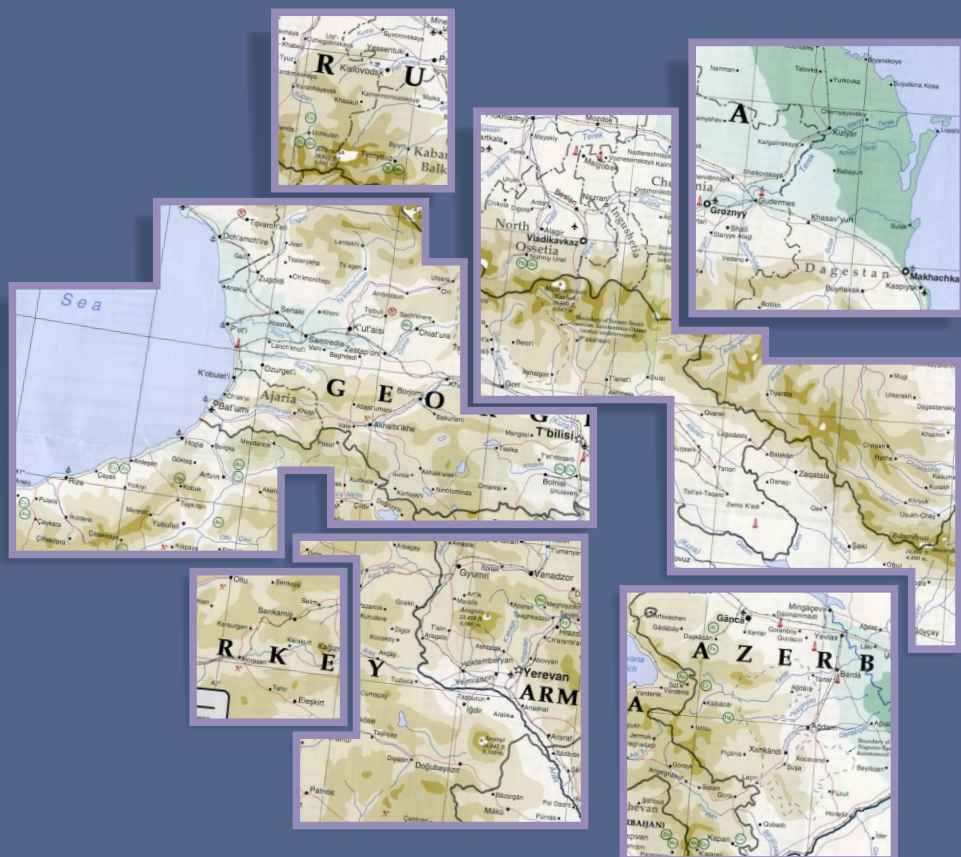


Iulian Chifu Narciz Bălăsoiu Radu Arghir



The East-West Black Sea to Caspian Sea Strategic Corridor

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București 2014

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**THE EAST-WEST
BLACK SEA – CASPIAN SEA
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FORWORD

The East – West Caspian Sea – Black Sea Strategic Corridor is a book that tries to elaborate on a vision and a concept that is aimed at linking the land locked Central Asia with the border of EU and NATO, e.g. Romania, on the West shore of the Black Sea. The project that emerged from this concept is covering 5 tracks, some already under development as a natural consequence of the previous cooperation: energy, transport, military transport, investment and trade.

The book tried to cover the full range of pros and cons for such a project. In four conceptual and theoretical chapters it showed the current situation of the global scene, in the region of Central Asia, in the Caucasus, the Caspian Sea Area and, finally, is presenting the thinking and the vision of the East-West Corridor, including the benefits it brings to littoral countries and the countries involved in such an endeavor, but also, considering the challenges to that project and possible blockages.

The book investigates, using people on the ground and outside views, the interests of the countries on that Corridor, namely Georgia, Azerbaijan, Turkmenistan, Uzbekistan and Kazakhstan, but also the interests of the big powers in the region and the added value of this project for the respective policies – Turkey and Russia – as well as other littoral countries that could be involved, are interested and could gain dividends from this construction. In nine chapters all those views are covered in a coherent puzzle that shows everybody how different actors of the region see the construction of such a Corridor, how this fits into their pre-existent policies and what would be the added value for each one if the project is concluded.

The Conflict Prevention and Early Warning Center put to use its vast experience in this type of research in the Wider Black Sea Region and beyond and provided the platform for this research and study, taking advantage of the previous projects of this kind and of the already existing contacts in the

region. As usual the researchers and writers from the Center adopted a unified way of presenting the results and edited the result of the interviews and of the work together with their foreign counterparts. Working trips have been made and, in some cases, some of the researchers spend up to 4 month in studying on the ground, for example in the case of Azerbaijan, a crucial actor for the future to be Corridor.

As a conclusion, the project could become reality provided that the political class in the countries involved would assume the project and that the added value of this project, in connection to broader projects like the New Silk Road and the Danube Mein Rhin channel of transportation, would guarantee its viability from an economical point of view and would ensure a solid development of the project, attracting other foreign investors, especially western investors with interests in the area.

I also have to thank the Black Sea Trust of the German Marshall Fund, the first financial supporter of this project. Thank you very much for your help, for supporting, as always, the research in that area and on the very important matters for the countries of the Wider Black Sea Region.

IULIAN CHIFU
6th of January 2014

Chapter 1

CHANGING THE NAME OF THE GAME: FROM CHESS TO GO

IULIAN CHIFU

The future shape of foreign affairs is a major concern for prospective studies as the very nature of international relations seems to be changing. The transition is still ongoing and the final format is still undefined. In this context the rules of the game are slightly changing from a pragmatic game of rivalries and control to a more strategic approach of positioning and filling the space for a possible use of those assets in a future confrontation. The name of the game is changing from chess to Go.

*The Big Global Game,
the Eurasian Suppliers Belt and “The three geo’s”*

The geopolitical transformations of the past years succeeded in changing the Global Big Game. The withdrawal from the Central Asian wars, the lack of will and desire to use military action in international politics, the economic subprime crisis in the US and the deficit crisis in Europe etc, all these are shaping the transition and changing the Big Game. But more important is the shale oil and gas revolution that has transformed the US from a consumer of energy products into a future exporter.

The consequences for the Global Big Game are becoming dramatic: the Middle East ceases to be as important for energy supply, thus the only thing at stake for the US remains its strategic partnership with Israel. The relinquishing of oil and gas from the region allowed other consumers to step in and try to fill their own energy deficit. The lack of interest on the part of the US and the rise of China as a competitor, as well as the economic crisis have all determined Washington to prioritize its investments on the global scene and

to choose to pivot towards Asia-Pacific and retreat from other regions to cut the costs.

Basically the new Big Global Game shifted to the manner in which the big the consumers of the world, Europe and South East Asia, are being supplied. There were two options: using the Eurasian¹ Suppliers Belt running from the Gulf Countries and Middle East via Central Asia to Russia, in a continental approach, or using suppliers from other parts of the world – Africa or Latin America. Answering this question was tremendously important for the Big Game, in order to decide whether China is moving towards being more continental than it was traditionally during its evolution, or becoming more maritime and global, thus challenging the US as a global power.

No doubt China is already much more than a regional power, even though it does not recognize this status and claims that its only interest is market-oriented. Its activities in Africa, South America and the Pacific are designed only to grant supplies for its growing economy and no military interests are linked to this behavior. On the other hand, it is true that the G2 format for engaging China and the US and sharing the burden at an international level proved unsuccessful, since China does not want to assume any responsibilities² at a global level.

So the main problem in this respect is less to decide between continental and maritime China, between black and white, and more between shades of grey, depending on the extent to which China aspires to become a maritime and global power. Once this step is made, addressing China's level of ambition and its strategic posture will be far easier.

The second part of the Global Big Game is whether China should remain a predominant continental power, and how the regional game of the big continental Eurasian continuum will look like. Europe (mostly the EU countries), which has a combined economy that strives to be the first in the world, needs energy mostly from the Eurasian Suppliers Belt, as does South East Asia with countries such as China, Japan, India, South Korea etc. Is this going to lead to competition, a confrontation of the Big Bargaining type between the two blocks? Or is it going to be an opportunity for some supplier countries to play the game and raise the price of oil and gas or create artificial disputes between consumer countries?

The most important problem is that the Eurasian Suppliers belt is subject to instability and wars, to the Arab Spring and regime changes, to sectarian

¹ Here "Eurasia" is a reference strictly to the great continental continuum of Europe and Asia, and not a geopolitical concept or reference to Russia's approach to integrative policies or to the Medvedev plan conceived by the Valdai Club for common security in Eurasia by ousting the US, dismissing NATO and offering Russia a veto right in the continent's security.

² Ian Bremmer, "Every Nation for Itself. Winners and Losers in a G-Zero World", Portfolio/Penguin, New York, 2012

wars, to radicalization and civil wars; all able to reshape the borders of the region and the Middle East. If these major shifts spread North to Central Asia and Russia, this would directly affect supplier routes, contracts and sustainability, shaking the whole global economy. That's why Central Asia is central to Eurasian Security and stability.

Central Asia is not exactly the most stable and secure part of the world. On the contrary: the withdrawal of troops from Afghanistan in 2014 and the return of local fighters involved in sectarian wars in the Middle East are threatening the stability of the region. And since the borders are drawn according to Stalin's maximum ethnical complication theory, a type of post-colonial cold and silent war is taking place in the enclaves in the region, a war that can break out and become the Nagorno Karabakh of the Central Asia. Unemployment and radical Islam are also threats that the region is facing, as it is the problem of elite formation and management of succession, since two of the five leaders in Central Asia are still those put in place some 20 years ago.

Instability and revolution in this particular region can deeply influence the sustainability of supplies; however peaceful management of the transformation from authoritarian regimes to more flexible electoral democracies is a very difficult task for the international community. And if instability becomes a norm in Central Asia, it will most probably spread in all four directions, affecting the world chain of energy supply.

Having covered geo-economics and geopolitics, we are back to considering the mid to long term evolution of the world affected by another factor: geophysics. We are used to thinking that at least the physics of the world is stable, but global warming and the opening of the North Arctic corridor is dramatically changing the maritime routes of transportation. In the same way, should the polar ice cap melt, thus changing the shape of the straights, it could change the situation of compulsory crossing points and turn them into a larger water way open to traffic which are harder control. Those changes, especially in the Indian and Pacific Ocean, could dramatically affect the strategies of countries in the region as well as the transportation routes to this region.

So we are no longer talking about two geo's, but more and more about the "three geo's"³, as Cleo Pascal⁴ calls them. If the third geo – geophysics – is

³ "The "Three Geo's" (Geopolitical, Geo-economic and Geophysical Changes) in the Indo-Pacific", presentation and the Global Future Forum Conference, "**Natural Resources, Economics and Geopolitics: Eurasian Interdependencies with Global Security Implications**", 17-18 September, 2013, Stockholm.

⁴ Adjunct Faculty, Department of Geopolitics, Manipal University, India Associate fellow, Chatham House, London, author of the book "Global Warring. Environmental, Economic and Political crisis will redraw the World Map", Key Porter Books, 2010

changing during a year's time and from one year to another (depending on the temperature and the extent to which the Arctic ice cap melts), meaning the whole strategy of global and regional big players is to be redrawn.

*The economic crisis and market-oriented choices
in Western foreign policy*

The economic crisis hit the Western world hard and it has impacted its strategic posture and its level of ambition – as it has a great deal of influence in reshaping the strategies of the countries involved. The US was first in the line of fire with the subprime crisis and the level of international debt. The Government shutdown at the beginning of October and the perspective of bankruptcy of the American state, once the ceiling of the international debt is not moved up by Congress, are just the latest effects of the economic crisis, which changed the strategy of the US.

The retreat from Central Asia and Europe, to a large degree, as well as the perspective of retreat from the Middle East became possible. A first argument could be the way in which the US managed the crossing of the red line in Syria, with the use of chemical weapons and the threat of intervention. The whole credible threat of use of military power turned from an expected executive order of President Obama to move to action to a Congressional negotiation and a diplomatic bargaining game with Russia, to save face.

After the economic crisis, America moved its level of ambition from the two plus two wars – two simultaneous wars to win and two to block the enemy from achieving its goals – into a one plus one format – one war to win and another one to prevent the enemy from winning. This led to a reshape of its military and of its defense industry, an important move in the economy of the US. The pivot to Asia-Pacific was the solution in order to prioritize actions in the US foreign and security policies in times of scarce resources and the rise of China as a global power.

Prioritization in international politics also has another side effect: the so called market-oriented choices took over in American foreign affairs and became more important than the mid to long term strategies of positioning. Therefore the US retreated from Central Asia and the Caucasus as it is preparing to do in the Middle East, thus passing the burden of security to existing regional actors or trying to find such actors, keeping just minor strategic capabilities in these regions.

The rationale behind these gestures was also pushing China to invest more in continental routes and posture, because of the easy way of getting resources through continental pipelines, and chasing it away from the maritime needs

and from the perspective of challenging America as a global power. Retreating from Central Asia was an invitation for China to step in and use those resources, while the shift from Afghanistan was also an invitation to use Pakistan as a transit route and get energy from the Middle East via land lines.

At the same time European countries were more inclined to completely give up their military capabilities or at least maintaining them at a minimum level and, instead, invest in their soft power, economic capacity and prestige. The result was ineffective, as the rise of Russia and its assertiveness blocked EU's ability and attractiveness in the Eastern Partnership countries. The same was true with its military hard power when in Libya just the US military presence and capabilities led to a victory in a war with a minor army.

Leading from behind allowed the US to stay out of North Africa and still grant to its European allies unique capabilities that helped win the war and maintain the level of prestige. But reality set in and some European states realized that there is no such thing as soft power without some military hard power capabilities. And the reflection period allowed the possibility to launch a Global European Strategy, a modernized version of the European Security Strategy – the Solana Papers adopted in 2003, some 10 years ago, and to think of a reshaped European Defense Strategy that will be discussed in December at the European Council. There are a few available solutions.

China's positioning in regard to its global foreign policy. The Tonga Paradigm

The global and maritime China is not a dilemma, but a fact, especially because China profited from the retreat of the US and the open space in Central Asia. Basically, in 2009-2010, China offered to the states in Central Asia alternative export routes to Russia in the North and broke Russia's monopoly of gas exports through the Kazakhstan-China and Turkmenistan-Uzbekistan-China gas pipelines, and its monopoly on oil exports through the Kazakhstan-China oil pipeline. Moreover, the latest oil investment contracts in Kazakhstan truly set the stage for China to become the most important consumer of Central Asian hydrocarbon energy products.

Despite this opportunity, China is not considering Central Asia an alternative, but more of a source for extending its development needs. Russia is currently still the most important supplier; however Saudi Arabia and the Middle East will take its place in the future. But this does not include China's globally relevant maritime transportation capabilities and ambitions. In this respect China is the owner of the most capable ice breaker and became an observer state in the Arctic Council at the same time as the US addressed the

issue through its new Arctic Strategy, but without owning ice breaking capabilities.

Nevertheless, perhaps the most illustrative example is what I call the *Tonga paradigm*. Tonga is a small island country in the Pacific that is part of the British overseas dominium. The retreat of the British governor and the transfer of authority to Australia and New Zealand transformed the dynamics of the region. An unfortunate management of a scandal linking Australian politics to the Tonga monarch made the island fall into the hands of China. China took over Tonga, invested heavily in this state of 100.000 inhabitants, and turned it into a proxy, if not dependent, client state.

Tonga is not a singular case. On the contrary, the *Tonga Syndrome* expanded to the Fiji Islands in its proximity. The idea of taking advantage and investing in other insular Pacific states expanded to Kiribati, Vanuatu and, recently, The Maldives. Basically, China chooses to invest in its stance all around the world in places of no importance to others, where it is quite easy to move in with relatively modest investments and where such an involvement is very much welcomed.

There are multiple targets: the geopolitical position, the place on the routes of transportation, resources in places that have Economic Exclusive zones the size of India's, the fact that the votes of these minuscule international actors are equal in the UN General Assembly with those of major players in the global economy, such as Germany or Japan, etc. Hence China invested in places where it could obtain some advantages with a minor effort and where competition was low, if any.

Another side effect is the one linked to the "third geo" of Cleo Paskal: Geophysics that are no longer immutable, but rather variable during the seasons, but also from year to year, depending on the level of heat that the North Pole (or the South one, for that matter) is receiving. The climate change and the raise of the global Ocean's water level could bring about changes in geography, but also in geopolitics. Hence the island states in the Pacific or Indian Ocean, but also other places in the world, could disappear under water, and the population of those states could be moved to alternative places. Tonga plans on moving, if this scenario occurs, to the Fiji Islands, the Maldives to India, while similar arrangements are being made for other islands.

But, as the study⁵ begins to show, there is great complexity linked to the problem of a state's recognition, once under water, and hence to keeping its vote in the United Nations General Assembly. There is no precedent of

⁵ Cleo Paskal, "Global Warring. Environmental, Economic and Political crisis will redraw the World Map", Key Porter Books, 2010. See also the study reference 2.

denying a UN member state its status of belonging to the organization and, as long as the water could retreat from the islands, the idea of a country's disappearance due to the vanquishing of its territory is not suitable. At this stage it becomes a speculation to establish a time frame for taking act of a country's loss of its entire territory. This represents a new range of analysis and perspective studies for experts, but also for lawyers and experts in international relations.

The Tonga paradigm proves that China, with the ambitions of a global player, is playing the national Go game of positioning and controlling areas all over the world, at a moment when the US and the West are still playing Chess. Taking new areas under control or setting the place for military capabilities, access to resources or votes in the UN General Assembly is a strategy which proves that China is an actor with global ambitions and a global strategy. That is the reason why I think that the Global Big Game changed dramatically from Chess to Go.

Russia's adaptive policies: the "because I can" strategy and the Transnistrian case

Russia is contemplating the world through its own perspective of the threats and risks that are affecting its own strategic posture. Putin's Russia is still on the rise, showing assertiveness far beyond the capacities it has at hand. Russia also has considerable problems regarding the management of its internal policies. With a falling demography, huge problems in population health, an important raise of the drug consumption and a push of radical Islam in its South, Russia tried to compensate by flexing its military muscles in Georgia 2008, by organizing huge military exercises and by starting a reform of its Army.

The ambition is to become once again a global power and to have a saying in global affairs all over the world, some kind of Cold War *redivivus*. In order to counter-balance an America under economic pressure, Dughin's Geopolitics theory has been put back on the table, transforming America, NATO and the West into the enemy. This represents the reason for considering China a strategic partner, a partner still considered inferior due to its low military capacity, according to Moscow's perception. Russia is still in a desperate need for a European transfer of technology in order to improve its economic activity, which is still based on the oil and gas export that move Russia closer to the Saudi Arabian model than to the model of a modern European State.

The last month turned Russia into a global player due to a bluff game, as George Friedman⁶ put it. Its resources, both economic and military, are far below the capacity needed to assume global responsibilities. Russia is still a regional power facing the risk of being put aside by Turkey in the Wider Black Sea Area for instance. That's why Russia feels the need to combine its demographic and economic capacities with other post-Soviet states, especially with Ukraine, in order to maintain its status as at least a regional power and a rival of the EU for the Eastern Partnership countries.

Russia adapted to the new game despite the fact that it maintains the spirit and the reflexes of the Cold War, *The Grand Chessboard*⁷, as Zbigniew Brzezinski called the world. The level of ambition and the financial resources, as well as a very high assertiveness, in the context of a lack of will of European countries to play a role due to their own economic sovereign debt crisis, made Russia move from chess to a different type of game, moving closer to the Chinese Go.

Russia succeeded in maintaining strong pillars of its strategy that fall under the "because I can" strategy. It maintained its military presence in Transnistria, Abkhazia and South Ossetia, even though it was costly in the context of the economic crisis and it didn't fit into any strategy or objectives justifying this investment. On the contrary: Russia's strategy was implemented only because it could, and because nobody else – US, the EU, The West as a whole – could prevent it from doing so – from maintaining its military presence in the region.

The rationale behind such a position came from the fact that "sometime, in the future, I could find a role and a purpose, maybe an objective to achieve", and to use those assets in Russia's approach. Even if it didn't fit into any plan, it doesn't have a purpose and in no way serves any policy, some capabilities were maintained because Russia could afford doing so.

The most obvious case is that of Transnistria, a strip of land in the Republic of Moldova transformed by a separatist frozen conflict into a Russian military stronghold that prevents both the Republic of Moldova and Ukraine to move closer to the EU or NATO. Even during the communist leadership in Chisinau, when everything was on the table and the control was total in the Republic of Moldova, Russia didn't give up its position and refused to withdraw its troops, in spite of a commitment undertaken by Boris Yeltsin in 1999 at the OSCE Istanbul Summit.

⁶ George Friedman is the senior analyst on geopolitics at Stratfor and author of the idea of a bluff of Russia in Syria.

⁷ Zbigniew Brzezinski, *The Grand Chessboard. American Primacy and its Geostrategic Imperatives*, Basic books, New York, 1997.

Nobody was able to remove Russia from this territory, neither from Abkhazia, nor South Ossetia, and in the latter case this led to the Russian-Georgian War from August 2008. In the case of Transnistria, since there was nothing to gain from the retreat, the position is good; Russia could afford paying the money to maintain the 70% deficit and a dependent separatist region. Its troops are still there in several capacities – so-called peacekeepers, guardians of the Cobasna weapons storages, or under the posing as part of the local independent separatist paramilitary police, intelligence and army. All this “because we can”, “because you cannot make us leave”, or “because nobody could prevent us from staying there”.

This type of non-pragmatic policy is the opposite of the US and the West “market-oriented” rationale of spending related to foreign policy – a very strict rationale based on arguments, strategy, objectives and resources allocated. Even the Messenberg agreements⁸ that transformed the Transnistria conflict resolution into proof of Russia’s good will in order to move to a broader security arrangement in Europe were not able to make Russia retreat from the separatist region and allow the Republic of Moldova to regain its unity and full control of its territory.

The needed changes in American Foreign Policy

The lessons learned from the evolution of international politics, the perspectives of the current world and the Big Global Game that is underway have to be analyzed. This is no time to play the global strategy of pragmatism and to maintain the “market type” approach in the international policies, since the other major players are using a completely different approach.

Moving from Chess to Go is a tremendous change and a redesign that needs to be considered in making the US global strategy. It is far more difficult to plan and achieve major global changes in the behavior of China – once its global ambitions are already obvious – than to profit from the relation with nearby friends and partners – easy to maintain with minor investments and more attention. The US has to return to the places from which it has traditionally controlled the regions and where it has stable friendships and partnerships, places like the Pacific, Europe, the Caucasus, Central Asia and the Middle East.

⁸ An agreement between the German Chancellor Angela Merkel and Russian President Dmitri Medvedev establishing that EU and Russia could move to closer security talks in a bilateral format if Russia succeeds in helping with the resolution of the Transnistria separatist conflict, considered to be the easiest to solve frozen conflict by the EU and Russia.

The Big Global Game is demanding a new effort of creativity in foreign policy and the initiation of first steps towards the Transatlantic Trade and Investment Partnership (TTIP). TTIP is a step in the right direction. The EU and the transatlantic link are a natural development of a combined block of some 900 millions to one billion people, a block that is able to compete in the future with big players such as China and India. The integration of the economies, markets and military capabilities is not easy, it requires long term efforts, negotiations and military acquisitions in Europe, but would pay back and deliver in mid term. On the long run the advantages are obvious.

In this narrative and logic, the involvement of the US in the Eurasian Suppliers Belt is of first importance for the transatlantic block, since it grants an alternative source of resources to Europe. It is the same with maintaining the interest for the Middle East resources or for those in the Eastern Mediterranean Sea. Indeed this requires efforts and a distribution of forces in the State Department, at the Pentagon or in the National Security Council, but it would contribute to the US as participating in a combined transatlantic shared burden and the global responsibility for the peaceful development of the world on the road to globalization⁹.

⁹ This chapter is the core of a paper presented in the international conference “Strategies XXI. The Complex and Dynamic Nature of the Security Environment” held in Bucharest 21-22 November 2013, organised by the Center for Defense and Security Strategic Studies of the “Carol I” National Defense University Bucharest, and published in Romanian and English in the proceedings of the conference (ISSN 1844-3087 Romanian and ISSN 2285-8318 in English).

Chapter 2

WHY IS CENTRAL ASIA CENTRAL TO EURASIAN SECURITY?

IULIAN CHIFU

Central Asia is the core of the Eurasian continuum in geographical terms and it fits into the strategies of all the major global players: Russia, China, the US, the EU, Turkey, Iran, and India. It is a land-locked region but with important quantities of resources and the only way profit from them is to link this region with the ports or the areas that could represent markets for these resources. Russia played and still plays a major role but China's rise made the region important for its economy, just like the West became interested in it due to 9/11 and the war in Afghanistan.

The security of Central Asia is crucial for the stabilization of Afghanistan, for blocking the spreading of radical Islam towards Southern Russia, the Caucasus region and Europe itself, and for limiting the drug trafficking from Afghanistan to Europe. But perhaps the most important challenge to security is the one linked to the internal balance in Central Asia, because any turmoil, war or rivalry could quickly spread into the large regions of instability in all the directions: Uygur region of China, Afghanistan and Russia.

The Arab Spring, the globalization's side effects and the internal security situation in Central Asia do not offer the conditions for a sustainable peace. Artificial borders drawn according to the maximum ethnic complication theory of Stalin, interethnic disputes in several enclaves, the capital cities situated away from the most populated regions, clan systems and identity challenges, low level of societal cohesion and authoritarian leaders of the same type as those developing dictators in the MENA and wide spread corruption are ingredients that can announce instability in this region.

Central Asia in context. Geopolitical interests

The first level of analysis goes into foreign interests, strategies and the reactions of the countries in this geopolitical context.

1. Russia

Central Asia was considered a natural zone for projecting Russia's privileged interests after the fall of the Soviet Union and the adoption of the "near abroad doctrine" in 1992. Moscow saw it, in the traditional way of geopolitics since Ekaterina the Great and the Tatar invasions, as the buffer zone needed for protecting itself from the instability and radical Islam coming from the South. It demanded loyalty from the new independent states in Central Asia in exchange for security guarantees and advantages coming from the old interdependent economy of the Soviet Union.

Three of the five countries have military Russian troops on the ground¹. But Russia also has important soft power instruments: the Russian Diaspora (especially in Kazakhstan, where the Russian population of 4,2 million represents almost 24% of the population), a stable Soviet educated elite, a Russian dominant media and culture, important labor force from the region² supporting with remittances the economies of the small states of the region etc. Russia was, until 2010, the unique route for energy exports from the region, as well as the dominant transportation route of the Central Asian goods to the Western markets³.

Russian strategy seems to shift towards a more elaborated version than the simple domination and control of the region⁴ through the integration of the states in Russia controlled multinational institutions like the CSTO, the Customs Union and the Eurasian Economic Unions as way to shape a new form of the Soviet Union. This seems to be true, even if countering the Western influence and China's rise and economic impact in the region remain the major goals of any Russian strategy.

There are compromises that Russia has to make in the relation with the former Soviet states, including in the Central Asia ones, and the failure of Russian policies is coming less from the lack of will to rebuild the Soviet

¹ Kant airbase, Anti-submarine Weapons Testing Centre in Issyk-Kul Lake, other laboratories and communication nodes in Kyrgyzstan, 291-th military base in Tadjikistan – the largest military base abroad, with approx 7000 troops; Sary Shagan anti-ballistic Missile testing range, Balkhash-9 Radar Station, Kstanay military-transportation airbase in Kazakhstan and other military facilities (see Azad Garibov and Rovshan Ibrahimov, *Geopolitical competition in Central Asia*, SAM Comments, vol. IX, August 2013, Baku).

² More than 3,5 million workers, 2 million Uzbeks, one million Tadjiks, half a million Kyrgyz, with remittances accounting for 46% of the GDP in Tadjikistan and 20% of the GDP in Kyrgyzstan.

³ Before China built oil and gas pipelines, in 2010, all the pipelines crossed Russia: Caspian Pipeline Consortium, since 2003, Uzen-Atyrau-Samara Corridor, Central Asia-Centre, Bukhara-Ural pipeline.

⁴ See Alexander Cooley, Marlene Laruelle, *The Changing Logic of Russian Strategy in Central Asia. From Privileged Sphere to Divide and Rule?* PONAS Eurasia Policy Memo No. 261, pp. 43 – 49 in *Ambiguous Relations, Russia's post-soviet neighborhood*, PONARES Eurasia Policy Perspectives, August 2013.

Union and more from the energy interests and budgetary requirements linked to oil and gas prices in Europe and China. This led to unexpected blockages and interruptions of the gas pipeline that carried Turkmen gas and that contributed to Ashgabat choice of being more inclined to independence, if not isolationism from the Russian-dominated integrative organizations in the region. In the case of Uzbekistan, the other “independent” state of the region, taking part in border disputes or interethnic conflicts, as well as interfering with water disputes made it distant from those processes.

The change in strategy went from domination, regional mediation and maximizing influence in the region to a more nuanced approach, including taking sides in different disputes. Geopolitical balancing in Central Asia would be a better definition of Russia’s policy than strict domination. The typical “divide et impera” approach to the choosing of Kazakhstan as a privileged partner, supported as regional power which in turn supported two client-states: Tadjikistan and Kyrgyzstan, while countering, teasing and blocking Turkmenistan’s and Uzbekistan’s interests in the region. Russia is always supporting the other side in the territorial, ethnic or water disputes, unless a different clear agreement with important dividends on its behalf is reached.

Two events fundamentally changed the situation: the color revolution in Kyrgyzstan and the following interethnic violence in Osh, Kyrgyzstan in 2010. These events proved that the CSTO cannot offer to Central Asia states a security umbrella, and that Russia cannot react in such conflicts. This made the CSTO accept the possibility “to react in crisis situation that are threatening the security, stability, territorial integrity and sovereignty of the member states”, provision accepted in December 2010⁵. But this provision meant more reservations from the member states in case of a Russian “intervention in the internal affairs”.

The Arab Spring was even more disturbing, since everyone realized that there are similarities between the situation that led to the fall of Zine el-Abidine Ben Ali and Hosni Mubarak and the situation in Central Asia, as well as Russia’s impossibility to intervene in such events. Moreover, the post-2014 changes seem to put Russian think-tankers in disarray. But the *Russian Council of Foreign Affairs* (controlled by Igor Ivanov), established the existing strategy⁶.

The major issue yet to be decided is how to balance Russia’s relations with Uzbekistan – the military and demographic leader of the region, energy independent and involved in the turmoil of Islamic radical organizations

⁵ Evgeny Troitskiy, *Kyrgyzstan Turmoil. A Challenge to Russian Foreign Policy*, Swedish Institute for International Affairs 8 (2012): 31.

⁶ RIAC, *Interesy Rossii v Tsentral’noi Azii: sodержanie, perspektivy, ogranichiteli* (Moscow: Russian Council for Foreign Affairs, 2013).

with foreign fighters that could come back after 2014 from Afghanistan – and Kazakhstan – the most important player in terms of territory and resources. Uzbekistan moved closer to the US and the West, once the Afghan campaign began then made a step back after the colored Western-supported revolutions in 2003-2005, human rights critique and the Andijan ethnical repression. Tashkent expelled the US from the Karshi-Khanabad air base in 2005, entered the Eurasian Economic Community in 2006 but withdrew from Eurasec in 2008 and CSTO in 2012, due to Russia's stance on the Rogun dam and the Fergana Valley interethnic disputes.

Uzbekistan remains the weak link and the maverick of the region according to Russia's interests, but the new strategy still plays an important role in Moscow's divide-and-conquer approach. The withdrawal of the US and Western troops from Afghanistan and the perception of disengagement made Uzbekistan (and other Central Asian states) try to obtain maximum advantages from the military transit from Afghanistan, thus creating important disputes with the involved states. Separately, bilateral agreements between Moscow and Bishkek were concluded in 2012, including a commitment undertaken by Russia to spend one billion dollars for assistance in security matters.

At the same time, we cannot ignore Russia's rising concern on China's involvement in the region that could influence the future objectives of Russian bilateral relations and international organizations led by Russia in the region.

2. The US, the EU and the Western countries

9/11 is the reference moment when the US moved from marginal interest – some minor private investments and Chevron involvement in the development of the Tengiz oil and gas deposit in Kazakhstan – to strategic approach in relation to Central Asia. Since NATO is not considered a useful tool and the PfP framework is just a space for dialogue and initial engagement of Central Asia actors, the most of the relation focused on bilateral relations with individual states. The role that Central Asia states are playing in the Northern transportation routes to the West became the engine that forged better relations in light of the need for alternative routes and alternative sources of oil and gas for Europe.

Central Asia states are inclined to cooperate with US, EU and the West to counterbalance Russian and Chinese influences in the region, but they are refrained by critique towards human rights track and democracy in the region and are concerned with the Western support for the color revolutions (2003-2005) and, recently, for the Arab Spring and regime changes in Libya

and Syria. Since there is a lack of real and sustainable involvement of the West in the region, the reservations can be explained and all relations with the West are considered a one time show, therefore all negotiations are following the “hit and run” pattern, with maximum advantages demanded for each agreement. Uzbekistan is still the most important partner of the US in the region in respect to the Northern Distribution Route.

The Central Asia states are still important for the US and the Western countries for fighting terrorism, the combat of drug trafficking, weakening the religious extremism and tackling radicalization. Especially for the EU and the Western states the main objectives for cooperating with Central Asian countries are diversifying energy sources and energy routes, Trans-Caspian corridor, the project of the New Silk Road, that is giving Afghanistan an economic support for stabilization through economic development, and involvement in stopping the spread of instability in Afghanistan after 2014. But this requires solid involvement in the region, a clear strategy and intensified dialogue with Central Asia countries in order to guarantee the sustainability of the involvement and non-disengagement from the region in 2014.

This can be achieved only through major strategic projects that involve Central Asia. Here the New Silk Road is a project that is interesting for the region and designed to stabilize Afghanistan. However, the EU and the US could have been more involved in the East-West Black Sea-Caspian Sea Strategic Corridor⁷ that will link Romania’s EU and NATO border via the Southern Caucasus to Central Asia in five dimensions – energy, transportation, military transit corridor, trade and investments. Such a project could be attractive, thus obtaining Central Asia countries’ support, especially Turkmenistan, Uzbekistan and Kazakhstan.

3. China

China considers Central Asia as an important market for its products, a destination and transit route towards the West, as well as a source for oil and gas and diversification for its maritime imports from the Middle East or by land from Russia. Economic cooperation, infrastructure investments and energy imports are the main objectives of China in the region, as well as an effort to promote its work force in the region.

⁷ Iulian Chifu, The East – West Strategic Corridor: Multiple Opportunities and Benefits, GMF, August 2012, Ocasional Paper, at http://www.gmfus.org/wp-content/blogs.dir/1/files_mf/1344264752Chifu_EastWestStrategicCorridor_Aug12.pdf; Iulian Chifu, The East – West Black Sea/Caspian Sea Corridor in the Age of Uncertainty, GMF, March 2013, http://www.gmfus.org/wp-content/blogs.dir/1/files_mf/1362595246Chifu_Corridor_Mar13.pdf.

Both the Russian pundits and Western analysts sometimes see China as the proper actor to balance Russia's power in the region and even to counter Western political influence. It is true, this perception is constant at the level of officials both in Moscow and Washington, Paris, Berlin or London, but this is not China's strategic thinking. China looks more nuanced to the relations with Central Asia and considers the region less important than it is perceived.

The most important arguments come from the fact that China does not consider that its interests and objectives in the region are worth a rivalry with Russia. On the contrary, more and more there is a type of agreement on the level of involvement after China broke the monopoly and succeeded in building pipelines from Central Asia to Western China – a move that seemed reluctantly accepted by Moscow. In fact, all the major investments are respecting Russia's priorities and the strategy in the region, especially in Kyrgyzstan, Tajikistan and Kazakhstan. It is true, in the case of Kazakhstan it's still part of a national policy of balancing the influence of the big actors, and we could argue that the two other most targeted countries are the neighbors of China.

Even in terms of multilateral cooperation the Shanghai Cooperation Organization (SCO) is rather a condominium organization with Russia than a rival to Eurasec, the Custom Union or CSTO. Nonetheless, China never tried to develop military power and facilities in the region and does not seem interested to try any development of this kind in the foreseeable future. China best profits on the need of local states to diversify foreign and economic relations and balance international involvement in their region, as well as the need for support of their sovereignty without claiming democratization, human rights reforms or assuming an important involvement in regional political disputes or internal succession mechanisms.

Security remains an important concern for China and Central Asia is used to stabilize the Western Uygur region of China which is plagued by separatist tendencies and radicalization. Radical Islam and the spread of Islamism are of first interest for China, who prefers the Sunni secular type of religion that Central Asian states had during Soviet times. Here their interests are convergent with the leaders of the Central Asia countries and with Russia.

In 2009-2010 China finished the construction of the Kazakhstan-China and Turkmenistan-Uzbekistan-China pipelines, and offered the first real possibility to Central Asian states to have an alternative export route and to deal with Russia in energy negotiations on a more equal and competitive footing⁸. For China, Central Asian resources are complementary, additional

⁸ Alexandros Petersen, Khatinkam Barish, Russia, China and the geopolitics of energy in Central Asia, Centre for European Reform, November 2011, www.carnegieendowment.org.

to those from the Middle East and Russia, not able to replace any such source, but helping to deal with the increasing demand of the Chinese economy for energy resources.

In terms of soft power China still maintains its most important tool – investments in resource exploitation, infrastructure, transportation rails and roads for trade. In Turkmenistan, a loan of 8 billion dollars from 2004-2011 made China National Petroleum Company the only company with a license to exploit the onshore Turkmen gas reserves; a loan of 10 billion dollars to Kazakhstan banks made China the owner of one quarter of the oil production in this country; China also owns a quarter of Tajikistan's debt.

Cheap loans are an instrument used by China in order to deprive the Western actors of an important tool and Central Asian countries accepted it in order to avoid any democratic conditionality linked to the loans coming from the West. China built institutes teaching Cantonese, supported cultural exchanges and promoted education in the region, but this could not prevent xenophobic reactions towards Chinese workers.

China has no interest, nor will have any to replace Russia as the main influence actor in the region. It seems to prefer a creeping evolution of influence in economic terms, the biggest part of them accommodated with Moscow.

4. Turkey

Among Turkish officials the early 90's established the conviction that "Turkey has a special role to play" in Central Asia (Southern Caucasus and Caucasus)⁹ given the ethnic, historical and religious background. But Turkey was not prepared for the fall of the Soviet Union and in the period before 1991 avoided building links with the region to avoid affecting the Soviet Union in its decline period. The result was that Turkey was seen not as a kin state or model, but as a possible future "Big brother". The four Turkic speaking states in Central Asia were not ready to exchange a rediscovered independence with a new dependence on a different actor.

This idea of an Elder Brother and common Turkic heritage was embraced first with a disparity of expectations from both parts: Central Asia states and Turkey. Central Asia sought to solve one of the main problems using the "elder brother", but Turkey was not prepared to play that role. The credits that Ankara provided through Eximbank Turkey raised problems in paying the debts and interests and didn't cover the needs of the region.

Moreover, the economic situation of Turkey meant Ankara was unable to help restore the crumbling economies, to support investments in infrastruc-

⁹ Mustafa Aydia, Foucault Pendulum: Turkey in Central Asia and the Caucasus, Turkish Studies, vol. 5, nr. 2, summer 2004, pp 1-22.

ture. This led to an expectation gap. Central Asia states were disappointed by the insufficiency of its aid and declarative character of its support, and when Russia was back on track, ready to assist them, all those states preferred the well known partner to one that didn't meet their expectations. Disillusion and dissatisfaction led to a lower level of representation in all the institutions of the Turkic speaking states, lead by Turkey.

After Turkey regained self confidence and its economic growth exploded in the mid 2000's, the relations with Central Asia states moved back into a strong economic base, far more pragmatic. This was also a response to the increasing attention given by Turkey itself to those states, since Ankara put aside the EU perspective and filed for entering CSO, the Shanghai Organization. Turkey needed new markets and new strategic allies to reduce the dependence on the West and to shift of the balance of power towards Asia¹⁰. It also covered the new paradigm of Neo-Ottomanism of the AKP, ready to rebuild its relations with all the former countries of its lost empire.

Pragmatism and strategic thinking changed the posture of those Central Asian states towards Turkey, a more potent and interested actor in the development of the region. Turkey forged the Cooperation Council of Turkic Speaking States with Azerbaijan, Kazakhstan and Kyrgyzstan. Ankara also founded in January 2013 the Eurasian Law Enforcement Organization (with military status) with Kyrgyzstan and Azerbaidjan, negotiating even a possibility of a "common army", but just with Azerbaidjan. At the end of the day, Turkey proved not to be the partner that could provide economic and political assistance or the security guarantees that Central Asian states needed.

On the other hand, the "true Islam" that the Turkish establishment is providing along with the Gulen foundation could be interesting to follow, as well as it can represent opportunities that a post-Syria and post-Erdogan Turkey could offer to the region if it can be integrated in a common strategy for Central Asia with the US, the EU and the West. This would be the only way of real counterbalance and attractiveness in Central Asia, without domination ambitions and balancing the promises according to the resources, if a real and long term interest could be identified in the region by all the actors.

5. Iran

Iran is an important neighbor but a lot of differences made Central Asia countries reluctant to any in depth relation. First, the Islamic Revolution and the Islamic Mullah regime were not acceptable to those states, neither the presumed support for the Islamic movement in the region. Then, ethnically,

¹⁰ Bulent Aras, Turkish Policy Toward Central Asia, Today's Zaman, 15 April 2008.

only Tajikistan has a Persian population. But the biggest projects, pipelines and railways, were built with Turkmenistan.

Economic cooperation was launched especially in order for Iran to exit the isolation due to its nuclear program, but this situation also made the Central Asian States stay away from their neighbor with nuclear ambitions and subject to multiple international bans. Iran is not attractive, nor willing to play a major role in the region, where only basic economic ties are at stake.

Uzbekistan, the military most potent state in the region, remains also the most skeptical in the relations with Iran, and also reluctant on any role Iran would play in the region.

6. India

India is the last of the major power that became interested in Central Asia as a region, especially in its resources. India has the problem of lacking a direct transportation route, but is the most important partner in the project of the New Silk Road linking Central Asia via Afghanistan and Pakistan to India. Its capacities are combined with the ones of Iran, since the only way out without using any Pakistani transport route is via Iranian ports.

India becomes instrumental in stabilizing Afghanistan and offering the economic backbone of a transit corridor like the New Silk Road for economic sustainability. The project could also act as a common denominator bringing together and fostering mutual understanding between India and Pakistan.

India is involved in the TAPI transportation project, which begins in Turkmenistan, as well as in the North South Transport Corridor from Turkmenistan and Central Asia to the Iranian port of Chahbahar to serve as a gateway in the Persian Gulf. India was driven in Central Asia also by the increasing presence of its geopolitical rival, China. In military terms, a negotiation has been made with Tajikistan, for an Indian military base, in Ayni, near Dushambe, but the agreement was delayed and canceled after massive Russian involvement. India could also be an ingredient in a complex of factors that motivate Central Asia to join the project and can balance Western interest.

Central Asia countries. Characteristics and main positions

The second level of analysis will look into the characteristics of the region and the main security issues, together with the specifics of each country. Even if Central Asia is a geographical region, sensible dissimilarities appear

between the different countries. But there are also common characteristics to be found in all countries, to a certain extent in each one.

Twenty years after their independence the Central Asia countries are lacking of national identity, are politically unstable and also institutionally unprepared to exercise their independence. They have weak and interdependent economies and are fighting to overcome the profound crisis created by the fall of the former Soviet Union. Since their independence, just three of the five states have experienced changes in leadership. In those situations, the power has been transferred after a confrontation between internal political elites with violent episodes or non-transparent arrangements.

The internal volatility of those countries¹¹ makes this region unpredictable due to the poor management of the economic crisis, territorial differences, interethnic tensions, rivalries for water resources, asymmetrical threats and competition for promoting national energy interests.

First, the ethnic tensions and regional rivalries come from territorial disputes. It all began with the artificial manner in which the borders between the five states were drawn. Stalin's doctrine of maximum ethnical complication, aimed at avoiding any breakaway, contributed to the design of the borders in such a way that the fall of the Soviet Union, according to those lines, left many enclaves in each state. Originally, Stalin thought that the Soviet Union could not dismantle if this partition was made. It is not the same thing as the straight lines found in Africa, resulting from the decolonization period or agreements between the great powers, or the borders of Middle East and South Asia, which were drawn by the former colonial empires, but the result is basically as complicated as in those very regions.

There are territorial disputes between Uzbekistan and Kazakhstan, Kyrgyzstan and Tajikistan, as well as those linked with the interethnic conflicts in the Fergana Valley between the minorities of the region, Turkish, Kyrgyz, Tajik and Uzbek. There are no less than nine ethnic exclaves in the region, territories within the borders of one country that are ethnically distinct and politically part of a neighboring state. As a result the situation around each of them is heating up, with the risk that one or more of them will become a Central Asian "Karabakh."¹²

Tajikistan has three such exclaves: Sarvan, an eight-square-kilometer area inside Uzbekistan, Vorukh, a 130-square-kilometer area inside Kyrgyzstan, and Kaigarach (Western Qalacha, a one-square-kilometer area also inside Kyrgyzstan). Uzbekistan has five exclaves within Kyrgyzstan: Sokh, which covers 325 square kilometers, Sakhimardan which extends over 90 square

¹¹ Robert D. Kaplan and Lauren Goodrich, *Central Asian Tensions*, Stratfor, January 30, 2013.

¹² Paul Globe, *Nine Potential 'Karabakhs' in Central Asia Heating Up*, Eurasian Daily Monitor for the Jamestown Foundation volume 10, issue 100, 28 May 2013.

kilometers, Qalacha which covers less than one square kilometer, Dzhangail with less than one square kilometer, and Tayan, an even smaller area. And Kyrgyzstan has a single exclave in Uzbekistan: the village of Barak (or Barak-ail) between the Uzbekistani cities of Margilan and Fergana¹³.

In the same framework, disputes result from water scarcity and the two main projects, hydro power plants Rogun on the Vash river in Tajikistan and Kambarata on Amun Daria river in Kyrgyzstan. Both are situated in such a strategic way that their activity is crucial for the quantity of water downriver in Uzbekistan and Turkmenistan. The deal is linked to the export of energy in Afghanistan and Pakistan, water for cultures in Uzbekistan and to the gas deliveries to Tajikistan and Kyrgyzstan. Some international actors are using the water war whether to gain geopolitical and security dividends (Russia) or to obtain economic gains (China).

The fact is that none of the international actors involved in the Central Asia is interested in seeing a change through military means of the borders. Moscow and Beijing are mostly into security, due to their economic interests, while the other actors have more short term interests that can be better fulfilled by the existing and well known leadership than by a new one, at least as corrupt as the existing one.

Islamism as a main security threat

The five Central Asia countries are dominated by the Islamic religion. During Soviet times the Sunni secular Islam was the limit of the accepted practice of the religion. The strategy of the authoritarian regimes from Central Asia was to use ethnicity to consolidate the independence and statehood of their countries, ignoring the multiethnic and multicultural character of those states.

The unemployment and the economic problems made people step away from the atheism of Soviet times and head towards the strict Islamic practice, including radical Islamic movements. The radical Islam is gaining weight even based on the repressive actions of the authorities and this became a very interesting link that could forge a societal cohesion between different tribes and could replace the inexistent or weak national identity.

The authorities and regimes in Central Asian countries tried to introduce a small level of Islam in the society, carefully controlled at all levels, while banning any political Islamic movements. The exception was the Party of Islamic Revival, a member of the ruling coalition in Tajikistan. Several

¹³ for maps of these areas, see enclaves.webs.com/centralasia.htm.

