resources is something, for times, exaggerated” (Chow, 2013: 5). Conflict usually delays investments in large scale for many years. It is a fact that “there is competition for resources in Central Asia, as, indeed, in other parts of the world as well” (Kucera 2013, para. 4). In this respect, *Newtimes.az* underlines that “however, the rivalry between Western, Russians, Chinese and Indian [oil] companies is unquestionable” (2013, para. 5). Nevertheless, “what should worry specialists is not so much the question of the possible occurrence of war over these resources, but more if the competition around them is guided by rules, without political coercion or non-transparent business practices” (Chow 2013, 5). Since rules of competition are fair, “the various oil companies interested in Central Asia can compete in a healthy way”, being that “this form of competition might be benefic in terms of promoting economic efficiency for the benefit of all stakeholders involved” (Chow 2013, 5).

Multilateral cooperation in the energy sector is benefic for “economic development, energetic security and regional stability” (Feng Dan 2010, 10). In the future, “China, Russia and the Central Asian Republics should take the maximum advantage of markets and their resources to expand and deepen cooperation in the gas sector, from which cooperation in other sectors can be further promoted and extended in order to achieve a common and balanced development” (Feng Dan 2013, 10). Despite their diverse interests and economic status, “it is unlikely that Beijing and Moscow will be involved in a ‘fierce’ confrontation in relation to the hydrocarbons from Central Asia” (Yenikeyeff 2011, 75). On the contrary, there are indications that Russian and Chinese

companies cooperate relatively well at the corporate level. For example, “Lukoil and China National Petroleum Corporation (CNPC) have been involved in the development of the Kumkol deposits in Kazakhstan and in the gas resources of the Aral Sea in Uzbekistan” (Yenikeyeff 2011, 75).

Final Notes

The observation of the essence of competition around energy resources, such as oil and natural gas, and the respective assessment of its impacts are complex, however, according to Edward Chow, “it is likely that in Central Asia the control of water resources present a greater propensity to lead to a direct conflict than oil and natural gas” (2013, 5). Attention is drawn to other difficulties that result, as put by Neil Brown, “from the lack of consensus on dividing the Caspian”, divergences likely to “directly affect Central Asia” (2013, para. 10).

It is noted that “the game gas become more complicated, with multiple actors from different parts of the world” (Chow and Hendrix 2010: 40). According to Chow and Hendrix, “the principles of zero sum game apply not only to Russia, China or Iran, but also to Western governments’ policy on oil and gas pipelines in Central Asia” (2010, 40). These authors fed a certain hope that “maybe in the next decade, there is more regard for geo-economics than by geopolitics” (Chow and Hendrix 2010, 40).

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ABSTRACT

This article analyzes some paradigmatic cases of tension between conflict and cooperation, limited cooperation and difficulties in initiating processes of cooperation in Central Asia, particularly in terms of oil and gas, often generating rivalries that prevent significant advances in regional integration.

KEYWORDS

Oil; Natural Gas; Central Asia; Cooperation and Conflict.

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