Islamic parties have an important impact and the capacity to mobilize the citizens, the most important being Hizb-Ut-Tahrir (HuT), banned both in Uzbekistan and Tajikistan.

The first risk in the whole area is the return of the Islamist movements that are fighting in Afghanistan. Some are original from the area and flew to take part in the war, along with the Taliban. Some were recruited and radicalized in the region and sent to camps to acquire military skills. All of these will return after 2014 in the area and reinforce the existing groups, especially the Islamic Movement of Uzbekistan (IMU) and the Islamic Jihad Union (IJU).

IMU was created in 1998 with the aim of replacing the Karimov regime and establishing an Islamic state in Uzbekistan, governed by Sharia law. The objective was extended in 2001, to create an Islamic state in Uzbekistan, Kyrgyzstan, Tajikistan, Kazakhstan, Turkmenistan and the Xinjiang province in China. IMU is still active in the region, and its militants, who are not fighting in Afghanistan, are spread in the whole region. The IJU is a branch of IMU, which chose to spread the Jihad in all the Central Asia states in the 90's. The group claimed three suicide attacks: the first on the 30th July 2004 in Tashkent and the most recent in 2009.

Internal dynamics

The third track of this analysis looks into the internal situation of the Central Asian states, the common weaknesses of the internal structure of the state, the level of societal cohesion, the difficulties encountered in the attempt to forge a national identity and the political major issues that could lead to instability.

First, Central Asia is characterized by the lack of real democratic systems. The transition after the fall of the Soviet Union was rather non-transparent and the rivalries and fights as well as decisions were hidden behind close doors, between clans and families. The political culture is driven by the need to avoid any evolution towards a liberal system and each electoral process is subject to manipulation rather than to the popular will.

The political leadership is seen in the region as one built on the absolute domination of a single leader, a central figure with absolute decisional power, therefore every leader who enters office is using its position for consolidating the power. In the attempt to preserve the system, each leader in office is also concerned with a way to define its succession in order to avoid any coup and also to avoid the fights at the moment of natural succession. The problem of political leadership is always a sensitive issue and we cannot rule out that an external involvement could be instrumental for a change of the system. But this is a speculation, since any such movement is carefully observed

by the repressive instruments and they are acting with extreme aggression in order to avoid such perspectives.

It is true, on the other hand, that all the major players, Russia, China, and the US, are protecting their own interests by maintaining the system in the first two cases due to their own political culture, but also due to the efficiency of dealing with a single leader. The US didn't develop long term interests, so the same principle of efficiency makes the existing status quo the easiest solution.

In this region, there are three levels of identity perceived: tribe or clan identity, national identity and pan-Turkestan trans-national identity. But even the national identity is forged only on the balance of power between clans that only the president, as a guarantor, can ensure. This guarantees its extreme power of decision, since he is the only one that can prevent fights between clans and maintain the cohesion of the system.

The political elite try to extend its power, control and influence over the state resources, without a sustainable balance of power. The president is the one teasing the groups to compete and consequently ensure his role in balancing and mediating the fights. At the same time those fights are also the premises for the fall of the system and of the country, which is not cohesive due to a real national identity, but rather due to the state identity given by the existence of the President, a pseudo-king that unifies clans in a type of monarchic union. The hierarchies are rigid and based on age and experience in the fight. Previous victories are forging the status and not competences or professionalism.

In this environment, the highest risk is coming from the sudden change of the regime due to the accidental death of the President, a situation that usually launches violent competition between clans for the supreme status. Authoritarianism and its consolidation is a major counter to any type of liberalization and democratization process or promotion of the human rights that would offer to citizens the right to choose and empower them to elect the leader. We could add to this another characteristic, the lack of predisposal for change in the whole society, since the system worked that way for the last century, after the Bolshevik revolution.

The existing system of power is another major risk since it ensures the sustainability of the authoritarian regime that even enforces this system. However at the same time it highlights important weaknesses and the thin line that balances the rivalries that are preserving the President's absolute power and must be maintained even if this may lead to a catastrophic war. Moreover, since those rivalries and fights are not public and the system is balancing between clans in an opaque manner the result is a major unpredictability in the system. Further more, each member is obliged to fight for the

enforcement of the absolute power of the President. Corruption is also a characteristic that goes with extreme authoritarianism.

The precedent created by Kyrgyzstan is a major threat to the whole region, even more than the events of the Arab spring. But it also shows the limits and the side effects of revolutions: instability and unpredictability, violence and chaos. This is more likely to happen in the countries with fewer resources and huge economic problems like Kyrgyzstan and Tajikistan, and less likely in the other countries with huge resources and the capacity to subsidize the communal services using funds resulting from the price of oil and gas.

Specific situation in each country

Uzbekistan is ruled by the same leaders that were here at the fall of the Soviet Union in 1991. Authoritarianism is key to the rule of president Islam Karimov, who controls the system with repressive methods and blocks every attempt of liberalization or democratization. He changed the constitution in 2010 in order to ensure strict procedures for his succession and avoid any social movements.

The political system allows only pro-presidential parties and the opposition movements have their leaders in exile. The grounds for a possible crisis are obvious: huge unemployment, major corruption, raising inflation, abuses of the authorities, mass migration, and religious extremism. Radical Islam is claiming the majority of the persons under 35 years of age that want an Islamic State run by Sharia laws.

The only type of movement is the Islamist one. It is also vulnerable to violent terrorist acts and its neighborhood with Afghanistan is a catalyst in this regard, especially after 2014.

Turkmenistan remains one of the most authoritarian states in the world, with the president holding absolute power, without any political opposition, independent media or any organization to protect the human rights. From time to time, the regime is publishing “black lists” of citizens unlawful to the regime. No civil wars or ethnic confrontations occurred in this country since its independence and the president is in complete control of its repressive institutions.

There is no civil society, no foreign NGOs, no political opposition and the system successfully solved the succession issue on its own, with a relatively young president in office. The state is offering free energy, oil and gas as well as subsidies for basic food products to its population.

The only major movements that can occur may happen once rivalries between different clans lead to major disputes and the President is not able

to cope with the situation. It is not the case nowadays and in the foreseeable future. The probability of change is the lowest in the region.

Kazakhstan is the most important and balanced country, it maintained its leadership since the independence and also managed to balance the full engagement with Russia and its integrative institutions with important economic relations with China and the West. Massive protests took place December 2011 in Janaozen, a social movement of workers from the oil and gas industry. Stability was maintained without major efforts or risks for the system due to the need of all international actors to be granted their energy security.

Political stability is granted more by the immaturity of the majority of the population, who do not realize the lack of democracy and is subject to the official propaganda that identifies any human rights assessment appears as involvement of external factors in internal affairs of the country. The other part of the population accepts the situation and the system the way it is, for stability and because it brings wealth. Kazakhstan is fabulously rich in hydrocarbons, strategic minerals and metals (it is about to become the world's largest producer of uranium and has the world's second-largest chromium, lead and zinc reserves).

The only type of change could come from the ethnic diversity, once a specific ethnic group faces discrimination (which is not the case) and from the former capital city of Alma-Ata, the economic, academic and cultural center of the country, with Muslims that are practicing Islam. But this is rather a pride mechanism and not a social one, and radical Islam is not deeply rooted enough in order to gain the weight necessary for provoking any change. In the case of Kazakhstan, we can assess that this could be subject to change only as result of a domino effect, after major changes in the other states.

Kyrgyzstan witnessed two major political transformations in the past 7 years: the Tulip Revolution in 2005, which led to the dismissal of President Askar Akaiev and the rebellion of April 2010 which led to the deposal of President Kurmanbek Kaviiev. This created the premises for transformation of the system from a Presidential to a Parliamentary system but the perspective of a real democracy is still far away.

The most important risks are coming from interethnic tensions, the North-South divide and the lack of support for the regime in the South of the country. Problematic are also the corruption of the authorities and radicalization of the young generation due to ethnic confrontation with the Uzbeks in the south. The consensus is difficult since the political system is based on regional and clan support.

Tajikistan is the most violent state in the region, subject to civil war as a result of a combination of poverty, authoritarianism, Islamic terrorism, repression of religious and civic rights and drug trafficking. There is no independent media; there are no minorities in the ruling institutions; there are high levels of corruption; and there is discontent among tribes that have to bribe the President's family for any position.

The Tajiks are inclined to violent protests, Islamist groups are inclined to profit from the internal unstable situation while important changes could happen after the Presidential elections in November 2013.

Perspectives and conclusions

The problems related with border, ethnic disputes, water resources instability in the Fergana Valley and the status of the Caspian Sea could generate tensions between different states of the region.

Throughout Central Asia Islamic consciousness has risen over the past two decades as a moral force against the rule of often brutal, sterile and corrupt authoritarian regimes. A wild card in this regard is Afghanistan. Following the withdrawal of substantial numbers of American troops from the country in 2014, there is a possibility that Islamic fighters from Uzbekistan and Tajikistan will return to their ethnic homelands and sow unrest¹⁴.

Yet the real chance of epochal change in former Soviet Central Asia may come less from Islamic revolution than from the passing of aged leaders themselves, who have no credible successors of the same stature, while the institutions required for successful political liberalization remain problematic. But the opportunity created can be used only through the Islamic movements, since there is no civil society, real opposition or political elite willing to change the existing system since Central Asian leadership lack essential political legitimacy¹⁵.

The change of existing leaders, through elections or succession, would maintain, most probably, the existing authoritarian regimes, but the event itself, if it occurs suddenly, could lead to some opportunities for change. Unfortunately the only prepared faction that can take advantage of the opportunity is the Islamist radical group¹⁶.

¹⁴ Robert D. Kaplan and Lauren Goodrich, Central Asian Tensions, Stratfor, January 30, 2013.

¹⁵ Robert D. Kaplan and Lauren Goodrich, Central Asian Tensions, Stratfor, January 30, 2013.

¹⁶ This chapter has been partially presented at the international conference Global Future Forum organised by Hosted by Swedish Defence Research Agency (FOI), in Partnership with the US National Intelligence Council and the Scottish Government and a part has been used in the article "Interesele strategice ale actorilor majori în regiunea Asiei Centrale" "Infosfera" Review, Bucharest, Anul V, nr.3/2013, ISSN 2065-3395, pp. 31-39.

Chapter 3

THE SOUTH CAUCASUS: GOING WITH THE WIND

IULIAN CHIFU

The South Caucasus was in an important turbulence over the last year or so, a situation that caused changes in the orientations and the nuances of the foreign policy and in the arrangements made in the past. To begin, the Eastern Partnership of the EU was at stake during the summit in Vilnius. Then the elections in the three states brought important changes in nuances and positions.

For the security of the region we can only talk about continuity in orientations and existing solutions. Georgia ended the Saakashvili era and maintained its orientation during the cohabitation period. It also looks in the same direction because the occupation of the two separatist territories by Russia and the enforcement of the separation line prevent any political power in Tbilisi from really opening the door for reconciliation with Moscow.

In Azerbaijan, on the contrary, rejecting the Nabucco pipeline and the Association Agreement with the EU didn't help in their demand for exceptional treatment, since elections came under criticism from all Western institutions. Democracy and human rights are not there and the model of inheriting the Presidential office that is happening now, during the third mandate of Ilham Aliyev, an option made after changing the Constitution and reacting against the weak opposition, is just for the symbolism of results, which seemed useless since President Aliyev would have been elected in any fair game.

Armenia was the big surprise, since it chose to deal a blow to the EU by rejecting the DCFTA and the Association Agreement, choosing instead to go for the Russia-Belarus-Kazakhstan Customs Union (even though the country is isolated from the other member states). It tried to repair something by choosing an Association Agreement without the DCFTA but this alternative was rejected. The DCFTA is a part of the Association Agree-

ment. It is true that we are talking about a country that is not able to act without Russia's support, in both security and economy, but the move also reflects the lack of political will of Yerevan to really try to be independent.

Last but not least the Nagorno Karabakh conflict is still on the table. Nothing is being solved and, on the contrary, the conflict's existence shapes the strategic options since Armenia fears Azerbaijan's huge military budget, greater than its own GDP, and Baku, at the same time, made some concessions to Russia in order prevent Moscow from sending heavy support for its opponent.

If we add to all those developments the standoff in the delimitation of the borders in the Caspian Sea we have the full complexity of the heavy files that the region fights to solve. This is vital in order obtain alternative opportunities with the aim of multiplying every country's options and enforcing the independence, sovereignty and access to prosperity of the states.

*The Complex of Security*¹

During the Cold War the logic of the power balance was dominant. The **concept of regional security** was almost completely undermined by political and ideological constraints. It was studied in connection to the global reasoning of the two superpowers and the way states adhered to them, thus ignoring its own logic and rationalities.

To some extent, in that arrangement, the pre – eminence of the bipolar system was evident, with the global system playing a major role in this type of construction. Still, multiple singularities were determined a) by policies and standpoints adopted prior to the bipolar system, or b) as a result of exploiting the new rules of the game in order to gain the upper hand in regional conflicts and further extend one's area of influence.

The upsurge of integrative formulas after the Cold War, under the pull of globalisation and out of the necessity to undermine regional pre-existing conflicts by adhering to a regional security system, based on global and regional actors coming together to prevent conflicts from spilling over determined a new IR debate in the form of **regional studies** and the **rational choice** regarding the newly set-up institutions.

There are three main approaches in the question of **regional formulas**²:

¹ The theory on regional security and complexes of security is detailed in Iulian Chifu, *Security complex and regional concepts. The Wider Black Sea Region. Institutional integration and administrative capacity as solutions of regional security, Strategic Impact*, No. 2/2011, ISSN 1842-9904 (online edition), pp. 14-22.

² Classification taken from Luciana Alexandra Ghica, Marian Zulean, *Politica de Securitate Națională. Concepte, instituții, procese*, Iași, Editura Polirom, 2007, pp. 99-116.

– The **subsystem** approach, determined by historical sociology.³ Subsystems can be analytical instruments, archetypes, theoretical models etc.

– **Subordinated systems** approach, derived from general systems theory⁴, which involves models based on the facts of the global order, not solely on theory and axioms.⁵

– **The security complex** approach, a much more recent theory, tries to accommodate the two theoretical tendencies.

A **regional subsystem**⁶ shall be loosely defined as a pattern of relations among basic units in world politics which exhibit a particular degree of regularity and intensity of relations, as well as awareness of interdependence among the participating units⁷. Such a definition covers alliances, international organisations, regional integration, security communities⁸, social and revolutionary movements⁹ and regional integration¹⁰ or societal interactions in the form of trade or flow of men without institutional accompaniments.¹¹

The regional subsystem is a label, a common denominator, relevant to uphold the idea of the existence of a single, global, international system placed above the regional one.¹² Interactions can come on intergovernmental, societal, trans-national or integrated levels. The security spheres of actors are intertwined, especially regionally.¹³

³ Raymond Aron, *Paix et guerre entre les nations*, Calman Levy, Paris, 1962; Stanley Hoffmann, *International Relations: The long Road to Theory*, World Politics, vol. XI, 1959, nr. 3, pp. 346-377, Stanley Hoffmann, *International Systems and International Law*, World Politics, Vol. XIV, 1961, nr. 1, pp. 205-237.

⁴ Ludwig von Bertalanffy, *General Systems Theory*, UCLA, Los Angeles, University of Michigan, 1956, Ann Arbor, pp. 1-10.

⁵ Morton Kaplan, *System and Processes in International Relations*, Wiley, New York, 1957; David J. Singer, *The Level of Analysis Problem in International Relations*, World Politics, vol. XIV, 1961, nr. 1, pp. 77-92; David Easton, *A Framework for Political Analysis*, Patience-Hall, Englewood Cliffs, 1965.

⁶ Karl Kaiser, *The interactional of Regional Subsystems: Some Preliminary Notes on Recurrent Patterns and the Role of Superpowers*, World Politics, vol. XXI, 1968, nr. 1, p. 86.

⁷ Michael Brecher, *International relations and Asian Studies: The Subordinate State System of Southern Africa*, World Politics, Vol XV, 1963, nr. 2, p. 220.

⁸ Emmanuel Adler, Michael Barnett, *Security Communities*, Cambridge University Press, 1998

⁹ Weston Agor ?i Andres Suarez, *The Emerging Latin American Political Subsystem*, proceedings of the Academy of Political Sciences, vol XXX, 1972, nr. 4, pp. 153-166.

¹⁰ Karl Deutsch et al, *Political Community and North Atlantic Area: International Organization in the light of Historical Experience*, Princetown University Press, Princetown, 1957; Ernst Haas, *The Study of regional Integration: Reflections on the Joy and Anguish of Pretheorizing*, International Organizations, vol. XXIV, 1970, vol. 4, pp. 607-646; Joseph Nye, *Peace in Parts: Integration and Conflict in regional Organization*, Little Brown, Boston, 1971.

¹¹ Karl Kaiser, *The interactional of Regional Subsystems: Some Preliminary Notes on Recurrent Patterns and the Role of Superpowers*, World Politics, vol. XXI, 1968, nr.1, p.86, Ernst Haas, *The Obsolescence of regional integration Theory*, University of California Press, Berkley, 1975.

¹² Barry Buzan, Richard Little, *International System in World History*, Oxford university Press, Oxford, 2000, Barry Buzan, Ole Waever, *Regions and Powers: The Structure of International Security*, Cambridge University Press, Cambridge, 2003.

¹³ Richard Falk, *Regionalism and world Order after the cold War*, in Bjorn Hettne, Andras Inotai, Osvaldo Sunkel ed, *Globalism and the New Regionalism*, Macmillan, Basingstoke, 1999, pp. 280-250.

– **The subordinated system** emphasizes the relation between the international system – seen as dominant – and its regional subunits, as opposed to the traditional perspective of states and their interactions on a local level. Originally the dominant system building the rationalities is the bipolar world order. This system replicated the ideological conflict, using it to explain all the actions of the various actors all around the world. But in reality the closer we came to the abrupt end of the Cold War, the more singularities began to emerge. This needed a whole new explanatory toolkit¹⁴.

Perhaps the most interesting explanation is linked to a **state's geographical position**, in and around the spheres of influence, and to the interests of the major players in the system. As a region finds itself more within the interest and sphere of influence, the more the global pattern reproduces the rules of the global system, especially if there is a high level of integration. One can assume (and easily verify) that political interest and geographical proximity have a stimulating effect over a region's level of integration.¹⁵

This approach underlines the fact that the foreign and security policies of a state are primarily influenced by the regional context. If you take into account only the rationalities and the pattern of the system as a whole regional anomalies appear, and thus the model fails to explain the singularities and the trends, which alter the analysis.¹⁶

Barry Buzan postulates in the 1980s the concept of the **security complex** which focuses on groups of states with interconnected security preoccupations in such a way that it impacts the analysis of national security problems¹⁷. This is called the *Regional Security Complex Theory*, used primarily in the Anglo-Saxon world where interdependencies were already evaluated, prior to this, by connecting security to five levels (political, military, social, economic, environmental) and three objects of securitization (the individual, society, and the state)¹⁸.

The concept, definition and model were widely embraced in the mid-1990s after the adoption by NATO (The Rome Strategic Concept, 1991) of The Copenhagen European Security School's definition as the official definition of security. By then the theoretical model employed took into account a regional perspective placed in between the state level and the in-

¹⁴ Michael Brecher, *International relations and Asian Studies: The Subordinate State System of Southern Africa*, World Politics, Vol XV, 1963, nr. 2, p. 220.

¹⁵ *Ibidem*, p. 138.

¹⁶ *Ibidem*, p. 213.

¹⁷ Barry Buzan, *People, State and Fear: The National Security Problem in International Relations*, University of North Carolina Press, Chapel Hill, 1983, p. 163.

¹⁸ Barry Buzan, *People, State and Fear: The National Security Problem in International Relations*, University of North Carolina Press, Chapel Hill, 1983, Barry Buzan, Ole Waever, *Regions and Powers: The Structure of International Security*, Cambridge University Press, Cambridge, 2003.

ternational one (a rethinking of Waltz's model which considers only the individual, the state and international level¹⁹). Apart from these, the model was empirically enforced by the processes of decolonisation and globalisation.²⁰

From an epistemological point of view the model exhibits several unresolved features like the size and the area covered by a region and the criteria of interdependency. All these elements point to expanding the concept of identity to include, apart from a societal, national and trans-national level, a regional one.²¹

The Failure of the Security Complex in the South Caucasus

In his core exposé, "Frontiers of Freedom", Bruce Jackson, the leader of the Project on Transitional Democracies, postulated in October 2003²², in the framework of a tour of Eastern Europe and the Caucasus, that a solution to the Nagorno Karabakh conflict would be found in 2010 and that a Chart of the Caucasus, as a form of coagulating a complex of security in the Caucasus, would be established at about the same time.

It is true that the focus at this time were the NATO relations and integration since security was at the forefront. Also the window of opportunity announced in 2003 by Bruce Jackson, who predicted that Russia will be back in force and able to exercise its capacities after 2010, was still open.

But Bruce Jackson was wrong and optimistic about the evolution of NATO. Everything stopped with the step back at the Bucharest NATO Summit in 2008 when Ukraine and Georgia were not granted the Membership Action Plan. Russia became more assertive in 2008, after the summit, and provoked in August the Russian-Georgian War, consequentially unilaterally recognizing Abkhazia and South Ossetia as independent states. He was right that the window of opportunity will close sooner rather than later. It did in 2008 for NATO.

Now, in 2013, the last call for an EU model for managing its border and attracting interest for it ended, due to its soft power, with the Vilnius summit. After the sovereign debt crisis the EU was not able to recover quickly enough

¹⁹ Kenneth Waltz, *Theory of International Politics*, Addison-Wesley, Reading, 1979.

²⁰ Barry Buzan, Ole Waever, *Regions and Powers: The Structure of International Security*, Cambridge University Press, Cambridge, 2003.

²¹ Waever et al., *Identity, Migration and the New Security Agenda in Europe*, Pinter and Center for Peace and Conflict Research, Copenhagen, Londra, 1993, Ole Waever, *European security Identities*, Journal of Common Market Studies, Vol. XXXIV, 1996, nr.1, pp.103-132; Barry Buzan et al., *Regions and Powers: the Structure of International Security*, Cambridge University Press, Cambridge, 1998.

²² Bruce Jackson, *Frontiers of Freedom*, Bucharest, NATO Studies Center, 17-30 October 2003.

and profit from the window of opportunity therefore it begun to lose its soft power²³. More or less, the predictions of the US Defense Secretary Leon Panetta²⁴ proved to be true, as did those of Robert Kagan who wrote in 2002²⁵ about Europeans coming from Venus. On its way to smart power the world had to realize that there is no real soft power without hard power, defined as the capacity to intervene and support the will of the countries or, in this particular case, the EU.

What could we say about today's situation regarding the complex of security in the South Caucasus?

First, there is no such complex of security, since the relations between the states couldn't lead to the creation of regional cohesion, coherence of the policies, coordination in some way or at least an institutional space for dialogue and debate on the main issues at stake for all three countries.

We are still in the position of managing a never ending conflict in Nagorno Karabakh, with important grievances and perception of harm from the other side. So Azerbaijan considers that it is not correct to disrespect the four UN Security Council resolutions that state the recognition of sovereignty, territorial integrity and independence of the Azeri state in Nagorno Karabakh and in the seven districts around the region occupied by the Armenian forces, as well as demands the retreat of the Armenian forces. Moreover there is a sense of hopeless demarches in the Minsk group format since nothing changed and there is no progress.

The Madrid Papers, a group of documents meant to solve the issue or at least to offer a road map towards a solution, were not recognized as such by Armenia and the negotiations in a two plus one informal format have been resented by Baku. The Russian President didn't deliver anything, on the contrary, his participation was perceived as taking sides.

Moreover, since the discussions and wording moved ahead, Azerbaijan felt that Nagorno Karabakh began to be treated differently from the other frozen conflicts and saw that the principle of self-administration of the minorities seconded the principle of territorial integrity and that principle became, in fact, self-determination, accepted by the citizens living in the region. Additionally the issue of refugees return was, little by little, put aside and the feeling was even that this issue was off the table.

Armenia felt like a country under siege. Its capacity of cutting a deal and opening the border with Turkey was annulled, being linked to a solution for

²³ Robert O. Keohane, Joseph Nye Jr., *Putere si Interdependenta* original Power and Interdependence), Polirom publishing house, 2009.

²⁴ <http://www.defense.gov/News/NewsArticle.aspx?ID=119050>.

²⁵ Rober Kagan, *Power and Weakness. Why the United States and Europe see the world differently*, Hoover Institution, Stanford University, Policy Review, No. 113, June 1, 2002.

Nagorno-Karabakh, while its Eastern border with Azerbaijan was closed. Iran to the South was a good partner with regard to energy but still subject to international restrictions due to its nuclear program, so the only way to solve the dilemma was to the North consisting in Georgia and, further, Russia. Georgia was at war with Russia in August 2008 and this situation didn't ease the complexity of Armenia's problem.

After Azerbaijan approved a defense budget larger than Armenia's GDP, Armenia looked for support from its old partner: Russia. It was always a natural move since Armenia is completely dependent on Russia in economic, energy, military and security terms. This led to accepting the foreign troops of the CSTO on its territory and joining the Russia-Kazakhstan-Belarus Customs Union instead of the DCFTA and Association Agreements with the EU. A request or suggestion from Moscow was enough to give up its only hope for relative independence or autonomy in its foreign policy as well as the perspective for a real alternative.

The role of Russia is still important in the Caucasus. After Putin's two terms Russia was back on track as a major regional power with huge ambitions and ready to use any instrument in order to defend the post – Soviet space under its control. First, NATO's enlargement was blocked due to security reasoning: it drew closer to borders of Russia. It's old geopolitical reasoning coming from the time of Ekaterina the Great, when Tartars burned Moscow, was still valid in Dughin's writing, Karaganov reasoning and Arbatov's group thinking, since Russia claimed to still need space around it to see the enemy coming and to have the possibility to take troops out of Moscow because the large plain where the Russians live does not offer them some natural barriers to build their defense on. That's why the Caucasus and Central Asia could become such natural barriers and Russia desperately links its security to the domination of the Caucasus and the Central Asia countries.

It is very difficult to change this reasoning today when you need a few minutes to reach Moscow with an intercontinental missile and an assault group sent by airplane could reach Moscow in less than half an hour. The episode when some Germans, in Soviet times, landed a small plane in the Red Square was not enough to prove that distance and space are nowadays less important for security.

Russia keeps an iron grip on the South Caucasus through the separatist regions of Georgia, Abkhazia and South Ossetia, occupied in 2008 and recognized unilaterally as independent states in spite of the commitments undertaken for the cease fire brokered by France. Then the democratic changes in Georgia brought in power a group more inclined to broker an agreement with Russia. On the 17th November the Saakashvili regime became history²⁶.

²⁶ Laura Linderman and Melinda Haring, *A First for Georgia*. Replacing the President by the Ballot Box, <http://www.atlanticcouncil.org/publications/articles/a-first-for-georgia>.

New relations between Georgia and Russia are on the making, with more advantages for Moscow than in the last decade, even though Georgia kept its path to NATO and EU integration open. Also any formal agreement with Russia is blocked by the occupation of its territory.

This situation still allows to re-put on the table the negotiations for a North – South energy and transportation line with Yerevan, a route that could link Armenia with Russia and hence with the CSTO and the Custom Union space, putting new pressure on Georgia to join the group.

In the case of Azerbaijan the complex relation between Moscow, Baku and Yerevan plays an important role. Selling weapons to both parts is creating leverage for Russia in the conflict, not really in order to solve Nagorno Karabakh, but to maintain it and to avoid a war. This is the best way of preventing any type of regional solutions for the South Caucasus or options and alternatives to those states that try to conciliate and develop common programs to help create prosperity for their citizens.

Going with the wind

Countries in the South Caucasus have a rather pragmatic approach, closer to Realism in international politics, since wars are of recent date and present in the lifetime of the population of these independent countries. The memory is playing a heavy role in the political assessment and decision – making system, as it does in the minds of the citizens.

It is also the sense of communality and identity with the people living on the other side of the Caucasus Mountains, in the Northern Caucasus. Saakashvili's Georgia realized that without the support of the people living on the Northern Russian part of those mountains there is no way a return of territorial integrity will ever happen. That's why it built links with these people, first with the separatist and insurgency guerrillas (but stepped back in order to avoid any accusation that it cooperates with the terrorist Caucasus Emirate groups) and then with the Circassians, recognizing the ethnicity as well as the genocide in 1864 in the Soci Region (where 150.000 Circassians were killed by the Russian Tsarist Troops) and engaging them in good relations. There was also a side effect: that of creating a new rationale for the relations with the ethnic Abkhazi, a group belonging to the same ethnic family as the Circassians from Karatchaev-Cerkessia and as the Kabardin, and the ethnic Adyghe from the autonomous Republic of Adygheia.

For the other ethnic group living in Georgia, the Ossetians, there is still a North Ossetia republic in Northern Caucasus but relations between the two populations are far more complicated. There the huge Caucasus Mountains

played a role in splitting the population and only a few links still exist, even though the Roki Tunnel is in place and four month per year the circulation between North and South Ossetia is still possible. Moreover North Ossetians are since Stalin times far closer to Moscow than the other minorities in Northern Caucasus. The deported Ingush, Chechens and Daghestani lost their belongings while the South Ossetians were the beneficiaries, especially of Ingush houses and lands. The rivalries between Ingushetia and Northern Ossetia have always been present and the Beslan Attack on a school on the opening day, when hundreds were killed by a Chechen commando, proved that North Ossetians are considered a legitimate target by their neighbors.

More important at this stage is the orientation of the countries. Here too the relations with the NATO PfP program and Individual Partnership Plans are present. In the case of Georgia the relation is the most developed one, with the presence of the NATO-Georgia Commission and a very ambitious Individual Action Plan. Azerbaijan is still engaged in reform with the assistance of NATO and nowadays the interest for the individual partnership plans moved to maritime security as well. Armenia still has a partnership plan but a far more formal one and, for sure, incompatible with the CSTO ambition to become a defense and security organization in the post-Soviet space.

In relation with the EU Azerbaijan was the first one to step away from the “menu” of the Eastern Partnership, due to a number of conditions – especially in regard to democracy, human rights²⁷ and a competitive multiparty system – when Baku didn’t need the funds that EU could provide. Moreover, since the EU needs Azeri oil and gas, the strategic relation on energy terms made Baku ask for a special form of strategic partnership between the EU and Azerbaijan to illustrate the real relation between Baku and Brussels.

Armenia was the weakest state in the relations with the EU and when Russia wanted to show that even the approach of European values and the Free Trade Area became a bother, it created a shift with the country which was the easiest one to convince. Thus Yerevan left the DCFTA and instead chose the Custom Union. Armenia tried to rebalance and maintain its formal relations with the EU, since it was on track for an initiation of both agreements, and proposed Brussels to stay only in the Association Agreement without the DCFTA, a desperate step that wasn’t acceptable.

So Georgia is the only country in the Caucasus maintaining its path and commitments towards the EU and signing the initiation of the Association Agreement and the DCFTA with the EU in Vilnius. Azerbaijan is still ne-

²⁷ Joint Statement by the Spokespersons of High Representative Catherine Ashton and Commissioner Stefan Füle on worrying cases of pressure on opposition, civil society and media in Azerbaijan, October 3, 2013, http://europa.eu/rapid/press-release_MEMO-13-845_en.htm?locale=en.

gotiating an alternative agreement and Armenia is trying to find a way to maintain a kind of a relation with the EU.

The instability of the orientation and the unpredictability of the foreign policy of these states created some problems but the fact is that the relation between Georgia and Azerbaijan is excellent. The interdependence is so important because Azerbaijan provides the energy, oil and gas and uses the transit route via Georgia for the exports of its goods, first and foremost the same oil and gas. This link is very strong and confirms the sustainability of the East-West strategic transit corridor.

The Caspian Sea Region

The East – West Caspian Sea – Black Sea Strategic Corridor has to do also with the situation of the Caspian Sea, with the delimitation of borders and economic exclusive zones as well as with the historical disputes between different littoral states. At this point one of the most interesting judicial disputes is the one related to the status of the Caspian Sea – as a sea or as a lake. This status establishes the way in which the borders are set between littoral states and which maritime legislation is applicable, affecting the management of the waters and of the off shore resources.

Before 1991 there were here only two states with access to Caspian Sea shore: the Soviet Union and Iran. After 1991 the Soviet Union let in its place four post soviet, CIS, countries: Azerbaijan, the Russian Federation, Kazakhstan and Turkmenistan. So the old dispute of settling the border between the two littoral countries was inherited and multiplied in the new environment. The complication was far more important since the Russian Federation, formally the successor of the Soviet Union, ceased to be a neighbor of Iran and the disputes were transferred to the new independent countries of Turkmenistan and Azerbaijan, which didn't the files and the archive of the old soviet state.

The value of the Caspian Sea comes from the estimated 3% of the oil reserves of the world and 4% of the gas reserves as well as from fishing and transportation corridors East – West and North – South. The disputes did not include only the former USSR – Iran border but also the borders between the former Union states, especially Azerbaijan-Turkmenistan, the ones that shared a border. So, at this point, we have only a partial delimitation of the borders of the Caspian Sea, without too much progress being made at the most recent reunion in September 2013.

After the fall of the Soviet Union the first evolution was to challenge the existing legal framework where the new independent states were not a part,

especially because both the Federative Soviet Socialist Republic of Russia and Iran treaty of 1921 and the USSR – Iran treaty of 1935 and 1949 did not refer to the off shore resources exploitation due to the level of technology at that moment.

Four new agreements were signed after 1991 between the new littoral states of the Caspian Sea: 1998 and 2001 agreements established the national sectors of the Caspian Sea according to the medium line principle and 2002 and 2003 agreements distributed the natural resources of oil and gas from the underground of the Caspian Sea according to the length of the shores of each country: Russia got 19%, Azerbaijan 18%, Kazakhstan 27%.

But Iran and Turkmenistan do not recognize the legality of the agreements between Russia and its direct Neighbor states, Azerbaijan and Kazakhstan, and therefore the disputes are unsolved and, occasionally, incidents do happen. As for the Trans-Caspian link, there are several problems: first, the differences between Turkmenistan and Azerbaijan and the absence of the face-to-face border: oil flows via tankers and is injected in the Baku-Tbilisi-Ceyhan pipeline but a gas pipeline lying on the bed of the Caspian Sea is not feasible as long as the delimitation agreement is not reached between the two states. Moreover all the littoral states assumed that no hydrocarbons transport infrastructure could be built as long as there is no consensus on the environmental issues of the Caspian Sea.

Other more or less official proposals were also discussed, aired or leaked to the media: first that no trans-Caspian pipeline could be made without the accord of all Caspian littoral states. Then a proposal that the distribution of the security control of the Caspian sea would be done in a different way than in any other place: the surface of the water would be the responsibility of Russia, except for the national territorial waters, and the deep water and ocean surface maintained under the rules of the medium line principle and economic exclusive zones. Here too the idea of different interpretation of the rules if it is considered a sea or a lake appeared in the media and the public debate around the time of each meeting of the officials.

The regional organizations are very weak and irrelevant for the cooperation outside the bilateral framework. In 2005 Russia proposed a Naval Group for cooperation in the Caspian Sea (CASFOR) using as example the BlackSeaFor. But, since Iran and Turkmenistan didn't agree to this proposal, the project became irrelevant and it was never implemented. Then, in 2007, the littoral states decided, in a summit in Tehran, to launch the Caspian Sea Cooperation Organization, which has a security dimension and a framework agreement on security at the Caspian Sea. The document aims at enforcing the cooperation between the five states in fighting trans-border crime, terrorism, WMD proliferation, drug trafficking and illegal fishing.

Another important step was reached in 2010, in Baku, when the Teheran Declaration received a new commitment from the five: banning any permission for a third state to use the national territory of a Caspian Sea littoral state as a staging point for the use force against another littoral state. Moreover the navigation in the Caspian Sea is permitted only under the littoral countries flag. In recent years confidence building between the national fleets was established through exercises with the participation of the Russian, Iranian and Azeri navies.

The model of the Black Sea was always a reference for the Caspian Sea regional cooperation. There is still a big difference, the Black Sea is communicating with the Mediterranean Sea and the intercontinental Ocean, while the Caspian Sea is a land locked Sea, depending on the littoral countries. Neither history, nor the ambitions and lack of experience and expertise of the new independent states are helping in solving the issues of delimitation and the real use of a corridor in the Caspian Sea, especially in terms of oil and gas pipelines. The transportation via boats is, however, well developed.

There is another interesting issue, the fact that the development of the off shore, especially in Azerbaijan, made the problem of a trans-Caspic pipeline less problematic from a technical point of view. Basically there is only a matter of a third of the distance between the shores of Azerbaijan and Turkmenistan that is not covered by pipelines, since off shore facilities reached near the estimated mutual border in the case of Azerbaijan and developments are on their way on the side of Turkmenistan. The EU chose to involve itself in this matter but, since alternative sources will come far more easily from the Middle East and Eastern Mediterranean region in the future, few countries are still interested in the trans-Caspian pipeline.

What is also visible is an attempt by Iran to militarize the Caspian Sea Fleet due to its frequent security incidents and claims on the development of the Azeri pipelines and off shore platforms in the South (the difference of positions between the two states is roughly 100 miles in their estimate). The same type of militarization of the Caspian Sea seems to happen in Russia – in the framework of its major military industry reshuffling – and in Kazakhstan. But the most acute dispute is still between Turkmenistan and Azerbaijan.

Russia is still the dominant naval power, followed by Azerbaijan and Iran, but the latest deployments showed that Iran is still two steps forward in terms of the generations of its military ships. In any case the risk for a real battle is very low and the only real disputes, that can lead to security incidents, are the ones between Azerbaijan and Iran, and less so the ones involving Turkmenistan, where the exploitation of resources, even onshore, is very low, with a low level of exploration off shore.

In the last two years Azerbaijan proved to be more interested in maritime security than in its cooperation with NATO, a way of focusing on things that could lead to a professionalization and an increase of technique, strategy and preparedness, helping the level of confidence of Azerbaijan while also ensuring the degree of responsibility Baku needs to avoid any provocation or avoid the escalation of a minor incident at sea.

The problem of the delimitation of borders between Azerbaijan and Turkmenistan comes from the fact that at the border there are important resources that each country would like to exploit. Moreover, in that case, even if there is a mutual consensus on the procedure to be used in the delimitation, the difference comes from the basic points to be considered: Azerbaijan is using the Eastern point of the Absheron Peninsula (the region which includes the capital Baku) and Turkmenistan would like to find the medium line without this prominence. In the center of the dispute is the Kypaz-Serdar²⁸ field where Turkmenistan even made some prospection, in spite of an agreement to avoid such activities during the dispute. Turkmenistan is trying to claim three fields: Kypaz/Serdar, Azeri/Omar and Chirag/Osman.²⁹ Work is stopped only in the first field where Turkmenistan began some exploration activities,³⁰ in spite of the bilateral agreement³¹.

²⁸ Kypaz is the Azeri name, Serdar the Turkmen name.

²⁹ The same rule is applied. Names are coming from the Azeri and Turkmen denomination.

³⁰ In 16.06.2012m the Turkmen MFA launch a note of protest to Baku due to the fact that a Border guard Azeri ship blocked a Turkmen civilian ship that explored in a region considered by the first Azeri maritime zone. The Azeri MFA responded, on the 19.06.2012, that Turkmenistan actions in the Kypaz (Serdar) region are against the agreements between the two states to not explore the zones situated at the intersection of their national sectors before finding a solution for their delimitation.

³¹ A version of this chapter has been presented in Romanian to the review "Infosfera" (ISSN 2065-3395) to appear.

Chapter 4

THE EAST-WEST CASPIAN SEA – BLACK SEA STRATEGIC CORRIDOR. A CONCEPT, A VISION AND A PROJECT

IULIAN CHIFU

The vision of the creation of the East – West Caspian Sea – Black Sea Strategic Corridor¹ is based on the grounds of strategic thinking and geopolitics of the region that show ways for solving the issue of alternative routes and sources for energy products linked in the shortest way, and the fastest one, to the land-locked Central Asia Region² via the Southern Caucasus. This project, already under construction, is one of the most important challenges for the countries in the region and comes with added value not only for the small states involved directly³ but also for all the neighbor states as well.

Security complex

It is a concept referring to a region that is at the same time coherent and cooperative, with an internal collective capacity of fighting against threats to

¹ Iulian Chifu, *The East – West Strategic Corridor: Multiple Opportunities and Benefits*, GMF, August 2012, Occasional Paper, at http://www.gmfus.org/wp-content/blogs.dir/1/files_mf/1344264752Chifu_EastWestStrategicCorridor_Aug12.pdf; Iulian Chifu, *The East – West Black Sea/Caspian Sea Corridor in the Age of Uncertainty*, GMF, March 2013, http://www.gmfus.org/wp-content/blogs.dir/1/files_mf/1362595246Chifu_Corridor_Mar13.pdf.

² Joseph Nye, Sean Lynn-Jones, *International Security Studies: A Report of a Conference on the State of the Field*, *International Security*, vol. XII, 1988, nr. 4, pp. 5-27; Richard Lebow, *Interdisciplinary research and the Future of Peace and Security Studies*, *Political Psychology*, vol. IX, 1988, nr. 3, pp. 507-543; Stephen Walt, *The Renaissance of Security Studies*, *International Studies Quarterly*, vol. XXXV, nr. 2, 1991, pp. 211-239; Keith Krause, Williams Michael, *Broadening the Agenda of Security Studies: Politics and Methods*, *Mershon International Studies Review*, vol. XL, 1996, nr. 2, pp. 229-254; Keith Krause, Williams Michael, *Critical Security Studies: Concepts and Cases*, University of Minnesota Press, Minneapolis, 1997.

³ Iulian Chifu, *Gândire Strategică (Strategic Thinking)*, Institute for Political Sciences and International Relations of the Romanian Academy publishing house, Bucharest 2013.

public order, societal, economic and energy security, and with the ability to face terrorism and drug trafficking, in addition to a capacity to manage conflict prevention and conflict resolution.

That's how the Wider Black Sea Region appeared as a security concept and a complex of security⁴. It includes far more than the littoral countries and extends to partners in the region with respect to the coherence of the complex: three of them are NATO countries, – Romania, Bulgaria and Turkey – three Caucasian countries, – Georgia, Azerbaijan and Armenia – and three countries from the so-called “New European East” – the Republic of Moldova, Ukraine and Russia.

All those countries of the WBSR have different types of relations with NATO and EU. They are either EU member states, or in the process of negotiating the accession, either in the Eastern Partnership, or in a Partnership and Cooperation Agreement with the EU. Regarding NATO, three are member states while the others are NATO partner countries with different degrees of integration, some with a formalized relation in NATO – Ukraine Commission (NUC) or NATO – Georgia Commission (NGC), or have a functional and structural partnership with the Alliance – the NATO – Russia Council (NRC).

The Black Sea – Caspian Sea Complex⁵

Now we are talking more and more about the Black Sea – Caspian Sea region as a complex of security, since there are direct links in the region and in energy or security, or in delimitation of borders, or even transportation, nobody could stop at the borders of the Wider Black Sea Region.⁶ On the contrary, the big projects are linking that region to other regions and to projects of global importance.

In order to attract attention and investments a strategic complex should include a project that offers a solution to the big issues and hard problems

⁴ Leonard Binder, *The Middle East as a Subordinate International System*, World Politics, Vol X, 1958, nr. 3, pp. 408-429; Iulian Chifu, “*Complexe de securitate și concepte regionale. Regiunea Extinsă a Mării Negre. Integrarea instituțională și capacitate administrativă ca soluție pentru Securitate regională*” (*Complexes of security and regional concepts. The Wider Black Sea Region. Institutional integration and administrative capacity as a solution for regional security*), in Strategic Impact, No. 2/2011, ISSN 1842-9904 (online edition), pp. 14-22, http://cssas.unap.ro/en/pdf_periodicals/si39.swf.

⁵ This part of the Chapter has been presented at BSEC Conference “East West Strategic Bridge. Security, Development and Integration in the BSEC Region”, organised by the Center for Strategic Studies (SAM) 17-18 May 2013, Baku.

⁶ Friedrich Kratochwill, *On the notion of Interest in International Relations*, *International Organization*, vol. XXXVI, 1982, nr. 1, pp. 1-30; Martha Finnemore, *National Interests in International Society*, Cornell University Press, Ithaca, New York, 1996.

with global impact. That's the case of the East – West Caspian Sea – Black Sea Strategic Corridor. It is supposed to link Central Asia, a landlocked region with important resources, to EU/NATO borders via the Southern Caucasus. Azerbaijan becomes then a crucial country for this project. This is the shortest way to go from Uzbekistan via Turkmenistan or from Kazakhstan to Azerbaijan and Georgia, and further, to Romania.

It is a Grand Project⁷, a project interesting for the global approach because it is linked to a region of global importance and to Afghanistan. We all know the project of the New Silk Road⁸ that Mrs. Hillary Clinton, at that time State Secretary, launched with the purpose to create a big project, politically supported, in order to offer a spine for the sustainability of Afghanistan after the retreat of the troops. The East – West Caspian Sea – Black Sea Strategic Corridor is a natural Grand Project⁹ that could be linked to the New Silk Road granting access to the shortest route reaching the borders of EU and NATO.

The project has another Grand Project on the other side. We are talking about the Danube – Main – Rhin channel crossing the heart of Europe, a project launched by Romanian President Traian Basescu¹⁰, in a framework where water transportation is the cheapest way of having merchandise moved from the shores of the Black Sea to Rotterdam, by going through the very heart of Europe. In that respect the railway is not able to cover and absorb a huge quantity of merchandise heading to Central and Western Europe while the water transportation via sea is using the Bosphorus Straits and can only reach littoral countries, not those situated in the heart of Europe.

The Danube is passing through the heart of Europe, including a big number of capital cities, and is subject to the Danube Strategy, a European project adopted already by the Commission and the member states able to support and co-finance the transformation of the river into a transportation

⁷ Barry Buzan, Richard Little, *International System in World History*, Oxford university Press, Oxford, 2000, Barry Buzan, Ole Waever, *Regions and Powers: The Structure of International Security*, Cambridge University Press, Cambridge, 2003; Richard Falk, *Regionalism and world Order after the cold War*, in Bjorn Hettne, Andras Inotai, Osvaldo Sunkel ed, *Globalism and the New Regionalism*, Macmillan, Basingstoke, 1999, pp. 280-250.

⁸ Fredrick S. Starr, *The New Silk Road Transport and Trade in Greater Central Asia*, Central Asia-Caucasus Institute – Silk Road Studies Program- A Joint Transatlantic Research and Policy Center, Johns Hopkins University-SAIS, 2007.

⁹ In the sense of a part of a Grand Strategy, see Louis J. Halle, *The elements of International Strategy* (Lanham, MD: University Press of America, 1984), p. 15; Athanassios G. Platias, Constantinos Koliopoulos, "Thucydides on Strategy. Grand Strategies in the Peloponnesian War and their Relevance Today", Columbia University Press, New York, 2010.

¹⁰ Speech delivered in front of the Diplomatic Corp accredited to Bucharest, 21-st of January 2013, www.presidency.ro.

corridor. The only problem is the regime of the three rivers – Danube, Main and Rhin – but here we are in the EU and a deal of unification for those regimes can be agreed. Other problems are very dry summers and cold winters when the traffic could be stopped for a month or so. But we do have within reach a natural transportation corridor via the very heart of Europe that could be linked with the East-West Caspian Sea – Black Sea Corridor and even further with the New Silk Road.

Dimensions of the project

The East – West, Caspian Sea – Black Sea Corridor has five dimensions:

1. **Energy.** The Southern Corridor has been already developed for oil and gas transportation. It's a major dimension that aims to include as resources for the shipment to Europe the Central Asia oil and gas from Turkmenistan, Uzbekistan and, why not, Kazakhstan. The oil is already transported from Turkmenistan to Baku and introduced in the BTC, so this dimension is well on the way of being established and consolidated.

2. **Transportation.** The inter-modal transportation corridor is about sending containers from the Eastern shores of the Caspian Sea – Turkmenistan or Kazakhstan – by sea to Baku, by train to Georgia's ports and then, once again, by sea to Constanta. We have to take advantage of the experiences of the TRACECA project and negotiate agreements on improved conditions for tariffs and customs in order to grant a short time and a competitive price for any container moving that way. This will create a suitable alternative to land (via Russia) or air transportation.

3. **Military corridor.** The corridor is already used for air traffic carrying military equipment and troops in and out of Afghanistan. Once the transportation route is established at least the non-lethal military equipment could be sent via this corridor. The latest agreements signed by Romania and the US transformed the Corridor into a viable link at least for the next years to come and, since there is an old cooperation in that area established since 2002, the settlement of this dimension is a fact.

4. **Trade.** After improving the transportation corridor and conditions the trade will follow. Agreements could be made in order to improve conditions for the trade in the region.

5. **Investments.** Such a grand project is a suitable offer for investors once the political will is there and there is a suitable commitment and support for the project. Due to its strategic character this type of project is design to attract investments and international attention.

*The East-West Strategic Corridor:
Multiple Opportunities and Benefits*¹¹

The strategic weight of Central Asia derives from its proximity to several conflict zones, its economic potential and its vicinity to two major actors, Russia and China, both with uncertain relations with the West. The East-West Corridor, linking Romania with Central Asia via Georgia and Azerbaijan, brought a needed shift in the geopolitics of the region by bringing the West closer to Central Asia and offering huge opportunities to the United States and the European countries.

The wars in Iraq and Afghanistan not only physically changed their region but also created the need, and the opportunity, for a new strategic outlook of the region. This did not occur during the planning phase of these operations, but later, when the problem of alternative routes to Afghanistan became crucial for transportation of military material and weaponry. The need for a short, straight, and safe way to enter the heart of the continent offered to the countries along a corridor, reaching from the European Union's eastern border to Afghanistan, a renewed strategic importance.

For example Romania's participation as part of the "Coalition of the Willing" in Iraq and Afghanistan and, later, its membership in NATO, together with the common military facilities offered by Romania to the U.S. Army and its strategic partnership with the United States and the U.K., secured the Western flank of this corridor. This created an excellent opportunity for the United States and Europe to reach this region and link it to the West.

Central Asia and its Rising Strategic Weight

Central Asia allows easy access to all the corners of the Asian continent and its neighbors are the most important actors in the region. The geopolitical influences here are diverse and the balance that some of the Central Asia states strive to achieve between them is a real piece of art. The region is not only interesting for scholars, it also abounds in economic, social, and security opportunities for both the United States and the EU.

In the north of the region the Russian Federation maintains old connections and designs new institutions for Central Asia states, institutions meant to ensure their (re)integration in a common project. While some of these

¹¹ This part has been published as an occasional paper in Iulian Chifu, *The East – West Strategic Corridor: Multiple Opportunities and Benefits*, GMF, August 2012, Occasional Paper, at http://www.-gmfus.org/wp-content/blogs.dir/1/files_mf/1344264752Chifu_EastWestStrategicCorridor_Aug12.pdf.

states agree to maintain strong links with Moscow, others reject them. The Commonwealth of Independent States (CIS) remains in place and its economic branch, now called the Eurasian Union, plays an important role in the exchanges between the countries of the former Soviet space.

Kazakhstan is the only other country that joined the Customs Union, initially created by Russia and Belarus. On the other hand the Collective Security Treaty Organization, the military organization of former Soviet States, was joined by neither Turkmenistan, which maintains its neutrality, nor Uzbekistan, which withdrew from the organization once it adopted the new rules of international involvement on the territories of the member states that had been proposed by Russia.

In the east China is playing an increasing role as a major regional investor, contributing to diversification of the energy exports of the countries in the region and breaking the Russian monopoly over the northern energy route. Moreover China is more and more involved in the politics of the region through its investments and increased nominal influence, slowly outgrowing Russia.

The south of the region remains turbulent and has become a net exporter of threats through drug trafficking and, more importantly, radical Islam and terrorism. The planned Central Asia-Afghanistan-Pakistan-India pipeline could be a major breakthrough for the region. It would potentially trigger development and pacification in Afghanistan, enabling a much talked about modern recreation of the classical Silk Road. The national reconstruction of Afghanistan in general offers a great opportunity for countries in Central Asia, whose proximity offers an important advantage for trade, employment of foreign labor force and overall economic involvement.

To the west the region is undergoing interesting and important changes in its relations with Europe. Germany, during its European presidency, aroused the European interest in Central Asia, especially in Kazakhstan. Later Turkmenistan became interested in selling its gas to Europe, to be shipped through the Trans-Caspian pipeline via Azerbaijan. After these developments the East-West Corridor, linking Romania with Central Asia via Georgia and Azerbaijan, brought a needed shift in the geopolitics of the region, by bringing the West closer to Central Asia and offering huge opportunities for the United States and the European countries. Central Asia is by no means cohesive: rivalries and unfriendly gestures between countries are a regular occurrence. It is not a democratic region either. On the contrary, regimes are cemented in old habits, with political dynasties and leaders promoting absolutist monarchy rules under republican institutions. No change of those rules is likely to happen until there is a sustained exposure of the population

to Western values and way of life, which is a hugely important side effect of the East-West Corridor.

The strategic weight of Central Asia derives from its proximity to several conflict zones, but also from its economic potential and vicinity to two major actors, Russia and China, both with uncertain relations with the West. Iraq, Afghanistan, and Iran are all in close proximity and any direct and safe access into the heart of Central Asia should be a strategic security incentive for the West. The U.S. – Romanian common military facilities in Constanta and the antiballistic shield elements to be placed in Deveselu, southern Romania, are one leg of the bridge leading into the heart of Central Asia. Central Asia's riches and economic potential should be of interest to the EU which needs alternative energy sources and energy routes. The presence of the United States and EU in the region would change the regional power game and would bring a needed counterbalance to Russia and China.

The East-West Corridor: Convergence of Interests between Actors

Most importantly the East-West Corridor serves the common interests and addresses the strategic needs of all countries involved. For Turkmenistan and Kazakhstan this corridor offers direct access to a third major player in the region — Europe and/or the United States — and thus facilitates a change in the geopolitical balance of powers, making it easier for countries in the region to preserve their security, sovereignty, and integrity. A third major player is sorely needed, especially one that, as in the case of the United States and the EU, is accompanied by Western investments in resource development and the energy sector and by a transfer of knowledge and technology to the region.

Azerbaijan is another country that would benefit from an increased importance of the corridor. Increased trade and contacts would ensure the stability of the country and the flow of investments, triggering extensive development. It would deter any Iranian attempt to root radical Islam or other instabilities in Azerbaijan.

For Armenia a viable corridor would be a disincentive to Azerbaijan to use of force to solve the Nagorno-Karabakh (NK) conflict. The benefits the corridor could bring would outweigh placing them at risk through an open conflict. Yerevan would be offered the chance of joining common projects with major dividends once the conflict settled. For the international community the creation of the corridor would be a catalyst to solve the NK conflict, incentivizing those most capable of assisting the peace process. At the same

time the corridor would help develop overland transport from Azerbaijan via Georgia and Turkey to the remote enclave of Nakichevan, which is strategically important to Azerbaijan.

For Georgia the East-West Corridor would help stabilize the country, ensure the security of the East-West link, and grant a heightened level of security vis a vis the pressure coming from the fortified separatist regions and the Russian capabilities placed there. Trade, transportation, and energy could help Georgians rebuild the country and make it more attractive for the separatist regions of Abkhazia and South Ossetia while simultaneously binding Georgia more closely to the West. The country would perceive this as strong support for the democracy that is growing roots in the country and for the effort toward strong institution building and governmental accountability.

The benefits of this strategic corridor would also likely spill over to neighboring countries. Turkey would find itself linked closer to Azerbaijan and to those Central Asian countries with a Turkic historical identities and links. Turkey could also assume important tasks in securing the East-West Corridor, especially in the Black Sea, where it commands the most important NATO fleet. This way it could physically protect the corridor against any disruptions of the trade, transportation, or energy routes.

Ukraine would be a major beneficiary of the East-West Corridor because of the opportunity it offers for trading with the Central Asia countries and for importing oil and gas. Ukraine has already announced it is interested in the AGRI LNG project, joining Romania, Georgia, Azerbaijan, and Hungary, and is planning to build a de-liquefying factory in Odessa, complementary to the one planned in Constanta, Romania. They would both de-liquefy LNG shipped from Kulevi, Georgia. Ukraine has had quantities of gas under contract in Turkmenistan for years but the Russian transportation system makes it impossible to exploit them.

A Concept with Multiple Strategic Benefits

The East-West Corridor is a logical strategic evolution. The region has been subject to reflection and to construction of strategic concepts since 1997. The U.S. – Romanian Strategic Partnership, launched in 1997 in Bucharest after the visit of President Bill Clinton, has a central place in the Wider Black Sea Region strategic concept. U.S., Western, and Romanian strategists have since built and refined this framework.

NATO also became involved in the conceptualization of the Wider Black Sea Area in 2002, when three countries in the region became NATO mem-

bers and all the others, including the Russian Federation, entered partnership agreements with the Alliance or harbored aspirations of joining it. The NATO Bucharest summit in 2008 offered the climax when Ukraine and Georgia were offered guarantees for their eventual membership of the Alliance.

The EU embraced the strategic concept after 2007. Three months after the integration of Romania and Bulgaria into the EU Romania succeeded in promoting the Black Sea Synergy that was a form of cooperation between the EU and the Black Sea Economic Cooperation (BSEC), the most important organization in the region. Unfortunately the Russian-Georgian war in 2008 blocked this project. Today the EU is in the process of transforming the Black Sea Synergy into a proper Black Sea Strategy.

Moreover the countries in the Black Sea Region, the Caucasus and Central Asia succeeded in building the Black Sea-Caspian Sea Foundation, based in Bucharest, and promoting regional cooperation in a more inclusive concept than that of the Wider Black Sea Area. Since 2009 the concept of Black Sea-Caspian Sea Cooperation started gaining substance, cohesion and inclusiveness through a series of projects that promote cooperation between the countries in the region.

Romania's efforts to maintain excellent relations with Georgia and Azerbaijan, as well as with Turkmenistan and Kazakhstan, led to the launching of the AGRI-Azerbaijan-Georgia-Romania Interconnector. These relations represent solid grounds for further political support and an eventual

intergovernmental agreement for the East-West Corridor. More importantly, it paves the way for the United States, NATO, and the EU to commit to this endeavor. With political support, a road map and pool of common projects it could immediately be put into practice, which, complemented by solid political guarantees, would make the corridor a feasible, solid, and mutually profitable construct.

The East-West Corridor brings immediate benefits. Should it enjoy the political support of the countries involved and the public support of the United States, NATO, and the EU, it would be the background needed to promote a series of much needed projects covering trade, transportation, energy exports and investments. In the shorter term it would allow for a safe retrieval of military equipment that is now in Afghanistan.

The corridor offers another important strategic benefit: it could prove to be a solid deterrent for all conflicts in the region and an important strategic incentive to stabilize the regions to the south of this corridor — Syria, Iran, Greater Middle East — but also to the north, especially the North Caucasus.

The existence of the corridor would offer a stable *modus vivendi* for the region in spite of the frozen conflicts: it would prevent these conflicts from being reheated. It would also prevent new conflicts from emerging since its

benefits to the countries in the region would encourage their interest in the sustainability of the East-West Corridor, which would become more important than provoking each other. In this strategic framework existing conflicts could be negotiated and solved over time; and the context could prove attractive, in the midterm, even to Russia.

Understanding the strategic importance of the East-West Corridor and securing the political support of countries involved, and that of neighboring countries that see the benefits of its existence, is the first step towards its concrete existence. The commitment to secure the corridor for trade, transportation, energy, and military routes would offer guarantees for investors.

The United States, NATO, and the EU can and should play the role of direct guarantors, either by joining the political agreement and/or by assuming pieces of its physical security. This would be in line with official strategies and documents, as the EU has a stated interest in the critical energy infrastructure, especially oil and gas pipelines, and NATO assumed responsibility for the safety of both energy and military transportation routes. The East-West Corridor emerges as the best strategic solution to fulfilling these commitments while promoting and advancing common interests.

*The East – West Caspian Sea – Black Sea Strategic Corridor in the Age of Uncertainty*¹²

A East-West Strategic Corridor that connects Central Asia to the Eastern border of the EU and NATO via the Southern Caucasus, as both a physical corridor for transportation, trade, and energy, and a virtual one for economic and investment projects, is subject to a lot of political challenges nowadays. We can take into account the fact that the Nabucco project, one of the flagship projects involving this corridor, has been cancelled. After the project was redesigned to in two parts, one linking the supplier countries in the Caspian Area and Turkey via the TANAP – the former Nabucco East – and, the second, a shorter version Nabucco West for transporting the gas from the borders of Europe to Vienna via the Central and Eastern Europe countries dependent of a single source of gas – Russia, the second part was also dropped and the southern TAP version was chosen by the Shah Deniz 2 consortium. TANAP has been established in a bilateral agreement between Turkey and Azerbaijan. This created an important challenge to the energy dimension of the Corridor since the Trans-Caspian link was far away and

¹² This part has been published as an Occasional paper in Iulian Chifu, *The East – West Black Sea/ Caspian Sea Corridor in the Age of Uncertainty*, GMF, March 2013, http://www.gmfus.org/wp-content/blogs.dir/1/files_mf/1362595246Chifu_Corridor_Mar13.pdf.

new Azeri reserves of gas need approximately another ten years to be brought to light. Without the extra gas the Nabucco project cannot be renewed and there is not enough gas available for AGRI to become a major relevant project.

Also, the project is not without challenges from other points of view: political and electoral contexts now and in the coming two years along with the historical events that will be commemorated in 2015 bring about new risks for the development of the corridor. Conflict in Syria, immigration to Russia by Syrian Circassians, the upcoming Sochi Winter Olympic Games as well as the commemoration of 100 years since the events of 1915 could each considerably delay the acceptance of such a project. The project could be secured by the clear political commitment of the countries it involves, which would offer a legitimate guarantee for its sustainability, and by the manifested interest of the United States and the EU.

The Importance of the East-West Corridor

As we have seen above the strategic weight of Central Asia derives from its proximity to several conflict zones, but also from its economic potential and vicinity to two major actors, Russia and China, both of which have uncertain relations with the West. Iraq, Afghanistan and Iran are also in close proximity. Any direct and safe access to the heart of Central Asia should be a strategic security incentive for the West. Central Asia's riches and economic potential are of interest to the EU, which needs alternative sources of energy and routes. The presence of the United States and the EU in the region would change the regional power game and would represent a needed counterbalance to Russia and China.

The East-West Black Sea-Caspian Sea Corridor grants a convergence of interests between the actors involved. For Turkmenistan and Kazakhstan the corridor offers direct access to a third major player — Europe and/or the United States — and, thus, facilitates a change in the geopolitical balance of powers. It encourages Western investment, needed in resource exploration and in the energy sector, and allows for a transfer of knowledge and technology to the region.

Azerbaijan, Georgia, and Romania would also benefit from the corridor. Increased trade and contacts would ensure the stability of the countries and the flow of investments, triggering extensive development. The benefits of this strategic corridor would also likely spill over to neighboring countries. Turkey would find itself linked closer to Azerbaijan and to the Central Asia countries with Turkic historical identities and links. Not least Ukraine would be a major beneficiary of the East-West Black Sea-Caspian Sea Corridor

because of the opportunity it offers for trading with the Central Asia countries and importing oil and gas.

The East-West Corridor is a logical strategic next step for the EU and the United States and is of immediate benefit. Should it enjoy the political support of the countries involved and the public support of the United States, NATO, and the EU, it would facilitate a series of much needed projects covering trade, transportation, energy exports, and investments. In the shorter term it would allow for a safe retrieval of military equipment now stationed in Afghanistan.

The corridor could prove to be a solid deterrent against conflicts in the region and an important strategic incentive to stabilize the regions to the south of this corridor — Syria, Iran, and the Greater Middle East — but also to the north, especially the Northern Caucasus. The Strategic East-West Black Sea-Caspian Sea strategic corridor can play a role as a common project (and the principle for peace keeping, conflict resolution and confidence building associated with this concept in the Western Balkans). The very existence of a common project would prevent these conflicts from being reignited, since the benefits to the countries in the region would far outweigh any gains coming from provocation and conflict.

Sustained exposure to Western values and *modus vivendi* is an important potential effect of the corridor project. First, it is a direct and short link to the EU and NATO border on the Romanian Black Sea coast, at Constanta. At the same time cooperation through transportation, trade, energy and investment is an important confidence-building measure, which is of great significance for a region tarred by numerous conflicts.

Current Challenges to the Corridor

Developments over the last six months have generated potential challenges to the strategic project. Conflict around Nagorno-Karabach may escalate after presidential elections in Azerbaijan, scheduled for last year; the delimitation of maritime borders in the Caspian Sea has generated tense relations between Azerbaijan and Turkmenistan, while many other issues are still to be solved between all coastal states; the future of the Trans-Caspian Sea pipeline remains unclear; and events in Romania, Georgia, and Armenia negatively influence the will and/or ability to embark on the project.

In the events of the summer of 2012 in Romania revealed an internal fight for power that extended until the Presidential elections in 2014 and raised doubts about the country's commitments as a member of the EU and NATO. The new governmental majority, elected a few months later, has pledged its

support for Romania's internal and external obligations as a member of the transatlantic institutions, yet this followed an electoral campaign marked by anti-European and anti-American rhetoric, while politicians within the governmental coalition continue to make eyebrow-raising statements. This and the electoral campaign of December have harmed the country's ability to embark on and maintain strategic projects, either current or future, despite the apparent continuity stemming from the current president's successful attempt to finish its mandate. The same is true for the attempts to circumvent or even directly avoid European provisions on the independence of the judiciary and rule of law, the last coup being scheduled in the Romanian Parliament for the 10th of December 2013. A "Black Tuesday" that brought a forced change of the criminal code and an attempt to pardon charges linked to corruption was overturned only by the intervention of the President and the harsh reactions of the media and the Romanian civil society.

Georgia underwent a peaceful change of power following the elections of October 2012. The new government was quick to confirm continuation of the country's course toward NATO and the EU imprinted by its predecessor, yet its "reset" with Russia raised nervousness both within and outside the country, as did a few of its domestic policies. The new ruling coalition took precipitous steps to punish many of the former officials for wrongdoings and abuses in power, in a process that unfolded so quickly and so intensely that it resembled political revenge through selective justice. This threatened the fragile "cohabitation" between Georgian president Mikhail Saakashvili and Prime Minister Bidzina Ivanishvili, and raised fears of a clash between their foreign policy priorities. Subsequently an agreement on constitutional changes was reached meaning that the strategic orientation of the country and sustainability of the projects involving Georgia could enjoy constitutional guarantees, which calmed spirits and alleviated concerns.

Simultaneously some earlier statements of Prime Minister Bidzina Ivanishvili's created concern among the country's neighbors. The prime minister demanded the revision of the energy contracts with Azerbaijan, cited Armenia as a great example for Georgia in its relations with NATO and called for a "balanced approach" to both Russia and the West that reminded some of Ukraine's new swing between the two powers. Those statements triggered reactions in Baku, Tbilisi and Western capitals before they were toned down by the Georgian Ministry of Foreign Affairs and the Prime Minister's Office.

Public support for Georgia's Euroatlantic integration has not diminished; it has actually increased after elections, rising to a historical maximum of over 80 percent. A shift of Georgia's foreign policy in the opposite direction would hence be detrimental to the governing Georgian Dream coalition. This

is reassuring to international partners, who would nevertheless prefer to see more clarity and coherence in statements and policies. A possible future comprehensive cohabitation agreement could give more credibility to Georgia's strategic orientation. Similarly, an official declaration by the Parliament of Georgia's Strategic Orientation would address some of the concerns of international partners. In their absence Georgia's commitment to current and future strategic projects continues to be seen as shaky. The stable change in the presidency, ending Saakashvili's era, and the implementation of a new constitution granting the Prime Minister the most important political role in Georgian policies has been achieved without sending the former president to jail. The Vilnius Eastern Partnership summit showed Georgia on quite equal footing with the Republic of Moldova as major beneficiaries and protagonists of this European Project, getting the biggest share of the "prices for reforms".

Azerbaijan is a major pillar of all strategic projects in the region that involve Black Sea-Caspian Sea transportation corridors, energy, and trade. The country's relationship with Georgia has recently come under stress as a result of some of the statements made by the former Georgian prime minister, who is still a major political figure, but the two Ministries of Foreign affairs handled the situation well and cleared the air. Relations with Armenia, however, are only getting tenser. Following fire exchanges at the demarcation line and in remote places along the border, Armenia forced changes in Nagorno-Karabach. As before, these events were connected to U.S. and Western visits to Baku and to events in the Nagorno-Karabakh negotiations, and were used to bring attention to the conflict and to the stagnation of resolution process. They usually had little impact in Armenia, yet this time they occurred shortly before presidential elections and have been used electorally.

In fact, the Minsk Group was absent from the resolution dialog throughout the last year and the process unfolded in an informal 1+2 format, with Russia taking the burden of the negotiations between the Armenian and Azerbaijani presidents. This initiative, aimed at enhancing Russia's regional authority, did not produce any positive outcome. On the contrary, Baku felt isolated this way. Solutions against Azerbaijan's interests occasionally found their way into the discussions, only to erode the process further.

The decision by Armenian authorities to open an airport in Stepanakert, Nagorno-Karabakh and charter Yerevan-Stepanakert flights increased tension. Considering that Kojali, the current location of the airport, is historically and symbolically important to Azerbaijan as a place of resistance during the war in Nagorno-Karabach an angry reaction by the Azerbaijani authorities is to be expected. They have already stated their intent to use all necessary means to ensure respect for the international rules related to aircraft

traffic in the region. The Chicago Convention offers Baku the grounds to block any transport to Kojali Airport and even to force down any plane that would not observe international rules. This is a real concern for the possible escalation of the Armenian-Azeri conflict in Nagorno-Karabakh or elsewhere, a situation that could put strategic projects involving Azerbaijan at risk. Because Armenia felt isolated, and now that elections are out of the way, it might decide to try and break its unofficial semi-blockade. That led to the September 2013 decision to leave the Eastern Partnership Free trade perspectives and, instead, Armenia opted for joining the Russia-Belarus-Kazakhstan Custom Union as well as the future integration project of Russia, the Eurasian Union, a mimetic type of project similar to the EU but achieved overnight, which will to be put in place beginning with 2015. This project firmly harmed Azerbaijan and this move put huge pressure on Georgia as well as on the East-West Strategic Corridor.

Turkey is a major player in the East-West Corridor, transportation, and energy projects. It makes for a stable actor, yet it is deeply affected by the Syrian internal war, which makes Ankara more concerned about issues in its south than regarding the development of projects in the Caucasus. Perhaps the most important challenge, which comes with an important risk of escalation, is the commemoration of the 1915 events. Well advertised by the Armenian Diaspora, this could fuel harsh exchanges between Yerevan and Ankara, and, most importantly, it could affect Turkish interests in other capitals where condemnation of the events of 100 years ago may occur. Albeit smaller in numbers than its Turkish counterpart, the Armenian Diaspora proved better organized and was able to reach to the U.S. Congress and to the Parliaments of some key European states in order to obtain political declarations that harm Turkey. This could potentially affect all projects launched in the region and, if tensions rise, could spill over into EU – Turkish and U.S. – Turkish relations.

In February 2014 the Winter Olympic Games in Sochi may be used as an occasion by the Circassian minority in Russia, which is of Turkish ancestry, to commemorate its decimation about 150 years ago in what was called the first genocide of the Modern Era in Russia. The lack of responsiveness from the Russian authorities to the requests of the Circassian minority in Northern Caucasus and the pressure of its members trying to come from Syria to Russia could trigger acts of violence meant to attract attention to their problems and claims. Since, Georgia has recognized the Circassian genocide, and the new authorities in Tbilisi have reaffirmed this position, differences of views and possible terrorist attacks on the Olympic Games may introduce a new matter of concern for the East-West Black Sea-Caspian Sea Corridor.

Securing the Project: The Political Support

Given the state of affairs and upcoming events the risk of different symbolic injuries may threaten the desire and ability of countries in the region to engage in the East-West corridor. This project is in the hands of the politicians of the region. The manifest interest of the EU and the United States in the corridor would ensure enthusiastic participation of some of the local actors and may help alleviate suspicions. Finalization of regional economic projects (such as the Baku-Kars railway) would also act as a catalyst, although these economic projects are themselves vulnerable to political and security threats.

A good, solid, start to the project would be a common declaration by the presidents involved that would give both an important signal for the political support of the project and the impetus to concrete economic projects that would consequently give it substance. The signature of the representatives of the countries directly involved – Romania, Georgia, Azerbaijan, Turkmenistan, Uzbekistan, and possibly Kazakhstan and Turkey – would give guarantees that the project will move on to more concrete stages in transportation, trade, energy, etc.

The success of the project needs the involvement of Western countries as well. The stated interest of the United States and the EU in the development of the project would trigger interest both within the region, and in the U.S. and European business communities. Political will within the EU for strategic relations with Central Asia would also help ensure their interest and participation in the project.

Should the actors mentioned above fail to show their interest, it will translate into missed economic opportunities and increased regional insecurity. This will have an impact on the withdrawal of troops from Afghanistan and will ultimately affect the success of the New Silk Road strategy. The two projects complement each other, together completing the historical Silk Road, and, just as in the past, possibly again bring economic and cultural development all along its path.

Chapter 5

GEORGIA, A PIECE OF THE PUZZLE OR THE WEAK LINK OF THE SOUTHERN CORRIDOR?

BOGDAN NEDEA, NIKOLOZ KOKHREIDZE

The geopolitical location of Georgia made it a key element in the creation of international corridors; traders from different parts of world have been passing through this location for several centuries. Due to the current economic growth the role of Georgia as an important player in the East-West Corridor and other similar projects has become even more significant.

This Caucasian country is the shortest path that connects the Middle East and Asia with Europe and the West in general. After gaining its independence, the idea to use this country's territory as a transport corridor emerged. This kind of attention was coming from governments of the international community and analytical centers.

During 1992 and 1993 the World Bank has financed the "Barents" group to analyze the economic problems involving the Caucasian corridor. This group has recommended to international organizations and governments to finance the building of roads, in order to make transportation more efficient. The rational utilization of these roads and participation in the East-West Corridor project definitely provided additional opportunities of economic security and security in general for Georgia, thereby placing it on the map.

There have been several approaches between western analytic centers regarding the East-West Corridor project. The first version was that the transportation road would pass from Central Asia through the territory of Iran, however in this case Islamic fundamentalism would receive a powerful economic and cultural lever to influence western countries, therefore this version was rejected.

The second version was also inappropriate for the West, because it considered passing of main transport line through Russia, which would lead to a more powerful influence over post-soviet countries for northern "bear". The

third, and probably the most appropriate version of transit route, which was often discussed inside Georgian political circles too, was to send raw materials from Central Asia to ports located on the east side of Caspian Sea. The tankers would bring materials to Azerbaijan, then to Georgia and finally to Romania on the west side of the Black Sea.

This route is profitable for Georgia due to both economic and security reasons. If tankers will intensively start moving between the shores of Georgia and Romania, then this would make an alternative route to those in the major countries of the region – Turkey and Russia. The West will have to protect its wealth by placing its military fleet in Black Sea, which would become a great historical turning-point. However, in order to prove its significance in this project, Georgia has to create modern transport infrastructure that will provide guaranteed security and effective transportation of goods. In order to achieve these goals, Georgia has to organize its railway and motor roads based on international standards, provide a secured environment on the entire territory, and equip ports and terminals with modern technologies.

Georgia has been playing an important role in connecting West with East and North with South for centuries, herewith the current transit roads and the geopolitical location of Georgia conditioned its active participation in the development of the trans-Caucasian corridor.

Georgia's importance as a transit country and as a reliable ally for the West was undeniably proven once it became an important piece of Europe's energy security as a transit country in two major pipelines: Baku-Tbilisi-Ceyhan (BTC) and Baku-Tbilisi-Erzurum (BTE). BTC allows western access to Caspian Sea and Central Asian energy resources, offering a choice of customers to the landlocked producing states. Parallel to BTC, natural gas flows from the Caspian Sea's Shah Deniz field through the South Caucasus Pipeline to the Turkish city of Erzurum, bound for consumers throughout Europe.

Moreover, the Baku-Supsa Pipeline and the Baku-Batumi railroad carry oil to tankers present in Georgia's Black Sea ports. Together, these energy conduits form the critical mass required to promote and sustain a broad East-West commercial corridor. Individual pipeline projects of the Southern Gas Corridor were already developed by different companies at the beginning of the 2000s, although the Southern Gas Corridor, as an overarching concept, only emerged later. It was first described as a "project of European interest", connecting the countries of the Caspian Sea and the Middle East by long-distance natural gas pipelines to the European Union, in a decision by the European Parliament and Council in September 2006, coded as "NG3"¹.

¹ EU (2006) Decision No. 1364/2006/EG of the European Parliament and of the Council of 6 September 2006 laying down guidelines for trans-European energy networks, Brussels: EU; under: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:262:0001...>, p. 10.

Finally, in a second review of the energy strategy, the European Commission categorized the – meanwhile also called – “Southern Gas Corridor” as a Community priority². It was especially through the Russian-Georgian war of August 2008 and the Ukrainian-Russian gas crisis of January 2009 that the Southern Gas Corridor and its key project, the Nabucco Pipeline, became a central component of the European debate about diversification, especially from the dependence on gas deliveries from Russia.

Serious projects, serious threats

One of the pillars on which modern-day Russia was built has become shaky and unstable. As the world's number one country in proven natural gas reserves and continually alternating with Saudi Arabia as the top oil producer, Russia has managed in the last 15 years to rebuild and boost its economic, political and geopolitical standing due to energy exports, mainly to Europe (almost 40% of Europe's gas consumption is imported from the Russian Federation). The energy sector is far more than a commercial asset for Moscow; it has been one of the pillars of Russia's stabilization and increasing strength for more than a century, thus making energy security the main issue of the National Security Strategy.

But the energy map of Europe, and of the world for that matter, is changing and we can see trends indicating new producers and new exporters, not large enough to replace Russia as a global supplier, but strong enough to drastically reduce imports in designated countries and cumulatively decrease the export revenues of Gazprom. New elements on the energy market like shale gas (especially in eastern and central Europe), green energy or even EU's Third Energy Package – used by member countries to decrease or even eliminate Gazprom's monopole from their internal market – had determined Moscow to cut natural gas prices to Europe, while revenue projections are showing a decline starting from September 2012.

The year 2013 began with disastrous news for Gazprom: gas production up to 2012 fell by 6.7% to 478.7 billion cubic meters, against 513 billion in 2011, and 528 according to the plans of production for 2012. Close to the outcome of the crisis in 2009 – 461 billion cubic meters. Deterioration of the production performance of Gazprom occurred throughout 2012, primarily due to the fall in gas demand in all directions. Already in the first half of 2012, according to the company, the demand on the Russian market in terms

² EU (2008) Communication from the Commission COM(2008) 781 dated 13 November 2008: Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan. Brussels: EU; under: <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0781:FIN:...,> p. 4f.

of value decreased by 6.4%, in Europe – 10%, in the CIS – by a massive 29%. As a result, even a rise in all these areas has not helped: sales of natural gas in the first half declined and, amid rising operating expenses, the net income for the first half fell by a third, to 655 billion rubles³.

Given the fact that almost half of Russia's budget comes from energy revenues any fluctuation of energy price is a potential threat to Russian economic stability. The financial crisis in Europe (Russia's main energy buyer) could lead to a decrease in energy consumption, thus shaking the very foundations of the energy-built empire. Nevertheless reducing consumption willingly in a western technologically – expansive society is a goal achievable in the next 10 to 15 years so it doesn't pose an immediate threat to Russia. The necessity to reduce dependence or to seek other import sources would not have become a political task for the EU for another decade at least if Russia wouldn't had overstepped the line with its hard-policy based on energy.

In the last years Moscow has used the energy card once too often in order to influence and force decisions upon member states of the EU, thus transforming “the need to diversify energy sources” into a political need and will to find a new supplier altogether. This need, backed by political will, was postponed once in 2008 when the Russian-Georgian war proved Russia's determination to preserve its sphere of influence. The war also showed to the western investors that the South Caucasus too volatile of a route for a vital pipeline.

The EU only receives a small part of its natural gas imports from remote areas by tanker, as liquefied natural gas (LNG). Due to lower cost and greater capacity, at the moment, the largest part is imported into the EU, above all, by pipeline from the neighborhood through three large import corridors: from Russia (Eastern Gas Corridor), Norway (Northern Gas Corridor) and North Africa (Western Gas Corridor)⁴. Furthermore, the EU is planning to set up a fourth, a Southern Gas Corridor. It will carry natural gas from the Caspian region and the Middle East to South East Europe and into the EU, above all, to Southern Germany, Austria and Italy.

Setting up such a Southern Gas Corridor will allow the EU to diversify its supply sources. Thus, potential damage caused by technical failure or by politically motivated interruption from one supply source may be reduced

³ The defense of “Gazprom” VLADIMIR MILOV, *Gazeta.ru* <http://www.gazeta.ru/column/milov/4922261.shtml>.

⁴ In 2009, 33.2% of the EU-27 natural gas imports came from Russia, 28.8% from Norway, 14.7% from Algeria, 5.0% from Qatar, 3.0% from Libya, 2.4% from Trinidad and Tobago, 2.1% from Nigeria, 2.0% from Egypt and 8.8% from other third countries. Jiménez, Ana (2010) Statistical aspects of the natural gas economy in 2009 (Eurostat Data in focus 20/2010); under: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-QA-10-020/EN/KS-QA-..., p. 1.

and competition improved. This aspect is important to the entire EU but especially relevant for the states of South East Europe, as they are currently receiving a large part of their natural gas from a single supplier (Gazprom) and via a single transit route (Ukraine). Furthermore, natural gas plays an important role in the energy mix of these countries. At the same time, currently, the EU does not have direct access to the natural gas reserves of the Caspian Region and the Middle East. Imports from these regions are a good option as they represent nearly 50% of the worldwide natural gas reserves⁵, have free export potential, and are situated in immediate vicinity and within pipeline distance of the EU⁶.

Ever since, the political (and financial) will of the EU has decreased, encouraging speculations regarding the success of South Stream and discouraging new investors from looking at the project. A new breath of life has been blown in the project on June 26, 2012 when the President of Azerbaijan Ilham Aliyev and Prime Minister of Turkey Recep Tayyip Erdogan signed a binding intergovernmental agreement on the TANAP pipeline and took it upon themselves to finance the pipeline up to the Black Sea. Besides the immense geostrategic importance of the pipeline from EU's point of view, the Azeri and the Turks regard it as a foothold in the energy security architecture of Europe, thus securing the full attention of the EU (and US) in the long run.

The biggest 'problem' with the TANAP is that it's lacking in any political flaws, is safe from any of the divergent opinions, multi-level interests and politically-motivated, time-consuming decisions (the case of the Nabucco and the EU) and comes with its own investors. Also it has real money behind it and is driven by sound national interests. The deal could be viewed as historical due to two points: the first is that it could change entirely the security and political overview of Eurasia and the second is that it could bring up a new type of interdependence between two Muslim countries (whose resources are needed in Europe) and a still Muslim-skeptic Europe.

Moreover, the regional success could inspire countries from the eastern, wider Caspian Sea region, like Turkmenistan and Uzbekistan, to join the project and even speed up the process of solving divergent elements like the demarcation of the Caspian Sea, paving the way for the completion of the

⁵ Iran and Qatar have 29.6 and 25.3 trillion cubic meters (tcm) respectively and thus the second and third largest reserves after Russia. Furthermore, there are large reserves in Turkmenistan (8.0 tcm), Saudi-Arabia (8.0 tcm), the United Arab Emirates (6.0 tcm), Iraq (3.2 tcm), Egypt (2.2 tcm), Kazakhstan (1.8 tcm), Kuwait (1.8 tcm), Uzbekistan (1.6 tcm) and Azerbaijan (1.3 tcm). BP (2011) BP Statistical Review of World Energy: June 2011. London: BP; under: http://www.bp.com/assets/bp_internet/globalbp/globalbp_uk_english/report..., p. 20.

⁶ Friedemann (2010) A European Energy Policy: Challenges and Perspectives, in: Linke, Kristin / Viëtor, Marcel (eds.) Prospects of a Triangular Relationship? Energy Relations between the EU, Russia and Turkey (International Policy Analysis), Berlin: Friedrich-Ebert-Stiftung, p. 5-11; under: <http://library.fes.de/pdf-files/id/07150.pdf>, p. 7.

Trans-Caspic Pipeline. The Azeri-Turkish bridgehead project can also encourage Kazakhstan to take its resources west, especially under the circumstances in which Moscow was unwilling to offer a profitable deal, forcing Astana to take its resources to China. This is where Moscow's problems begin: both Azerbaijan and Turkey are independent from Russian energy imports and could not be constrained or deterred from the TANAP project through Moscow's 'conventional' means. Russia acting on Europe is useless at this point as the pipeline will still happen and gas will be available on the Black Sea coast regardless. More so, Moscow's coercion capabilities in Europe have been drastically reduced once the Third Energy Package was enforced and precedents were created in the international courts, seriously threatening the Russian gas monopoly in some countries of the EU. Therefore Russia was forced to resort to more primal actions and engage in soviet-era tactics, which it applied in the South Caucasus, at the "root of the threat".

Up to this point Moscow was able to successfully deter and counter EU's plans regarding gas imports from the East by creating a gap in the security of the South Caucasus through the 2008 Georgia war, which proved to the investors that the transit region is volatile, and then by promoting its own South Stream pipeline to attract the same investors. Russia's air and missile strikes that bracketed the Baku-Supsa oil Pipeline last August were the first shots in a Kremlin gambit to choke the East-West Corridor. That this went largely unnoticed in all the commentary about Russia's August 2008 attack on Georgia attests to the acute lack of understanding present in Western Europe.

Also, the Kremlin was able to put a strain on the first Nabucco project by making good use of its energy monopoly in liable transit countries and forcing a commitment on South Stream. The same thing happened with Nabucco II: when Moscow made a full display of force on Azerbaijan's borders (three consecutive military exercises: in the North Caucasus – Kavkaz 2013, one in Armenia – Rapid Response of the CIS Countries and one in the Caspian Sea) just two months before Baku made its choice regarding the pipeline project that would benefit from the resources extracted from the Shah Deniz II gas field. And if we take into consideration that 2013 was also an electoral year for president Aliyev, although there wasn't any doubt that the quasi-controversial president would win, this raised questions about the future of the Azeri president for the first time in a decade.

Moreover, Azerbaijan created a form of geopolitical crisis⁷ that build up tension both inside and outside the country, a crisis that appears to be "un-

⁷ The extradition of Ramil Safarov in Aug. 2012 that triggered an elevated level of tensions between Armenia and Azerbaijan, leading to the prospect of war in the region, the reactivation of the insurgent cell Forest Brothers that is linked to the North Caucasus insurgency, social riots and protests in different contexts, and a general appetite for rebellion that has no visible explanation.

natural” and could create the sense of volatility in the eyes of the investors for different projects. That is why the TAP (Trans-Adriatic Pipeline) project was chosen by the Azeri over the heavily promoted European Nabucco project. The choice of a commercial pipeline (backed by consortiums not governments) over a heavily politicized, geopolitical, game-changing project like Nabucco makes double sense, especially from Azerbaijan’s point of view: firstly, it keeps Azerbaijan in the European energy game while keeping it safe from its repercussions and, secondly, it gives the Baku administration the power to keep its options open.

Some of these fears have been chased away in early October 2013 when president Alyiev won a new term in the presidential seat. Alyiev re-election is reassuring especially for all the energy business in the region but the events that preceded it could be a cause for concern: although highly engaged with the West, the Azeri president had a two high-level visits from both president Putin and prime-minister Medvedev, two weeks before the elections, a mirror image of the old soviet and post-soviet days when presidents of former USSR republics went to Moscow before being re-elected to get the consent of the “headquarters”. The fact that this time Russian officials came to Baku signifies Russia’s willingness to temporarily renounce its pride in order to regain the lost ground with Baku and therefore be able to further influence the decisions of Europe’s next big energy supplier.

Georgia: game-altering politics or a new game?

Last but not least there is Georgia, an important piece of the entire energy architecture of the South Caucasus and of the energy corridor towards Europe. Under these circumstances Georgia is the most susceptible country to any kind of Russian pressure. After the 2008 war the country managed to stay on its democratic pro-western path but not lacking any pressure from Moscow or continued provocations from its separatist provinces.

Russia amassed a powerful security contingent in each region (approximately 4000-5000 troops) as well as deployed tactical ballistic missiles in South Ossetia (Tochka-U) and air defense missile systems in Abkhazia (S-300). It also worked to modernize its air access infrastructure in South Ossetia (helipad near Dzhava) and to expand its foothold on Abkhazia’s Black Sea shore (in the port of Ochamchira). As a result, from a military point of view, the separatist enclaves are safe from a conventional attack, while Russia, if needed, is able to split Georgia in two in several hours, by cutting the transport infrastructure (main highways and railways) linking the western and the eastern parts of the country, and to rapidly reach, with ground

troops, the outskirts of Tbilisi. The defense gap these facts create cannot be closed immediately and leaves evidence of the instability in the region.

Georgia finds itself in a paradoxical position in that it needs to issue alerts regarding threats to its security without discouraging investors and stifling economic development. Constructing a durable democracy and a productive economy in an unstable security environment is a major challenge for the country. In the past ten years Georgia has developed from a fragile and failing state to a potential regional model, although it must continue to ensure democratic consolidation over several election cycles. The World Bank has highlighted Georgia as a successful example for combating corruption and listed it as an easy place to do business in. Georgia has showed to the world that domestic stability will remain a major component of its security.

Along with the constantly changing international environment, other factors – such as domestic political processes – also influence the security of Georgia. Strengthening the country's democratic achievements by continuing reforms positively impacts stability and furthers the development of the state's democratic institutions. For the stable and secure development of Georgia, maintaining high long-term economic growth is vital. This is achieved through the adoption of the free-market principles in the economy, strict fiscal discipline, and a healthy monetary policy. Open partnerships, free trade, and economic relations with all nations and international entities – especially the European Union, the United States and the countries in the region – are important choices that Georgia has made.

The main controversy regarding the victory of Bidzina Ivanishvili in the parliamentary elections of 2012 is the change in Georgian-Russian relations. Until today everyone was agreeing that the change of the government would positively influence these relations. Bidzina Ivanishvili and its coalition are talking with Russia in a much softer manner than their predecessors. There have been positive remarks regarding the “Georgian Dream” from the Russian side too, stating that the environment for the dialogue is advantageous. However, the chances of developing friendly relations between these two countries are low and there are serious grounds supporting that the cold relations will be maintained. It should be noted that relations don't depend only on the personalities of the leaders of two countries.

Some experts argue that the Russian political elite sees the democratic inclination of the government in Georgia as a threat. After the 12 years in government, Vladimir Putin's position is not as strong as it used to be. The tool for peaceful and constitutional change of the Russian governments is “out of order”. Georgia showed that the government may be changed by democratic and constitutional means and this might become an example for

Russian people. Hence the Russian ruling elite will try to convince its people that the government in Georgia was changed by Russia and that Bidzina Ivanishvili will establish pro-Russian politics.

On October 4th 2012, the influential Russian newspaper “Nezavisimaya Gazeta” formulated the relations between two states as following: “Russia wants only one thing from Georgia: Georgia should not interfere in Russia’s traditional geopolitical interests – to maintain influence in the Caucasian region. Simply put: No NATO and no foreign military bases; Georgia should not support north Caucasian separatism; to sum this up – Georgia should not assist the Western influence in this region”.

Georgian analysts, and even Russian ones, think that historically Russia was never able to control northern Caucasus without controlling southern part. The thing is that the existence of independent states in south, someday, will make northern Caucasus think about independence too, which will definitely become a headache for northern bear. Hence, a negative situation in Georgia will weaken the stimulus of northern Caucasians on seceding from Russian influence.

Currently Russia is rehabilitating its embassy in Tbilisi, but according to the Minister of Foreign Affairs of Georgia, Maia Panjikidze, – “Georgia is not going to renew diplomatic relationships with Russia, as long as 20% of our territory is occupied.” The Minister also mentioned that the reason for the non-renewal of relations is that Russia recognizes two parts of Georgian territory as independent states. “There will be no diplomatic relations with this country until their troops leave our territory” – she added.

There may be no diplomatic relations with Russia, but the renewal of economic relations is getting started. Georgia and Russia agreed that Moscow would remove the ban on Georgian products and the Tbilisi would send its goods to Russian markets. At the end of the May 2013 Borjomi (Georgian mineral water) and Wine has started crossing Caucasian borders once again.

Analysts may notice that Georgia is trying to slightly improve relationships with its northern neighbor, but unfortunately the northern bear appears to be gluttonous. While holding negotiations with deputy Minister of Foreign Affairs of Russia, Gregory Karasin, the Russian side demanded from Georgia to revoke “Georgian Act about Occupied Territories”. According to Karasin “the main threat for our tourists is a legal charge for visiting South Ossetia and Abkhazia. And the best counter measure against this threat is to revoke this act.” Georgian government decided to initiate an amendment to this act and meet Russian requirements. The amendment intends remove criminal liabilities from persons who break the law for the first time.

We have to focus our attention on a certain episode that in itself had, and still has, the power to change the fragile but already established architecture

of the South Caucasus: the October 2012 parliamentary elections in Georgia. This event marked the beginning of a new period in Georgian politics as the party that had been governing the country for the past six years (the United National Movement) lost the majority to the coalition formed around billionaire Bidzina Ivanishvili (Georgian Dream – Democratic Georgia). The transition of power was made more or less peaceful, which is in fact the merit of both political sides. In the immediately following period the new executive body of the country began building its legitimacy upon charges against former state officials.

This was going to be the beginning of a long streak of blunders as the new Georgian prime-minister made even more political mistakes that would have the international community wondering about the intentions of the new executive branch of the country. One such example (a repeated mistake as Ivanishvili said the same thing twice) occurred during his visit to Armenia, when Georgian Prime Minister Bidzina Ivanishvili stated that “Armenia provides a good example for Georgia, and it can be a source of envy in a positive sense,” for managing to have good relations with Russia and at the same time with the United States and North Atlantic Treaty Organization (NATO) member states⁸.

Setting Armenia – a country which does not aspire to NATO membership and is widely considered to be Russia’s satellite state in the South Caucasus – as an example was quite an alarming statement for Georgia, which already for more than a decade sought to join the North Atlantic Alliance and distance itself from Moscow. As Georgia intensely moved toward the West since the 2003 Rose Revolution, Tbilisi actively cooperated with Turkey, a NATO-member, and its Caucasian ally, Azerbaijan, in the economic, political as well as military spheres. Armenia has been left out of all major joint projects, becoming increasingly isolated in the region. This isolation is actively encouraged by Azerbaijan, Georgia’s strategic ally. However Ivanishvili’s statements have caused unrest in Baku as Georgia is in the position to decide which of the two countries is being isolated at least from the West or, in Armenia’s case, from Russia. Yerevan relies heavily on Tbilisi’s neutrality in the Nagorno-Karabakh issue as it counts on good relations with Georgia due to, primarily, its need of uninterrupted energy imports from Russia. This dependence comes from Armenia’s landlocked position and Azerbaijan’s active lobby towards its isolation, lobby attained through Georgia’s and Turkey’s dependence on energy imports from Baku.

⁸ UNM Slams Ivanishvili for Naming Armenia as Model for Ties with Russia, NATO, Civil Georgia, Tbilisi / 18 Jan. '13, <http://www.civil.ge/eng/article.php?id=25657>.

The Georgian Bridge

In this complicated interdependence web, Georgia plays a decisive role due to its bridge-like geographical position between the two. Under these circumstances, statements of support towards projects like a railroad linking Russia to Armenia (as Ivanishvili made)⁹, even if that was a beginner's mistake, tend to create uncertainty and discontent among stable alliances. Georgia, because of its geographic location, is a pivotal state in the entire Caucasus – it is the only country that borders all the states and political entities in the region (with the exception of Adygea).

From this geopolitical position the new prime-minister took the opportunity given by his mandate and made wild statements regarding important transnational projects. Ivanishvili stated in December 2012 that the construction of the Baku-Tbilisi-Kars (BTK) railway, connecting Azerbaijan to northeastern Turkey via Georgia, raised many questions about its economic efficiency and profitability for Georgia, regardless of the project's geopolitical importance¹⁰. The statement was widely considered as a threat to the continuation of this politically and economically important project, which has been under construction since 2007 and already cost hundreds of millions of dollars. The statement caused uproar in Georgia and especially in Azerbaijan, where some even suggested that Baku might think about raising its price on natural gas for Georgia¹¹. Following the international reaction to his statements, Ivanishvili replied, during a visit to Baku, that it was all a misunderstanding and retracted his former statements¹².

Against the background of the ongoing Armenian-Azerbaijani conflict and subsequent blockade of Armenia by Azerbaijan and Turkey, Georgia provides the shortest land connection for Azerbaijan to its ally Turkey and for Armenia to its ally Russia. Consequently, it does matter a great deal for the Caucasian states where Georgia stands. Georgia's foreign policy orientation largely determines which state becomes isolated in the conflict-ridden and divided South Caucasus.

All the situations listed above have a political root and this root is the same when it comes to making projects of Southern Corridor work. For

⁹ Ivanishvili comments on restoring Armenia-Abkhazia railway section, 17.01.13, Rustavi 2, http://rustavi2.com/news/news_text.php?id_news=47855&pg=1&im=main&ct=1&wth=0.

¹⁰ PM Says Construction of Baku-Kars Railway 'Triggers Questions, Civil Georgia, Tbilisi / 21 Dec., <http://www.civil.ge/eng/article.php?id=25575>.

¹¹ Bidzina Ivanishvili shares concerns over Baku-Tbilisi-Kars railroad project, apa news, 24 December 2012, http://en.apa.az/news/bidzina_ivanishvili_shares_concerns_over_185003.html

¹² Ivanishvili: There are no obstacles for Baku-Tbilisi-Kars project, Georgia Times, 2012-12-27, <http://www.georgiatimes.info/en/news/84887.html>.

example, Georgia, at the moment, is and wants to be further engaged in more than one such big project from which it and its allies would benefit:

– The BTK (Baku-Tbilisi-Kars) railway project envisages the construction of a roughly 65-mile railway link between the city of Kars in north-eastern Turkey and the city of Akhalkalaki, in southern Georgia. Furthermore, it includes plans for the rehabilitation of the existing railway link within Georgia between Akhalkalaki and the town of Marabda, in the southeastern corner of the country, close to the Azerbaijani border. From there it will link up with the railway line running through Azerbaijan all the way to its capital Baku, on the Caspian Sea. The 516-mile-long railway, which will cost around \$600 million, will eventually have the capacity to annually transport over 15 million tons of freight and 3 million passengers. The project will be completed in 2014¹³.

– The East China Highway – a highway that links the Black Sea Georgian bank to Azerbaijan and continues to the Caspian Sea, into Kazakhstan and finally China. The project (the Georgian side – 500 km) is half built and it would take approximately two more years to complete. The financing for it has already been allocated. The project once finished would increase the ease with which goods are being transported from one port to another. Even so, the transition of power that occurred after the parliamentary elections last year has created a gap of communication between institutions and has brought forth a new generation of administrators that failed to grasp in time the intricacies of the system. Thus the fragile administrative apparatus of Georgia soon found itself in a crisis as a result of a the budgetary growth contraction (from 6% to 1,4% in the second quarter of 2013¹⁴). Budget problems were consequence of the cease of public spending due to political uncertainty and lack of communication between state agencies.

– Energy lines to Turkey – (for energy exports) are an important subject for Georgia, a country that produces more electricity than it needs, due to FDI's in HPP's. Even so, the country's hydro potential is used at only 16% and investments in HPP's continue to come from both inside and outside the country. Due to these investments a high production pace has been created but environmental problems also appeared. The government has nonetheless chosen not to stop these investments, as they represent a significant contribution to the state budget. In this case the main issue with these kinds of investments would be the government's policy that forbids the purchase of

¹³ Russia May Gain in South Caucasus, as Georgian Government Wavers on Regional Railway Projects, December 21, 2012, Vasili Rukhadze, http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=40399.

¹⁴ Initial Draft of 2014 State Budget, 03.10.2013, Civil.ge, http://www.civil.ge/eng_old/article.php?id=26515.

public land and therefore it is a powerful deterrent for investors. Even more, the logistic support and permits that the government is supposed to provide and issue are held back for long periods of time, thus actively affecting the functionality of these investments.

– The Georgia-Abkhazia railway: a controversial political project that can be used mainly as a political tool and whose practicality is rather doubtful, especially in the context in which neither Russia, nor Abkhazia appear to be willing to make compromises on the subject, despite Georgia's new rapprochement policy. The Ivanishvili government does not appear to be unwilling to consider the project but this is not a priority at the moment, mainly due to the fact that the government expects to receive more concessions from Russia, a rather unrealistic target.

Altogether the fact remains that Georgia is trying to become a regional logistics hub and therefore all the projects the country is engaged in are on the table but the decisions regarding their implementation will be taken a slower rate due to the government's lack of cohesion. This lack of cohesion has been exploited and turned into weaknesses; a good example of it being the period that followed the parliamentary elections in 2012 when the political class was busy with personal vendettas. After the parliamentary elections the interest of Russian businessmen to invest in Georgia has increased. One example is Georgia's communication with Russia regarding hydroelectricity. "RusHydro, declared itself interested to cooperate with Georgia in the field of engineering" – said deputy chief of the board of directors of RusHydro, a Russian hydroelectricity company, Giorgi Medzinashvili, after his meeting with the Minister of Energy of Georgia, Kakha Kaladze. According to him, the company held the first meeting with the Prime Minister Bidzina Ivanishvili at the World Economic Forum. By gaining "engineering" access to Georgian energy resources, as mentioned above, it will be much easier for Russia to control the politics of the Caucasian Country and, what's more important, Putin's homeland might even be able to gain access to a lever on European energy policy by controlling an important transport path, Georgia. We can only expect that the Russian business in Georgia will expand, especially if we talk about the government's attempts to restore or "unfreeze" the bilateral relation with Russia by making concessions, concessions that are rewarded with even more pressure.

Despite the fact that Georgia is trying to meet Russian requirements and fix current political trends, on May 30, 2013, Russian troops, near South Ossetian border in the village Ditsi, managed to push the borders once again and advanced 500 meters deeper into the Georgian territory, thus breaking the rules of international law and the agreement on cease fire between these two countries.

In the face of Russian pressure at the border, which has grown to be a normal *modus vivendi*, the political direction adopted by the Georgian Dream (GD) – the openness of relations towards the Russian Federation and the hesitant approach towards the EU – raises the question whether Georgia is or will continue to be a reliable partner for the West or its strategic partners in the South Caucasus. This despite the fact the parliamentary majority of the GD coalition agreed upon voting a resolution that binds the government to a Euro-Atlantic course¹⁵.

This resolution, a result of cooperation between United National Movement and Georgian Dream, is based on a project document presented by the new government of Georgia. “The resolution of the parliament of Georgia on main courses of foreign politics” states that Georgia will not establish diplomatic, military or political relations with the governments that recognize independence of Abkhazia and South Ossetia. Georgia will conduct its foreign policy with the aim to secure its territorial integrity and sovereignty from international community and foreign states. The document also emphasizes that the major priority for the foreign policy of Georgia is the integration into European and Euro Atlantic structures. The parliament resolution also addresses relations with Russia, stating that Georgia will conduct dialogue with Russia only in accordance with the international tools present in Geneva and in bilateral form. Despite the fact that having such a document is good for keeping the western political course, unfortunately, Russian influence is still present in several important institutions of Georgia.

It is a well known fact that Russia exerts pressure on Georgia in every way it can (such an example is the Kavkaz 2012 military exercise that was scheduled one week before the parliamentary elections – a similar exercise was held by Russia in 2008, just before the beginning of the August war) and that pressure needs an exhaust mechanism to be released. The military-political complex is not Russia’s only tool: Russian companies own controlling stakes in most strategic industries across the South Caucasus, including telecoms, mining, and power generation, transmission and distribution. It also remains one of the most important trading partners for the three states in the region. Thus, it is understandable why Moscow considers the South Caucasus to be within its ‘zone of privileged interest’.

These elements are even more worrying when put in the context of certain pressure applied by some members of the business society, members that are highly influential with EU officials and push forward the Russian agenda in the country, among others by promoting the Customs Union over the Euro-

¹⁵ Georgian Parliament adopts resolution on the main directions of the foreign policy, Mar. 8, Trend, N.Kirtskhalia, <http://en.trend.az/regions/scaucasus/georgia/2127432.html>.

pean Union. These elements have obviously always been present but now, with the declared intentions of Ivanishvili, they are more emboldened to act.

Nevertheless it is of absolute importance for all those concerned to discern between hot-headed rookie allegations and malevolent intent and, at this certain point, when the Ivanishvili government has been in function for six months or a year, it's hard to tell. Even so, a governing coalition comprised of almost every type of political ideology and led by a man whose worth is almost the same as the GDP/year of the country (fortune that he was able to raise in Russia), raises questions regarding Georgia's capability or willingness to continue with its existing external engagements.

Another important step that is worth mentioning is the presidential election of October 2013 when Giorgi Margvelashvili won the presidential elections of Georgia with an overwhelming 64% of the votes¹⁶, thus consolidating power of the GD in the country. The consolidation of power is a positive fact from within as it eliminates all doubts regarding the administrative apparatus. With this victory we could say that "normal life" in Georgia can resume and the Tbilisi administration can focus on balancing the budget growth, which has decreased significantly, resume public spending, which has been halted due to the political situation, and can temporarily revive the economy. Nonetheless all these elements could prove pointless in the face of the latest exploits of the prime-minister that has declared he will step down and even selected a worthy heir, the Minister of Internal Affairs, Irakli Garibashvili¹⁷. The next prime minister's young age, its lack of political experience and its missing political base are all serious shortcomings for Garibashvili and Georgia, but seemingly not for Ivanishvili. All these, in fact, play perfectly well into Ivanishvili's hands. Above all, Garibashvili will always find himself dependent on his patron, Ivanishvili, for whom he loyally worked as a private employee for years. Garibashvili, in fact, is the best candidate for Ivanishvili as his political weakness and dependency will enable Georgia's richest man to rule the country from behind the scenes without taking any political or personal responsibility if things go wrong. The fact that Ivanishvili nominated his loyal former personal assistant and company director for the post of prime minister also reveals Ivanishvili as a customary businessman who views the state as a business-like entity, which

¹⁶ Georgia PM ally Giorgi Margvelashvili 'wins presidency', BBC News, 27 October 2013, <http://www.bbc.co.uk/news/world-europe-24696261>.

¹⁷ New Georgian Prime Ministerial Candidate Named, Radio Free Europe, November 03, 2013, <http://www.rferl.org/content/georgia-prime-minister-pick-biography/25156589.html>.

can be ruled through appointed loyal cadres and, even more so, from behind the scenes¹⁸.

The abrupt changes that occurred just three weeks before the Vilnius summit aim to strengthen the GD coalition internally (with two new young figures being promoted as the image of the country), but also pave the way for a shadow leadership of the country as Ivanishvili will most likely continue to call the shots. From an external point of view, the changes in the government and presidency reflect a democratic shift and a fresh set of officials with fresh mindsets, but still members of a party whose leader's affiliations and intentions are yet to be proven.

If that is the case for Europe, which can be naïve at times when it comes to former soviet republics, it is not the case of strategic neighbors like Azerbaijan. After Ivanishvili was instated as PM and had the chance to make all the statements that raised suspicions with Baku, the Azeri leadership began a process of reassessing its relationship with Georgia. This relation was not perfect to begin with: the Georgians have been growing increasingly worried as SOCAR and other major Azeri businesses have grown influential in Georgia, while Azerbaijan has reconsidered its position as it interpreted Ivanishvili's statements as a sudden shift in Georgia's policy. Even though it was discussed between the two countries, the idea of a Georgian political shift in the future was included amongst its contingency plans by Baku and that, in itself, is a sign of mistrust.

Despite all the above-mentioned elements we have to take into consideration one very important fact: more than half of Georgia's budget is dependent on FDI (Foreign Direct Investments) which makes it, depending on your point of view, either a very reliable external partner or a malleable one. On this topic it would be a mistake not to mention the aspirations of Tbilisi to transform the Georgian territory into a transit route for the 2014 Afghanistan pull-out of US forces. Officials from the Georgian MoD claim that Georgia would be the safest and, more importantly, the cheapest route for US cargo planes. Moreover the same MoD declared that Georgian forces will remain in Afghanistan after 2014 as a part of the ISAF and as trainers for the afghan police forces. The dedication of Georgians in proving themselves is undeniable but it remains to be seen if this country has any chances of being part of the pull-out corridor or if these elements will automatically provide it the advantages it seeks. Whatever the case, Georgia has enough carrots but

¹⁸ Irakli Garibashvili Named as Georgia's Next Prime Minister, Vasili Rukhadze, Eurasia Daily Monitor Volume: 10 Issue: 197, November 4, 2013, http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=41577&tx_ttnews%5BbackPid%5D=7&cHash=c7aa8ba31dc03aca404ba440a9b513d4#.Un6J5PmVPfL.

too few sticks to continue along its traditional partners and cooperate in the Southern Corridor.

We have to take into consideration that all of these plans represent a continuation of the former government's developed strategy and it is going to be interesting to see how the new leadership of Tbilisi will approach and interpret them. We question these elements because, at the moment, the political scenery of the country depicts a Georgia which could be described as a case of state capture by a single wealthy individual, who skillfully capitalized on the massive public disappointment against the incumbent regime, defeated it in elections, took power, manned the new regime with his loyalists, and receded backstage from where he chooses to rule the country. Moreover, as of mid-November, the country will be formally ruled by two politically inexperienced virtual unknowns – overshadowed by Georgia's richest man, who claims to be giving up power but will most likely be pulling the strings from behind the scenes. Furthermore, as long as the opposition remains weak, it is unclear what political force will emerge to check Georgia's new power alignment, dominated by a single individual. In this case the degree of involvement of Georgia in the Southern Corridor will depend, as it happened so far, on the governmental policies with emphasis on the fact that the orientation of GD and Ivanishvili is very much uncertain at this point.

Chapter 6

AZERBAIJAN: AN ESSENTIAL LINK ON THE EAST-WEST BLACK SEA – CASPIAN SEA CORRIDOR

LAVINIA LUPU, SABIT BAGHIROV

Country profile

Formal name: Republic of Azerbaijan

Short form: Azerbaijan

Capital: Baku

Date of independence: October 18, 1991

Government: republic

Size: 86,600 square km (12% of the territory is covered by forests, 1,7% – by water, 55,1% – by agricultural lands, including 30,7% – by pastures, 31,2% are other lands).

State borders: Azerbaijan has borders with Iran (765 km) and Turkey (15 km) in the south; borders with Russia (390 km) in the north; borders with Georgia (480 km) in the north-west; borders with Armenia (1007 km) in the west. The length of the widest area of the Azerbaijani section of the Caspian Sea is 456 km.

Population: 9.234.100 (estimated for 2012) More than 90% of the population is Azerbaijani with small populations of Lezgins, Avars, Udi, Tsakhurs, Tats, Kurds, Talysh, Tatars, Armenians, Georgians, and Russians.

Religion: Islam. The religion in Azerbaijan is separated from state. All religions are equal before the law. The majority of the population is Muslim.

Political system: Azerbaijan is a democratic, legal, secular and unitary republic.

State power of the Republic of Azerbaijan is based on the principle of division of powers. Executive authority is held by the directly elected President. Legislative authority resides with the elected Milli Majlis (Parliament). Both elections take place once every five years. Azerbaijani law courts exercise the judicial power. The Head of State is the president. The President

of the Republic of Azerbaijan is elected for a 5-year term by way of general, direct and equal elections, with free, personal and secret ballot. On October 9, 2013 Ilham Aliyev won the third term as President of the Republic of Azerbaijan.

Introduction

Azerbaijan is located in the South Caucasus, at the crossroads of the major trade and energy routes between the East and the West. Being uniquely positioned at a point where Asia and Europe meet, Azerbaijan represents a gateway to energy and transportation corridors for the entire region in which it is located. As Brzezinski pointed out, Azerbaijan's location makes it a geopolitical pivot¹. It can be described as the vitally important "cork" controlling access to the "bottle" that contains the riches of the Caspian Sea basin and Central Asia.²

The region around Azerbaijan is geopolitically complex. Its larger and more powerful neighbors are Russia, Turkey and Iran who have economic and political interests. International players like the US and EU are also engaged in exercising their influence over this region. All these aspects make Azerbaijan be "at the junction of powerful cultural forces where old empires overlap and modern states compete, of ambition and energy, both figuratively and literally"³.

Although confronted with a wider geopolitically complex issues (being a relatively small state located between three major powers: Russia, Iran and Turkey), Azerbaijan found "a middle way" of dealing with it, described by what is called the strategy of maintaining balance towards all of its neighbors. Due to this approach Azerbaijan has been able to maintain a high level of cooperation with its largest neighbors, minimizing the threats around it and building strategic partnerships that can work for mutual benefit.⁴

¹ Regarding the concept of "pivotal power", we chose to use the definition provided by Oxford Analytica, that is to say, that country that by virtue of its strategic location, economic potential, policy preferences is destined to shape the contours of geopolitics in key regions of the world as well as constitutes important nodes of global economic growth. See "Pivotal Powers. Politics and Prosperity in a Volatile World", *Oxford Analytica*, Edmond de Rothschild Emerging Markets Funds Conference (February 29-March 1) 2012, London, p. 4 available at <<http://www.oxan.com/About/Media/News/PivotalPowers.aspx>>.

² Zbigniew Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, p. 129 available at <http://www.takeoverworld.info/Grand_Chessboard.pdf>.

³ Joshua W. Walker, "Eurasia's hinge: Azerbaijan's triangular balancing act", *Caucasus International Review*, Vol.2. No.2 (Summer 2012) p. 28.

⁴ Kamal Makili-Aliyev, "Azerbaijan's Foreign Policy: Between East and West...", *IAI Working Papers* 13 | 05 (January 2013) p. 11 available at <<http://www.iai.it/pdf/DocIAI/iaiwp1305.pdf>>.

Azerbaijan is one of the oldest oil producers in the world⁵. It is largely famous because of its oil and gas resources and because it provides the only viable pipeline route for Caspian Basin oil and gas that reaches the West without passing through Russia or Iran. Today Azerbaijan is an important hydrocarbon producer and exporter in the region. Its proven gas reserves are 3 trillion cubic meters, with estimated reserves believed to be far larger.

Azerbaijan gained its independence from the Soviet Union in 1991 amid political turmoil and against a backdrop of violence in the Nagorno-Karabakh region. The country faced major difficulties such as obtaining political stability, economic recovery, and probably the most important thing, the war between Armenia and Azerbaijan over Nagorno-Karabakh.

As a consequence of the war, close to 20% of Azerbaijan's internationally recognized territory remains under Armenian occupation and almost 1 million of Azerbaijani citizens are internally displaced persons (IDPs) and refugees. This means that more than one in nine Azerbaijani citizens currently live as IDPs or refugees.

All of these problems required urgent solutions and Azerbaijan chose the proper way of solving them only after the election of Heydar Aliyev as president in 1993. After his death in 2003, the son of Heydar Aliyev, Ilham Aliyev succeeded him as president and has largely continued his father's strategy.

During the time of presidents Heydar Aliyev and Ilham Aliyev, Azerbaijan's foreign policy presented six courses: balancing of relations with major global and regional powers, the absence of religious and other identity factors in determining the state's alliance and main vectors of cooperation, maintenance of full independence, policies that serve the state of Azerbaijan and not the greater Azerbaijani ethnic group, transportation policies and energy export as an integral element of foreign policy, and active attempts to ensure the state achieves recognized permanent borders through resolution of the Nagorno-Karabakh conflict with Armenia.⁶

⁵ Azerbaijan initiated the industrial production of oil in the middle of the 19th century. The oil fountain in the Bibiheybat field of Baku in 1848 laid the foundation for the first industrial production of "the black gold" in Azerbaijan. Azerbaijan took the first place in the production and processing of oil in 1899 and accounted for 50% of the global oil production. See "Oil Strategy of Heydar Aliyev" available at <http://www.azerbaijan.az/_Economy/_OilStrategy/_oilStrategy_e.html>.

In the time of the Russian Empire, Baku was the main oil provider (97.7% of Russia's oil in 1890 and half the world's output in 1901). During World War II, Azerbaijan supplied 23.5 million tons in 1941 and accounted for almost 75% of the total oil output of the former Soviet Union. See Aitor Ciarreta and Shahriyar Nasirov, "Analysis of Azerbaijan Oil and Gas Sector" available at <http://www.usaee.org/usaee2011/submissions/OnlineProceedings/Ciarreta_Nasirov-Article1.pdf>.

⁶ Brenda Shaffer, "Azerbaijan's foreign policy since independence", in *The Geopolitical Scene of the Caucasus. A decade of perspectives*, ed. Diba Nigâr Göksel & Zaur Shiriye, 2013, pp. 236-237.

The multi-vector foreign policy that Azerbaijan adopted will not change in the near future, especially after the reelection of Ilham Aliyev as president on 9 October 2013. Rather, a pertinent question would be if this strategy is still effective in the context of the regional changes that took place lately. For sure, the president Ilham Aliyev will have to manage carefully the consequences that arise from decisions taken by its neighbors and which indirectly have an impact on Azerbaijan too.

Azerbaijan's leaders have tried to exploit the country's sizable energy resources and pivotal location to help manage the challenges presented by the country's volatile neighborhood and the conflict with Armenia. Since Azerbaijan regained its independence, following the breakup of the Soviet Union, the Caspian region, known for its energy reserves and potential to become a trade and transport corridor linking Europe and Asia, became a central point to the development of Azerbaijan's energy resources and projects. To be more concrete, the development of the Caspian Sea energy resources has become the key element of the long-term commitment to gain economic and political independence for Azerbaijan.⁷

Successfully pursuing the energy strategy established in the 1990s, Azerbaijan has already reached its goal of maximum benefit from oil exports and is trying now to replicate this success in the natural gas market. The country is going beyond what it has learned with oil and has begun to pursue its strategic goals related to its gas export policy. Because it's the only country in the region developing its promising gas fields based on PSAs, Azerbaijan has been nominated as the enabler of, and the contributor to, the Southern Gas Corridor by the EU.⁸

By using its economic potential in a most efficient way, Azerbaijan is currently interested in becoming a transit route for East-West transportation and turning into a transit hub in the center of Eurasia.

Having in mind the above mentioned aspects, this chapter provides information about the economy (oil and non-oil sector) and the transport infrastructure in Azerbaijan with regard to its objective of becoming a regional hub in Central Eurasia. At the same time, it focuses on the current and potential projects Azerbaijan that is part of or could be interested in the near future in order to realize its primary objective.

Here, a special attention is given to the East-West Strategic Corridor for linking Central Asia to the Euro-Atlantic Area. Even if it represents at this

⁷ Zaur Shiriye, "Impact of Afghanistan on Energy Security in the Caspian Sea Basin: The Role of Azerbaijan", *NATO Science for Peace and Security Series- E: Human and Societal Dynamics*, Vol. 106: Afganistan and Central Asia: NATO's Role in Regional Security since 9/11, (February 2013), p. 112.

⁸ Remark made by Farhad Mammadov, Director of Center for Strategic Studies under the President of Azerbaijan at the conference entitled "Ensuring Energy Security in the Caspian basin and NATO's role in protecting critical energy infrastructure" held in Baku on 22 November, 2012.

moment only a strategic concept, once the required conditions are fulfilled in order this idea to be created in reality, the East-West Black Sea Caspian Sea Corridor would be the background needed to promote a series of projects covering trade, civil and military transportation, energy exports and investments.

The development of this corridor could bring benefits to all countries it directly involves (Romania, Georgia, Azerbaijan, Turkmenistan, Uzbekistan, possibly Kazakhstan and Turkey), to their neighboring countries and not ultimately to the EU and USA, which are interested in Central Asia's resources and economic potential.

Economy in Azerbaijan

In the latest Global Competitiveness Reports of the World Economic Forum Azerbaijan ranked 57th in 2010-2011, 55th in 2011-2012, 46th in 2012-2013 and climbed to the 39th spot in 2013-2014. Azerbaijan significantly improved its positions in the annual rating of world economies in 2013-2014, retaining the title of the most competitive economy among CIS countries.⁹ Since 2005, Azerbaijan has become a global leader in terms of economic growth, and in 2007, it was the fastest growing economy in the world. Between 2000 and 2010, Azerbaijan achieved many economic milestones: the real economy quadrupled, export volumes increased more than 15-fold, and top quartile growth is expected from the country for at least the next ten years.

It is worth mentioning the fact that 75% of investments in South Caucasus are made in Azerbaijan. Despite the Nagorno-Karabakh conflict and its consequences, Azerbaijan has been able to become the economic leader of the South Caucasus region¹⁰. Moreover, Azerbaijan decreased poverty from 49% in 2001 to 6% in 2012. According to experts, in the absence of compulsory state budget expenses on defense, hypothetically, Azerbaijan government would be able to eradicate poverty not only in Azerbaijan, but in Armenia as well.¹¹

⁹ Azerbaijan is unconditionally ahead of all Eastern European nations in GCR- Top official, 11 September 2013, <<http://www.azernews.az/azerbaijan/59294.html>> accessed on 05.10.2013.

¹⁰ Remark made by Glen Howard, president of Jamestown Foundation, at the "South Caucasus in the changing world" forum organized by Center for Strategic Studies under the President of Azerbaijan, September, 2013.

¹¹ Remark made by Vusal Gasimly, Head of Economic Analysis and Global Affairs Department within the Center for Strategic Studies under the President of Azerbaijan at the "South Caucasus in the changing world" forum organized by Center for Strategic Studies under the President of Azerbaijan, September, 2013.

According to the “Doing Business 2009” report prepared by the World Bank and the International Finance Corporation, Azerbaijan is the world’s top reformer country, with improvements on seven out of 10 indicators of regulatory reform.¹²

Oil vs. Gas

Azerbaijan’s hydrocarbon resources play the central role in the country’s economic stability. In 2013, Azerbaijan’s proven crude oil reserves were estimated at 7 billion barrels. In 2012, Azerbaijan produced approximately 930,000 barrels per day (bbl/d) of oil and consumed about 85 000 bbl/d. The country was among the 20 largest exporters of oil in the world in 2012¹³.

The country’s largest hydrocarbon basins are located offshore in the Caspian Sea, particularly the Azeri Chirag Guneshli (ACG) field, which accounted for more than 80 percent of Azerbaijan’s total oil output in 2012. The ACG field lies 120km off the coast of Azerbaijan in 120m of water and contains 5.4 billion barrels of recoverable oil. The field was put into use in November 1997. Participants to the ACG offshore field include: BP, which is the operator with a 35.83% stake; Chevron with 11.3%; SOCAR with 11.6%; INPEX with 11%; Statoil with 8.6%; ExxonMobil with 8%; TPAO with 6.8%; Itochu with 4.3%; and Hess with 2.7%.¹⁴

Azerbaijan’s proven natural gas reserves were roughly 35 trillion cubic feet as of January 2013. The vast majority of these reserves are associated with the Shah Deniz field. Recent discoveries of the Absheron and Umid formations add a further 15 trillion cubic feet of estimated resources. Although historically an oil producer, Azerbaijan’s importance as a gas producer and exporter is growing. Most of the natural gas production comes from the Shah Deniz field, one of the world’s largest natural gas and condensate fields. Shah Deniz Full Field Development is expected to have peak capacity of 565 billion cubic feet (in addition to the 315 billion cubic feet in Phase I), making it one of the largest gas development projects anywhere in the world.¹⁵

¹² “Azerbaijan over 10 years”, SAM, Baku, 2013, p.14 available at <http://sam.gov.az/pdf/booklet_print_version.pdf>.

¹³ U.S. Energy Information Administration, Azerbaijan, September 10, 2013 available at <<http://www.eia.gov/countries/country-data.cfm?fips=AJ>>.

¹⁴ Azeri/Chirag-Gunashli Oilfield, Azerbaijan, Key data available at <<http://www.offshore-technology.com/projects/acg>>.

¹⁵ U.S. Energy Information Administration, Azerbaijan, September 10, 2013 available at <<http://www.eia.gov/countries/country-data.cfm?fips=AJ>>.

*The East-West Energy Corridor
and Azerbaijan's energy transportation strategy*

Since regaining its independence, Azerbaijan is pursuing its energy policy set up in the 90s which started with opening up Caspian hydrocarbon resources to the Western oil majors. It wanted to become an important energy exporter country for the European consumers and play a crucial role in European energy security. In this regard, it can be said that all Azerbaijani governments from the outset were to look to West. The Western option was the best one for the sovereignty and the welfare of the country.¹⁶

As an example, we can mention the agreement between the State Oil Company of Azerbaijan (SOCAR) and the Azerbaijan International Operation Company (AIOC) also known as the "Contract of the Century" signed on 20 September 1994¹⁷. It was a political rather than an economic decision. The Azerbaijani and the US governments agreed to build a new pipeline that by-passed the territories of Russia and Iran for exporting large volumes of Caspian oil. The attention that Western countries gave to Azerbaijan increased afterward, which made a balanced foreign policy viable and brought political stability in the country for the first time in many years.¹⁸

As for the significance of 'the Contract of the Century', Heydar Aliyev best expressed its value: "In signing this contract we created relations with the developed countries of the world, with their biggest oil companies, and the basis for integrating Azerbaijan into the global economy and establishing a free market economy."¹⁹

Building the Baku-Tbilisi-Ceyhan (BTC) oil pipeline was an important stage in implementing the Contract of the Century. This oil pipeline, which began to be operational in 2006, crosses Azerbaijan, Georgia and Turkey and transports crude oil from the Azerbaijani sector of the Caspian Sea to the Turkish port of Ceyhan located on the Mediterranean coast. Strategically, the BTC pipeline (with has a capacity of 60 million tons per year) has been regarded as a tool to decrease Azerbaijani dependence on Russia in terms of export routes for its hydrocarbon resources, as well as to build new econo-

¹⁶ Elnur Soltanov, "The Emerging Patterns of Azerbaijan's International Energy Policy: Continuities and Changes", *Caucasus International Review*, Vol. 2, No.2, (Summer 2012), p. 80.

¹⁷ After 1991, because of the lack of expertise and knowledge to develop the natural riches of the country, Azerbaijan invited here all the major international oil companies (they had technology and financial resources). After this step, Azerbaijani objective was to design and build multi-vectoral transportation routes in order to deliver natural resources to international markets.

¹⁸ Rovshan Ibrahimov, "Azerbaijan's energy history and policy: from past till our days" in *Energy and Azerbaijan: History, strategy and cooperation*, SAM, Baku, 2013, p. 26.

¹⁹ Elman Nasirov, The Contract of the Century, available at <<http://www.visions.az/oil,206>>.

mic, political and security links with Turkey and subsequently with Western Europe.²⁰

Besides the BTC pipeline, there are two more oil pipelines in Azerbaijan: Baku-Supsa and Baku-Novorosiysk. The Baku-Supsa pipeline, also known as the Western Corridor, has a total length of 830 km with a volume of 5.5-6 million tons of oil per year. This pipeline's construction was supported by the U.S. government because of its interest in reducing Russia's influence and possible control of the development of energy fields in Azerbaijan.²¹

Regarding the Baku-Novorosiysk pipeline, it is 830 miles long with a capacity of 100,000 bbl/d and has been operating since 1996. The pipeline runs from the Sangachal Terminal to Novorossiysk, Russia on the Black Sea. SOCAR operates the Azerbaijani section, and Transneft operates the Russian section, which has at times complicated the operation of the pipeline as there is an ongoing dispute between SOCAR and Transneft concerning transportation tariffs²².

However, Rovnag Abdullayev, the head of Azerbaijani state energy company SOCAR, said in August that there are plans to reverse the Baku-Novorossiysk pipeline to send Russian oil supplies to Azerbaijan. This potential agreement follows a joint venture signed between SOCAR and Russian energy firm Rosneft during a meeting between Russian President Vladimir Putin and his Azerbaijani counterpart, Ilham Aliyev in Baku, 2013.²³

Given the fact that the Baku-Novorossiysk pipeline can also be used in the reverse direction, another possibility would be the transfer of Russian and Kazakhstani oil from the Trans-Siberian pipeline to the Turkish Mediterranean port via the Baku-Tbilisi-Ceyhan pipeline.²⁴

Azerbaijan's energy policy is based on two state programs: The State Program of the Republic of Azerbaijan on the Development of the Fuel-Energy Complex (2005-2015) and the State Program on Exploitation of Alternative and Renewable Energy Sources. The State Oil Fund of Azerbaijan (SOFAZ) manages the revenues gained from the exploitation of natural resources.

²⁰ Svante E. Cornell and Fariz Ismailzade, "The Baku-Tbilisi-Ceyhan Pipeline: Implications for Azerbaijan" in *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West* ed. S. Frederick Starr and Svante E. Cornell, Central Asia-Caucasus Institute Silk Road Studies Program, 2005, p. 61.

²¹ Shirin Akiner, Rovshan Ibrahimov, Ariz Huseynov, "Interregional cooperation in Eurasia. Transport and logistics projects as an accelerator of integration within and between the Black Sea Region, the South Caucasus and the Central Asia", *SAM Review*, Special Double Issue, Volume 9-10 (September 2013), Baku, p. 54 available at <<http://sam.gov.az/pdf/SAM%20Review%209-10.pdf>>.

²² U.S. Energy Information Administration, Azerbaijan, September 10, 2013 available at <<http://www.eia.gov/countries/country-data.cfm?fips=AJ>>.

²³ Stratfor, Russia and Azerbaijan Outline Energy Cooperation, August 19, 2013.

²⁴ Shirin Akiner, Rovshan Ibrahimov, Ariz Huseynov, "Interregional cooperation in Eurasia. Transport and logistics projects as an accelerator of integration within and between the Black Sea Region, the South Caucasus and the Central Asia", *SAM Review*, Special Double Issue, Volume 9-10 (September 2013), Baku, p. 56 available at <<http://sam.gov.az/pdf/SAM%20Review%209-10.pdf>>.

A Memorandum of Understanding (MoU) on Energy Strategy was signed between Azerbaijan and the EU in November 2006. The Joint Declaration on the Southern Gas Corridor signed by the President of Azerbaijan, Ilham Aliyev and the President of European Commission, Jose Manuel Barroso in January 2011 has opened new perspectives for the transportation of gas from the Caspian basin to the European market.²⁵

The Southern Corridor provides Europe with a new route that helps secure natural gas supplies from the Caspian Sea Basin, the region on which Gazprom had planned to rely to sustain its monopolistic leverage in Europe for decades. Moreover, the Southern Corridor is designed to be expanded as additional natural gas becomes available in Azerbaijan, and future supplies in Turkmenistan seek access to European markets. The Southern Corridor could expand further, to include natural gas from Israel and Cyprus in the Eastern Mediterranean, as well as Iraq and perhaps someday, Iran.²⁶

Azerbaijan is already part of the European gas network through the Baku-Tbilisi-Erzurum pipeline, also known as the South Caucasus Pipeline (SCP), designed to transport gas from Shah Deniz field from the Caspian Sea to Turkey. It follows the route of the Baku-Tbilisi-Ceyhan (BTC) crude oil pipeline through Azerbaijan and Georgia to Turkey, where it is linked to the Turkish gas distribution system. The length of this pipeline is 691km, with 443km in Azerbaijan and 250km in Georgia. It is capable of carrying up to seven billion cubic meters of gas.²⁷

The BTC oil pipeline and the BTE natural gas pipeline which are considered part of the East-West Energy Transportation Corridor allowed Azerbaijan to export energy to Western markets independently of Russia and created the opportunity to incorporate potential trans-Caspian pipelines from Kazakhstan and Turkmenistan into this corridor.²⁸

Since the construction of the BTC and BTE pipelines, Azerbaijan made some big steps in diversifying its energy options and invested in alternative routes. Here, it is sufficient to mention the Azerbaijani-Turkish Trans-Anatolia Pipeline (TANAP) and the Trans-Adriatic Pipeline (TAP).

TANAP emerged in December 2011 as a result of a MoU signed between Turkey and Azerbaijan followed by the signing, on 26 June 2012, of an Inter-

²⁵ Joint Declaration on the Southern Gas Corridor, available at <http://ec.europa.eu/energy/infrastructure/strategy/doc/2011_01_13_joint_declaration_southern_corridor.pdf>.

²⁶ Matthew Bryza and David Koranyi, "A tale of two pipelines: Why TAP has won the day" July, 2013 available at <<http://www.naturalgaseurope.com/southern-corridor-strategic-importance-tap-nabucco>>.

²⁷ South Caucasus pipeline, available at <<http://www.bp.com/sectiongenericarticle.do?categoryId=9006670&contentId=7015095>>.

²⁸ Taleh Ziyadov, "Azerbaijan", Central Asia-Caucasus Institute & Silk Road Studies Program, 2007, p. 317 available at <<http://www.silkroadstudies.org/new/docs/publications/GCA/GCAPUB-10.pdf>>.

governmental Agreement (IGA) by Prime Minister Erdogan of Turkey and President Ilham Aliyev of Azerbaijan. The pipeline length (with a diameter of 56 inches) from Turkish-Georgian border to Turkish-Bulgarian border is approximately 1,900 km. The agreement was signed for a period of 49 years. Construction is scheduled to begin in 2014, ending in 2018. By 2020, the pipeline capacity will reach 16 billion cubic meters per year, 6 billion of which are planned to be supplied to the Turkish market and the remaining 10 billion to the European markets. It is planned to boost the volume of gas coming from the Shah Deniz to 23 billion cubic meters by 2023 and up to 31 billion cubic meters by 2026. The Shah Deniz gas transported by the pipeline will be gas produced within the frame of the second phase of field development. The start of gas production from Shah Deniz-2 is planned for 2018, but all of these terms depend on the authorization of the second phase of development of the Shah Deniz field.

Azerbaijan's State Oil Company (SOCAR) holds 80 percent of TANAP's shares as well as operating rights (this means SOCAR will be the leader and the operator of this pipeline); Turkey's Botas state pipeline company holds 15 percent and Turkish Petroleum five percent.

From Azerbaijan's national perspective, the Trans-Anatolia pipeline would organically connect Azerbaijan via Turkey with Europe (a major economic and political goal of Baku) and would turn Azerbaijan into a significant contributor to energy security in Europe. TANAP would cast Azerbaijan in a new role as natural gas exporter, in addition to oil exporter and would allow Azerbaijan to become a transit country for Turkmenistan's gas via Turkey to Europe.²⁹ Baku describes this project as a "direct road from Azerbaijan to Europe" and "Azerbaijan's road into the future."³⁰ TANAP will connect TAP to Azerbaijani gas flowing to eastern Turkey through Georgia.

TAP will transport Azerbaijan's natural gas exports through Greece and Albania to Italy. The project is uniquely focused on the gas of the second development phase of Shah Deniz field. The project is being developed by the Swiss EGL, Norwegian Statoil, and German E.ON Ruhrgas. The planned capacity of TAP in the first phase is 10 billion cubic meters a year with a future increase to 20 billion cubic meters. The pipeline will run approxima-

²⁹ Vladimir Socor, "Trans-Anatolia Gas Project: Vast Impact of Azerbaijan's Initiative", *EDM*, vol: 9, issue: 124, June 29, 2012 available at <http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=39559>.

³⁰ Burcu Gültekin Punsmann, "A step ahead towards the stage of maturation in Azerbaijani-Turkish Relations: The Trans-Anatolian Pipeline" Economic Policy Research Foundation of Turkey, June 2012, p. 3 available at <http://hasen.org.tr/arastirma/detay/81/a_step_ahead_towards_the_stage_of_maturation_in_azerbaijani_turkish_relations_the_trans_anatolian_pipeline>.

tely 900 km. Currently TAP investors are BP (20%), SOCAR (20%), Statoil (20%), Fluxys (16%), Total (10%), E.ON (9%) and Axpo (5%) and construction is expected to begin in 2015.

In June 2013, Shah Deniz consortium selected TAP at the expense of the Nabucco West project, a transport route that would have brought natural gas through Bulgaria, Romania and Hungary to its final destination, Austria. Undoubtedly, the opinion of the Azerbaijani government was a decisive factor in the choice of TAP. Was this opinion formed on the basis of commercial or political reasons?

The short answer is that both political and commercial considerations were important. Azerbaijan has to reckon with Russia's interests for many political reasons. Russia, which still exerts considerable influence on the government of Azerbaijan, never misses a chance use this influence (especially during elections years). This was once again demonstrated during the latest visit (August 13, 2013) of the Russian president to Azerbaijan. Despite the fact that the TAP decision was made six weeks prior to the visit, it appears that on an official level, the expected visit did have an influence on it.

From a commercial point of view, TAP seems to be preferable because it is shorter by nearly 400 km (30%) compared to Nabucco. Another obvious advantage is that the Shah Deniz-2 project investors own a 70% of stake in TAP. In addition, TAP appears as a more practical project in terms of filling the pipeline. Guaranteeing an adequate supply of natural gas has been the main problem for Nabucco from the beginning and Azerbaijan is capable of only partially filling the pipeline. Since the original Nabucco project was proposed, other countries such as Iran, Turkmenistan, Iraq and Egypt were considered as potential gas sources, but the Nabucco consortium did not manage to reach a reliable agreements on natural gas supplies with any of these countries.

There will be no problem filling TAP as full capacity can be completely ensured by Azerbaijan's natural gas sources, including its Shah Deniz, Inam, Babek, and Absheron fields. Azerbaijan's natural gas reserves are estimated to be between 0.9 trillion cubic meters³¹ and 2.5 trillion cubic meters.³² The last audit of hydrocarbon reserves in Azerbaijan was held last year and although the results have not been made public, it is believed that the volume of known natural gas reserves was slightly lower than in previous estimates. The problem with the evaluation of hydrocarbon reserves comes also from

³¹ BP Statistical Review of World Energy, June 2013, available at <http://www.bp.com/content/dam/bp/pdf/statistical-review/statistical_review_of_world_energy_2013.pdf>.

³² Republic of Azerbaijan, Ministry of Industry and Energy, available at <<http://www.mie.gov.az/?e=525&a=3>>.

the fact that the methodology used in Azerbaijan uses outdated techniques developed under the former Soviet Union. Even Russia has refused to apply Soviet techniques, which are significantly different from the SPE-PRMS (Petroleum Resources Management System) applied in many countries.

The decision of the Azerbaijani government and the Shah Deniz consortium on TAP was also positively welcomed by the European Commission.³³ EU Commission President José Manuel Barroso declared: "I welcome today's decision by the Shah Deniz II Consortium selecting the Trans-Adriatic Pipeline (TAP) as the European route of the Southern Gas Corridor. This is a shared success for Europe and a milestone in strengthening the energy security of our Union. I am confident that today's decision, which builds on the strategic Joint Declaration I signed with President Aliyev of Azerbaijan in January 2011, will provide further momentum to the full and rapid realization of the entire Southern Gas Corridor as a direct and dedicated link from the Caspian Sea to the European Union, which should be expanded over time."

Leaving aside the reasons that led the consortium of energy companies operating in the Caspian Basin to choose TAP (largely, all agreed that this decision in the long run would be a good option in terms of bringing diversity of routes and sources of natural gas to Europe), it is worth mentioning that selecting TAP turns SOCAR, the national energy company of Azerbaijan, into a major regional player.³⁴

Even though the implementation of TAP will be complex³⁵, the important thing is that the Southern Corridor materializes. In the future, given its role of gateway to energy and transportation corridors for the entire region where it is located, Azerbaijan should use the advantages offered by its position and consider very seriously the so-called Trans-Caspian pipeline.

The Trans-Caspian pipeline idea was first proposed in the mid 1990s, but despite significant progress in project promotion, Azerbaijan and Turkmenistan failed to agree on exported gas quotas. Both Russia and Iran contributed to the suspension of negotiations by protesting against the construction of a gas pipeline under the Caspian Sea. They justified their position by raising questions about possible environmental consequences (although it is

³³ EU Commission welcomes decision on gas pipeline: Door opener for direct link to Caspian Sea, Press Release, available at <http://europa.eu/rapid/press-release_IP-13-623_en.htm>.

³⁴ Remark made by Alexandros Petersen, advisor to the European Energy Security Initiative (EESI) at the Wilson Center in USA, at the "South Caucasus in the changing world" forum organized by Center for Strategic Studies under the President of Azerbaijan, September, 2013.

³⁵ Financing challenges remain for both TAP and the two pipelines that will carry gas from Azerbaijan to the Turkey-Greece border: expansion of the South Caucasus Gas Pipeline that already connects Azerbaijan with Georgia and Turkey; and construction of the TANAP. Financing these large projects is complicated by the tight economics of natural gas production at the Shah Deniz field.

interesting that Russia itself subsequently paved two subsea gas pipelines in the more complex environments of the Black and Baltic Seas) and the lack of agreement on Caspian Sea status.

Azerbaijan could benefit from getting some transit revenue from the facilitation of Turkmen/Central Asia energy supplies when its own gas exports will be diminishing and thus emerge as a significant transit country between Central Asian states and the European markets.

The main route for Turkmen gas from Turkish-Azerbaijani border to Europe will be the TANAP pipeline expected to be commissioned in 2018. According to the Prime Minister Erdogan, "TANAP will allow to transport through Turkey to Europe gas from the second stage of development of Azerbaijani Shah Deniz gas condensate field. In addition, this project will allow to supply not only gas of Shah Deniz, but of other gas fields in the Azerbaijani sector of the Caspian Sea, as well as will create the possibility of transportation through this route of Turkmen gas."³⁶

However, from Azerbaijani perspective, at the moment, the Trans-Caspian project is a long-term option, not a medium-term necessity which is linked to the political and legal disputes over the Caspian Sea between Baku and Ashgabat.³⁷

As a transit country, Azerbaijan sought from the beginning to develop its regional energy resources and to open itself to global energy markets, especially the Western ones.

For example, Azerbaijan is also promoting a new gas project named Azerbaijan-Georgia-Romania Interconnector (AGRI). In September 2010, the presidents of Azerbaijan, Georgia and Romania signed a political declaration on AGRI. The project covers transportation of Azerbaijani gas from Caspian fields to Kulevi – a port on the Georgian coast of Black Sea, its conversion to liquefied natural gas at a special plant, and a further transportation by tankers to the Romanian port of Constantia. Part of this gas will be used in Romania, and the rest sent to other European countries. In total, 7 billion cubic meters of Azerbaijani gas are planned to be supplied as part of the project (supply volumes and other parameters of the project are presently being specified).

AGRI project can be considered a complementary option for gas transportation to the Black Sea region.³⁸ The British company Penspen announced

³⁶ Erdogan: Azerbaijan, Turkey will make significant contribution to ensuring Europe's energy security 26 June 2012 available at <<http://en.trend.az/capital/energy/2040720.html>> accessed on 10.10.2013.

³⁷ Gulmira Rzayeva & Theodoros G.R. Tsakiris, "Strategic Imperative: Azerbaijani Gas Strategy and the EU's Southern Corridor", *SAM Review*, No. 5 (July 2012), Baku, p. 26.

³⁸ Shirin Akiner, Rovshan Ibrahimov, Ariz Huseynov, "Interregional cooperation in Eurasia. Transport and logistics projects as an accelerator of integration within and between the Black Sea Region, the South Caucasus and the Central Asia", *SAM Review*, Special Double Issue, Volume 9-10 (September 2013), Baku, p. 95 available at <<http://sam.gov.az/pdf/SAM%20Review%209-10.pdf>>.

the winner of the tender for the preparation of technical and economic evaluation of the project on September 25th, 2012 and will study the potential market, types and volumes of engineering on the pipeline and terminals, as well as possible risks.

Even if Shah Deniz consortium selected TAP at the expense of the Nabucco West project, a transport route that would have implied Romania, Azerbaijan officials stress their interest in expanding relations with Romania.³⁹ At this moment, the two countries are in the stage of running a feasibility study, more information and news will be given after its completion.

The many energy agreements signed lately by Azerbaijan prove the fact that Baku wants to diversify its energy routes in order to get more dividends over the involved regional players. From Azerbaijan's perspective, a successfully implemented diversification of its energy security strategy will increase the country's role as a stabilizer in the region and at the same time boost its importance in both regional and global energy security⁴⁰.

The non-oil sector in Azerbaijan

As seen from the aspects mentioned above, oil is still the dominant factor in the economy of Azerbaijan. However, the latest statistics show a decrease in the oil sector and according to experts, the revenues gained from the oil and gas sector are expected to decrease in the coming years. For example, Azerbaijan's oil production decreased by 5.3% in 2012. Crude oil production by all producers in Azerbaijan totaled 320.667 million barrels in 2012 against 338.467 million barrels in 2011, 379.224 million barrels in 2010, 375.807 million barrels in 2009 and 332.07 million barrels in 2008. Meanwhile, the latest predictions confirm that oil production will decrease about 36 million ton in 2015. Oil export decreased too by 6,9 % in 2012. Azerbaijan exported 34,9 million tons of oil in 2012 which was 6,9 % less than compare with previous year.⁴¹

According to official data of the State Statistics Committee, it is clear that oil sector constitutes up to 94 percent of total exports, more than 60 percent of the local industry, and 60 percent of the state budget revenues. It should also be noted that 60 percent of the funds transferred directly to the state

³⁹ Remark made by Natiq Abbasov at the "South Caucasus in the changing world" forum organized by Center for Strategic Studies under the President of Azerbaijan, September, 2013.

⁴⁰ Gulmira Rzayeva, "Azerbaijan's diversified energy security strategy", 11/26/2009, published on Central Asia-Caucasus Institute <<http://www.cacianalyst.org/?q=node/5222>>.

⁴¹ "Azerbaijan economy in 2012", Center for Economic and Social Development, Baku, Azerbaijan, 18 January 2013 available at <http://cesd.az/new/wp-content/uploads/2011/05/Azerbaijan_Economy_in_2012.pdf>.

budget are received by the State Oil Fund. Moreover, if we include the amount of funds received through SOCAR and other oil-based sources, then we can deduce that the oil sector actually constitutes 70 percent of the budget revenues.⁴²

The Azerbaijani government is aware of the negative consequences of over-dependence on the oil sector and thus, the development of the non-oil sector has recently become a priority for Azerbaijan to ensure continued economic growth and social stability. Diversification of the economy, the gain of new sources of revenue and reduction of long-term dependence on energy prices represent the key challenge for Azerbaijan in the coming years.

The important sectors to long-term Azerbaijani economic growth are agriculture, manufacturing, telecommunications and tourism, which have the potential to grow and a competitive advantage. The crucial sector is agriculture, which is the second largest sector of the Azerbaijani economy after energy.⁴³ This sector also has a strong multiplier effect, stimulating growth and diversification in the non-farm rural economy. While agriculture accounts for only 6 percent of GDP, it is a key employer providing employment for about 39 percent of the workforce and generating two-fifths of household incomes in rural areas.

Therefore, the government has repeatedly declared agriculture as one of its top priorities and has developed a number of strategies to focus on the sector, such as The State Program on the Reliable Provision of Food Products (2008-2015) that seeks to rehabilitate irrigation networks, develop food processing enterprises, improve the genetics of livestock, support private sector activity in meat and milk processing, expand financing, and create a research center for agriculture.⁴⁴

Because the development of the non oil sector is a priority for Azerbaijan, the government adopted the “Strategy 2020” in December 2012 which contains the strategic priorities that need to be articulated in the coming years such as “New Industrialization” and the development of innovative economy, reforms in the financial sector, promotion of agricultural production, improvement of business environment, the policy of “open doors” for foreign investment, multiplication of human capital.

⁴² Vugar Bayramov, “Economic and social development perspectives of non-oil sector of economy in Azerbaijan with a view to 2018” in *The South Caucasus 2018 Facts, trends, future scenarios*, Konrad Adenauer Stiftung, 2013.

⁴³ Arthur Bayhan, *Azerbaijan’s growth perspectives and non-oil sector competitiveness*, 13 January 2013 available at <<http://www.todayszaman.com/news-303839-azerbaijans-growth-perspectives-and-non-oil-sector-competitiveness-by-arthur-bayhan-.html>> accessed on 11.10.2013.

⁴⁴ World Bank Group – Azerbaijan Partnership, Program Snapshot, October 2013 available at <<http://www.worldbank.org/content/dam/Worldbank/document/Azerbaijan-Snapshot.pdf>>.

The “Strategy 2020” aims at drafting a vision and a plan of action for the diversification of the economy, including doubling GDP per capita and developing social sectors such as education and health care.

“Azerbaijan – 2020: The vision of the future”

The main goal of this concept, approved by Azerbaijani president Ilham Aliyev, is that, by 2020, Azerbaijan is to achieve the status of a Developed Nation. At this moment, Azerbaijan is a developing and middle-income country with a GDP per capita between 6000\$-7000\$. The target is to increase this number in the next seven years so it reaches 10000\$ to 12000\$.⁴⁵ In order to achieve this, the primary task on the agenda is to speed up economic diversification, maintain rapid non-oil sector growth regardless of the level of oil revenues, increase competitiveness and expand export opportunities.

According to the president Ilham Aliyev, “Azerbaijan will develop in a way so that every district, every citizen could feel advantage of economic growth. Oil was just a means for us to get to our goal. We have used successfully oil criterion for successfully solving duties standing in our agenda.”⁴⁶

The overall idea of the “Strategy 2020” is to go beyond energy and to develop the non-oil sector: “The application of innovative technologies at industrial enterprises will be encouraged and specialized and general industrial parks established. The creation of an industrial infrastructure in economic districts will form the main component of state investment policies on developing the non-oil sector. Therefore, the goal will be to create a special economic zone and set up industrial parks in each economic district (including the Sumgayit petrochemical, Balakhani waste treatment and Ganja metal (aluminum) complexes). Along with developing and expanding the export opportunities in traditional non-oil industries (chemical, metallurgy, machine engineering, electrical technology, electronics, light and food industries, etc.), new competitive sites will be encouraged. All the necessary communications required for comfortable life (internet, bank services, public utilities, roads, etc.) will be available even in the most remote Azerbaijani villages. The concept intends to develop the tourism infrastructure, expand the scope of tourism services meeting international standards, enhance the competitiveness of this sphere and increase its share in the GDP. Special

⁴⁵ Azerbaijan’s GDP grows 3.5 fold over past decade – official, October 8 2013, available at <<http://www.news.az/articles/politics/83265>> accessed on 11.10.2013.

⁴⁶ “Azerbaijan over 10 years”, SAM, Baku, 2013, p. 8 available at <http://sam.gov.az/pdf/booklet_print_version.pdf>.

attention will be paid to the processing of agricultural produce as one of the key areas of non-oil sector the development.”

Another important mention is the one related to the diversification of infrastructure and of transportation routes. “For Azerbaijan to become a regional trade center, the country’s strategic geographical location must be effectively used, transit and transport services developed and logistical centers established in the districts. This will also enhance the country’s attractiveness as a production and investment center and open new business and employment opportunities. The management of local and international transport will be improved and the integration of the country’s transport into the international system expanded. “

Overview of transport infrastructure in Azerbaijan

The transport sector in Azerbaijan is regulated by the Ministry of Transport which is responsible for the development and accomplishment of a centralized state policy for the railway, maritime and road transport, and also for the civil aviation and roads.

According to official statistics, Azerbaijan has 25,000 km of roads and highways which are strategically important to its neighbors in providing reliable transit routes. These roads and motorways play an important role in the transport infrastructure of the Caucasus region and provide an efficient link between the Caspian Sea and the Black Sea, as well as between the Russian Federation and Iran.

The total length of main Azerbaijani railroads totals 2,924.3km. Of this total 2,079.0 km are under operation. 806.2km falls to the share of two-side roads. 1,271.0km of operating road or 60% have been adapted to electric power. Automatic signaling system has been installed on the segment with the length of 1,650km. A total of 236 million tons of cargo was transported by railroad within 10 years. The volume of cargo transportation grew by 26.5% in 2011 compared to 2002. The number of passengers reached 54 million. State program on development of railroad transport of Azerbaijan for 2012-2014 has been developed in the view of performance of activities envisaged in the State program of social-economic development of Azerbaijan regions for 2009-2013 and strengthening of material-technical base of railroads.⁴⁷

⁴⁷ Large-scale and grandiose projects are implemented in the transport sector of Azerbaijan, interview with Ziya Mammadov, Minister of Transport of Azerbaijan, published in Caspian Energy Transport Journal, 28.06.2012 available at <<http://transport.caspianenergy.net/index.php/en/home-2/18-caspian-energy-transport-1-2-en/44-large-scale-and-grandiose-projects-are-implemented-in-the-transport-sector-of-azerbaijan-ziya-mammadov-minister-of-transport-of-azerbaijan>>.

Concerning the air transport, Azerbaijan has three modern international airports—Baku, Ganja, and Nakhichevan. Baku airport is the busiest airport in the South Caucasus and the air cargo traffic between Europe and Asia constitutes a significant part of the world's air cargo exchange. In 2007, the Europe-Asia market made up about 19.4% of the world's air cargo traffic in ton-kilometers and 9.7% in tonnage. Baku Cargo Terminal is Azerbaijan's main international cargo terminal for both domestic and international cargo traffic and covers 12,800 m² with a monthly traffic capacity of 30,000 tons.⁴⁸

Regarding the water transport, Azerbaijan, being a Caspian Sea littoral state, has direct maritime connections to other Caspian littoral states: the Russian Federation, Kazakhstan, Turkmenistan and Iran. The Baku International Sea Port is the largest port on the Caspian Sea and it has four terminals: the main cargo terminal, Dubendi oil terminal, a ferry terminal and a passenger terminal. The major trading partners of Baku Port are Aktau, Turkmenbashi. The ferry terminal at Baku Port is a gateway in the Euro-Asian transportation network. Concerning the services, the Baku International Sea Port implies dry cargo and liquid bulk handling, general and project cargo handling, container handling (stuffing and stripping) and warehousing and storage. Regarding the total capacity, the Baku Port holds 18 million tons of which 8 million tons for the oil terminal, 8 million tons for the ferry terminal, 2 million tons for the cargo terminal and 10000 TEU for the container terminal.⁴⁹

Azerbaijan is a major pillar of all strategic projects in the region involving Black Sea – Caspian Sea transportation corridors, energy and trade. Azerbaijan is a member of several international transport programs such as the Transport Corridor Europe, Caucasus and Asia, known as the TRACECA program, an EU-led international transport initiative launched in May 1993.

In September 1998, twelve countries (Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Uzbekistan, Ukraine) signed the “Basic Multilateral Agreement on International Transport for the Development of the Transport Corridor Europe-Caucasus-Asia” (MLA) during a conference in Baku. The Permanent Secretariat of the Intergovernmental Commission TRACECA is based in Azerbaijan.⁵⁰

⁴⁸ Taleh Ziyadov, *Azerbaijan as a regional hub in Central Eurasia*, Azerbaijan Diplomatic Academy, Baku 2012, pp. 169-172.

⁴⁹ Taleh Ziyadov, Baku International Sea Port, OSCE-UNECE Inter-Regional Workshop on Developing Euro-Asian Transport Links, 7-8 December, 2010, Turkmenbashi, Turkmenistan, available at <http://www.unece.org/fileadmin/DAM/trans/doc/2010/wp5/ECE-TRANS-WP5-GE2-workshop2_IR-pres_19e.pdf>.

⁵⁰ Transport Corridor Europe-Caucasus-Asia (TRACECA) available at <http://ec.europa.eu/europeaid/where/asia/regional-cooperation-central-asia/transport/traceca_en.htm>.

On June 2009 the Seventh Annual Meeting of the Intergovernmental Commission (IGC) TRACECA was held in the Kyrgyz Republic. It was an important meeting because the MLA Parties adopted the Agreement on Development of Multimodal Transport TRACECA. The countries that signed the Agreement are Azerbaijan, Armenia, Kyrgyzstan, Tajikistan and Georgia. On 4th of March 2011 the Parliament of the Republic of Azerbaijan (Milli Mejlis) ratified the Agreement on development of multimodal transport TRACECA.⁵¹

Since 2009, the cargo trade along the Azerbaijani section of TRACECA has increased by 78%, with an average increase of 6% per year. In 2010, 51.7 million tons of goods were transported along the East-West TRACECA route in Azerbaijan: 21.7 million tons by road (42%), 20.6 million tons by rail (40%) and 9.4 million tons by sea (18%). Even if this brought more than 400 million dollars to Azerbaijani state budget, the potential is much bigger. To fully reach it, the problems regarding the cost and predictability should be solved. There are significant delays caused by loading / unloading operations, border crossings, police checkpoints and queues along this route. At the moment, because of the lack of coordination between the countries of the Black Sea and the Caspian Sea region and between the different modes of transportation, TRACECA is not a fast, cost-effective and reliable multimodal transport corridor.⁵²

According to experts⁵³, to fully reach the potential of the TRACECA, there is a need for direct and accordingly more efficient railway system which will allow transporting larger volumes of goods in a shorter period of time. Lately, several important steps were made in this direction by starting to construct the Baku-Tbilisi-Kars railway (also known as the Kars-Akhalkalaki-Tbilisi-Baku railroad) to link the railways systems of Azerbaijan, Georgia and Turkey. The idea of this project is not new, it dates back to the 1990s, but because of the lack of financing, it was put on hold. Only after 2005, the project was brought back on the agenda in 2007, so Azerbaijan, Georgia and Turkey signed in Tbilisi a trilateral agreement giving the go-ahead for the construction of the railroad.

USA and EU refused to finance such a project mainly because it bypasses Armenia, thing that contributes to its isolation in the South Caucasus. While

⁵¹ Azerbaijan ratified Agreement on development of multimodal transport TRACECA available at <http://www.traceca-org.org/en/news/single-news/n/azerbaijan_ratified_agreementon_development_of_multimodal_transport_traceca/>.

⁵² Taleh Ziyadov, *Azerbaijan as a regional hub in Central Eurasia*, Azerbaijan Diplomatic Academy, Baku 2012, pp. 37-41.

⁵³ Azad Garibov and Rovshan Ibrahimov, "Geopolitical competition in the Central Asia. The dynamics of relations with Azerbaijan", *SAM Comments*, Volume IX, (August 2013), Center for Strategic Studies, Baku, p. 66.

Ankara and Baku were able to finance the construction and the modernization of their railroads, Tbilisi was not. This was not actually a problem. Azerbaijan appeared as the hero of the project due to the loan it has lent to Georgia. Until now, in total, Baku lent a soft loan worth \$775mn to build and reconstruct the Georgian section of the railway. Tranche A worth \$200mn has been issued for a period of 25 years at 1% annually (includes work on the project since 2007) and tranche B worth \$575mn – has been issued for 25 years at 5% per year.⁵⁴ Once finished, the railway will be capable of transporting around 17 million tons of cargo and 1 million passengers per year.

According to Azerbaijan Railways Deputy Chairman Gurban Nazirov, the Baku-Tbilisi-Kars railway will be launched in late 2014. The key objective of the project is to improve trade and economic relations between the three regions, as well as gaining foreign direct investment by connecting Europe and Asia.⁵⁵

For Azerbaijan and Georgia, a railway connecting Georgia, Azerbaijan and Turkey will solidify Baku's importance as a Caspian trade hub and further strengthen its relations with Central Asia. The Baku-Tbilisi-Kars railway is an important part of the East-West transport corridor that will be a guarantor of sustainable development and security in Eurasia as a whole.⁵⁶ Presented as the "Iron Silk Road", this railway project would create conditions for the revival of the historical Silk Road and would develop the Europe-Caucasus-Asia corridor, deepening the region's integration into Europe.⁵⁷

Another project Azerbaijan is investing in is the New Baku International Sea and Trade Port at Alyat. According to the information given by the President Ilham Aliyev on the ground breaking ceremony of the new Baku International Trade Seaport complex in Alyat, held on 3 November, "the present-day Baku trade seaport was built in the 1930s and reconstruction was further held at certain stages. But currently it does not respond to the demands of the current or future development of Azerbaijan. Therefore, the main aim of creation of the port in this area is the successful settlement of issues of transport security in Azerbaijan, Baku's transformation into a modern and big transport and logistical center in the Caspian basin, expansion

⁵⁴ A date of launch of Baku-Tbilisi-Kars railway announced, June 2013 available at <<http://www.news.az/articles/economy/80485>> accessed on 10.10.2013.

⁵⁵ Baku-Tbilisi-Kars (BTK) Rail Line, Azerbaijan, Georgia, Turkey available at <<http://www.railway-technology.com/projects/baku-tbilisi-kars/>>.

⁵⁶ Glen E. Howard, "The New Iron Silk Road: The Baku-Tbilisi-Kars Railway" *Caucasus International Review*, Vol. 2 (2), (summer 2012), pp. 38-39.

⁵⁷ Samuel Lussac, "The Baku-Tbilisi-Kars railroad and its geopolitical implications for the South Caucasus" *Caucasus Review of International Affairs*, Vol. 2 (4), (Autumn 2008) available at <http://cria-online.org/5_5.html>.

of cooperation between the Caspian littoral states and creation of conditions for the full functioning of the North-South and East-West transport corridors. The main point is that this project will raise the transport capacities of Azerbaijan, will further raise our role as a regional transport center and connect Europe with Asia with a reliable and quality railroad. All these factors dictated us the need to build a new modern trade seaport in Azerbaijan. The schedule and rates of works are interconnected.”⁵⁸

The Alyat Port will be located 65 km south from Baku. According to the Azerbaijani Ministry of Transport, Azerbaijan has an advantageous location in transport structures being a real hub in the Black Sea and Caspian Sea region and also an important Eurasian link. The new port of Baku is a complex project to be implemented in three stages and it will cost around 870 million AZN. As for the freight volumes, in the first phase the volume estimated to be shipped through the port by 2014 is 10 million tons of goods and 40,000 TEUs, in the second phase the volumes will amount to 17 million tons and 150,000 TEUs, while in the third and last phase to 21-25 million tons and 1 million TEUs.⁵⁹

Perhaps the most important thing is that the Alyat Port opens the door for private investments which logically implies a better prospect for Azerbaijan's future.⁶⁰

Azerbaijan is investing not only in maritime ports, railways, but also in airports. A new terminal in the Baku International Airport is under construction and will be commissioned in 2013.⁶¹ It is expected that the new airport will be able to serve 5 million passengers and process thousands of tons of cargo per year.⁶²

Last, but not least, Azerbaijani government plans to establish Free Economic Zones (FEZs) and invest more than \$60 billion in real estate projects in and around Baku, essentially aiming to transform the national capital into the “Dubai of the Caspian.”⁶³

As we can see, Azerbaijan is investing billions of dollars in modernization of its transport infrastructure. Projects as Baku-Tbilisi-Kars railway, the new

⁵⁸ Caspian Sea is sea of friendship and cooperation – Ilham Aliyev, 04.11.2010, available at <<http://news.az/articles/economy/25946>> accessed on 12.10.2013.

⁵⁹ Azerbaijan sets key point for north-south and east-west transports: the new Baku-Alyat port, available at <<http://www.railwaypro.com/wp/?p=6851>>.

⁶⁰ Remark made by Taleh Ziyadov at Bucharest Forum “Anchoring the New Silk Road, Linking Three Seas: Caspian, Black Sea and the Adriatic” September 26-28, 2013.

⁶¹ New terminal, available at <<http://www.airport.az/about.php?id=5>>.

⁶² Shirin Akiner, Rovshan Ibrahimov, Ariz Huseynov, “Interregional cooperation in Eurasia. Transport and logistics projects as an accelerator of integration within and between the Black Sea Region, the South Caucasus and the Central Asia”, *SAM Review*, Special Double Issue, Volume 9-10 (September 2013), Baku, p. 61 available at <<http://sam.gov.az/pdf/SAM%20Review%209-10.pdf>>.

⁶³ Taleh Ziyadov, *Azerbaijan as a regional hub in Central Eurasia*, Azerbaijan Diplomatic Academy, Baku 2012, p. 8.

Baku International Airport and the new Baku International Trade Seaport and Logistics Center at Alyat will enable Azerbaijan to obtain a highly developed transport infrastructure. At the same time, these projects are part of the government's strategy of developing its non-oil economy. Azerbaijan, with its strategic location and the necessary infrastructure, is moving closer in pursuing its goal of becoming a major transport hub between East and West.

However, there are experts who consider that a successful hub development requires a "bird's eye view" or an integrated approach in order to respond to Azerbaijan's main national, regional and global priorities. In other words, there is a need of a coherent policy in the country's strategy regarding the non-oil economy, a cross-sector and intra-sector coordination and an approach which views all these projects as complementary.⁶⁴

*The East-West Black Sea Caspian Sea Strategic corridor:
an opportunity for Azerbaijan*

In the early medieval period and later, the Great Silk Road was a key economic factor connecting the empires of China, Byzantium and the Arab Caliphate, and dozens of countries that fell within the spheres of influence of these empires. One of the old routes of the Great Silk Road ran through the Caspian Sea and Azerbaijan, who was an open country for trade and cooperation. Even if today, The Silk Road no longer exists, there are discussions related to the construction of a New Silk Road and Azerbaijan is very much interested in such a concept because of its primary objective of becoming a regional transportation hub and a transit route for trade between East and West.

First, Azerbaijan has the advantage of being located in the heart of Eurasia and, therefore, it serves as a bridge in the Caspian region, connecting the Caucasus, Middle East and north-eastern Europe. Despite the fact that it is a small and almost landlocked country, due to its geographical location, Azerbaijan plays a significant role as a potential transportation hub.

Second, this geographical reality means nothing if it is not utilized properly. In this regard, the Azerbaijani government is trying to diversify infrastructure and transportation routes in order to facilitate the private sector to invest in Azerbaijan. This strategy started to be implemented only after Azerbaijanis officials understood that it was time to diversify their country's economy beyond oil and to pay attention to the non-oil sector.

Transportation by itself can't be separated from the non-oil economy as a whole and the success of Azerbaijan depends on how well it will be able to

⁶⁴ *Idem*, pp. 246-247.

develop its non-oil sector of economy. In other words, Azerbaijan economic stability and success will depend on the fulfillment of the objectives established in “Azerbaijan 2020” strategy signed by the president which aims to increase non-oil exports seven and a half times, from the current 1.5 billion dollars to 10 billion dollars in the next seven years.⁶⁵

In order to achieve this, Azerbaijan is interested in becoming part of projects covering trade, civil and military transportation, investments. In this respect, the East-West Black Sea Caspian Sea Strategic corridor, that is supposed to link Central Asia, (a land locked region with important resources) to EU/NATO borders via the Southern Caucasus could be in the interest of Azerbaijan for accomplish its objective of becoming a major hub of commerce between East and West. The corridor directly involves Romania, Georgia, Azerbaijan, Turkmenistan, Uzbekistan (possibly Kazakhstan and Turkey) and it has five pillars: energy, transportation, military corridor, trade and investments. Therefore Azerbaijan becomes an essential link for this project. This is the shortest way to go from Uzbekistan via Turkmenistan or from Kazakhstan to Azerbaijan and Georgia and further, to Romania.

The East-West Black Sea-Caspian Sea Corridor perfectly complements the New Silk Road, introduced by Secretary Clinton in 2011. As a project for Afghanistan and the broader region, the New Silk Road is about transportation, trade and energy linking Central Asia via Afghanistan to Pakistan, India and China. In turn, the East-West corridor gives the economies of Central Asia and, through them, of East and South Asia, direct access to Europe, so they perfectly complement each other.

As it was mentioned above, the East-West Black Sea Caspian Sea Strategic corridor includes not only energy, but also civil and military transportation, trade, investments. The inter-modal transportation corridor is about sending containers from the Eastern shores of the Caspian Sea – Turkmenistan or Kazakhstan – by sea to Baku, by train to Georgia’s ports and once again, by sea to Constanta. By choosing to be part from the East-West Strategic Corridor linking Central Asia to the Euro-Atlantic Area and implicitly, to collect the economic and strategic advantages that come along with it, Azerbaijan will strengthen its position in the Caucasus and its role of stabilizer in the region.

According to the interviewed experts from public institutions, for Azerbaijan, the East-West Black Sea Caspian Sea Strategic corridor is an interesting project because it will shape the regional vision as a whole. Even if Azerbaijan is involved now in rail projects (the fulfillment of these projects

⁶⁵ Zaur Shiriyev, Azerbaijan: post-elections challenges, 18.10.2013 available at <<http://www.todayszaman.com/columnist/zaur-shiriyev-329174-azerbaijan-post-election-challenges.html>>.

is the top priority of Azerbaijan) the Black Sea – Caspian Sea Corridor has the potential to become one of Baku's priorities.

At the same time, this project is a win-win situation for Azerbaijan because it represents also a possibility to extend the non-oil sector. As we have highlighted above, Azerbaijan's Achilles heel is the overdependence on the energy sector to sustain its economy. In the light of the declining growth of the oil sector, Azerbaijan must urgently diversify its economy by developing other sectors. The development of the non-oil sector is a priority for the country in order to ensure social stability and continued economic growth.

Moreover, the East-West Corridor is a good opportunity for Azerbaijan to assert its objective of becoming a regional transportation hub between Europe and Asia. A very important aspect is that, after the implementation of this project, there won't be only a hub, but several hubs at the same time: Constanta, Poti, Baku, Turkmenbashi, Aktau. For this, Azerbaijan needs to harmonize its transport policy with that of neighboring states, particularly Georgia, Turkey and the Central Asian countries along the East-West axis. This harmonization would reduce transit times and remove some of the obstacles. In other words, according to experts, the East-West Black Sea Caspian Sea Strategic corridor would need a regional vision, a framework or regulatory cooperation.

The East-West Black Sea Caspian Sea Strategic corridor has commercial, strategic and geopolitical advantages. Here, the non-oil transit is a very important subject because new goods, except oil and gas, can be transported. An answer to the question what to ship through this Corridor isn't easy to offer in this stage of the project, especially because for the economic development of the region, what is exported influences the decision making process. Despite this, once the countries along the Corridor assess positively this project, a decision regarding what goods would be the better choice, won't be that difficult. This would mean that we are already in the phase of discussing in depth, at the same table, the advantages that the East-West Black Sea Caspian Sea Strategic corridor would bring to all the countries it directly involves.

Another thing is that we have to take advantage on the experiences of the TRACECA project. After 20 years, expectations regarding the EU-led international transport initiative are not fulfilled. There could be many reasons such as the big number of partners, the lack of cohesion. That is why with the East-West Black Sea Caspian Sea Strategic corridor we have the opportunity of not repeating the same mistakes and establish agreements for improved conditions for tariffs and customs in order to grant a short time and a competitive price for any container moving this way in order to have a suitable alternative to land or air transportation.

Even though this Corridor is an interesting idea and would bring benefits to Azerbaijan, there are also some strategic reservations for its developing.

According to the interviewed experts, first, the issue of political will, which is the most difficult one, needs to be solved. The problem would be with Turkmenistan and Uzbekistan because it is very difficult to cope with them in the area of transportation. One solution would be the continuation of Azerbaijan's plans of development in order to determine these two countries to do the same thing. In this way, Azerbaijan would be perceived as the leading country with an important role in the realization of this project. Turkmenistan and Uzbekistan will become little by little interested in this Corridor, especially after the assessment of its benefits once it would be implemented. The commercial advantages, along with the strategic and geopolitical ones, will become in time incentives for Turkmenistan and Uzbekistan and will determine them to become interested in getting involved in this Corridor.

There are also the technical and bureaucratic problems or the regulations problem: corruption, badly coordination, trade policies, difficulties in obtaining visas for commercial drivers, excessive requirements for documentation, coupled with long delays in processing the paperwork.⁶⁶ Differences in transport legislation and poor coordination of the cooperation between the specific bodies of Central Asian countries and Azerbaijan is decreasing the effectiveness of regional transport corridor, causes delays in cargo shipments.⁶⁷ According to experts, for the development of the East – West Corridor it is necessary an effective management and coordination between the five countries.

Azerbaijan should notice the big opportunity it has from this period of its independent history. Rich in natural resources, with an impressive economic progress made in recent years and an important growth rate for its size, a position to be valued along the East-West Strategic Corridor from EU-NATO to Central Asia via the Caucasus, with military capabilities and an independent multi-vector foreign policy and with an increasing role on the international stage, Azerbaijan has all the assets to offer the suitable solutions for several key world players and thus, to strengthen its position in the region.

Last, but not least, Azerbaijan has good relations with its neighbors from East and West, along the Corridor, which represents an added value that can

⁶⁶ Shirin Akiner, Rovshan Ibrahimov, Ariz Huseynov, "Interregional cooperation in Eurasia. Transport and logistics projects as an accelerator of integration within and between the Black Sea Region, the South Caucasus and the Central Asia", *SAM Review*, Special Double Issue, Volume 9-10 (September 2013), Baku, p. 37 available at <<http://sam.gov.az/pdf/SAM%20Review%209-10.pdf>>.

⁶⁷ Azad Garibov and Rovshan Ibrahimov, "Geopolitical competition in the Central Asia. The dynamics of relations with Azerbaijan", *SAM Comments*, Volume IX, (August 2013), Center for Strategic Studies, Baku, p. 74.

be used wisely and in its advantage by Azerbaijan. The good relations Baku has with its neighbors along the East-West corridor can determine Azeri officials to support the construction of the East-West Corridor Black Sea – Caspian Sea.

Being a landlocked state means that Azerbaijan is dependent on its neighbors to allow it to transit goods through their territories. Let's take for example, Georgia. Even if this is not always an easy thing to cope with, due to the political and economical pressures that can appear in any moment along the corridor, Azerbaijan knew to keep Georgia a close ally and an important regional partner.

Georgia provides the shortest land connection for Azerbaijan to its ally Turkey and because of its sheer geographic location it is the only country that borders all the states and political entities in the region⁶⁸. Baku is among Georgia's top foreign investors and its most important commercial partner. The two countries share a similar past, geography and came closer, especially after assuming a Western-oriented foreign policy. Georgia and Azerbaijan are often described as "strategic allies."⁶⁹

Even if in the last year there were also some tensions between the two countries, especially after the visit paid by Georgian Prime Minister Bidzina Ivanishvili to Armenia⁷⁰, Georgia and Azerbaijan are in good relations again. However, it remains to be seen how Georgia will deal with Russia's efforts to expand its influence through the Eurasian Union initiative, especially after the presidential elections held this year in Tbilisi.

⁶⁸ Vasili Rukhadze, The Shift in Geopolitical Balance of Power in South Caucasus is Underway, *Eurasia Daily Monitor*, Volume: 10 Issue: 23 (February 7) 2013 available at <http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=40434>.

⁶⁹ Zaur Shiriyev & Kornely Kakachia, "Azerbaijani-Georgian Relations. The foundations and challenges of the Strategic Alliance", *SAM Review*, Volume 7-8, July 2013, p. 12.

⁷⁰ On January 17, during his visit to Armenia, Georgian Prime Minister Bidzina Ivanishvili stated that "Armenia provides a good example for Georgia, and it can be a source of envy in a positive sense," for managing to have good relations with Russia and at the same time with the United States and North Atlantic Treaty Organization (NATO) member states". Setting Armenia—a country which does not aspire to NATO membership and is widely considered to be Russia's satellite state in the South Caucasus—as an example was quite an alarming statement for Georgia. See Vasili Rukhadze, "The Shift in Geopolitical Balance of Power in South Caucasus is Underway", *Eurasia Daily Monitor*, Volume: 10 Issue: 23 (February 7) 2013. These remarks caused concern in Baku and raised questions related to Georgia's support on Baku's strategy of maintaining Armenia isolated from all the regional projects as a consequence of its unconstructive attitude towards the Nagorno-Karabakh conflict. Because of the conflict with Armenia regarding Nagorno-Karabakh region, Azerbaijan closed the diplomatic relations with this country. All the projects Azerbaijan is engaged bypass Armenia as a mean of putting pressure on it and determine Erevan to adopt a positive attitude that could unblock the current stage of the negotiations between the two conflicting parties and in this way to make significant steps towards the peaceful resolution of the Nagorno-Karabakh conflict. However, according to the interviewed experts, Azerbaijan is willing to cooperate with Armenia and implicitly, to put an end to the isolation strategy, if the authorities in Erevan are ready and want to resolve the Nagorno-Karabakh conflict. In other words, once this conflict is resolved, Armenia will be invited to be part of all the regional projects.

Then we have the relations with countries on the other side of the Caspian Sea – Kazakhstan and Turkmenistan. Concerning the seabed division of the Caspian Sea on the medieval line, between these two countries, Azerbaijan has an unresolved issue only with Turkmenistan over Kyapaz/Serdar oil/gas field. In spite of this, trade and energy relations are very good.

The largest trade partner of Azerbaijan in the Central Asia is Kazakhstan. Moreover, the partnership in delivering the Central Asian energy resources to the world market through Azerbaijani territory is not limited to oil. There is the possibility of transportation of Central Asian gas through Azerbaijan as a part of the Southern Gas Corridor project. Turkmenistan is very interested in the diversification of its export routes to the world markets, with the purpose of diminishing dependence on Russia. Currently, Azerbaijan, Turkmenistan and EU continue negotiations on Trans-Caspian gas pipeline.

Even though in the short term the realization of Trans-Caspian pipeline seems less probable, in the foreseeable future this project could still have a possibility of realization. The problem is that neither Azerbaijan nor Turkmenistan is willing to start construction of the pipeline on their own without political guarantees, because the implementation of this gas pipeline is directly linked to the geopolitical interests of Russia and Iran in the region.⁷¹

Relations between Turkey and Azerbaijan are very good too. The two countries share cultural, ethnic as well as religious ties and many refer to them as “one nation, two states.” Azerbaijan and Turkey have good economic ties, with growing levels of trade and mutual investment. The Baku-Tbilisi-Ceyhan (BTC) oil pipeline, the Baku-Tbilisi-Erzurum gas pipeline, the TANAP project, the BTK railway project reflect the deep connection between these two countries.

Azerbaijan is also in good political and diplomatic relations with Romania. The two countries signed a strategic partnership, characterized by a substantive political dialogue and bilateral cooperation in the energy field. From 1 January 2013 to 31 December 2014, Romania is Contact Point Embassy (CPE) in the Republic of Azerbaijan. This is the third successive mandate for Romania, as CPE in Baku, after the previous ones between 2011-2012 and 2009-2010. With this third mandate, Romania contributes to the development of dialogue and cooperation between NATO and Azerbaijan.⁷²

⁷¹ Shirin Akiner, Rovshan Ibrahimov, Ariz Huseynov, “Interregional cooperation in Eurasia. Transport and logistics projects as an accelerator of integration within and between the Black Sea Region, the South Caucasus and the Central Asia”, *SAM Review*, Special Double Issue, Volume 9-10 (September 2013), Baku, p. 58 available at <<http://sam.gov.az/pdf/SAM%20Review%209-10.pdf>>.

⁷² Romania, NATO Contact Point in Republic of Azerbaijan, available at <<http://nato.mae.ro/en/node/399>>.

At present, after the selection of TAP pipeline project at the expense of Nabucco West, which included Romania as well, the relations between the two countries stagnated. Despite this, what matters is that Azerbaijan has the potential to reinitiate the relations with Romania, by assessing positively the East-West Corridor Black Sea – Caspian Sea Corridor and by materializing the Azerbaijan-Georgia-Romania Interconnector (AGRI) project.

According to experts, “AGRI seems to be an alternative route for exporting Azerbaijani gas with the purpose of decreasing political and economic risks and from the perspective of transporting Central Asian gas to the European markets.”⁷³

The strategic value, connections and cash that are flowing into Azerbaijan due to oil and gas is part of the Baku’s strategy of increasing the country’s chances to end the Armenian occupation of its territories. One of the most notable changes in Azerbaijan’s behavior has been the amount of money allocated for building up the military. As a comparison, in 2003, Azerbaijan’s military budget was 163 million \$, in 2012 it was 3.6 billion \$ and in 2013 it reached 3.7 billion \$.⁷⁴ Baku seeks to use its energy projects as platforms through which to win political support, not only from the states through which Azerbaijani gas is transited, but also countries where Baku has non-oil partnerships.⁷⁵

Securing Azerbaijan’s future involves continuing to deal with a number of pressing national and regional challenges such as the Nagorno-Karabakh conflict, Russia, Iran etc. The conflict with Armenia over the Karabakh region is the most difficult security issue Azerbaijan is facing and will become an obstacle for the implementation of the East-West Strategic Corridor if the relation with Armenia gets tenser.

Since the ceasefire agreement signed in 1994, the two former Soviet republics held peace talks, but negotiation over the region’s status stalled and the both countries have become enveloped in a protracted *status quo*. What is alarming is that, with the deadlock of the peace process, tensions, frustrations and lack of patience between the conflicting parties is growing day by day. The situation around this conflict, especially in the last period of time, is instable and must be dealt with caution in order to not reach again a status of war, manifest conflict, direct violence, for consuming all the gathe-

⁷³ Shirin Akiner, Rovshan Ibrahimov, Ariz Huseynov, “Interregional cooperation in Eurasia. Transport and logistics projects as an accelerator of integration within and between the Black Sea Region, the South Caucasus and the Central Asia”, *SAM Review*, Special Double Issue, Volume 9-10 (September 2013), Baku, p. 59 available at <<http://sam.gov.az/pdf/SAM%20Review%209-10.pdf>>.

⁷⁴ President Ilham Aliyev: Azerbaijan’s military budget has reached 3.7 billion \$ this year. 26.06.2013 available at <<http://en.apa.az/news/195357>> accessed on 15.10.2013.

⁷⁵ Gulmira Rzayeva, “A Complicated Corridor: Gas to Europe – it’s not just economics” *Caucasus International Review*, Vol. 2, No. 2, (Summer 2012) p. 145.

red resources, will and frustration for almost twenty years. The possibility of a new war between Armenia and Azerbaijan could disrupt all the new projects in the region, including the East-West Strategic Corridor, and stir up instability. Because of the negative consequences of this scenario, it is necessary that the opposing parties continue the negotiations for the peaceful resolution of the conflict between them.

The military clashes along the Line of Contact, the presidential pardon of Ramil Safarov who was serving a life sentence for slaying Guren Margaryan, an Armenian soldier in Budapest in 2004, the intent of Armenian authorities to open an airport in Khojaly, all these represent triggers for the resumption of hostilities between the conflicting parties.

Even if the Nagorno-Karabakh is the hardest unsolved security issue in the region and it involves Azerbaijan, its behavior in the other important subjects and taking advantage of the opportunities that the East-West Corridor can offer from transit, energy, military and civilian transportation, can fill the gap.⁷⁶

The East-West Corridor Black Sea – Caspian Sea, meaning different tracks, from energy, trade, investment, transportation corridor, the military corridor⁷⁷ in an out of Afghanistan to the Euro-Atlantic area that could link Europe via Central Asia to the New Silk Road, is a good opportunity for Azerbaijan and its objective of becoming a regional transportation hub between Europe and Asia. At the same time, this corridor would strengthen Azerbaijan's position in the region. If positively assessed, The East-West Corridor Black Sea – Caspian Sea would be at the same time a logic consequence of Azerbaijan's decision to look to Europe and for the stability that could result from establishing much stronger connections there.

Conclusions

Despite being a relatively small and almost landlocked country, Azerbaijan has a unique geographical position that enables the country to become a gateway to energy and transportation corridors for the entire region and thus, playing a significant role as a potential transportation hub.

Successfully pursuing the energy strategy established in the 1990s, Azerbaijan has already reached its goal of maximum benefit from oil exports and is trying now to replicate this success in the natural gas market. The country

⁷⁶ Iulian Chifu, The East-West Strategic Corridor: an Opportunity for Azerbaijan available at <http://cpc-ew.ro/new_formula/?p=341>.

⁷⁷ Here, Azerbaijan can put on the table another asset: providing the transit corridor for NATO troops and its important logistical role in supporting them.

is going beyond what it has learned with oil and has begun to pursue its strategic goals related to its gas export policy.

BTC, BTE, TANAP, TAP, BTK, AGRI are at the same time projects that link countries in the region. The many energy agreements signed lately by Azerbaijan demonstrate the fact that Baku wants to diversify its energy routes in order to increase the country's role as a stabilizer in the region and at the same time its role in both regional and global energy security.

The replacement of Nabucco by TANAP + TAP as the main Southern Energy Corridor project will significantly increase the level of diversification of natural gas suppliers in the south-east of the EU. By 2018, the TAP consortium will be a new player in the European market, transporting natural gas from Azerbaijan.

Oil is still the dominant factor in the economy of Azerbaijan and the government is aware of the negative consequences of this over-dependence. That is why Baku is now implementing a new strategic development plan that centers on economic diversification thus decreasing dependence on the oil sector.

By using its economic potential in a very efficient way, Azerbaijan is currently interested in becoming a transit route for East-West transportation and turning into a transit hub in the center of Eurasia. In this regard, the Azerbaijani government is trying to diversify infrastructure and transportation routes in order to facilitate the private sector to invest in Azerbaijan.

A number of transportation and infrastructure projects have already been launched to advance this strategy: Baku-Tbilisi-Kars railway, the new Baku International Airport and the new Baku International Trade Seaport and Logistics Center at Alyat. These projects will enable Azerbaijan to obtain a highly developed transport infrastructure.

The geographic location and the necessary infrastructure are essential factors to Azerbaijan and its objective of becoming a regional hub in Central Eurasia.

Azerbaijan is a major pillar of all strategic projects in the region involving Black Sea – Caspian Sea transportation corridors, energy and trade. The East-West Corridor Black Sea – Caspian Sea meaning different tracks for energy, trade, investment, transportation corridor, the military corridor in an out of Afghanistan to the Euro-Atlantic area that could link Europe via Central Asia to the New Silk Road is a good opportunity for Azerbaijan.

By choosing to be part from the East-West Strategic Corridor linking Central Asia to the Euro-Atlantic Area and implicitly, to collect the economic and strategic advantages that come along with it, Azerbaijan will strengthen its position in the region and its role of stability bringer. Azerbaijan is the only country from the Caucasus region with a real potential of sustaining

such a project. A positive assessment of the East-West Corridor Black Sea – Caspian Sea will enable Azerbaijan to value its position and assets for increasing its own security and to offer at the same time a series of solutions for several key world players.

The East-West Black Sea Caspian Sea Strategic corridor will shape the regional vision as a whole. This project is a win-win situation for Azerbaijan because it represents also a possibility to extend the non-oil sector. In the light of the declining growth of the oil sector, Azerbaijan must urgently diversify its economy by developing other sectors. The development of the non-oil sector is a priority for the country to ensure social stability and continued economic growth.

Moreover, the East-West Corridor is a good opportunity for Azerbaijan and its objective of becoming a regional transportation hub between Europe and Asia. A very important aspect is that, after the implementation of this project, there won't be only a hub, but several hubs at the same time: Constanta, Poti, Baku, Turkmenbashi, Aktau.

The East-West Black Sea Caspian Sea Strategic corridor represents a logic consequence of Azerbaijan's decision to look to Europe and for the stability that could result from establishing much stronger connections there. Increased trade and contacts would ensure the flow of investments, triggering extensive development.

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This chapter is a joint research. The part provided by the Romanian researcher was based on bibliographical, online resources and on a research trip to Baku where were taken interviews with experts of public institutions. The personal interviews provided the opportunity of a closer view in the country's development and domestic policies, interests and added value that would support the creation of the East-West Black Sea Caspian Sea Strategic corridor.

Chapter 7

TURKMENISTAN – ENORMOUS ENERGY RESOURCES TRAPPED IN GEOPOLITICAL CLASHES

NARCIZ BĂLĂȘOIU

The East-West Corridor. Framing the concept

The East –West Strategic Corridor is less about politics and more about economy and security. Of course that having such a friendly political environment is an ace up in the sleeve that never gets used. Connecting the two seas, Black and Caspian, is the final act in a relation that seems ready for an upgrade. The strategic partnerships framework that Romania has managed to build is, for instance, one of the eloquent arguments favoring the idea of pushing towards a comprehensive cooperation. Of course politics play an important role but, together with security, their purpose is to pave the way for economy.

The wellbeing, increased life standards and the safety of people living along this imaginary corridor lay at the very foundation of a concept that can bring peace and prosperity to a region under the generous umbrella of democracy. There are undoubtedly a wide range of issues legitimizing the East –West corridor construct, but the energy is by far the leading topic. Basically the Europe continent, and subsequently the European Union, is the largest energy importer in the world. This is already a truism but corroborated with the fact that the EU has promoted a complex set of measures, especially climate-driven ones, augment the pressure on the gas imports.

The policies that aggressively attempted to reduce the carbon emissions shifted the attention towards gas, considering oil and coal extremely environmental unfriendly, and, thus, protagonists of the reductionist process. The decisions were made in Bruxelles, but also in the national decision forums, among which Germany serves as the perfect example with its 2020 renunciation of nuclear power (which Berlin deeply regrets right now, we might say).

One decision led to another and the simple truth is that Europe today finds itself prisoner of Russian Gas. Among EU countries, Austria, Bulgaria, the Czech Republic, Estonia, Finland, Latvia, Lithuania, Poland and Slovakia, all depend on Russia for over 60 percent of their gas imports, while EU aspirants such as The Republic of Moldova, Turkey, and Ukraine rely on Russia for over 65 percent of their imports. Moscow shown no compunction when it comes to using energy resources as political leverage in its geopolitical battles with close or even remote clients. Ukraine felt mostly the burden of lying on the Russian gas route, which made Kiev vulnerable not only in against prices but also supply cuts.

The tremendous range of implications was more than visible in the recent evolutions of the Vilnius process where Ukraine actually “capitulated” to Russia, terrified by the bleak horizon of huge gas prices and cvasi-legitimate debts. In a similar manner Lithuania and Latvia suffered from several gas supply reductions and even cutoffs because of its determination to not sell the national critical transportation infrastructure to Russian companies.

In 2006 Russia launched a barrage of energy intimidation against nearly every one of its neighbors. When the Vilnius decision makers decided to sell certain oil facilities to Polish companies, suddenly technical difficulties occurred, thus cutting off the supply. Romania, for instance, pays one of the highest gas prices in Europe as a formula that highlights the strained political relation with Moscow. In the same “fatidic” year the Republic of Moldova and Georgia have faced insurmountable dilemmas when Moscow doubled overnight the gas prices. Confronted with such a brutal “take it or leave it” offer in the middle of the winter Chisinau found itself freezing in no time. The landscape is far more complex than that, but the energy perspective is sufficient to understand that European security is at stake. (Table 1)

Turkmenistan – A compelling actor in engineering regional strategies

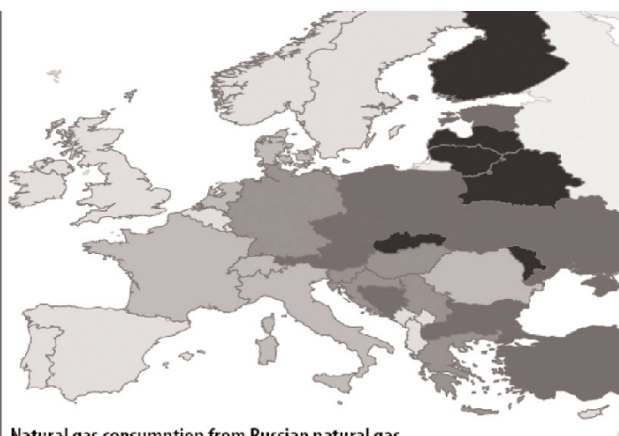
The reasons behind Turkmenistan’s importance as an actor in the analyzed area are related to its natural gas reserves (the country holds the second place among the former Soviet Republics, after the Russian Federation) and to its geographic position at the Caspian Sea, lying between Kazakhstan, Iran, Afghanistan and Uzbekistan, a location of great geostrategic and geopolitical importance.

Independent beginning with 1991, this Turkic state became the scene for one of the most anachronic dictatorships: that of Turmenbashi Saparmurad Niyazov, declared life-long president, whose life and, thus, rule ended in

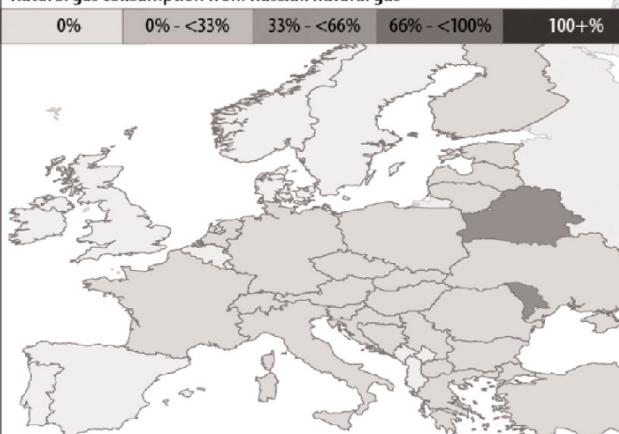
Table 1. EUROPEAN AND OTHER CONSUMPTION OF RUSSIAN NATURAL GAS (PERCENTAGE)

European & Other Consumption of Russian Natural Gas (%)

	Natural Gas	Primary Energy
Albania	0%	0%
Austria	67%	12%
Belarus	100%	72%
Belgium	0%	0%
Bosnia & Herz.	76%	4%
Bulgaria	89%	13%
Croatia	42%	12%
Cyprus	0%	0%
Czech Republic	92%	15%
Denmark	1%	0%
Estonia	76%	11%
Finland	100%	10%
France	21%	3%
Germany	48%	9%
Greece	46%	8%
Hungary	57%	23%
Ireland	0%	0%
Italy	24%	8%
Kosovo	0%	0%
Latvia	100%	26%
Lithuania	100%	29%
Luxembourg	0%	0%
Macedonia	76%	3%
Malta	0%	0%
Moldova	100%	83%
Montenegro	0%	0%
Netherlands	12%	4%
Norway	0%	0%
Poland	71%	9%
Portugal	0%	0%
Romania	23%	6%
Serbia	60%	7%
Slovakia	100%	27%
Slovenia	50%	5%
Spain	0%	0%
Sweden	0%	0%
Switzerland	9%	1%
Turkey	71%	20%
Ukraine	68%	26%
U.K.	0%	0%
TOTAL	36%	8%



Natural gas consumption from Russian natural gas



Primary energy consumption from Russian natural gas

Source: Consumption data from PIRA Energy; boundary data from ESRI, 2005.
Graphic created by CRS.

Borders are not necessarily authoritative.

2006. Gurbanguly Berdymukhammedov succeeded him by winning the following elections with a decisive victory of 85% of the votes. The new leadership showed diplomatic openness and a higher degree of political realism. The element that defined the status of Turkmenistan is the long-term agreement regarding the supply of natural gas up to 2029, deal signed with the Russian Federation.

As a matter of fact, the Russian – Turkmen relationship was one characterized by a lack of significant turmoil. The Russian Federation was looking the other way when it came to the dictator's abuses while the latter did not create any considerable difficulties to Moscow in terms of regional energy competition, therefore accepting the state of dependence on Moscow in terms of gas transportation infrastructure and national (military) defense.

Although it has large reservoirs in Siberia, Russia would rather use the Turkmen gas, both for economic considerations (because it's cheaper) and for geopolitical rationalities (Turkmenistan forms part of the Trans-Eurasian security belt targeted by Washington; its population is tolerant and its geographical positioning may of avail to the logistical support of the American operations in the region).

After a series of talks with Russia regarding the costs for one thousand cubic meters of exported gas, finally, in 2001, Niyazov signs an agreement for gas supply with Ukraine, under the patronage of Gazprom, who was receiving massive contributions in kind as payment for its pipeline transit and who was also solving in this way its issues with Ukraine related to the payment for the executed services. In 2005 Turkmenistan cuts off the gas supply to the Ukraine due to non-compliance with contractual statements and due to contractual obligations default. In 2006 Russia agrees with a price hike for one thousand cubic meters of Turkmen gas, from US\$65 to US\$100, in exchange of unprivileged access to the Yolotan reservoirs and control over Turkmen gas exports up to 2029, raising the expectations of those hoping to see the Trans-Caspian pipelines become reality.

After Niyazov's death, Russia signed with Turkmenistan an agreement for the construction of a Caspian gas pipeline, with a Russian endpoint project to which Kazakhstan should have connected on the 12th of May 2007. At the same time president Berdimukhammedov declared that, contrary to appearances, Turkmenistan is ready to work together with the West on the construction of the Nabucco gas pipeline. Unfortunately we all know the outcome, but let us consider that a stage failure.

The importance of this particular state for Western geopolitics is determined not only by its gas reserves, extremely attractive for the related MNC and essential to the inferences in the field of energy policies, with Gazprom becoming the perfect weapon for Russia in its fight for regaining the major global power status, but also by the fact that Turkmenistan limits the spreading of the influences coming from Central-Asia powers. Basically, the agent that controls this state has a access to China and India, to Iran and Afghanistan, and may block Russia on its southern side as well as support the "unaligned" states in the Caucasus.

The Nabucco project dates back to 1996 when the Americans proposed the construction of an undersea Trans-Caspian pipeline that would connect Turkmenistan to the Azerbaijan and, from this point on, via Turkey, it would reach Europe, a project purposed to unwind the European vice-like dependency on the Russian gas. Apart from the aforementioned agreement with the Russian Federation, the fact that the judicial status of the Caspian Sea, the assigning of the continental plateaus and of the exclusive economic areas, presents no short term resolution, nor is one envisioned, made the Nabucco project almost unfeasible, at least in the short and medium run.

One must not forget the state of Iran that is very much interested in exiting the economic state of isolation imposed by the former American administration. The country is attracted by the small prices of gas found in the neighboring country and is stimulated by the intensified commercial relationships with China, India and Turkey. After all, Iran remains the most realistic option for the abolition of the Russian energetic monopoly. At present the Korpheze-Kurt Kui gas pipeline is the first segment, being the only gas pipeline in the Central Asian region that by-passes the Russian territory, of a future pipeline that would transport the Turkmen and Iranian gas to Turkey and further to Europe. In the case of a diplomatic American – Iranian thaw, such as the one suggested by president Obama in his acceptance speech, the solution would become very feasible, all the more as the Europeans are extremely interested in the project.

Another route that the Turkmen gas could adopt is the one towards Southern Asia, namely Pakistan and India, but the instability in Afghanistan has forced the postponing of any project involving the crossing of the country.

The China-Turkmenistan cooperation agreement regarding the supply of natural gas was signed in 2006. The gas pipeline will collect gas from Turkmenistan, Kazakhstan and Uzbekistan, will have a length of 7000 km, will transport 30 million cubic meters of gas yearly and will cost over US\$ 26 million, with China being the sole sponsor and contractor. The signal given by this project is a very serious one. On one hand, it shows that in its relationship with Russia Turkmenistan can afford numerous protrusions and also has alternatives. On the other hand, China is shaping up to become the next power that will pull the strings in Central Asia, an angle that will complicate things both for the Russians and for the Westerners.

Through the corroboration of this data a question arises whether this Asian state would supply gas via the Russian path, but also via the Turkish-European one, and mostly via the Chinese path. All the more as the command unit of Beijing puts any decision into practice as soon as possible. On these terms, we may argue that a Nabucco-like project will remain a

subject of dialogue during budget-mastering symposia while reality is forcing the political decision-makers towards pragmatic and feasible solutions.

The Chinese state will become, given the fact that it is a safer approach than the maritime transport of liquid gas and it is also cheaper, the main stakeholder in Turkmenistan the moment the pipeline is built. Once started China will extend its influence both in Kazakhstan and Uzbekistan, more so since there are no confessional tensions between the Chinese and the Muslim world.

General outline

Turkmenistan is an independent state located in Central Asia, bordered by the Caspian Sea in the west and by the Amu Darya River in the east. The country occupies a surface of 491,200 sq. km, bordering Kazakhstan and Uzbekistan in the North and East, and Afghanistan and Iran in the South-East. Turkmenistan is rich in numerous natural resources and has a large production output. Moreover, its geographic setting entails a relatively positive configuration for future integration into the worldwide economic order. From a geographical perspective Turkmenistan holds a clean-cut configuration in the Central Asia and the Caspian Basin but also throughout the Eurasian expanse. In the bringing into existence of the East – West and North – South transport routes the country will be a leading player.

Transport infrastructure

A large literature consisting in publications and adviser reports has been dedicated to attesting and analyzing the Central Asian transport sector and infrastructure, points of view that need not be duplicated. However, a large number of matters addressed by these documents have yet to be unraveled. A fresh new perspective must be shed upon them so that the required strategy is clearly envisioned.

First of all, the challenging agenda that the Turkmen state has for extending the transport infrastructure, especially by building new railroads and pipelines, has to do with the worn out legacy of the Soviet Union, comprising of 13,000 wagons, outdated signaling and communication equipment and poorly trained staff. The emphasis is put on railways, roads, domestic waterways and pipelines, since these are the main Turkmen modes of transport, with air transport representing in the early 1990s only 1% of transportation. One must mention that the main railroad used by the country is the Turkmenbashi-Ashgabat-Chardzhou Line, connecting Russia to Europe.

Most of the Central Asian countries are demographically characterized by small populations and low population densities. On the other hand broad grounded modes of transportation have been derived from the Soviet Union, modes constructed and managed according to the Soviet standards up to 1991. Apart from Azerbaijan and Uzbekistan, all of the other countries still possess a transportation grid defined by a low density where residents are spread across large areas of the countries. A demure reality is also depicted in Turkmenistan by the numerical data who counts 13.700 km of roads and 3.500 km of railways.

For a corridor to be functional whilst users and customers are satisfied, a number of steps ought to be accomplished. Since corridors are not end products, not only the infrastructure *per se* must be enhanced, for ensuring an improved traffic, but also the logistical process has to be smooth in terms of border-crossings, costs, gauges changes and other transshipment activities. Moreover, operations will be eased also by using cutting-edge technologies and complying procedures and processes. Another imperative step is that of benchmarking, a mechanism that will provide the required actions leading to a competitive result. On this note, a further approach would be that of considering present-day tendencies and realities in Central Asia. Underlining these dynamics are the two essential corridor stretches, of which one was inaugurated in 2007: a new rail line from Tashguzar – Baisun – Kumkurgan, crossing the Turkmen state and reducing the distance by roughly 200 km, resulting in savings of approx. US\$ 20 million yearly and possibly reducing Tajik import and export costs.

Economic landscape

With an economy influenced by hydrocarbons, representing more than half of the GDP, Turkmenistan has seen a rather steady economic growth over the past few years. In terms of GDP, while also considering its strong previous growth (average annual growth of 11%), the country has experienced small setbacks – mostly due to decreased external demand for oil products and natural gas – with registered values of 6.1% to 9.2 % growth in 200 and 2010 respectively, and even higher values in 2011 (14.7%), stemming from the increasing gas exports to countries like China.

As emphasized by the 2012 results (11.1% growth), the Turkmen economic sector is marked by a soaring performance with rising income levels that propelled the country among the ones with an upper middle-income status (GDP per capita exceeded \$6,000 by the end of 2012). In terms of governmental policies, until 2030, 17 universally characterized subsidies are gua-

ranted out of a large portfolio of social transfers and budget subsidies controlled by the state.

Nonetheless, the growth estimation of 8% between 2012 and 2013 draws attention to the fragility of the overall picture, i.e. results are stemming virtually entirely from the external demand for the country's hydrocarbons. Consequently these vulnerabilities must be acknowledged and solved, mainly due to the volatility of gas prices and to global economic downturns. Addressing these issues means enhancing the structure on which resources are managed and used, whilst expanding the state's economic range of products, resulting in a lower dependence on natural resources for tax revenues, export proceeds, and economic development. A viable growth in the long run would imply a reinforced administration and macroeconomic management, a strengthened financial system and a strong private sector, thus involving amongst other more market orientated structural reforms, a stronger public financial management and an internationally aligned statistics system. All of the above will demand constant efforts from local authorities with a high emphasis placed upon human capital and institutional capacity.

Strategic Overview

Turkmenistan's comprehensive view upon its economic and social future is depicted in the recently approved *National Program for Socioeconomic Development, 2011-2030* (NPSD) that targets inclusive economic growth through an independent economy, a more modern infrastructure and FDIs.

Strategically speaking it embodies objectives that shift Turkmenistan to an economic system less dependent on the natural resources extraction and trade, and more oriented towards agriculture, while also abiding ecological principles.

In a less broader sense four determining principles have been brought forward by the long-term plan that envisions an expanding Turkmen economy and a stronger and more profitable private sector: i) elevated rates of growth, ii) macroeconomic stability, iii) private sector development and iv) improved living standards. The latter objective supporting clear social development is determined by both economic and social policies. Two purposes are driving government's social policies: expanding the middle-class by using private job creation and increased training leading to better wages and a better representation for the underprivileged social classes through revised social services. According to numerical data wages and salaries have increased in real terms with almost 6% in 2012 compared to 2011.

Macroeconomic perspectives

Macroeconomic perspectives are influenced by developments in natural resources exports, by government financial resources and by current foreign exchange and trade sector restrictions.

Because of higher oil and cotton exports, alongside lower Foreign Direct Investment (FDI)-related imports, Turkmenistan recovered from a deficit that lasted for two years. With twin surpluses, created through natural resources revenues, the current account balance turned into a surplus of around two per cent of GDP in 2011, with a fiscal balance estimated to have reached a surplus of 3.6 per cent of GDP in the same year. In the short run economic double digit growth indicators will continue to be impelled by hydrocarbon production and further diversification of export routes. In spite of the promising outcomes factors such as the increasing dependency on hydrocarbons coupled with overboard government regulation and intervention stand in the way of progress and will weigh negatively on the outlook in the longer run.

In a broader view over the Turkmen gas sector a number of actors must be highlighted. First of all, there is the state of Afghanistan with whom Turkmenistan signed in 2012 a long-run agreement (Memorandum of Understanding), though a large number of issues have been raised regarding security and financial troubles facing this project. A second actor, China, has been entering the picture and offering solve the financial situation by constructing a pipeline that would cross Afghanistan towards China. Last but not least, also in 2012, the national gas company (Turkmengaz) signed sales agreements with its Indian and Pakistani counterparts.

The lending opportunities have been shared unequally between the state-owned enterprises and the private sector, however as a result of state-subsidized lending programs for SMEs and agriculture funds have started to shift towards the private sector. In 2011 a 30% bump in credits occurred because of state-supported lending programs financed by a stabilization fund.

Much expected reforms have been adopted in the field of foreign exchange and trade restrictions, but they have not yet become effective as the relevant central bank regulations and other enabling legislation remain to be adopted. They would allow local private SMEs to by-pass the approval of the cabinet of ministers in order open accounts in foreign currency for conducting import/export operations. In October 2011, a new foreign exchange law was adopted permitting local companies to make advance payments for imports and deferred payments for exports. Moreover the law annuls the necessity of a bank to seek approval from the central bank when conducting foreign exchange transactions with non-public customers.

However the business community remains weak. The country is still staggering compared to other Central Asian countries, with entry barriers still complicating the climate for new private companies. However, since 2011 a number of favorable changes have been registered, though due to the fact that Turkmenistan does not yet take part in any international business environment surveys they were not taken into consideration. These changes include less bureaucratic and cheaper procedures for private companies: reduction in state duties for registration, elimination of the commission needed to register a local company and of the requirement to re-register a company when adding a shareholder, while also distributing land for project sites to entrepreneurs in late 2011.

What's next for Turkmenistan?

In the medium run the Turkmen economic system will not be marked by turmoil. However a certain alienation from the external demand for Turkmen oil products and gas is considered. Growth projections, though optimistic (12.2 percent and 10.4 percent for 2013 and 2014, respectively) are reliant on the hydrocarbon volatile prices with the hydrocarbon sector accounting for about half of GDP, 95 percent of exports and 85 percent of fiscal revenues. The new projects involving the diversification of export routes to China have managed to avert a economic downturn shifting from the Euro crisis zone to Turkmenistan, though projections of more paced growths in China and Russia underline future threats against the state. Ashgabat is also looking for new energy trade partners such as Pakistan and India and a new export route crossing Afghanistan, a project scheduled for 2018 but marked by financial and security issues. It is expected that in the medium term inflation will stay at around 5–6 percent, down from 7.8 percent in 2012, being fed by a further liberalization of utility and transportation services in Turkmenistan and also by the inflationary pressures expected from the price transfer of imported foodstuffs.

Considering the previously described background the country will have to deal with new threats stemming from its volatile position regarding hydrocarbons prices, all the more as GDP and income level are projected to increase. Although Turkmenistan runs a fiscal surplus and has been able to build a comfortable fiscal buffer, in order to address all these fiscal vulnerabilities and sustain a long term growth, a diversification of skills, human capital, and other assets, products, and services, as well as trade partners is very much needed to facilitate private sector-led development. The necessary steps for a successful diversification strategy involve the development of market institutions and the creation of an effective financial and

banking sector for promoting the growth of the non-resource sectors of the economy and thus enhance Turkmenistan's competitiveness.

Nonetheless, to ensure an adequate exploitation and exploration of revenues brought by natural resources, improving public financial management and governance is also imperative. Alongside with the improvement of institutional reforms and of staff capacity, a healthy framework must be put in place for guiding public investment decisions, carrying out the in-house appraisal, and screening and selecting priority for public investment projects. A more equitable allocation of budget resources may require amendments to the current principles of public spending policy. Presently provided budget subsidies costs and the state aid programs may become fiscally unsustainable over time. Therefore targeted social assistance programs only for those in need should replace the current practice of universally providing budget assistance to the entire population.

Today Turkmenistan has a clearly formulated target regarding its hydrocarbons potential directly connected with the transport infrastructure – i.e. the diversification of the national Turkmen natural gas deliveries and the creation of a reliable and steady system to bring Turkmen energy products to worldwide markets. Petroleum and petroleum products account for a considerable share of the country's exports, being predominantly transported by sea and by 3 rail ways.

The imports of the country are dominated by technological equipment designed for production purposes. 102 countries engaged in trade relations with Turkmenistan in 2011. This shows the extent to which the country's international relations and geography of transport link. Turkmenistan's main trade partners are China, Turkey, Italy, the Emirates, Russia, the Republic of Korea, Germany, the USA, France, Ukraine and others.

With imports mostly transported by rail and road, large-scale efforts are being made in Turkmenistan to rejuvenate its road transport infrastructure so that economic cooperation at both regional and international scale is activated. A clear example of a modern advanced construction is the flyover constructed on the highway connecting the international airport in Turkmenbashi City and the Avaza national tourist zone. The Chandybil Avenue, which has been attested by the CETE APAVE Cudeurope Certificate and which conforms to the standards of the American Association of State Highways and Transportation Officials (AASHTO) and European standards, is another infrastructure project that has been commissioned.

Because of its geographic location Turkmenistan has a chance of becoming a promising and competitive element in the system of international Euro-Asian transport corridors and logistics centers. The key is to facilitate the interaction of all the types of transport: railway, road, air, river and

marine, oil and gas pipelines and electric power transmission. In view of this Turkmenistan is launching a whole number of large-scale projects that are intended to provide a powerful impetus to the development of transport logistics.

Energy companies from the West are showing growing circumspection for the Turkmen energy export strategy and upcoming large-scale projects, including the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, although enthusiastic production outcomes alongside with a number of events in Europe, Asia and the Middle East, that over the past six months have been promoting investments in the Turkmen energy sector, support the government's optimism. Numerically speaking, high level Turkmen government officials from the aforementioned sector have disclosed a country plan for producing 250 billion cubic meters and exporting 200 bcm of natural gas yearly by 2030.

When describing the history of investment opportunities for the Turkmen gas and oil sectors one must advert to the 17th International Oil & Gas Conference (OGT) and Exhibition 2012 organized by Turkmenistan on November 14-16, 2012, named "the Main Trends of the Development of the Oil and Gas Industry of Turkmenistan and International Cooperation". Since its first edition this international event has served as a platform for groundbreaking information covering all aspects of exploration, production, storage, transportation and distribution in the oil and gas sector, hosting declarations from high Turkmen officials in the area of foreign direct investment opportunities in the country's refining, gas processing and petrochemicals industries, with a highlight placed upon assessing present and future achievements.

In the Turkmen pursue for funding and creating a consortium for constructing and operating the TAPI pipeline, in October 2012, a high level delegation traveled to Singapore, London and New York and met with the management of the Asian Development Bank (ADB). The Turkmen government thus organized a conference in Dubai to re-iterate its intentions to diversify its energy export routes in the near future.

The Turkmen government regards the country as being able to reach the production target of 250 bcm by 2030 even without allowing any Production Sharing Agreements (PSAs) or concessions to International Oil Companies (IOCs) for development and ownership of onshore resources. Despite this, IOCs are still cultivating a growing interest for the Turkmen major lucrative oil and gas fields.

According to Gaffney, Cline & Associates the Turkmen gas field Galkynysh contains the world's number two gas deposit, harboring over 24 trillion cubic meters of natural gas. Also, as reported by the General Manager of CNPC (China National Petroleum Corporation), more than 40 bcm were supplied to

China since the Turkmen-Chinese pipeline was put in place. Correspondingly the country agreed, in July 2012, to supply China with 65 bcm by 2020.

Former acting Minister of the Oil and Gas Industry and Mineral Resources and present Chairperson of Turkmengaz stated that the country has ongoing operations in about 60 out of 160 known gas fields in the country. After announcing during the OCT 2012 new plans for starting productions in Galkynysh in 2013, the state country Turkmengaz, offered service agreements comprising a sum of US\$ 9.7 billion to companies such as Petrofac International LLC and Gulf Oil & Gaz Fze (UAE), CNPC Chuangning Drilling Engineering Company Limited (China) and a Consortium of LG International Corporation and Hyundai Engineering Co. Ltd. (South Korea) for the industrial development of the Galkynysh field.

In terms of attracting investments Turkmenistan finds itself among the top ten countries following others like Hong Kong, China, Belgium and Singapore, according to the World Investment Report (WIR). As stated by the aforementioned report, the country managed to attract estimated investments worth US\$ 3.168 billion in 2011, US\$ 3.631 billion in 2010 and US\$ 4.553 billion in 2009. The Turkmen state seems to possess enough gas reserves to be able to comply with its previous engagements of producing 250 bcm by 2030 and is also collecting sufficient contributions. This statement is based upon declarations made by energy officials who highlighted that more than half of the investments attracted by the country are directed towards the energy sector, though not mentioning if these estimations include China's US\$ 8 billion loans received by the country in 2010-11 in exchange for gas supplies.

Though the country has put in place a determined production plan and a steady rhetoric concerning all the harvesting investment opportunities that the government has been collecting, it may not be enough. According to the Business Monitor International's (BMI) Turkmenistan Oil and Gas Report, Q2 2013, the Turkmen business scene offers limited opportunities, in spite of the governmental ambitious production plans and comprehensive regional expansion for investors. Therefore, in order to engage serious FDIs and meet the imposed targets of 250 bcm by 2030, the country must decide between granting upstream concessions to IOCs and implementing a plan of extracting the gas by itself while allowing IOCs to act solely under service agreements.

Explaining the presupposition that major IOCs will not engage in projects like TAPI and Trans-Caspian pipeline without the financial guarantees offered by upstream concessions, Douglas Uchikura of Chevrion Onshore Europe described Turkmenistan as a country far from its 2030 commitments and underlines the necessity of long-term partnerships and large investments.

The Turkmen investment climate is marked by the involvement of major companies such as Chevrom, ExxonMobil, British Petroleum, RWE or Petronas, by companies such as ConocoPhillips who closed down its office in Ashgabat leaving Turkmenistan in 2012 or by companies that are only merely present on the business scene. All of them are searching for a negotiation formula and wishing for new developments in the area of onshore resources or for revisions of the governmental practice of *selling gas as the border*. Supporting the international aspects, BMI addresses the question by underlining the opportunity brought by foreign participation in terms of technical and financial capital, all in favor of the Turkmen business climate.

Other international actors are pinpointing the inability of the Turkmen part to honor its commitment of supplying 250 bcm in 2030. The International Energy Agency (IEA) forecasts a production level of 138 bcm in 2035. Meanwhile the “*Energy and Security from the Caspian to Europe*” report, released by the US Senate Foreign Relations Committee in December 2012, states that actors such as IOCs will also fall short of objectives when exploiting the Turkmen challenging gas fields, but will however be supporting through PSAs the private financing of the Trans-Caspian and TAPI pipelines.

On the other hand Afghanistan is also planning to survey and develop more of its own gas deposits found in its northern regions close to Turkmenistan’s giant gas fields of Dovletabat and Galkynysh.

The Turkmen internationally blamed policy of selling gas at its borders is bringing an end to a number of energy partnerships. Pakistan and India have started looking for surrogate projects to the TAPI option due to Turkmenistan’s stagnant approach to revision and inability to obtain a price deal with Afghanistan. A viable solution would be Iran, who is also pushing for extension of the Iran-Pakistan pipeline to India, offering a better perspective by bypassing Afghanistan. The pipeline between Iran and Pakistan, worth of nearly US\$ 6 billion, was officially launched by Mahmoud Ahmadinejad and his Pakistani counterpart Asif Ali and is forecasted to transport yearly, starting from 2014, more than 7 bcm between the two countries.

Turkmenistan’s energy conferences and investment forums are increasingly becoming an arena for the government it gathers major international oil and gas companies without offering realistic opportunities to invest in Turkmenistan. The government’s efforts to create incentives for foreign direct investment by avoiding double taxation and providing guarantees against nationalization are only minor steps in improving the investment climate. The government tries to create a friendly and attractive business environment in order to monetize as much as possible the benefits of being an oil producing country. The projects linked to the implementation of gas pipelines such as TAPI prove to be a real uphill battle, considering the

security profile of nearby actors, among which Afghanistan raises the most concerns. Also looking West, towards Trans-Caspian projects, the perspective is impressive in economic terms however Russia interposes in such a manner that even the political willingness in Ashgabat decreases instantly. At the same time Turkmenistan cannot merely rely on “selling gas at the border” and needs to proactively develop a realistic business model and export infrastructure to take full advantage of its energy resources.

Turkmenistan carries further the race for the Caspian Sea

Turkmen president Kurbanguli Berdimuhamedov previously stated, in an interview for the Turkish media, that Turkmenistan supports the regional energy projects led by the government in Ankara. Kurbanguli Berdimuhamedov gave as an example for the Turkish-Turkmen cooperation the new trans-Turkmen pipeline, whose construction has begun in May 2010. The new pipeline, that would connect the Eastern region of the country, where all the gas reservoirs are bundled, with the Caspian Sea, in a project worth US\$ 2 million, is build, according to the statements of the Turkmen President, with technical and financial assistance coming from Turkish companies also involved in other energy projects thought to be of strategic importance by Turkmen authorities. The East-West pipeline will have a yearly capacity of 30 billion cubic meters and a length of 1000 km, with an estimated date of completion set for the summer of 2015. *“The construction of this pipeline has both an economic and a political importance. Through the creation of a new gas transportation system we will see a rise in gas export capacity and, at the same time, the domestic demand will be satisfied, especially in the energy sector”* affirmed the Turkmen President. This announcement is a significant coup against Russia, which expected for a long time to be engaged into the project, reported local official sources.

Russia non-grata

We must remember that Turkmenistan holds the forth place worldwide in natural gas reserves, while China, Russia and Western states wish to play an important role in exploiting these reserves. In March 2009 Turkmenistan announced an international auction for the construction of a pipeline where over 70 companies from Russia, China and Europe expressed their intention for attending. The auction’s results were never made public. An agreement with Russia was suddenly postponed after Berdimuhamedov’s visit in Moscow in March 2009. Back then, Dmitri Medvedev’s adviser in foreign policy, Serghei Prihodko, stated that the agreement was supposed to be

signed up to the end of 2012. The relationship between the two countries deteriorated fast after a blast at one of the main pipelines that supplied Russia stopped the Turkmen export to Moscow.

Chinese anchorage at the Caspian Sea

The Turkmenistan-China pipeline plays an important role in ensuring the energy safety of the two countries, stated Siao Tzinhua, the Chinese ambassador to Turkmenistan, in a message given to the media, referring to the Turkmenistan-Uzbekistan-Kazakhstan-China pipeline. The two parties later signed an additional agreement for the supplying of 20 billion cubic meters of Turkmen gas, whose export to China began in 2009, through the pipeline built by the Chinese company CNPC. It was expected that the supplied volume of gas would reach 40 billion cubic meters but, following a visit to China from the Uzbek President, an agreement was signed regarding the construction of a third branch of the Uzbekistan-China pipeline, with a built-in capacity of 25 billion c.m. Starting with 2014, China plans to bolster the imported volume of gas from this country up to 65 billion cm, thus trying to limit the control held by the Russian companies exporting gas to China.

Turkmenistan enhances its military presence in the Caspian Sea

Turkmenistan will assign approx. US\$150 million for the updating of its military fleet at the Caspian Sea, state the regional media said, quoting local military sources. The announcement comes a few weeks after Turkmen President's statement for the media, that the former Soviet republic plans to buy for its fleet the most cutting-edge vessels and arming systems. Military experts, interviewed by the Moscow media believe that, through the actions of enhancing its fleet, Turkmenistan wishes to prove to its neighbors in the region that it will not hesitate to defend its own domestic interests.

Official pretexts

The Caspian Sea will always be a sea of friendship and bondage, stated Berdâmuamedov. Nonetheless, Turkmenistan, as any other state with sea access, needs vessels for patrolling maritime borders and for counteracting terrorism, organized poaching and drug trafficking, underlined the Turkmen leader. Experts believe that *the fight against terrorism* it is only an official justification. In practice, Ashkhabad's decision of setting up a military base confirms serious issues at the Caspian Sea, especially since Turkmenistan is not the sole country getting armed, so are all the other countries in the region.

On the background of these belligerent declarations Russia delivered at the beginning of October 2011 for the Turkmen naval forces two modern battle-ships (e.n. Moldia brand) and patrolling vessel. We must mention that the Turkmen president Gurbangulî Berdâmuhamedov recently signed a decree through which declared the day of October the 11th the day of The Naval Forces Day in Turkmenistan. Moreover, last year, Turkmen authorities, assisted by Russia and Turkey, founded their own naval military institute, designed for the training of Turkmen naval forces personnel.

Arms race

In terms of military presence at the Caspian Sea the Russian Federation is dominating with 27 large vessels and tens of other smaller vessels. It is expected that up to 2020 their number will rise with another 16 new vessels. The Islamic Republic of Iran has 50 small vessels and patrolling boats, and plans on extending its fleet in the nearest future with other 75 boats and missile carrying vessels. Azerbaijan owns 30 patrolling boats mostly received from Turkey, but also from the USA. Besides that, the USA helped Azerbaijan build along the coastline radiolocation stations and helped fund an operative center in Baku. In turn, Kazakhstan is building up a maritime base at the Aktau harbor, the country being equipped with approx. 17 boats, specifies *Nezavisimaia Gazeta*. Consequently, Turkmenistan, who owns from 2003 seven boats for coastal guarding, all of them bought from Iran and the Ukraine, also received in 2008 from Russia 3 coast patrolling vessels with guided missiles, 2 Sobol patrolling boats and other 2 Molnia missile launching boats. Another two racing patrolling boats worth of €55 mil were supplied by Turkey. According to official data Turkmenistan's spending for the army rose up to US\$ 260 mil in 2010 and up to US\$ 233 mil in 2013.

Territorial conflicts

The Middle East events showed that the main international law principle is that of force. Because of this fact, every country must think of its own safety, and Turkmenistan is no exception, in spite of its neutrality. Turkmenistan cannot afford being a country without an army, especially at the Caspian Sea, where it has oil rich areas disputed with Azerbaijan and Iran. According to several analysts there is one more reason for which Turkmenistan is enhancing its military fleet. Turkmenistan promotes the trans-Caspian gas project, through which the supply of Turkmen gas is envisioned for Nabucco and even further in the European Union, act that might cause an

opposition firstly coming from Russia and Iran. Of course, we are not talking about a positioning war in the Caspian region, but nonetheless a negative scenario in the evolution of the regional events cannot be yet eliminated. According to the experts, if the European Union will continue its policy promoting energy projects, for which Azerbaijan has an interest – but who it is not endowed with enough quantity of gas for a self-sufficient supplying of the pipeline, then a critical problem will be raised regarding the contribution of Turkmenistan to those projects, and this fact will become an disgruntling agent for all the other countries in the Caspian area.

Conclusions

Currently Turkmenistan supplies natural gas to the Russian Federation, China and the Islamic Republic of Iran. According to experts, taking into consideration the already existing pipeline and the TAPI project, the yearly Turkmen gas export to the Asia countries will exceed 90 billion cubic meters of gas. Moreover, Ashgabat states its availability to supply natural gas to the interested buyers, including to the European countries.

Turkmenistan has a population of 5 million people and is endowed with 24.6 trillion cubic meters of gas. This quantity is sufficient for supplying gas to the European Union for half of a century. The largest reservoir of gas in Turkmenistan, South Yolatan, could be the second largest in the world, an opinion supported by the British Company Gaffney, Cline & Associates (GSA). Although British experts did not provide any numerical data, according to previous estimations, the South Yolatan encompasses approx. 1.4 trillion cubic meters of gas, representing nearly 7% of the worldwide known reserves.

Although the Turkmen president asserts that his country could develop independently of the reservoir, international experts claim that such an approach is lacking long-sightedness. One of the GSA General Managers feels that the extent of the reservoir allows for the existence of a parallel exploiting and exploring project commenced by diverse investors. Currently, with the purpose of exploiting the gas field, China finances the Turkmen government by offering loans worth of US\$ 8.1 billion. China recently began receiving Turkmen gas, and by 2015 the quantity of supplied gas to Beijing will reach 40 billion cubic meters.

Four companies, CNPC – China, Petrofac – United Arab Emirate, LG's International Corp and Hyundai Engineering Co – South Korea, all won in December 2009 a contract worth of US\$ 9.7 billion for the development of the South Yolatan reservoir. The Chinese company – CNPC is the only

foreign company that in 2007 managed to obtain the exploitation of the Bag-tiärläk reservoir that holds approx. 1.3 trillion cubic meters of gas. When speaking about FDIs, the Turkmen side exhibits reluctance, however, regarding the pipeline construction issue, especially for the transportation towards Europe, the administration's approach radically changes.

In order to sell gas to Europeans, one should find necessary the construction of a pipeline that will cross the bottom of the Caspian Sea with Azerbaijan as destination. However, Russia opposes this project. If the pipeline becomes a reality the issue of gas supply for the Caspian Sea – Black Sea duct will be solved. One must remember that Berdamuhamedov stated that Turkmenistan is able to supply yearly to the European states 40 billion cubic meters of gas. Wolfgang Peters, a high official of the RWE Company, believes that even a discreet yearly export of 10 billion cubic meters of Turkmen gas would bring the country a profit of US \$ 3 billion. According to the experts, for this scenario to become reality, the states whose territories are crossed by this transportation route must become audacious, before Europe loses access to the energy resources of Turkmenistan. The head of OMV's Pipeline Construction Department stated that the possibility of obtaining Turkmen gas was never been this large, but this would require actual commitments and decisions.

Turkmenistan aims at increasing production levels to 120 bcm by 2015 and to 250 bcm by 2030, compared to a yearly production capacity of 70 bcm. Nonetheless, in order to achieve this particular goal, the country must amend its approach regarding the gas and oil industry in order to reduce high skepticism from the international scene and to meet future goals. It must work with IOCs (International Oil Companies) and aim to obtain production sharing (PSAs) or joint venture agreements that will mean shared ownerships of the gas. All this while high tensions are created by the Galkynysh field (formerly known as the South Yolatan), a high-temperature field, high in sulfur, ranking among the most challenging in the world, but seen by the international business climate as a vast conventional gas reserve.

A perpetual project is the Trans-Caspian Pipeline, which would connect Turkmenistan and Azerbaijan by crossing the Caspian Sea. The project is important for the Southern Corridor because it is an easy way to carry Turkmen gas. However, the expenditure would require the involvement of IOCs, just like in the case of IOCs, yet at lower costs and with more entitled expenditures available to the Azerbaijani Government and its State Oil Fund (SOFAZ), to the Turkish companies, as well as project financing by the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), World Bank's International Finance Corporation (IFC) or other international financing actors.

Turkmenistan's main decision platform concerns its independence from Russia, a platform that is reflected upon the country's political will and on its assessment of the Trans-Caspian Pipeline project as a success for its business and economic climate. An international suite of actors (eg: EBRD, EIB, IFC etc) should exert diplomatic pressure, alongside the United States and the European Union, to secure financing for the construction of the Trans-Caspian pipeline by involving international granters and investments.

Due to broad skepticism regarding Turkmen ability to fulfill its energy supply commitments and requirements (30 bcm acquisition guarantee), a stronger relationship between the European Union and the Turkmen state should be envisioned with an aim to relax the state's approach towards gas and oil commerce. Because the EU does not have the jurisdiction to guarantee a certain gas purchase, a more sober approach from the USA should be taken into consideration. Moreover, Turkmenistan's moratorium on finishing the Trans-Caspian pipeline, underlines a particular inability in achieving promised commitments due to capacity constraints in TANAP and SCP.

High-level talks and visits would be of a great benefit to the countries of Turkmenistan, US and of the European continent in terms of cooperation. Moreover, an overview perspective offered by the European Union through a bilateral involvement would speed up the improvement of the Turkmen energy sector.

With the Nabucco project out of order, the Europeans need to prepare alternatives for the vast amount of gas Turkmenistan is capable of pumping into the system. Although it is part of a rather hectic region, Turkmenistan has managed to implement a policy of *positive neutrality*, building peaceful relationships with nearly all its neighbors, in spite of a closed society and of a rather benevolent sort of government led by President Gerbanguly Berdymukhamedov. The country's energy potential is a massive one, for it contains the fourth largest conventional natural gas reserve in the world, an advantage that could transform Turkmenistan into a major supplier for the Southern Corridor.

Chapter 8

UZBEKISTAN – THE EAST END OF THE EAST-WEST STRATEGIC CORRIDOR

RADU ARGHIR

The 2001 war in Afghanistan led to a forced NATO member states to take more interest in future relations with the post – soviet states in Central Asia. Ongoing partnerships at NATO level or individual state level agreements were already in place, but the Afghan endeavor forced a rethinking of these policies bringing forth new opportunities as well as new challenges. Mainly, the need for an alternative supply corridor (other than Pakistan) pushed forward the development of bilateral relations with the aforementioned states with notable results. Now, with the 2014 Afghanistan international troop withdrawal approaching, the question remains if it's a good idea to maintain the current course of action after this moment and what alternatives are there for the future. This is especially important since certain important international actors oppose the close ties that NATO states and post – soviet states in Central Asia enjoyed after 2001. A way forward must be carefully considered in order to fully tap the potential generated by the international military campaign in Afghanistan.

This prompted the creation of the East West Strategic Corridor project, that will be henceforth referred to as the Corridor, which will act as a replacement to the present day somewhat military driven relations between NATO states and Caspian and Central Asia states. On this corridor Uzbekistan plays a very important role because it is the east end of the Corridor offering access to its most distant resources, increasing therefore its potential.

The paper will focus on the case of Uzbekistan and its relation with Romania taking into consideration the possibilities for expanding bilateral cooperation. However this cannot be achieved as an effort by Romania on its own, Romania being only the western end of the corridor, it will require help from a number of allies. Nevertheless bits and pieces of what the Corridor

may encompass are already in place so there should not be any problems in bringing allies on board. Furthermore, the current paper also tries to explain if it's possible to bring neutral countries into the project as long as there are common interests and there is one major power that is interested.

About Uzbekistan

Uzbekistan constitutes a uniquely complex challenge, because it brings together a number of issues varying from political problems to border disputes. In this respect we will briefly review the most important issues while making a description of the country.

Borders and national identity:

The country has a rather interesting and convoluted history however for the purpose of our research topic only its recent past is relevant. In its current form it came into being as the Uzbek Soviet Socialist Republic in 1924. There are two direct implication of this act, implications that still linger today and generate problems. Firstly, in its current form (geographical boundaries) the state has no actual history or historical identity. Modern Uzbek scholars have linked the state to the rule of the Mongol ruler Amur Timur¹, but his empire and the current Uzbek state are barely related. Instead this is a strategy that aims to keep its population united.

This is part of a strongly imposed state created nationalistic culture which in turn generated a backlash, especially in the form of radical religious movements. Islamic Movement of Uzbekistan and Hizb Ut-Tahrir are the most notable examples. The first one (the Islamic Movement of Uzbekistan) ended up on U.S. list of terrorist organizations and was effectively almost dismantled after the 2001 invasion². An interesting fact is that while the movement had Uzbekistan (mostly due to its leadership) in its name it operated out of Afghanistan and raided neighbor states as well (Kyrgyzstan and Tajikistan). Hizb Ut-Tahrir however is the exact opposite. Although a self proclaimed international movement (that aims to create an international caliphate uniting all or most Muslims)³, operates mostly in Uzbekistan and slowly gathers support. It can still represent a threat in the country.

¹ Nick Megoran, *Revisiting the 'Pivot': The Influence of Halford Mackinder on Analysis of Uzbekistan's International Relations* in *The Geographical Journal*, Vol. 170, No. 4, Halford Mackinder and the 'Geographical Pivot of History', December 2004, p. 349.

² Emmanuel Karagiannis, *Political Islam in Uzbekistan: Hizb Ut-Tahrir Al-Islami* in *Europe-Asia Studies*, Vol. 58, No. 2, March 2006, p. 264.

³ *Ibidem*, p. 266.

This may have crystallized as a political actor fairly recently in the in the creation of the People's Movement of Uzbekistan. The movement led by Muhammad Salih was created after the "Arab spring" and acts as an umbrella group for opposition groups abroad (diasporas) with the aim to fight against the Karimov regime.⁴ However many opposition and human rights groups (especially the ones in Uzbekistan) shun the People's Movement of Uzbekistan because Salih is seen as an extremist⁵ and there is tangible evidence of that since he has been very inflexible in his opinions even when it comes to human rights violations even defending them in predominately Muslim countries⁶.

The other significant aspect, whose implications can still be seen today, is the drawing of its borders. They were never designed to delimitate independent states and there is speculation they were purposely designed to create dissent between states in Central Asia⁷. The borders delimitating the most densely populated area (among the states of Uzbekistan, Kyrgyzstan and Tajikistan), the Fergana Valley, are very irregular and include multiple enclaves (areas completely enclosed within the territory of another state) belonging to different states. Uzbekistan has the largest share of the valley and only recently one of the enclaves, Sokh, was the scene of ethnic conflict⁸. Other examples of large Uzbek enclaves are Vorukh and Shakhimardan. Also there are many disputed areas that should be neutral until the dispute is settled often see a lot of military action even if most of them nu not result in clashes, only standoffs (e.g. one side occupies an area, the other side surrounds it and demands withdrawal of all forces). One recent example is the Aqsy district incident involving Uzbek border guards inside a disputed territory.⁹ Border disputes make infrastructure development impossible and hinder economic development (in problematic areas or around them) generating a fierce fight for resources among locals and states. Whether on purpose or not, the borders did create conflict and a solution is still to be found. The ongoing negotiations focus on old soviet archives in order to determine borders, but progress is slow and there is guarantee the process will yield any significant results.

The most obvious solution is a good relation between neighbors (and state and local community level). Borders cannot create conflicts if they are not

⁴ *New Uzbek Opposition Force Formed*, 31.05.2011, Institute of War and Peace Reporting website.

⁵ *The world did not hear us*, 20.09.2013, Ferghana.com website.

⁶ *People's Movement of Uzbekistan: Arab Spring good, Turkish Spring bad*, 08.06.2013, Uznews.net website.

⁷ *Russia's Position in the Kyrgyz-Uzbek Border Dispute*, 23.01.2013, Stratfor Website.

⁸ *All Kyrgyz Hostages Released From Uzbek District Following Rioting*, 07.01.2013, Eurasianet.org website.

⁹ *Kyrgyz Locals Protest Uzbek Border Guards On Disputed Territory*, 26.09.2013, Radio Free Europe Website.

strictly enforced (like in the case Schengen Area). And the Russian Federation in an attempt to regain control over its previous territory din propose two solutions in the form of the EAU (Eurasian Union – Russian Federation’s response to the European Union) and CSTO (Collective Security Treaty Organization – Russian Federation’s response to NATO). Tashkent however did not join the first and, mostly do to its relation with NATO states, withdrew from the second in 2012¹⁰ (after becoming a full member in 2008).

Economy:

Although it’s the state that has the largest population in the area (with numbers approaching 30 million, its population is almost twice as big as that of Kazakhstan and nearly five times larger than that of any other neighboring post soviet country) Uzbekistan economy is significantly underdeveloped despite efforts from the government to modernize the country. Most of it relies on the export of raw material like gas¹¹ or different metals. Its most notorious export is cotton¹². For obvious reasons textiles are also an important export product although most of its cotton production is exported unprocessed. While not necessarily state owned, since there are private firms and corporations, the economy is centralized and controlled from Tashkent. Nothing happens without state approval. Up to this point Tashkent has had a mixed policy towards foreign investments, banning some while facilitating others. There is no official policy except the fact that anybody trying to stat a business in Uzbekistan (especially foreign invertors) must have good relations with the state apparatus, else it has little chance of success.

This rule was further strengthen at the beginning of 2013 when Tashkent, in a bid to prevent inflation, imposed new banking and import regulations designed to allow the control of hard foreign currency flows. As a result every currency exchange operation is state controlled and, inevitably, so is the exchange rate, its monopoly being threatened only by the black (currency exchange) market¹³. These financial constrains come on top of the existing economic constrains, making free economic development close to impossible. In other words, there is no free market and it’s almost impossible to attract foreign investments (unless the Tashkent administration invites them directly).

This environment has weighted heavily on the shoulders of the average citizen. While its GDP is somewhat high for a developing country (especially

¹⁰ *Uzbekistan withdraws from CSTO bloc*, 21.12.2012, Uznews.net website.

¹¹ *Uzbekistan: Tajik Prime Minister Contacts Counterpart Regarding Natural Gas Supplies*, 25.12.2012, Stratfor Website.

¹² *Uzbekistan 2012 Cotton Harvest: Continued State-Sponsored Forced Labor of Children and Adults*, 24.12.2012, Fergananew.com Website.

¹³ *Uzbekistan: Is the Economy Going into a Tailspin?*, 07.02.2013, Eurasianet.org website.

considering the state of the economy), its GNI per capita is very low, suggesting much of the population is dealing with a difficult economic and financial situation¹⁴. This is also highlighted by the fact that despite the fact it is a natural gas exporter, Uzbekistan has problems with its internal gas supply¹⁵ (due to a combination of bad infrastructure and bad maintenance). Further more, another indication of the low living standards in the country is the large number of people who work abroad, most of them in Russia.¹⁶

To sum it up Uzbekistan is a resource rich country that lacks the means to take full advantage of its natural resources. What it desperately needs (except more investment friendly policies) is access to strong economies or large markets.

Politics:

For the last 22 years (since it's independence in 1991) Uzbekistan has had only one president, Islam Karimov. From the point of view of any western democracy this alone is a huge issue, raising serious questions about the regime. So far he has won three terms (a five year term that started in 1992 and was prolonged for three years due to a referendum and two seven years terms, one which began in 2000 and another that began in 2007) and is pushing the limit of the constitution, which allows only two consecutive mandates¹⁷. It is still uncertain what he plans ahead, whether he will name a successor or try something similar to Putin. Either way, some changes are to be expected in 2014.

But this is far from being the only problem. The human rights track record of Uzbekistan is far from perfect¹⁸. In term of indicators such as freedom of press, government accountability or civil liberties it ranks very low compared to other states, especially Euro-Atlantic countries. Then there is the yearly reoccurring issue of forced child labor used during cotton harvest. Also, probably one of the biggest and most well known issues is the fact that Uzbekistan is one of very few states that still has in place a system acting similar to an "exit visa."¹⁹ This has drawn much criticism, placing the country on the watch list of many human rights organizations worldwide.

¹⁴ World Bank Data – Uzbekistan, available on line: <http://data.worldbank.org/indicator/NY.GNP.PCAP.CD/countries/UZ-7E-XN?display=graph>.

¹⁵ *Uzbekistan freezing because of gas shortages*, 19.12.2012, Uznews.net website.

¹⁶ *Karimov despises migrant workers for their "laziness"*, 25.06.13, Uznews.net website.

¹⁷ The Constitution of Uzbekistan – <http://www.eicee.org/pix/pdf/uzbekistan.pdf>.

¹⁸ UN Office of High Commissioner for Human Rights, *Uzbekistan, On the implementation ICCPR*, April 2009, available on-line: http://www2.ohchr.org/english/bodies/hrc/docs/ngos/BHRRLL_Uzbekistan96.pdf.

¹⁹ *Uzbekistan Among Few Countries Keeping Exit Visas*, 26.01.2013, Radio Free Europe Website.

One well known incident that is still under the investigation of the UN High Commissioner for Human Rights was the Andijan massacre. In May 2005 state security forces opened fire on unarmed protesters killing at least 200. Pressure from the international community for the opening of an investigation into the incident prompted a strong reaction from Karimov who shun western states (even evacuating a US base) and turned to Russia and China²⁰, which supported his approach. This foreign policy direction only lasted a few years and, recently, Tashkent returned to its Euro-Atlantic partners and left CSTO.

This makes cooperation with Uzbekistan somewhat of a delicate issue. On one hand human rights issues cannot be ignored forever but, at the same time, any direct criticism will just sent Uzbekistan back to CSTO and closer to Moscow and Beijing, which is likely to make the problem even worse (both are likely to support and even encourage dictatorial regimes for political stability and in order to draw attention from themselves). This is even more of a challenge if you take into account the possibility of developing long term relations that should endure even if new incidents (hopefully of smaller proportions) take place. And there are mixed messages coming from this field of cooperation. On one hand Uzbekistan managed to end up on tier 3 (lowest possible rating) in an US State Department “Trafficking in Persons Report 2013” after being on tier 2 for a few years²¹ but on the other it did allow International Labor Organization (ILO) monitoring of its 2013 annual cotton harvest.²² In fact even The US State Department Report acknowledged “the government vigorously implemented for the first time a decree banning the use of labor by school children up to 15 years of age in the annual cotton harvest” which is related to the acceptance of ILO monitors. While these step is rather small it’s important because is one of a very few occasions when the regime buckles to international pressure instead of just ignoring it or choosing to take the path of isolation while rejecting accusations. It is a reminder that pressure can work but it will take time and determination.

Bilateral relations

Since there is almost no Romanian population in Uzbekistan, Bucharest only has a limited diplomatic staff in Tashkent²³. Diplomatic relations were established between the parties were established in 1995 and later, in 2009,

²⁰ *US closes air base in Uzbekistan amid uprising dispute*, 22.11.2005, The Boston Globe website.

²¹ US State Department (www.state.gov) – Trafficking in Persons Report 2013.

²² *Uzbekistan: Tashkent to Allow Cotton Harvest Monitoring*, 13.09.2013, Eurasia.net website.

²³ Ministerul Afacerilor Externe (www.mae.ro) – relații bilaterale cu republica Uzbekistan.

an official document proposed by the Foreign Ministry of Uzbekistan, which underlines the main directions for the expansion of economic ties, was signed²⁴.

Romania has an embassy in Tashkent, while Uzbekistan ambassador to Romania resides in Ankara. However, the Uzbek Ministry of Foreign Affairs announced plans to open an embassy in Bucharest.²⁵ So far the economic relations between the two countries were not significant (also hindered by the 2008 economic crisis), but as of late a growing trend in the volume of exchanges is noticeable.

Another notable event is Romanian Prime Minister's visit to Uzbekistan in June 2013.²⁶ More cooperation documents were signed during the visit although their content is unclear. What makes it notable is the fact that the June visit was the highest level official bilateral visit up to date.

Overall Romania's relations with Uzbekistan are more of a project than actual institutional relations, but future political meeting are being planned. Nevertheless this is one of the main reasons behind this policy paper.

Uzbekistan current role as a transit route:

Because it's bordering Afghanistan and has maintained a somewhat neutral stance regarding NATO operations Uzbekistan was a natural choice for transit. With the exception of the 2005 frictions that led to the closure of a base Uzbekistan has been an important partner for NATO's intervention in Afghanistan. Most notably the Termez airbase is an important hub for distribution of air born supplies for the German army and nonlethal equipment for ISAF (transported mainly by railway) since 2002²⁷. And the impending withdrawal and the prospect of acquiring NATO military equipment (that is too expensive to bring home) made Uzbekistan even more interested in encouraging western transit via its borders.²⁸

In fact one can speculate is one of the main reasons why the country left CSTO. If anything, on the short term, its role a transit country is expected to increase significantly, unless new major incidents occur that will push the west and Tashkent apart. This will be a good opportunity to consolidate relation with Uzbekistan since the completion of the withdrawal will change the nature of the relationship. Given Tashkent relative economic isolatio-

²⁴ *Ibidem*.

²⁵ *Ibidem*.

²⁶ Guvernul României (www.gov.ro), *Vizita primului-ministru Victor Ponta în Republica Uzbekistan*, 28.06.2013.

²⁷ *Uzbekistan: Veil is Lifted on German Payments for Termez Base*, 24.03.2011, Eurasia.net website.

²⁸ *UK to sell war hardware to Uzbeks in exchange for passage*, 09.02.2013, Uznews.net website.

nism, if it lacks other options, it is very likely it will return to CSTO once the Afghan withdrawal is over²⁹.

However, on the other hand, whatever military hardware may acquire from NATO will require maintenance and keeping a transit route open to Afghanistan, regardless of the outcome of US ongoing negotiations for a long term security pact, is a good idea. Abandoning Afghanistan in 1989 has proven a great mistake that should not be repeated. This (hardware maintenance and long term transit route to Afghanistan) can form the basis for a new agreement but it is not enough for maintaining a partnership. Therefore new policies must be put in place in order to preserve its equidistant position from the Russian Federation and NATO.

Simply put, the nature of the relationship offers little room for further development of ties. Uzbekistan's role as a transit country can only go so far and more elaborate political and economical cooperation is needed to maintain on the long term the current good relations, and alongside Tashkent's neutrality. Thus, the Corridor addresses exactly this issue.

The Corridor and region dynamics:

The restart of bilateral relation came at an opportune moment, with presidential elections coming in 2014. Regardless the direction Karimov chooses to follow its best if it also receives feedback from the west, not only the east (feedback that he would consider important). This is particularly important since the concept of a strategic East West corridor is very likely be appealing to Tashkent. Scholars in Uzbekistan studying geopolitics see their state as a linchpin in the relation between east and west³⁰, a role that can be best assumed as part of the corridor. Tashkent, which was mentioned before is the biggest state in Central Asia in terms of population, likes to play the role of middleman between the west, P.R. China and the Russian Federation and being part of the Corridor helps allot in aching this objective.

This narrative has been enforced by recent visits that consolidated relations with exactly these key players. Firstly, in March, Uzbek Foreign Minister Abdulaziz Kamilov visited the United States, visit that resulted in Uzbekistan receiving the status of USA ally.³¹ This visit was shortly followed by Karimov's visit to Moscow where he met with his counterpart Vladimir Putin. There was no detailed account of the talks but economy and the fight against extremism were the topics that the two state leaders decided to address in the press conference.³²

²⁹ *Uzbekistan withdraws from CSTO bloc*, 21.12.2012, Uznews.net website.

³⁰ Nick Megoran, *op. cit.*, p. 353.

³¹ *Uzbekistan once again embraced by USA*, 14.03.2013, Uznews.net website.

³² *Karimov's Moscow visit "successful", says Putin*, 16.04.2013, Uznews.net website.

While quite tense the visit did show Tashkent is still linked to and will cooperate with Moscow. Later the same year Chinese president Xi Jinping visited Uzbekistan and the two parties signed thirty-one joint venture agreements totaling more than 15 billion USD.³³ This was not an ordinary meeting; it was an important step in bilateral relations of the two countries. And, in the context of improving economic relations, more and more Uzbeks seek Chinese companies for employment.³⁴ This is important since, as was mentioned before, it is estimated that a third of Uzbekistan's workforce works abroad, most of them in Russia. Further more there are the occasional visits to Europe³⁵, however they are limited by sanctions imposed on Tashkent because of its major human rights issues.

Uzbekistan's desire to keep all this relations at a working level may create problems for the future implementation of the Corridor. Foremost its most determined opponent is the Russian Federation which has its own plans for Central Asia (I mentioned EAU and CSTO). Integration of the states in region within Russian controlled organization leaves little room for other political projects. And after its visit to Moscow Karimov did mention he is afraid of a possible civil war in Afghanistan, and reiterated Moscow's role as a security provider. This means that if no other options are available in terms of security, Tashkent may seek Russia's protection, and the Corridor's framework needs to be designed accordingly.

At the opposite side P.R. China seems interested strictly in an economy based relation with the Central Asia states, including Uzbekistan. It is mostly interests in Uzbekistan's raw resources and will most likely not directly oppose the Corridor unless its economic interest are threatened (which is very unlikely). Further more it may use (and in that way help with the implementation of the East-West Corridor) the Corridor as a direct link to the European continent, as a revival of the Silk Road. The Chinese do actively seek to diversify the routes their goods (both imports and exports) follow, and Xi Jinping's the visit to Uzbekistan was part of this effort. If anything the Chinese investment help link and unite the countries in Central Asia, creating an environment conducive for the Corridor.³⁶ Nonetheless while they are not likely to oppose the project as a whole, Beijing may oppose its political aspect since it will sooner or later include discussions related to human rights, a topic that is in no way welcomed in P.R. China, or in its immediate vicinity. Also the liberalization of any oppressive regime anywhere in the world will lead to more pressure on P.R. China regarding human rights, something that the Chinese leadership seeks to avoid if possible.

³³ *Islam Karimov seeking Chinese protection*, 10.09.2013, Uznews.net website.

³⁴ *Uzbeks Home In On Chinese For Opportunity*, 14.09.2013, Radio Free Europe Website.

³⁵ *German MP offended by Uzbek parliamentary visit*, 11.03.2013, Uznews.net website.

³⁶ *Central Asia: Can Chinese Cash Glue the Region Together?*, 13.09.2013, Eurasia.net website.

Overall the corridor is plausible, but there will be some opposition, therefore the steps in its implementation need to be very carefully considered. Each step must take into account future opposition and find a way around it. Most notably Russian pressure on individual countries on the Corridor will be a truly uphill battle.

Options:

There are basically three options when it comes to furthering relations with Uzbekistan, each touching a subject covered in the description of Uzbekistan.

Firstly diplomatic channels can push for the liberalization of the regime. Romania (and partners) can take a tough stance on many human right violations. This, while vital on the long term because a strict regime makes an unstable partner and can complicate cooperation, also has the potential to make the regime even worse by pushing it toward other strong state regimes that have common views (and there are plenty of options in the area). If anything this course of action needs to be delicate and come along with some sort of leverage (like common projects that can be canceled, of economic ties that can be severed) in order to make a significant impact, and not just produce more isolationism on the part of Tashkent. Further more, other states on the corridor have similar problems and determined action in this direction can affect relations with more than just Uzbekistan.

Here the growing opposition to the regime also needs to be taken into account. While it does criticize the west, especially for not taking enough action against Karimov³⁷, it is also aware there are no better alternative. P.R. China and the Russian Federation do not have much of a track record in terms of human rights either. On one hand the opposition is right, however not much can be done fast and pressuring Karimov into a liberalization of his regime will take time. What is interesting at this time is that the opposition becomes evermore organized³⁸ and active³⁹, planning unprecedented actions⁴⁰ and it would be best if the Corridor is a functional project by the time any major change happens so a neutral party can mediate possible standoffs and militate for human rights. A new Andijan like incident will not only prevent Uzbekistan from joining the Corridor, but will also be devas-

³⁷ *The world did not hear us*, 20.09.2013, Ferghana.com website.

³⁸ *Uzbekistan: The Birdamlik Movement will evolve into a political party*, 14.10.2013, Ferghana.com website.

³⁹ *Birdamlik Opposition Movement allocates \$16K to initiate "velvet revolution" in Uzbekistan*, 04.09.2013, Ferghana.com website.

⁴⁰ *Human Rights Alliance of Uzbekistan plans to demonstrate on presidential highway*, 25.10.2013, Uznews.net website.

tating for the grassroots human rights movements in Uzbekistan. These movements can help indirectly with the liberalization because the internal pressure for liberalization will pile on top of the external one. And since the government did show some signs of buckling under external pressure, this seems like the right path to follow, at least on the short term.

Secondly, similar to what is happening now, ties can be strengthened at an economic level (including military related trade or agreements) while ignoring the many internal problems of the regime. Overall Uzbekistan does have significant quantities of natural resources (most important being natural gas ferrous and non-ferrous minerals) and offers direct and indirect access to a number of important markets while the country itself needs market access.

This is more efficient on the short term at it will provide the grounds for quick evolution of a partnership, but will not work on the long term if there is no stable political system. And a single president for more than 20 years may create the illusion of a predictable decision making, but it's not. Decisions (foreign policy ones in this case) depend on a few people (creating instability) and at this point any regime change will yield unpredictable results (maybe even a revolution – like it happened in neighboring Kyrgyzstan). Also, economical cooperation offers limited rather perspectives. Building infrastructure will be expensive and the opportunities are limited. Europe is an important market but geographical factors make trade between European states and Uzbekistan somewhat unprofitable while closer markets are available in Asia.

China has its eyes set on Uzbekistan's natural resources and even if some of them may eventually head to the west, it is very likely most of them will end up in P.R. China. Also, the Chinese have a closer and more accessible labor market even if the salaries are significantly smaller (compared to Europe and the US). Where Uzbekistan can play a key role, and this falls exactly within the framework of the corridor, is the role of a transit country that can make a profit off custom taxes and taxation. Goods will transit both ways (mostly from P.R. China to Europe but also a lot of raw materials, mostly from Turkmenistan, transiting via Uzbekistan and Kyrgyzstan to the Chinese economy) bringing a stable income and boosting investments in infrastructure.

On another level, involving the military industrial complex, there is lack of security guarantees in the area. The decision to stay on the outside the borders of CSTO left Turkmenistan and Uzbekistan in a bit of a limbo. There is no direct threat of a war or an invasion (like in the case of Georgia in 2008) but there are a number of border disputes (mentioned before) that create uncertainty and there is also the issue of Afghanistan and its complex future. In this context both countries need external reassurances in case

something goes bad. It is no coincidence that during its visit to Moscow Islam Karimov chose to speak about fighting extremism, not a common topic for him (while his Russian counterpart did not even mention the topic).

There is a domestic focus here as Karimov also seeks to find an ally in case of a revolution (similar to Egypt of Libya) but there is also an external factor as Islamic militants will definitely have a easier time in Afghanistan after the international withdrawal. This may allow them to seek ties with Islamic elements within Uzbekistan, elements that very likely there given the nature of the regime. This can form a basis for cooperation with Uzbekistan also but extra caution is in order to prevent use of international equipment against human rights militants.

Lastly, relations can be improved by using the same strategy USSR allegedly used against Tashkent. The border issue constantly put Uzbekistan in difficult situations. And now, with the creation of CSTO, the Uzbekistani military superiority (compared to most neighbors, except maybe Kazakhstan) no longer means much (most enclaves are in Kyrgyzstan, a member of CSTO). It could join CSTO but this will change very little at a bilateral level and will only increase Moscow's role in solving the conflict (because it has by far the most powerful army within the organization, solving conflicts between members will fall within its array of responsibilities). And increasing Moscow's influence over its border dispute is not something that Uzbekistan is likely to want.

On the other hand the strategic East West corridor can bring more international actors into the scene and increase the involvement of the international community in the conflict. This will be beneficial for Uzbekistan because it may attract more international mediators, shifting power away from Moscow and CSTO. This approach will require the implication of international organization since not much can fast be done at a bilateral level.

And there is some work being done right now. The European Union is already trying to mediate disputes related to water access in Central Asia⁴¹ and achieved moderate success in bringing the parties together.⁴² However more can be done. There is no shortage of unresolved issues in the area and the involved parties may seek to bring it to international attention in if not international mediation. The Chinese avoid this kind of problems focusing only on the economic relations while the Russian Federation is considered biased by at least two of the five states in the region. The EU and NATO can fill this gap in order to secure a more reliable long term presence in the area.

⁴¹ *EU in dispute with Tashkent over Kambarata hydropower station*, 13.02.2013, Uznews.net website.

⁴² *Tajik President Promises Regional Consideration On Hydropower*, 19.08.2013, Radio Free Europe Website.

Further more this kind of approach can come paired with the security approach to provide a comprehensive solution to disputes and destabilizing factors in the region.

The advantage of this approach is that it paves the way for long term institutional cooperation without even touching human rights issues, and the dilemmas resulting from them. Also, as an EU and NATO member Romania has access to a number of conflict resolution mechanisms. However, the problem is that it will be a slow process that is likely to cause a backlash from the Russian Federation, and it has at least two countries where it can push for a escalation of (unsolved) conflict: the Republic of Georgia and the Republic of Moldova, both close to Romania and both (especially Georgia) important for the corridor.

The way ahead:

Rather than opting just for one course of action, the current paper will place its recommendations into a hierarchy. There is no reason to focus on just one approach nor is it likely one approach will be enough to consolidate relations. Instead a broader approach should initially focus in gathering support for the East West Strategic Corridor among allies so the conflict resolution approach can be initiated. In parallel economic relations can be furthered, but limited access to resources (on both sides) and lack of infrastructure will make progress somewhat slow. Only once these policies are in place can negotiation for regime liberalization can be initiated (if results are to be expected).

Nevertheless, on the short term, the first step is to establish good relations with the countries on the Corridor and any other major stakeholders. From this point of view Romanian's prime minister visit to Uzbekistan and later China was a good call. Gathering support for the Corridor from third parties with influence in the region (such as P.R. China and Turkey in the case of Uzbekistan) helps significantly. Apart from agreements, the next step is the institutionalization of bilateral or multilateral meetings involving states that are part of the Corridor. Regular meetings (at any level) are the base of stable cooperation.

Also, if long term cooperation is to be set in place the international actors implementing the Corridor must reach out to the opposition in Uzbekistan (and human rights advocates) using whatever means are necessary (in order to not create a row with the state apparatus). Given its increasing presence, the opposition in Uzbekistan can no longer be ignored in decision making. Furthermore, as previously explained, coordination with it can help effectively put pressure on the regime in Tashkent in the field of human rights,

pressure that can avoid future disputes. Uzbekistan has little chance of remaining a part of the Corridor as long as it remains completely undemocratic. Change does not have to be fast but at least progress needs to be (slow and) constant.

On the economic front much depends on the private sector. The role of the state here is only to create an environment that is conducive to business. Much of that is means only having good relations with Uzbekistan so that that state agrees with the investments (I mentioned earlier the state monopoly over the financial sector that makes business in Uzbekistan impossible without approval from Tashkent). The possibility of a major state investment is rather low on one hand because financial reserves of Romania (and other countries on the Corridor) are rather low and on the other because the distance makes major projects somewhat unfeasible. Connecting existing infrastructure along the Corridor is possible, but building new one is very unlikely. That being said, the economic terms will be quite easy to achieve.

In terms of security and military cooperation, security agreements and a limited military cooperation (as in common exercises or experience exchange) should suffice. This will, in conjunction a continuous support for the Afghan government, keep CSTO out of the area and address the fears regarding the uncertain future of Afghanistan. As long as the west stays involved (like the Soviet Union in the first years after the withdrawal) there is little chance of the conflict spilling over into neighboring countries. And even if it does happen they have guarantees they too will receive international support.

There is a caveat here in the case of Uzbekistan because its army has been used against the population and may be involved border disputes. This is why the focus must be put on anti terrorist operations, and training in general that cannot be used against the population. At the same time, as mentioned before, the political discussion must continually bring up more or less discrete to topic of human rights, even if progress is slow. Another Andijan like incident would be a catastrophe (for the East West Corridor project and in general) from every point of view.

Last but not least, international mediation can help in a number of ways. First of all neutral observers can be used (probably from a organization with a broad agenda that include all the major local powers interested in security – for example OSCE) to keep an eye on disputed border areas and enclaves and prevent clashes and tense standoffs by discouraging parties to take unilateral actions (as they will be identified as the aggressor by a third party). Secondly international organization can propose solution for ongoing border disputes, solutions that can form the basis for negotiations between the countries involved.

The current process of digging up old Soviet maps may work but an alternative needs to be in place in case it fails. Also the findings may not satisfy everybody or solve all outstanding issues. Thirdly, in keeping up with current work done by the European Union regarding fair water access in the region, international probes can be launched in the case of controversial projects by one side. The findings and recommendations can then be used by the parties involved in the dispute. Also, simply the possibility of launching an international probe can bring the sides to the negotiation table. There are many possibilities but the tricky part will be convincing the parties to accept international mediation.

Conclusion

Before moving on to the conclusion there is one important fact that needs to be highlighted regarding the project as a whole and the role of Uzbekistan. While the country is important to the success of the Corridor, it is not vital. It represents the east end of it and has a unique role but should it choose to not take part in the project (even if at this moment there is no indication of this) it will not be a “deadly” blow, it will simply make the Corridor shorter and reduce its reach. This needs to be taken in account in both negotiations for the creation of the Corridor and in case of major problems encountered after it became functional.

This being said, it can safely assert there is no reason at the moment to take into account that worst case scenario. In terms of political will Tashkent will definitely be interested in the project. Also the rising Chinese interest in the area is likely to keep the country out of SCTO and EAU which will help make the Corridor a reality. There are still a few variables, most notably the evolution of Afghanistan after 2014 and the succession of power in Uzbekistan (that will also take place in 2014) but overall there is great potential.

Tashkent is quite interested in playing a mediation role between the three major powers with a present in the area (Russia, P.R. China and the United States of America), a role emphasized by its experts in geopolitics, position that will be enforced by the Corridor. From a more simple perspective it will also prefer to ideally have as many options as possible for as long as it can. It can turn to Russia or China to protect its form of government, but this will automatically limit its options in terms of foreign policy. Neither Moscow nor Beijing are known for their flexibility in terms of foreign policy, especially in their neighborhood (including Central Asia). The west also offers more options since it's not about a single powerful countries country but rather alliances like the EU and NATO.

The Termez airbase, which was leased to Germany, is an example that west does not mean exclusively relations with the US. Even more the Central Asian country sought to improve relations with European country ever since the German logistics base started operating, event if not much has been achieved (and this failure is in many ways related to the Andijan massacre).

Overall connecting the east and west ends of the corridor will obviously prove a very challenging task but it is in the best interest of the parties and it ensures the future success of the entire project. This will help in two directions: first it will allow the government in Tashkent to remain independent in its foreign policy and secondly will act as a lifeline for the opposition that looks to the west for support and inspiration. On the flipside, losing this state will represent a significant setback for the East West Strategic corridor but will not mean the end of the project. Uzbekistan offers access to a number of important states like China (via Kyrgyzstan or Tajikistan), Pakistan (via Afghanistan) or, quite notably Kazakhstan. Also, as long as Uzbekistan remains neutral Turkmenistan will not be the only neutral state in the area, therefore removing some of pressure coming from nearby regional powers (especially the Russian Federation).

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Chapter 9

REPUBLIC OF KAZAKHSTAN AND ITS STRATEGIC INTEREST FOR THE EAST-WEST CORRIDOR

ADRIANA SAULIUC

Part 1 – general country overview

Kazakhstan, officially named the Republic Kazakhstan, is a transcontinental country in Central Asia with a small portion that reaches the Eastern Europe. It is the first landlocked country in terms of surface and the ninth largest in the world, with an area of 2,727,300 km square. Kazakhstan is bordered by the Russian Federation, China and the three Stans in the region: Kyrgyzstan, Uzbekistan, and Turkmenistan. Kazakhstan's natural borders in the east reach the shores of the Caspian Sea.

The nowadays Kazakh territories were inhabited in the past by nomadic tribes. Then, Russians began to advance towards Kazakh territory starting with the 18th century and the whole Kazakhstan became part of the Russian Empire until the middle of the next century. In 1936, Kazakhstan became part of the USSR, as the Kazakh Soviet Socialist Republic.

The dissolution of the Soviet Union following the fall of the Iron Curtain in 1991 led to important changes in the area included within its borders. It was the moment when the countries that formed the USSR began to declare, one by one, their independence. Ukraine announced its independence on 1 December 1991, while 8 days later the leaders of Russia, Ukraine and Belarus notified the dissolution of the Soviet Union and its replacement by the CSI. On December 16, 1991, the Kazakh Soviet Socialist Republic was the last to declare its independence of all the Soviet republics. And this because it was initially reluctant, fearing the opposition from the non-Kazakh population.

The current president of Kazakhstan, Nursultan Nazarbayev, at the time leader of the Socialist Republic of Kazakhstan, took power, installing itself head of the new Republic of Kazakhstan.



I. Political profile

The leader in Astana, Nursultan Äbishul? Nazarbayev, assumed the position of president of the Republic of Kazakhstan on December 25, 1991. However, he controlled the state even before its independence: in 1984, Nazarbayev became the Chairman of the Council of Ministers, being subordinate to Dinmukhamed Kunayev, First Secretary of the Communist Party of Kazakhstan. Five years later, the highest position in the party was assumed by Nazarbayev, who served as First Secretary from 1989 to 1991. The changes on a regional plan with the fall of communism and the dissolution of the USSR, naturally followed by the declaring of Kazakhstan as an independent republic, offered him the opportunity to continue its position as head of state. In December 1991, Nursultan Nazarbayev was elected President of Kazakhstan with 95% of votes in a presidential race without opponents, as a consequence of the fact that no opponent had the right to oppose him.¹

¹ James Minahan, *Miniature Empires: A Historical Dictionary of the Newly Independent States*, Greenwood Press, USA, 1998, p. 137.

The next elections were held in early 1999, when then incumbent president, Nursultan Nazarbayev, won the elections with 80% out of a total of 87% turnout. The result was contested by some observers who characterized the 1999 elections in Kazakhstan as unfair, while the western media characterized Nazarbayev, initially one of the most democratic leaders from Central Asia, as a dictator who arranged the elections in such a manner that left him no chance to lose.²

Presidential elections in 2005 were won by Nursultan Nazarbayev with an extremely high percentage of 91.15% of total votes and were criticized by OSCE for being unfair. Even though he got a 7-year term, so that the next presidential election were to be held in 2012, they were held in 2011, when Nursultan Nazarbayev won another term with 95% of the total of the 90% turnout, result contested, again, by the OSCE.

Due these evolutions, in 2010 Kazakhstan was ranked by The Economist Democracy Index on the 132nd position of a total of 167 states, being considered an “authoritarian regime”.³ Three years later, the same top ranked Kazakhstan as 143 of 167 countries, indicating a downgrade of the Republic of Kazakhstan in the hierarchy of democratic states.⁴

Kazakhstan is a unitary republic, the first and only president, Nursultan Nazarbayev, has an authoritative position and does not allow any power center outside the structure controlled by him.

II. Economic profile

Achieving independence at the end of 1991 offered the new Republic of Kazakhstan an economic perspective that was not quite encouraging. Dominated for a long period of its history by nomadic tribes, with a less friendly land, Kazakh state entered into the new stage of its evolution as a modest underdeveloped country. But this did not prevent the Kazakh leaders from reversing the situation in its favor, especially when one of the most important positive aspects of the independence gained by Kazakhstan was its significant energy resources. The biggest ex-Soviet republic after the Russian Federation, the Kazakh state owns, in addition to enormous energy resources, a large reserve of other types of metals and minerals, like uranium, copper and zinc. Taking advantage of the economic benefits provided by mining, the

² *Kazakhstan's Empty Elections*, The New York Times, November 09, 1989, <http://www.nytimes.com/1998/11/09/opinion/kazakhstan-s-empty-election.html>.

³ *Democracy index 2010. Democracy in retreat. A report from the Economist Intelligence Unit*, The Economist, 2010, p. 7, http://graphics.eiu.com/PDF/Democracy_Index_2010_web.pdf.

⁴ *Democracy index 2010. Democracy in retreat. A report from the Economist Intelligence Unit*, The Economist, 2013, p. 7, https://portoncv.gov.cv/dhub/porton.por_global.open_file?p_doc_id=1034.

engine of the economic development of the country, Kazakhstan has become one of the most prosperous nations in the region; it currently is the state with the most developed economy in Central Asia.

Important amounts of metal reserves made Kazakhstan one of the top producers in the field of mineral products, including uranium, Ferrochrome, titanium sponge, cadmium, magnesium, rhenium, copper, bauxite, gallium and zinc. Also, it was the owner of 15% of the world uranium production, the second after Australia. In 2009 Kazakhstan became the biggest producer of uranium, covering about 28% of global production, 33% in 2010 and 35% in 2011. By 2015, Kazakhstan has set to cover 30% of the market in the field of manufactured products (fuel pellets and uranium).

Regarding the vast energy reserves, the Kazakh state has all the elements needed to become an important regional and international center. Even if Kazakhstan has not had the audacity to call himself an energy superpower, with awareness of its geopolitical importance, the Kazakh leadership understood that energy resources represent a card that can be played in its benefit. Strategically located in an area that allows it to control the flow of oil and gas from Central Asia to the East (China) and West (Russia and the world market), Nursultan Nazarbayev vowed to turn Kazakhstan into a major factor of energy security in Asia and Europe.⁵

III. Transport and infrastructure

Being a transcontinental country, first among the largest landlocked and 9th in the world, Kazakhstan stretches on two continents. Most of its territory lies in Central Asia and a small portion passes Urals being located in Eastern Europe. With a land that spans plains, steppe, taiga, rocky canyons, hills, high mountains and deserts, flat in the west and with high mountains in the east, the territory of Kazakhstan hosts no less than 100 ethnic groups, with a total estimated population of 17.736.896 people (July 2013).⁶ Because a large part of the territory is semi desert Kazakh population density is low, while relatively large distances between industrial and agricultural centers within the country make the infrastructure of Kazakhstan vital for the proper functioning of the state.

Kazakhstan's transport system is composed of several elements: the railway system, roads and highways, transport through pipelines, waterways and water transport, and ports and airports.

⁵ *Kazakhstan becoming pillar of energy security in Asia and Europe*, Alexander's Gas&Oil Connections, An Institute for Global Energy Research, Sep 13, 2006, http://www.gasandoil.com/news/central_asia/36a413189808e7172c9923a0568e9c01.

⁶ *Kazakhstan*, The World Factbook, Central Intelligence Agency, <https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html>.

1. The rail transport

The rail transport, both passenger and freight is under the control of the national company Kazakhstan Temir Zholy. It manages current rail network bequeathed by the Soviet Union, making railway transport in former Soviet states not a problem. The situation is not similar in relation to China, whose railways use standard gauge (1435 mm), while in the former Soviet Union it is 1520 mm. Total Kazakh railways reaches about 15,333 km (2012), of which 4,000 are electrified (2008), positioning it in 19th place in the hierarchy depending on the length of railways.⁷

The railway system in Kazakhstan is linked to the neighboring countries as follows:

- Russian Federation, Kyrgyzstan, Uzbekistan – no differences, the same gauge (part of the same system, of the former Soviet Union);
- China – with difference in gauge size – break of gauge (a common situation when a particular gauge rail line meets another with a different gauge; in these cases an adjustment is necessary, through a form of conversion between the two gauges, it involves delays and additional costs);
- Turkmenistan – rail route was inaugurated on May 11, 2013. Built by the Kazakh national company, the railroad is 146 km long and goes from Uzzen (Zhanaozen) to the facility in Bolashak (both on the territory of Kazakhstan), then crosses the border on its way to Serhetyaka (Turkmenistan). The main use: transportation of oil and cereals from Kazakhstan. The inaugurated railway replaces a circuitously route through Uzbekistan and is the first phase of a larger project – Southern Corridor – connecting Kazakhstan, Iran and Turkmenistan.⁸

2. Road transport system

According to CIA Factbook, Kazakhstan's road network sums up a total of 93,612 km, of which 84,100 km paved roads and 9,512 km unpaved. Basically, the whole network needs modernization and repair. On the territory of Kazakhstan pass five international routes which in total sum up 23,000 km:

- the M-36 highway: Almaty – Astana – Kostanay (Kazakhstan) – Chelyabinsk (Russian Federation);
- Almaty – Petropavl to Omsk;

⁷ *Country comparison: Railways*, The World Factbook, Central Intelligence Agency, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2121rank.html?countryname=Kazakhstan&countrycode=kz®ionCode=cas&rank=19#kz>.

⁸ *Presidents open Kazakhstan to Turkmenistan rail link*, Railway Gazette, 13 May 2013, <http://www.railwaygazette.com/news/infrastructure/single-view/view/presidents-open-kazakhstan-to-turkmenistan-rail-link.html>.

– M-38 highway: Almaty – Semey – Almaty (Kazakhstan) – Omsk (Russian Federation);

– M-39 highway: Almaty – Shymkent (Kazakhstan) – Tashkent (Uzbekistan);

– M-32 highway: Almaty – Almaty – Oral (Kazakhstan) – Samara (Russian Federation).

Another important project that aims to develop Kazakhstan's transport sector is *the West Europe-West China International Transit Corridor*. The project has been approved in 2009 and aims to improve transport efficiency and to increase the safety on access roads that link China and Western Europe, via Russia. It has a total length of 8,445 kilometers, of which 2,233 km across Russia, 2,787 km in Kazakhstan and 3,425 km across China.

The project was scheduled to be completed until 2018, while Kazakhstan committed to complete its part of the corridor by the end of 2013. In the first part of 2012, approximately 42% of the section that crosses on the territory of Kazakhstan was completed.⁹ On the territory of Kazakhstan, the road will connect the districts of Aktobe, Kyzylorda, South Kazakhstan, Zhambyl and Almaty.

3. Airports and heliports

With a vast territory and large distances between urban centers Kazakhstan has developed an air network of 97 airports, of which 64 with paved runways and 33 with unpaved runways, and three heliports.¹⁰

4. Ports and terminals

The Caspian Sea:

– Aqtau (Shevchenko) (end of track, track gauge 1524 mm);

– Atyrau (Gur'yev) – the most important port (end of track, track gauge 1524 mm).

The rivers

– Oskemen (Ust-Kamenogorsk)

– Pavlodar

– Semey (Semipalatinsk).

⁹ Alexandra Babkina, *Kazakhstan completes 50% of Europe-Asia transit corridor*, 2012-01-03, Central Asia Online, http://centralasiaonline.com/en_GB/articles/caii/features/main/2012/01/03/feature-01.

¹⁰ *Transportation: Kazakhstan*, The World Factbook, Central Intelligence Agency, <https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html>.

Part 2 – Kazakhstan’s regional and global ambitions

For a good part of its history, the position of Kazakhstan in the Central Asia did not allow its leaders to decide the fate of the country. But the natural evolution of events in the former Soviet Union after 1991 gave the regime in Astana the opportunity to act in accordance with the interests of the Kazakh state. Once it achieved independence from Moscow, Astana made an assessment of its possibilities and quickly realized that its positioning on the world map represents an aspect that can enhance the country’s strategic profile. And this because it borders two of the most important states in the Eastern Hemisphere: China and Russia; its geographical position makes Kazakhstan one of the richest countries in the region.

The beginning of the third millennium with its challenges, including two wars started by the former U.S. President, George W. Bush, confirmed the strategic significance of Kazakhstan, which has become extremely important for the West, due to the need to identify alternative routes for transporting military equipment to Afghanistan.

In addition to this, its vast energy and mineral resources as well as its enormous economic potential made Kazakhstan a state whose prospects seemed to ensure a bright future. Equally important was the leader’s in Astana desire to transform the Kazakh state into a major regional power with big ambitions, a feature that could give Kazakhstan the opportunity to go beyond its national borders and even the regional ones, in order to influence the relations on the international scene.

The outcome of Nursulant Nazarbayev’s ambitions to increase the strategic profile of Kazakhstan is evident: the country has become one of the important points on the map of oil worldwide. Also, it is one of the 20 largest oil producing countries, while its large resources of hydrocarbons and minerals make it a country of major interest for both its neighbors and countries in the West. Also, its location on the route of the New Silk Road opens opportunities for development, unprecedented in the past.

Like any other country with big ambitions, Kazakhstan has designed and developed a strategy that would ensure both economic growth and a strong international profile. Considering the possibilities it has and the elements that it can exploit, Astana prepared in the last 16 years two development plans: one presented by the leader of the state in October 1997 and entitled *The Strategy for Development of the Republic of Kazakhstan until the year 2030* and a second strategy presented by Nazarbayev in December 2012, which spans reforms and programs to guide Kazakhstan during the period following the implementation of the first plan. Development Plan “Kazakhstan-2030” identifies seven long-term priorities that Astana must take

into consideration in order to ensure both economic growth and its regional profile:

- national security;
- domestic political stability and the consolidation of the society;
- economic growth based on an open market economy with high level of foreign investments and internal savings;
- health, education and well-being of citizens;
- power resources;
- infrastructure, more particularly transport and communication;
- professional state.¹¹

The Strategy for development of the Republic of Kazakhstan until the year 2030

The document brings into discussion the importance of routes from East to West and from West to East which cut the territory of Kazakhstan, but also the interest of the regime in Astana towards the development of the transportation sector, so that commercial flows within its territory are amplified.

The document mentions the satisfactory level of the sector, but, in the context of diversification of domestic markets and the need to identify new markets, as stipulated in the country's development strategy, further development of infrastructure and transports is needed. For this, Kazakhstan seeks to promote some policies that encourage the car construction sector, road construction, tourism and the service system.

Railway transport – with a vast territory rich in subsoil assets (raw materials and hydrocarbons) rail transport is the most used by Kazakhstan for transportation of goods. For its long-term development the strategy identified as priorities:

- to modernize the main railroad routes; Kazakhstan is to become an important point on the map of trade links as well as an important point for the transit flows of goods transported by Trans-Asia route;
- to finalize the development of Druzhba station and to intensify Druzhba-Aktogai leg of the route with a traffic capacity of up to 10 mil. tons of goods per year;
- to launch the construction of multi modular terminals in heavy loading areas; thus starting the utilization of container and package deliveries, providing technological unity for different transportation types;

¹¹ *The Strategy for development of the Republic of Kazakhstan*, Official site of the President of the Republic of Kazakhstan, http://www.akorda.kz/en/category/gos_programmi_razvitiya.

– to decisively restructure all transportation-communication monopolies, separating them from non-specialized enterprises.

Automobile roads and motor transport

– to develop automobile roads in the directions providing international transportation alongside with the creation of high-speed lengths of routes. To launch the construction of private main highways; privatization and concession of existing ones. To provide their servicing at the level of modern international requirements;

– as a priority, to develop the network of roads in the rural part of the country and in the long-term to turn them to solid pavement. To improve the traffic capacity of main highways and bridge constructions;

Air transport

– to establish order and to enlarge the air fleet through the leasing and acquisition of a definite amount of high-class airplanes;

– to start the reconstruction of airports; level of servicing is to reach international standards;

– to reorganize the system of air traffic management in order to develop transit air lines via Kazakhstan.

Water transport

– to reconstruct Aktau sea port, and to attract foreign investments for enlarging the flotilla with “river-sea” vehicles;

– to enliven and involve into the activities river steamships, namely the vehicles with low net cost of loading and passenger transportation.

While the Strategy for Development of the Republic of Kazakhstan until the year 2030 presented by the President of the Republic of Kazakhstan in October 1997 reveals the 7 points of interest on the long-term, in 2010 has been approved by presidential decree **the Strategic plan for development of the Republic of Kazakhstan until the year 2020**. Based on the difficult context in which the document was prepared, the international economic crisis, the Strategic Plan 2020 sets out six key areas for Astana:

– preparation for post-crisis development;

– provision of the economy’s sustained growth by way of accelerated diversification through industrialization and infrastructure development;

– investments into the future – increase of the human capital’s competitiveness for the achievement a sustained economic growth, prosperity and social well-being of Kazakhstanis’;

– provision of the population with qualitative social, housing, and communal services;

- strengthening of the international consent, safety, and the stability of the international relations;
- strengthening interethnic consent, security, and the stability of international relations.

Their outcome should result in the achieving, by 2020, of five goals:

- a state which will recover from the economic crisis stronger and more competitive (diversified economy, population);
- joining the club of the 50 most competitive economies in the world (by providing a favorable business climate to attract foreign investment in non-primary economic sectors);
- providing human resources for economic development and possessing a diversified business infrastructure required for the functioning of, and for serving, domestic businessmen and exporters;
- achieving an economic growth in real terms by more than a third in relation to the 2009 level;
- a decrease to 8% of the population who has an income below the poverty line.¹²

Another important document is **the Transport Strategy of the Republic of Kazakhstan up to 2015** that mention the allocation of 26 billion dollars for infrastructure development over a period of 10 years. The main goal of the strategy is to ensure progressive development of the transport and communications complex in line with economic strategy of the state. Also, the regime in Astana is aware that strategic profile of the state depends heavily on increasing its importance in the region. And Infrastructure and Transport, in general, is a lever through which this could be achieved. This requires the integration of the Kazakh transport sector in the global system and that the transport infrastructure to reach the international standards. These standards are a major concern for Kazakhstan because of the problems regarding the poor condition of the transport sector: fixed assets, obsolete infrastructure and obsolete technology.

The document lists the four international transport corridors that cross Kazakhstan, corridors that are based on existing transport infrastructure in the country:

1. Northern Corridor of Trans-Asian Railway Main (TARM): Western Europe – China, Korean Peninsula and Japan via Russian and Kazakhstan (section Dostyk – Aktogai – Sayak – Mointy – Astana – Petropavlovsk (Presnogorskovskaya));

¹² Official site of the President of the Republic of Kazakhstan, The Strategy for development of the Republic of Kazakhstan http://www.akorda.kz/en/category/gos_programmi_razvitiya.

2. Southern Corridor of TARM: South-Eastern Europe – China and South-Eastern Asia via Turkey, Iran, Central Asian states and Kazakhstan (section Dostyk – Aktogai – Almaty – Shu – Arys – Saryagash);

3. TRACECA: Eastern Europe – Central Asia via the Black Sea, Caucasus and the Caspian Sea (section Dostyk – Almaty – Aktau).

4. North-South: Northern Europe – Gulf States via Russia and Iran, with Kazakhstan's participation in the following sections: sea port Aktau – Ural regions of Russia and Aktau – Atyrau.¹³

All these routes are part of the transcontinental transport network and significantly help in reducing the distances linking East to West, making the time needed for transportation of goods to decrease considerably.

Part 3 – Kazakhstan, on the route of the New Silk Road

The Silk Road represented an important international route for the ancient trade that linked China and Mediterranean Sea. Due to the fact that silk was the major item of trade along this road, the trade route was named the Silk Road in 1877 by the German geographer Ferdinand von Richthofen. The Silk Road was not actually a road. Unpaved, it represented, in fact, a series of trade and cultural routes, more precisely 6,437 km that connected the East and the West through Central Asia, with China at one end and Rome at the other. The routes linking the two points, the so-called Silk Road, were extremely difficult to follow: hot sands of the desert, high mountains, dangerous winds and poisonous snakes.

Besides this, a lot of bandits and thieves were attracted by the riches transported on the Silk Road route. The economic and cultural potential offered by the route between East and West couldn't be dimmed by time. Moreover, the geopolitical developments in the Middle East and Central Asia made the ancient Silk Road route gain new meanings. The new Silk Road represents an initiative announced by United States in October 2011, through which Washington supports the efforts of Afghanistan and the countries in geographical proximity to expand trade ties and infrastructure in the region. The plan aims to transform the devastated Afghan state into an important commercial hub, for which it is necessary to create a thriving, stable and secure regional space.

Even if the stability and the economic development of Afghanistan represent some of the main goals of the initiative of the United States, the New Silk Road is an important project for the states located on its route. This

¹³ *Transport Strategy of the Republic of Kazakhstan*, Government of the Republic of Kazakhstan, <http://en.government.kz/resources/docs/doc5>.

because the new transport route will bring to the transit countries multiple opportunities, both political and economic, that can act as strong points for their own development.

With an area the size of Western Europe and four times the size of Texas, Kazakhstan is located on the ancient Silk Road route. For centuries, the caravans took the path of the famous corridor, crossing the Kazakh steppe, while travelers and their animals encamped in its peaceful towns and settlements. On the territory of Kazakhstan, The Silk Road began at the border with China and extended along the southern part of the state, caravans loaded with goods crossing towns like Sayre Otrar, Yassy, Taraz and cutting Central Asia, Persia and the Caucasus on their way to Europe.

The new Silk Road can not avoid Kazakh's vast territory, so its location on the route makes Kazakhstan one of the vital connection points in the region. The current international context, strongly influenced by globalization, makes the USA not the only international actor interested in routes linking the East to the West; the EU also pays much attention to these routes connecting these parts of the globe.

The East – West corridor routes through Kazakhstan

Currently, there are several routes linking Europe, Caucasus, Middle East, Central Asia and the Asia – Pacific region. The positioning of Central Asia at the junction of some major roads makes this area, including the component states, to be seen as important points on the map of the routes crossing the East – West corridor. The major players with interests in the region are the European Union, the Russian Federation, China and India, plus the United States, directly interested as a result of its involvement in the war in Afghanistan. Washington is interested in existing routes in this part of the world primarily in terms of transit to and from the Afghan state especially since the withdrawal of U.S. troops makes it necessary for Washington to identify the most suitable routes for reverse transit from Afghanistan.

Regarding the other four states, they are more preoccupied with the economic aspects of routes in an attempt to identify the benefits that would get as a result from their use. Today the most important connections traversing Central Asia link the North and the South (Russian Federation – Central Asia – India), and the East with the West (Europe – Central Asia – China).

1. TRACECA

TRACECA is the acronym for the Transport Corridor Europe – Caucasus – Asia, an important international transport program including the European Union and 14 countries belonging to Eastern Europe, Caucasus and Central

Asia. More precisely, it represents an initiative to support the development of the corridor linking Europe to Asia crossing the Black Sea, South Caucasus countries, the Caspian Sea and Central Asian countries, including Kazakhstan.

The initiative was launched in May, 1993, being strongly supported by the European Union's straight interest in creating a direct link with Central Asia, in the first place, for economic reasons (trade routes and energy). In 2009, during the seventh annual meeting of the Intergovernmental Commission of TRACECA, on the agenda was also the Action Plan on Implementation of the IGC TRACECA Strategy on the Development of the Europe – the Caucasus – Asia Transport Corridor for the period up to 2015.

In this regard, there are some proposed specific actions: the increase of the TRACECA corridor competitiveness and attraction of additional traffic flows, analyzing further prospects of the TRACECA development, and reforming the TRACECA structures in the context of the South-Eastern Axis development for the extension of the Trans-European Transport Networks to the neighboring EU countries and the Central Asian countries.¹⁴

The project is supported by the states involved in the implementation of the initiative, the 12 signatories of the "Basic Multilateral Agreement on International Transport for the Development of the Transport Corridor Europe-Caucasus-Asia" in 1998 are: Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Romania, Tajikistan, Turkey, Uzbekistan and Ukraine, joined later by Iran and since 2009 by Turkmenistan, which was invited to the Conference of the Corridor "Europe – Caucasus – Asia" but without being a signatory of the Basic Agreement.¹⁵

Considering the purposes for which it was created, TRACECA aims to achieve the following objectives by 2015:

- assisting in the development of economic relations, trade and transport communications in Europe, Black Sea region and Asia;
- ensuring access to the world market of road, rail transport and commercial navigation;
- ensuring traffic security, cargo safety and environment protection;
- harmonization of transport policy and legal structure in the field of transport;
- creation of equal conditions of competition for transport operations.¹⁶

¹⁴ *Transport Corridor Europe – Caucasus – Asia (TRACECA)*, Development and cooperation – EUROPEAID, http://ec.europa.eu/europeaid/where/asia/regional-cooperation-centralasia/transport/traceca_en.htm.

¹⁵ *History of TRACECA*, TRACECA, <http://www.traceca-org.org/en/traceca/history-of-traceca/>.

¹⁶ *Transport Corridor Europe – Caucasus – Asia (TRACECA)*, Development and cooperation – EUROPEAID...

TRACECA has been seen from the beginning as a way to reactivate the Great Silk Road, one of the most important ancient routes that linked the East to the West. Currently, the TRACECA corridor begins in Eastern Europe, where covers countries like Bulgaria, Romania and Ukraine, but it also crosses Turkey. Further, it passes through the Black Sea – Poti port, continues on Georgian territory, is using the South Caucasus transport network, and from Azerbaijan via the Caspian Sea ferries (Baku – Turkmenbashi, Baku – Aktau) the corridor reaches the rail networks of Central Asian countries, Turkmenistan and Kazakhstan. From here, the route has connections with points in Uzbekistan, Kyrgyzstan, Tajikistan, and it reaches the borders of China and Afghanistan.

Kazakhstan covers its part of the project through the route Dostyk – Almaty – Aktau. In February 2008, Astana announced the implementation of its largest transport project regarding “Western Europe – Western China” transport corridor, with a length of 2,309 km, and a total cost of 2.37 billion US dollars.¹⁷

For Kazakhstan, being part of the TRACECA project represents a major opportunity for development, especially in transport sector, because the initiative brings to the fore, in addition to the routes linking North and South, those linking East and West.

2. The Silk Wind

The Memorandum signed by Azerbaijan, Georgia, Kazakhstan and Turkey in November 2012 started a joint initiative on the development of freight networks. The Memorandum is the first step in achieving the legal and institutional framework necessary to start the joint project known as the Silk Wind Project.

The railroad network is an important element of the TRACECA project, being in fact the main way to transport goods from the point of departure to the final destination; and this because the railway network is quite dense in the region. Moreover, according to estimates, during the period that follows, and up to 2030, the road transport will increase its share but railway will remain the predominant way of transportation for goods. Furthermore, developments in the region will be influenced by this type of transportation and railway services will affect regional competitiveness. Trade and costs of exported and imported goods will all be influenced by the quality of the services provided by this mode of transportation.¹⁸

¹⁷ *International Organisations, TRACECA (Transport Corridor Europe – Caucasus – Asia). Intergovernmental Commission*, Ministry of Foreign Affairs of the Republic of Armenia, <http://www.mfa.am/en/international-organisations/TRACECA/>.

¹⁸ *The future of the TRACECA railways*, The railway business magazine, Raioway PRO, Aug 30th, 2012, <http://www.railwaypro.com/wp/?p=10217>.

The project has been seen as a necessity for the successful alignment with the needs of global freight, being identified as an important economic corridor between Asia and Europe.

More accurate, the Silk Wind project is aimed to create the favorable conditions for a container block train route with advanced electronic exchange of information, simplification of customs and border-crossing procedures, reduction of transit time and travel time.¹⁹

The project initiative belongs to the following states: Kazakhstan, Georgia, Azerbaijan and Turkey, in order to establish a high-speed, multimodal container transportation system for freight shipments between the countries of Europe, the Caucasus and Asia.

The project is likely to succeed given that it was initiated and launched with TRACECA's help, the one funded by the European Union. The Silk Wind Project has as main objective the inauguration of the railway Baku-Tbilisi-Kars, scheduled for 2014, while the initiative can become an important element on the New Silk Road map proposed by the United States.

The project will provide a link between Kazakhstan (specifically from its border with China) and Turkey and the Black Sea via the Caspian Sea and the Caucasus. The project idea was promoted in an effort to shorten the time needed to transport goods, time that can be reduced if several steps are implemented:

- construction of new railway line between Georgia and Turkey – to be operational in 2013, rehabilitation of the whole railway infrastructure from Baku to Kars;

- construction of 988 km new railway line between Zhezkazgan and Beineu in Kazakhstan; shortening the distance from China to the Caspian Sea by approximately 1,000 km – construction started, to be operational in 2016;

- construction of the new Baku International Sea port in Alyat – first phase to be operational in 2015;

- modernization and extension of the port of Aktau, Kazakhstan.²⁰

The project implementation will ensure an improvement in the Central Asian trade, particularly by linking it to Europe, and this because the railway will increase the flow of containers and other types of cargo from Asia to Europe. Its throughput capacity will peak at 17 million tons of cargo per year. Initially, the capacity will be 6.5 million tons of consignments and 1 million passengers.²¹ Moreover, by 2030, this railway line would carry an estimated 17 million tons of cargo and about three million passengers.²²

¹⁹ *The Silk Wind Project: creation of valuable conditions on the realization and further steps in development*, TRACECA, 07.09.2012, <http://www.traceca-org.org/en/news/single-news/n/-e4b57d24bc/>.

²⁰ *The future of the TRACECA railways*, The railway business magazine...

²¹ Nigar Orujova, *Silk Wind countries sign memo on development of transport network*, 28 Nov. 2012, AzerNews, <http://www.azernews.az/business/46823.html>.

²² *Baku-Tbilisi-Kars (BTK) Rail Line, Azerbaijan, Georgia, Turkey*, Railway – technology.com, <http://www.railway-technology.com/projects/baku-tbilisi-kars/>.

An important aspect of project implementation is provided by the intention of the 4 countries: Kazakhstan, Azerbaijan, Georgia and Turkey to apply a single tariff for transportation of goods within the Silk Wind project. Also, by developing the definition of agreed tariffs as well as the conventional route parameters, seen as the main tasks of the project's working groups, these states intent to simplify the Silk Wind train customs clearance procedures. According to the Kazakh Transport and Communications Ministry, these initiatives were thought based on the idea that creating the necessary conditions and simplifying administrative procedures in the frame of the project will increase the volume of trade and boost economic cooperation, improve transportation and logistics capabilities, and increase the flow of freight in transport corridors passing through the participating countries.²³

3. CAREC

Central Asia Regional Economic Cooperation (CAREC) Program is a partnership between 10 countries, which is supported by six international institutions. The purpose of the initiative is working together to promote development through cooperation in order to accelerate economic growth while reducing poverty. The 10 countries are: Afghanistan, Azerbaijan, China, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Tajikistan, Turkmenistan and Uzbekistan. To achieve the 3 goals: Good Neighbors, Good Partners, and Good Prospects, the states and the institutions that support the work of CAREC promote regional cooperation in four areas: transport, trade facilitation, energy and trade policy.²⁴

The CAREC corridors

Regarding transport, the CAREC member states work together to improve the transport infrastructure and to reduce costs of trade across regions. The document setting out the priorities in this regard, the CAREC Transport and Trade Facilitation Strategy, attempts to identify elements that can contribute to the improvement of the regional competitiveness and regional trade expansion between states that take part to the initiative and with the world. The transport strategy is based on three major elements: infrastructure, management and technology. An efficient management of those three factors can lead to safe, dependable, effective, efficient, and fully integrated transport operations and infrastructure, capable of supporting social and economic development in the CAREC region.

²³ Nigar Orujova, *Regional states to use single railway fees under Silk Wind project*, 23 Nov. 2012, AzerNews, <http://www.azernews.az/business/46612.html>.

²⁴ *Central Asia Regional Economic Cooperation (CAREC) Program*, Asia Development Bank, <http://www.adb.org/countries/subregional-programs/carec>.

CAREC Transport Strategy has set three goals that it aims to achieve:

1. to establish competitive transport corridors across the CAREC region;
2. to facilitate efficient movement of people and goods across borders;
3. to develop safe, people-friendly transport systems.

The document also talks about six routes:

CAREC 1: Europe – East Asia

CAREC 2: Mediterranean – East Asia

CAREC 3: Russian Federation – Middle East and South Asia

CAREC 4: Russian Federation – Xinjiang Uygur Autonomous Region

CAREC 5: East Asia – Middle East and South Asia

CAREC 6: Europe – Middle East and South Asia.²⁵

Corridor 1

It is the most active of all the six corridors linking the European continent to East Asia and China via Russia, Kazakhstan and Kyrgyzstan. The corridor traverses from the border with Russian Federation to China via Kazakhstan and the Kyrgyz Republic. It comprises 13,600 km of roads and 12,000 km of railways, one logistics center, and three airports.²⁶

The project for Kazakhstan was approved by the Asian Development Bank on December 8, 2011, and provides fund for the construction and upgrading of 60 km of road in Taraz, Zhambyl region. The route in question represents a vital part of a broader government investment program to improve over 2,700 kilometers of roads along CAREC Corridor 1 which passes through Kazakhstan starting from the People's Republic of China and continuing all the way to the Russian Federation's western border.²⁷

Project 1 of the investment program includes:

- Road development and the reconstruction of 125 kilometers (km) of highway sections between Taraz and Korday in Zhambyl Oblast (road sections between km 404 and km 483, as well as between km 214 and km 260); and
- Road operation and maintenance to improve efficiency of road operations in Kazakhstan by developing an intelligent transport system and improving the road maintenance system.

²⁵ *CAREC Transport and Trade Facilitation Strategy*, Endorsed by the Sixth Ministerial Conference on Central Asia Regional Economic Cooperation, 3 November 2007, Dushanbe, Tajikistan, pp. 2-3, <http://www.carecprogram.org/uploads/docs/CAREC-Transport-TradeFacilitation-Strategy.pdf>.

²⁶ *CAREC Corridor 1*, Central Asia Regional Economic Cooperation, <http://www.carecprogram.org/index.php?page=corridor-1>.

²⁷ *Kazakhstan – CAREC Corridor 1 Project Loan*, Central Asia Regional Economic Cooperation, <http://www.adb.org/news/briefs/kazakhstan-carec-corridor-1-project-loan>.

The entire investment program will improve about 480 km of highway sections in Zhambyl Oblast and the road operations and maintenance systems. The highway is the main route between the western part of the People's Republic of China, Central Asian countries, and the Russian Federation. The project, which will contribute to the sustainable economic development of Kazakhstan and to its increased domestic and international trade, was approved on December 30, 2008, and is due for completion December 31, 2013. It is funded by the Asian Development Bank with \$ 340 million, while the Astana government is committed to spend its share of \$ 60 million.²⁸

Corridor 2

It is linking the Caucasus and the Mediterranean Sea to East Asia. The route crosses the following states: Azerbaijan, China, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan and Kyrgyzstan, a total of 9,900 kilometers of roads, plus 9,700 km of railway. The first project of the investment program, funded by an \$ 800 million multi tranche financing facility from Asian Development Bank, includes:

- reconstruction of about 200 kilometers (km) of the Aktau–Manasha Road sections (km 372,6–km 514,3 and km 574–km 632,3), which is part of the 790 km of CAREC Corridor 2 in Mangystau Oblast; and
- strengthening of project management and institutional support by providing construction supervision and program management, feasibility studies of subsequent tranche projects, and capacity development for road construction and maintenance, procurement design, contract management, the enforcement of environmental and resettlement safeguards, and border crossing activities.

From the investment program will benefit the CAREC Corridor 2, which will connect Kazakhstan with Azerbaijan, Europe, and Turkey through the Caspian Sea to the west, with the Russian Federation to the north, Uzbekistan to the southeast, and Turkmenistan to the south.

The project was approved on September 28, 2010, and will be completed by 31 January 2016. Money for the project comes from two parties: \$ 283 million from the Asian Development Bank and \$ 50 million from the Government of Kazakhstan.²⁹

²⁸ CAREC Transport Corridor 1 (Zhamabyl Oblast Section) [Western Europe – Western People's Republic of China International Transit Corridor] Investment Program, Project 1, CAREC Project Details, <http://www.carecprogram.org/index.php?page=carec-project-details&pid=99>

²⁹ Central Asia Regional Economic Cooperation Corridor 2 (Mangystau Oblast Section) Investment Program, CAREC Project Details, <http://www.carecprogram.org/index.php?page=carec-project-details&pid=344>.

*Part 4 – Security, political and economic
implications for Kazakhstan*

***Kazakhstan, the way back from Afghanistan –
political and security implications***

Most of the time a war is a controversial topic and a situation viewed with skepticism by the international community, especially by the states situated in the geographic proximity of the outbreak of violence. Even so, for some countries in Central Asia the war in Afghanistan was a good opportunity, an opportunity to be noticed by the main actors engaged in conflict, including the United States of America. Among others, waging a war in an area less accessible automatically imposes the need to identify some partners in that particular region, as well as transport routes for supplying the armed forces that fight away from home. Afghanistan was that kind of war for which Washington and its allies had to identify the access roads to the war zone, but also to seek alliances and close relationships with leaders of some countries that have been, for a long period of time, traditional enemies.

One of these states is Kazakhstan, a former soviet republic that immediately after it achieved its independence, turned its face towards the West. At that moment, the opened attitude of Astana was seen by Washington as a potential partner and a good investment for the future due to its geographical positioning.

The first indications of this came immediately: USA was the very first country to recognize Kazakhstan, on December 25, 1991. Soon after, the USA concern regarding nuclear weapons held by the USSR and that remained in the care of the new born state closed Washington and Astana even more: the U.S. provided Kazakhstan with significant amounts of money. Their destination was clear: Astana was assisted by the Americans in order to eliminate its nuclear warheads and weapons-grade materials. Also, there were funding programs for supporting infrastructure. Relations between the two countries acquired new connotations in 2001, when their ties strengthened after the U.S. invasion in Afghanistan.

It was the moment when Kazakhstan became extremely important for the allies, especially due to its openness to cooperate with the West. Its solidarity in the war against international terrorism turned the two countries into real partners. With political ambitions beyond its national borders, Kazakhstan took the chance it had and played a winning card: the interest for raising its regional influence while assuring a friendly climate for Washington, transform Kazakhstan in a relatively short period of time into an extension of American interests in Central Asia, with benefits for both sides. Also, being

located in close geographical proximity to Afghanistan made inevitable the positioning of Kazakhstan on the New Silk Road route announced by the U.S. Secretary of State, Hillary Clinton, in 2011.

NATO's need to withdraw military equipment from Afghanistan at the end of the international mission within its territory, has shown again, if it was necessary, that Central Asia is an extremely important region. In 2012, due to the problems between the USA/NATO and Pakistan, Washington and Brussels initiated a dialogue with the three Stans (Kazakhstan, Kyrgyzstan and Uzbekistan), in order to obtain support for the withdrawal from Afghanistan. The result was positive: "we reached agreement on reverse transit from Afghanistan with three Central Asian partners: Kazakhstan, Kyrgyzstan and Uzbekistan", Rasmussen told in a news conference at that time. "These agreements will give us a range of new options and the robust and flexible transport network we need," he added.³⁰

For Astana, NATO's decision was welcomed: "Kazakhstan will play <the most active role> in supporting the reverse transit of the U.S. and NATO forces from Afghanistan", Astana announced immediately after the signing of the agreement. Kazakhstan's interest for assuming such important tasks came as a natural reaction in the context in which the situation evolved: in 2002, the United States and Kazakhstan signed a very important agreement on strategic partnership, Kazakhstan being the only country in the post-Soviet space that has such strategic cooperation agreement with the United States.³¹

Being on the route of the **Northern Distribution Network** – the Baltic route traversing Latvia, Russia, Kazakhstan and Uzbekistan (or Kyrgyzstan and Tajikistan) and a Caucasus route across Georgia, Azerbaijan, Kazakhstan and Uzbekistan³² –, Astana has the chance to prove that is a reliable partner. Also, the New Silk Road initiative, meant to link Afghanistan and its neighbors to the booming economies of South Asia³³, will provide a range of political and security benefits for the Kazakh state. Despite the fact that it is positioned so close to Russia, and thus in its sphere of influence, and is part

³⁰ *Reverse transit: NATO strikes transport deals with 2 Asian states*, The Express Tribune, June 5, 2012, <http://tribune.com.pk/story/388924/reverse-transit-nato-strikes-transport-deals-with-3-asian-states/>.

³¹ *Kazakhstan to play most active role in supporting reverse transit of ISAF forces from Afghanistan*, European Dialogue, <http://www.eurodialogue.org/Kazakhstan%20to%20play%20most%20active%20role%20in%20supporting%20reverse%20transit%20of%20ISAF%20forces%20from%20Afghanistan>.

³² *Today's focus: The Northern Distribution Network*, U.S. Army, June 28, 2012, <http://www.army.mil/standto/archive/issue.php?issue=2012-06-28>.

³³ Hillary Clinton, *Remarks at the New Silk Road Ministerial Meeting*, U.S. Department of State, September 22, 2011, <http://www.state.gov/secretary/rm/2011/09/173807.htm>.

of The Customs Union of Belarus, Kazakhstan seems to be more determined than ever to become a regional power, but with Western support.

If during a war or any other military mission it is critical to provide logistical support throughout the theater of operations, the same big problem is the reverse transit back home. There is no doubt that in the Afghan case, Pakistan is the most direct and therefore the cheapest route to/from Afghanistan, but as a consequence of the frictions in recent years with Islamabad, ISAF had to identify other ways for the reverse transit. But taking its soldiers and military equipment back home is not the only issue to be taken into consideration. During the post-2014 period the problem will depend on Afghanistan and will be closely related to the ability of regime in Kabul to face the challenges (security, political and economic) it will be confronted with. Of course, the stability of Afghanistan and the whole region also depends on the neighbors.

Kazakhstan is among the states determined to play an important role in regional stability, thus with NATO withdrawal from Afghanistan, Astana is ready to take a big part, if not most of the responsibility for supporting the Afghan state. The main element of international assistance program is about the economic rehabilitation of Afghanistan. "We need to speed up regional economic cooperation and integrate Afghanistan in this process", the president of Kazakhstan, Nursultan Nazarbayev, recently announced. Kazakhstan firmly supports regional integration and invests in regional infrastructure projects including the transit corridor Western Europe-Western China, the railway route Kazakhstan-Turkmenistan-Iran, the Northern Distribution Network and the New Silk Road Initiative. The Kazakh state also backs large regional projects such as TAPI, CASA-100 and railways around and within Afghanistan.³⁴

Kazakhstan may become even more important for the U.S. as a result of Kyrgyzstan's decision to end the cooperation with the United States regarding the Manas base – the contract with Kyrgyzstan expires in July 2014 and the Parliament of the country voted not to renew it. In this context, the U.S. military command must be relocated to other countries in the region. Kazakhstan and Tajikistan are the most viable options. Depending on the outcome of negotiations with these two countries Washington will decide which the most appropriate option is. On the other hand, there is no doubt that such initiatives require major efforts for Kazakhstan, but Astana seems more determined than ever to come forward. Leaving aside the negative aspects of

³⁴ Robert J. Guttman, *Kazakhstan: A Key Economic & Political Partner for Afghanistan*, transatlantic Magazine, May 1, 2013, <http://transatlantic-magazine.com/kazakhstan-a-key-economic-political-partner-for-afghanistan/>.

the war in Afghanistan, this conflict can and represent that “affair” that Kazakhstan can turn in its favor.

Also, its active involvement in ensuring the stability, security and prosperity of the region after 2014, will act as a catalyst for Astana – Washington relations. And this because ISAF withdrawal from Afghanistan does not mean total disappearance of American interests in the region, and the existence of a strong international actor -Kazakhstan – preoccupied with the security and prosperity of the region can be seen by the U.S. only as a loyal partner. This situation will bring Kazakhstan important political and security advantages, but it will also have a downside: it will affect Kazakhstan’s relations with Russia.

Kazakhstan, Central Asia and the economic review

Assuming an active role in the region, particularly in terms of assisting Afghanistan in the challenging post-2014 stage, can assure a comfortable place for Astana under U.S. and its allies protective umbrella, while these political and security advantages are doubled by the economic aspects. Starting from the idea that today, as a result of internal and external developments, a state cannot delimitate two of the most important areas: politic and economic, we can conclude that the political advantages gained by Kazakhstan as a result of its involvement in the stability of the region will also lead to positive economic developments. This fact is best seen in its relationship with the United States of America, but also with another important ally, the European Union.

The New Silk Road, project that will integrate the Central Asian region into a continent-wider web of trade, transit and communications links, will have significant advantages for the Central Asian states, including Kazakhstan. If we analyze the strategies adopted by Kazakhstan in recent years, we can observe that, at least regarding the transport infrastructure, Astana is interested to develop this important sector. The interest derives from the fact that a country with big ambitions to become a regional player cannot achieve a sufficiently high level of development without an advanced transport network. In Kazakhstan’s case, a country that looks for regional and international recognition, but also to develop its economy in order to secure a place among the 50 most competitive economies, what is needed is more than a network of paved roads. In other words, it is necessary to integrate the internal infrastructure into the international transport routes. In terms of geographical position, Kazakhstan is well positioned on the route of the old Silk Road, and therefore automatically on the New Silk Road.

But the USA is not the only international actor interested in the Central Asian region, the EU being equally interested regarding the developing of the states in this part of the world. The answer to the question “why?” is simple: Central Asia is located between Asia and Europe, being the bridge between the two continents, while it is rich in energy resources and other types of ore. In this context, EU focused attention to the East represents a normal evolution for the European international actor.

Being located on the routes that connect East and West, Kazakhstan has the opportunity to develop its economy, while it can also establish close relationships with other countries that have common interests. For the Kazakh state, the development of internal and external transport routes represents elements that can guarantee its political and economic independence. Another important aspect related to the need to obtain as many advantages as it can, is the fact that while countries with access to the sea experience an easier economic development, Kazakhstan, a landlocked country, needs to identify routs and transport corridors in order to ensure its economic development.

We live in a world of interdependence, of globalization, that makes states dependent of each other. The same theory is applied in the case of regions. Despite the important minerals and energy resources owned by the Central Asian states, they can not be valorized if the region will stand aside from the global economy. But for this, Central Asia, an important hub linking Europe with Asia, must develop the transport infrastructure and bring it up to international standards. Fulfilling this important task will have positive effects on the region, increase competitiveness and economic attractiveness for external partners, as well as closer relationship with some major powers or with the international community.

Another important aspect regarding participation in international transport routes is that it will ensure for Kazakhstan a diversification of trade partners. Over time, the main regional importers of goods from Kazakhstan were its neighbors, Uzbekistan and Kyrgyzstan, Tajikistan and Turkmenistan. This was normal given the limited possibility to transport goods abroad. The integration of the railway and roads system of Kazakhstan in the regional and international transport infrastructure, will simplify its situation in the sense that it will diversify the type of exported goods, while the number of commercial partners will increase. The best example in this regard is the TRACECA corridor, linking Europe and Asia via the countries of the South Caucasus and Central Asia, which includes Bulgaria, Republic of Moldova, Mongolia, Romania, Turkey and Ukraine. Kazakhstan interest in this transport route is enormous because it includes projects for the development of

some important railways and highways networks linked together by seaports on the Black Sea and Caspian Sea.

For a long period of time, most trade between the European continent and the Far East used the maritime route via the Suez Canal into the Indian Ocean and then through the Malacca Strait. There are some advantages of the maritime transport between East and West over existing land routes, but it also has disadvantages, including the fact that it is conditioned by weather, or the speed of large container vessels, about 16 knots meaning 30 km/h (720 km/day), a disadvantage compared to an average speed of 37 km/h that some freight trains have on some TRACECA sections. Also, the TRACECA project aims to improve the competitive ability of the rail, by rehabilitating the existing track infrastructure, and to solve a difficult problem – the change of gauge between countries like Ukraine and Russia, Kazakhstan and China, Azerbaijan and Iran. By overcoming these obstacles, the TRACECA project can make rail be a faster and more economic way of international freight transport than by sea. For Kazakhstan, participation in the project brings benefits on several levels: the project will electrify and double-track 60% of the lines in Kazakhstan in order to upgrade speeds on more than 1,000 km of track.³⁵

Also, for all the TRACECA countries, the project offers significant benefits: it strengthens their role as transit countries; a rapidly developing transport infrastructure by building new roads and railways, new bridges, ports and other transport infrastructure, while those that already exist will be rehabilitated. Also, an important aspect is the one regarding tariffs charged by Kazakhstan as a transit country.

The Silk Wind is another project that will bring economic benefits for Kazakhstan. Serving as a supplement to the Baku-Tbilisi-Kars railway, this initiative under the TRACECA Project aims to create a multimodal route of trains with preliminary exchange of information between customs authorities and railway operators of the participating countries.

As the Kazakh Transport and Communications Ministry announced, “the use of a unified through rate is one of the key issues in the creation of a competitive route”, while simplifying administrative procedures in the frame of the project can only increase the volume of trade and boost economic co-operation. In addition, the project can significantly improve transportation and logistics capabilities and increase the flow of freight in transport corridors of the participating countries, including Kazakhstan which is interested in creating a link to the railway running from Turkey to Georgia. The railway

³⁵ Teimuraz Gorshkov, George Bagaturia, *TRACECA – Restoration of Silk Route*, Japan Railway & Transport Review 28, September 2001, pp. 52-54, http://www.jrtr.net/jrtr28/pdf/f50_gor.pdf.

is estimated to be fully commissioned in 2014 and will increase the flow of containers and other types of cargo from Asia to Europe (initially the capacity will be 6.5 million tons of consignments and 1 million passengers, and will peak at 17 millions of cargo per year).³⁶

But the launching of this project it can be possible only after the construction of the Baku-Tbilisi-Kars railway whose construction works progress is affected by some problems like: the resignation of the head of the railway company Marabda-Kartsakhi, Irakly Tsulaya, workers' strikes due to late payment of wages, regular audits and inspections, and financial problems. Thereby, although the Baku-Tbilisi-Kars railway was scheduled to be open at the end of 2013, the deadline was postponed and the project completion rescheduled for the end of 2014.

Another important project for the region is CAREC, the initiative that started in 1997. Four of its six roads and rail corridors traverse Kazakhstan, making the country, which is one of the 4 founding partners, an extremely important component of the project. It aims to improve road sections in the Kazakhstan portion of the Central Asia Regional Economic Cooperation (CAREC) Transport Corridor, but also to construct bypasses and new alignments to make the corridor suitable for international traffic. More precisely, the CAREC project is aimed at the 100% improvement of regional corridors, to increase the transit trade between East Asia and Europe through these corridors from 1% to 5% by achieving a 65% reduction of time in crossing the border until the year 2017.³⁷ In other words, the CAREC project will help Kazakhstan to improve its infrastructure, a mandatory component for a state animated by the ambition to become a player at the regional level but also on the international scene.

There is no doubt that Kazakhstan will play a major role in regional projects implemented in order to link East and West, and this because of its advantageous location: in the Eurasian continent heart, somewhere between Europe and Asia, a feature that gives Kazakhstan an unique and significant opportunity to be on the route of some important transit corridors that are connecting Asia and the Pacific with Europe.

But infrastructure is not the only element that makes Kazakhstan so interesting for its partners. Another ace in the hole for Astana is represented by the important coal, gas, oil and uranium reserves it holds. Energy is an important sector of its economy, actually is the most influential factor which supports the country's economy. Kazakhstan has two major importers for its

³⁶ Nigar Orujova, *Regional states to use single railway fees under Silk Wind project...*

³⁷ *Kazakhstan, Fact Sheet*, The Forum, <http://www.forum-adb.org/docs/kazakhstan-factsheet.pdf>, p. 2.

hydrocarbons: China and Russian Federation and the main oil export routes are Kazakhstan-China oil pipeline to China and the Caspian Pipeline Consortium and the Atyrau-Samara oil pipeline to Russia by.

Also, Kazakhstan has a natural gas trunk pipeline system of 10,138 km, used mainly for transporting gas to Russia. The most important transit pipelines are the Bukhara – Urals pipeline and the Central Asia-Center gas pipeline system. These two components transport natural gas from two of Kazakhstan neighbors: Turkmenistan and Uzbekistan, to Russia. But Kazakhstan has also in plan to build a pipeline that will carry its natural gas to China.

If Kazakhstan wants to become the important energy player announced by its leader in 2008, Kazakhstan needs to take some action regarding its energy infrastructure, especially in the oil sector where its infrastructure, dating back to the former Soviet Union, is considered to be in poor condition. This will allow it to target the western energy market that will ensure Kazakhstan a diversification of trade partners and the important economic growth necessary for its development.

For Romania, the development of the East-West corridor has multiple advantages. One of them is the economic aspect, especially regarding the import of energy resources from the Central-Asian states. Relations between Romania and Kazakhstan are excellent while both countries are interested in each other: Astana doesn't exclude selling supplies of natural gas to Romania through an extension of the future South Stream pipeline to Romania and it is interested in doing business with the Romanian state because of its location and its EU membership. For the Romanian part, a good relation with Astana can have significant economic advantages: Kazakhstan has major oil and natural gas reserves and can be an important partner for Bucharest. Moreover, some energy cooperation issues have already been discussed by Romania and Kazakhstan recently: Kazakhstan wants to become an energy supplier for our country, while Romania can contribute to the economic bilateral exchange in other areas. Kazakhstan also represents for Romania a strategic investor with a big part of its investments being allocated, not surprisingly, to the Romanian energy sector.

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Chapter 10

THE TURKISH LINK IN THE EAST-WEST CORRIDOR

NIGAR GOKSEL

Editor in Chief, Turkish Policy Quarterly

Since the dissolution of the Soviet Union Turkey's role in linking Central Asia and the Caucasus to Europe has been a significant element of Turkey's strategic value to the West. While for years Azerbaijani, Georgian, and Turkish enthusiasts of the integration of this sub-region with Europe carried an expectation that Europe and the US would design and push forward the process, the last few years have seen a process of integration emerge between these three countries that is less dependent on a larger Euro-Atlantic initiative.

One question this article tackles is why the expectations from external powers dimmed, and how, nevertheless, these three countries found the incentive and capacity to push forward with integration amongst themselves. The role of global and regional geopolitical fluctuations within the ebbs and flows of the realization of the East-West corridor are taken up in this context.

While the infrastructural connections between Turkey, Georgia and Azerbaijan are being laid, other components necessary for a corridor based strategic alliance are arguably not leveling up. The integration has centered on functional ends such as economic targets with strategic implications.

Meanwhile, in the past decade, the political relations between Turkey-Georgia, Turkey-Azerbaijan and Azerbaijan-Georgia have been largely formulated bilaterally. The nature and strategic considerations underlying each relationship has been such that "bundling" in the form of a trilateral political integration has lagged behind. However, due to both bilateral and regional challenges faced, there have been recent efforts to tri-lateralize political relations too. This article will elaborate on the current efforts to initiate a trilateral political integration framework, still in its infancy.

While the establishment of an institutional framework for a three-way alliance has begun to be shaped, the grassroots component to this strategic

integration and the articulation and propagation of a larger “uniting vision”, shared by the three countries, are missing. A geopolitical or civilization choice related to the Euro-Atlantic integration is not jointly articulated.

The article concludes that it is not self-evident that the integration between Turkey, Azerbaijan and Georgia will serve as a backbone to a deeper regional identity and direction in the future. Whether a shared strategic vision will be created or not depends on the direction of all three countries, domestically, as well as the larger global balances of the EU, US, and Russia.

The Geopolitical backdrop

The seeds of the East-West corridor as it relates to Turkey can be traced back to the early post-Soviet years when, as an extension of the Euro-Atlantic bloc, the vision of Turkey extending strategic reassurance to the Caucasus and Central Asia was conceptualized. The idea was that being a strategic corridor would deliver Turkey strategic and economic dividends, consolidate the sovereignty and security of the states of the Caucasus and Central Asia, and strengthen the Trans-Atlantic position in the region. Hydrocarbons would flow westwards, bypassing Russia and Iran, and governance models would flow from Europe, fostering democracy, free markets, and the well being of the people in the Caucasus.

Turkey achieving EU candidate status in 1999 and the subsequent establishment of oil and gas pipelines from Baku through Tbilisi to Turkey were important milestones in this direction. However, many complications also arose, ranging from strained relations between Turkey and the US from 2003 onwards, a resurgent Russia in the neighborhood and shifts in Turkey’s foreign policy priorities, to the EU falling short of the geopolitical muscle expected of it.

On the one hand Ankara’s prioritization of relations with its neighbors that began in the late 1990s, and intensified after 2002, has driven more engagement with neighbors such as Azerbaijan and Georgia. However, the multi-vectored nature of Turkey’s new foreign policy also meant that the Euro-Atlantic dimension of Turkey’s neighborhood policies was toned down. Ankara’s effort to intensify its relations with neighbors such as Iran and Russia both countered Euro-Atlantic interests in the region on occasion, and reduced Ankara’s ability to serve as “counterbalance” in the Caucasus.

From the Iraq war onwards, tensions were introduced in Turkey-US relations, lasting throughout the Bush era. Ankara seemed to share, with Tehran and Moscow, a deep suspicion of US penetration in the region. A leading factor affecting the geostrategic equilibrium of the region has been the real

and perceived drop in US engagement in the region due to domestic economic difficulties, fatigue after the Iraq and Afghanistan interventions and withdrawal from these countries, and the shift of attention to regions such as Asia-Pacific.

If until 2005 challenges to the alignment of Turkey, Azerbaijan, and Georgia had been witnessed, related to both global and regional dynamics and to Turkey's shifting foreign policy orientations,¹ the challenges became steeper from 2006 onwards.

Incrementally rising challenges to the viability of Turkey's EU accession, economic crisis in Europe, incoherence in European policies towards Russia, and weak conditionality in relations with its Eastern neighbors due to ambiguous carrots and sticks reduced Turkey's incentive to geopolitically align with European partners in this neighborhood. The drop in popularity of NATO and the EU among Turkish public opinion was also a reflection of these dynamics.

Meanwhile, the combination of US disengagement and European economic and institutional crisis empowered the resurgent Russia.² The August war of 2008, a blow to Georgia's pursuit of NATO membership aspirations, and the continuing deadlock in the Karabakh conflict resolution have also undermined Euro-Atlantic influence in the region.

Moscow, consistently interested in curbing the speed and depth of the realization of the East-West corridor, has held leverages in the region to limit the penetration of Turkey in Central Asia and the Caucasus. From 2005 onwards, but particularly in the 2008-2011 interval, Turkey arguably played into Moscow's hands on issues involving the Black Sea neighborhood. Two particular incidents highlighted this phenomenon.

One was Turkey's objection to the extension of NATO's Operation Active Endeavor to the Black Sea in 2005. The other was Ankara's Russia-cautious response to the August War in 2008 and causing delay to US assistance to Georgia. While Ankara's logic was supposedly that its cooperation with Russia could bring win-win benefits to both, this was deemed unrealistic by critics in Baku and Tbilisi. The view in Tbilisi and Baku that Ankara could serve as a counterbalance to Russia in the region incurred serious blows in this period.

The strategic logic of the East-West corridor seemed quite undermined in 2009 when Alexander Petersen wrote:

"Due to sheer neglect from a fumbling European Union and a distracted United States, Ankara has decided there is more to gain by acting as a regio-

¹ Elin Suleymanov, *The South Caucasus: Where the US and Turkey Succeeded Together*, Turkish Policy Quarterly, Spring 2005, Vol. 4, No. 1.

² Georgia Friedman, *A Little Cold War: Russia, Europe and the United States*, 6 August 2013.

nal middleman than as a bridge. Under serious, constant threat from its north, Georgia has been all but left to its own devices. Azerbaijan – the bottleneck to Central Asia, the strategically vital overlap area in the concentric circles that are the greater Black Sea and Caspian regions – has been left to flirt with Moscow and Tehran, now offering prices for energy similar to those from Europe.”³

While Turkey’s initiatives in the region that might undermine the East-West Corridor were at their height in the 2009-2011 period, the seeds for Ankara’s reality check were also sown. The Turkey-Armenia normalization process, which risked driving a wedge between Turkey and Azerbaijan, derailed⁴; the limits of Turkey’s overlapping interests with Russia were re-discovered⁵; and the multi-lateral regional platform Ankara was trying to forge that would bring the Caucasus countries under the same umbrella as Turkey and Russia but exclude the West (the Caucasus Stability and Cooperation Platform – CSCP) was stillborn.

The August war arguably heightened Georgian interest to foster closer relations with its neighbors because relying on close ties with various countries of the Euro-Atlantic had clearly not sufficed in ensuring Georgian security.⁶ Though Azerbaijan became more cautious about irritating Russia, it also had an increased interest in ensuring Georgia does not fall under Russian dominance. The pipelines running through Georgia and the perception that Azerbaijan would be next if Georgia was “lost” drove an effort in Baku to support Georgia in substantial ways, though not necessarily coupled with a public narrative of alignment or shared vision. Meanwhile, Turkey has also become a more active proponent of Georgia’s integration with NATO.⁷

Since 2011 there has been again an upsurge in the formation of a sub-region between Azerbaijan, Georgia, and Turkey. A network of infrastructure composed of energy pipelines, roads, and railroads form the backbone of the integration process between these three countries.

Besides the practical drivers of this process, elaborated on in the next section, there are geopolitical reasons for a heightened interest in this integra-

³ Alexandros Petersen, *Progress on East-West Energy Corridor Continues*, New Atlanticist, 9 June 2009, http://www.acus.org/new_atlanticist/progress-east-west-energy-corridor-continues.

⁴ Nigar Goksel, “*Turkish Policy Towards Caucasus: A Balance Sheet of the Balancing Act*”, EDAM Black Sea Discussion Paper Series 2011/1, November 2011.

⁵ Nigar Goksel, “*The dynamics of the Ankara-Moscow partnership in relation to the South Caucasus*”, SAM, December 2012.

⁶ Kornely K. Kakachia, *Shifting Gears: Georgia’s Persian Gambit and the Logic of Regional Geopolitics*, Caucasus International, Spring 2012, Vol. 2, No. 1.

⁷ Interview with Mikheil Saakashvili, *Georgia’s Westward March*, Turkish Policy Quarterly, Spring 2013, Vol. 12, No. 1, pg. 21, www.turkishpolicy.com.

tion process. Despite the strategic recession of the US from the region, withdrawal from Afghanistan and the need to accordingly transport military material and personnel, which can involve routes through Turkey, Azerbaijan, and Georgia, continues to focus American interest to the region. While the EU remains strategically incoherent, countries such as Romania, Poland and Sweden are proactive in their aim to integrate this region with Europe. On Turkey's end, downgraded relations with Russia and Iran, and challenges faced in its MENA oriented initiatives, have incentivized increased strategic collaboration with the Euro-Atlantic. Problems with Syria have been a driving force in this sense.

Nevertheless, there are notable reservations about this realignment. Ankara's aspiration for leadership in the Muslim Middle East complicates its relations in the Caucasus and Europe; Baku's reluctance to integrate with Europe beyond the logic of economic gains and strategic reassurance limits European influence in the region; and questions have been raised regarding the strategic orientation of the Georgian government that came to power in October 2012. However, a heightened awareness of potential vulnerabilities in the integration process has also rendered each capital more cautious and deliberate in dealing with each other's red-lines, highlighted the need to invest in stronger foundations for their relations, and incentivized the formation of a trilateral framework.

Russian leverages in the Caucasus are predicted to outpace Turkey in the short to medium term due to the many domestic and foreign policy challenges Ankara faces, some of which it brought on itself, and due to the strong hold in the Caucasus which Moscow maintains. Nevertheless, the potential to drive the eastward enlargement of Europe with a process driven from the region itself and to connect the Caspian Sea, Black Sea and Mediterranean is being pushed forward at a pragmatic level.

Linked by pipe and iron

In practice, the focus of the Turkey-Georgia-Azerbaijan three-way integration is primarily based on energy and logistics/infrastructure.

The single most effective drive for sustained integration between Turkey, Georgia, and Azerbaijan has been Azerbaijan's hydrocarbon wealth. The already existing oil and natural gas pipelines from Baku through Georgia to Turkey, Baku-Tbilisi-Ceyhan (BTC) and Baku-Tbilisi-Erzurum (BTE), render Azerbaijan's fate entangled with that of these two countries. For the past decade the focus has been on creating a Southern Corridor to European markets for the Caspian natural gas.

Turkey's need for reasonably priced natural gas and the strategic dividends received by Turkey as a result of being on the route of the Corridor that will carry the gas reserves from Azerbaijan's Shah Deniz II natural gas field to Europe have considerably incentivized Turkey to align with the East-West corridor vision.

For Azerbaijan, selling natural gas to Europe is not only an economic goal but also a safety net for sovereignty and strategic independence. Being a transit country on this corridor is also strategically very significant for Georgia, as it renders Azerbaijan, Turkey and European countries stakeholders in Georgia's security. For Europe, reducing the energy dependence of some EU member states on Russia has been the primary concern.

While the preference of a dedicated pipeline to carry Azerbaijani gas to European markets had been on the agenda for almost a decade, by late 2011 it became obvious that the Nabucco option (an EU-backed project which was to run from Erzurum in Turkey to Baumgarten in Austria) won't work, thus the trans-Anatolian natural gas pipeline project (TANAP) was born.

This agreement has invigorated Turkish-Azerbaijani relations, and kicked off "a new age of partnership."⁸ It has also extended the strategic relevance of the region (Azerbaijan and Georgia in particular) for the West. The Ambassador of Azerbaijan to Washington DC highlighted the strategic vision of the regional integration this pipeline can foster as follows:

"The European Union was based on a coal union. Why? Because in order to have good ideas in your life, you need to have a warm home. What we have to establish in our region is the basis for cooperation and for expanding integration. Isn't that in the national interest of the U.S. and Europe as a whole?"⁹

Given the strategic value of this pipeline, involvement of the US in the implementation of this project has been dim, particularly compared to US strategic involvement in the Baku-Tbilisi-Ceyhan design phases in the late 1990s. The EU has also been passive, arguably due to a lack of coherence between its energy policy and its strategic outlook and weak coordination among its member states in managing the EU's political relationships with the various potential supplier countries of the region.

In late June 2013, the decision between the two competitors for the delivery of Azerbaijani gas from the Turkish border to Europe was made. The Trans-Adriatic Pipeline (TAP) won over Nabucco West. Thus the route will

⁸ Zaur Shiriyev, *The Caspian conundrum of TANAP*, Today's Zaman, 3 July 2012, <http://www.todayszaman.com/columnists-285380-the-caspian-conundrum-of-tanap.html>.

⁹ *Azeri ambassador to US lobbying for TANAP project*, 25 October 2012, http://www.azernews.az/oil_and_gas/45376.html.

run via Greece and Albania and across the Adriatic Sea to southern Italy. This decision is seen as a “safe” one for Azerbaijan, as it ensures access to European markets but does not confront Moscow to the same extent that Nabucco West, which would have reduced the dependence on Gazprom of Bulgaria, Romania, Austria, Hungary.¹⁰

The Baku-Tbilisi-Kars (BTK) Railway Project, underway since 2008, is an important component of trilateral integration. It is expected not only to contribute to the economic development of the three countries, but also be a geopolitical asset for the East-West corridor. Albeit after a few delays, the railway is now set to be completed in 2014. It is therefore possible that this route can be used in the evacuation of some of the ISAF personnel and cargo from Afghanistan in 2014. With extensions foreseen in Turkey towards Europe and eastward across Central Asia, the larger vision is of the re-incarnation of the Silk Road from China to Europe. The railway has not been without controversy though, due to its implications for Armenians and for Moscow. The route both offers an alternative to the Trans-Siberian railway with the potential to reduce the dependence of European countries on Russia, and it bypasses Armenia, thus preventing the Nagorno-Karabakh conflict from taking regional integration hostages. Due to its isolating affect on Armenia and the railway’s potential role in weakening Russian leverage the project may incentivize stronger counter-mobilization from other axes.

With its “lifeline” of energy pipelines running through these two countries, Azerbaijan has stepped up its political, strategic and economic investment in Georgia and Turkey. Ultimately, Baku can take no risk of having social or political developments in these two countries, without incurring existential threats to its own strategic, political, and economic order.

Azerbaijan-Turkey relations have been “fortified” since 2011, after incurring problems in the 2009-2011 period due to the Turkey-Armenia normalization process.¹¹ Besides the pipeline pursuits, Baku has invested in Turkey deliberately, building up economic interdependence and public relations mechanisms.

Azerbaijan’s state oil company, SOCAR, has been pursuing an “integrated investment program” in Turkey, investing in the petroleum and chemical sector, and getting involved in infrastructure projects such as a refinery, a logistics center, and a port.¹² SOCAR also purchased the Star Media Group,

¹⁰ Nona Mikhelidze, *The Winner is TAP: The EU’s Failed Policy in the South Caucasus*, IAI Working Papers, 21 July 2013, <http://www.iai.it/content.asp?langid=2&contentid=962>.

¹¹ Nigar Goksel, *Turkey and Armenia Post Protocols: Back to Square One?*, TESEV publication, October 2012, <http://www.tesev.org.tr/Upload/Publication/8baf82e2-e96b-49de-88a6-6d65143177db/TurkeyArmenia.pdf>.

¹² Vladimir Socor, *Izmir Port Project Magnifies Azerbaijan’s Integrated Investments in Turkey*, Eurasia Daily Monitor Volume: 10 Issue: 55, 25 March 2013.

which includes the Star newspaper and the TV channel called Kanal 24. There are also a few actors of the Turkish NGO community receiving support from Azerbaijani sources.

Meanwhile Turkey, in line with the AKP government's neighborhood-driven economic development model¹³, has been deepening its economic penetration into Georgia and Azerbaijan for the past decade. Turkey's soft power in Azerbaijan and among Azerbaijani communities abroad has been enhanced by the work of the Gulen movement, affiliates of which have also been receiving resources from Azerbaijan's energy wealth, particularly in the past few years.¹⁴ As 2015 nears, marking the centenary of the Armenian ethnic cleansing in Anatolia, Armenian diaspora activities against Turkey are increasingly uniting Azerbaijani and Turkish efforts.

Turkey and Azerbaijan institutionalized their strategic partnership with an agreement in 2010 that prioritized security cooperation and assistance. The agreement, guaranteed mutual assistance in the event that either country was subject to a "military attack or aggression." The pact also called for closer cooperation in defense and military-technical policy and joint training between the two states. There are also economic, energy-related, cultural and academic dimensions to the agreement.

The Georgian government, for its own strategic and economic needs, has facilitated Azerbaijan and Turkey's penetration considerably.¹⁵ Bilateral economic relations between Turkey and Georgia flourished with the overlap of policy priorities in both countries. After the 2003 Rose Revolution, Tbilisi concentrated on creating an environment conducive for foreign investment and particularly welcomed Turkish investors for strategic reasons. A visa free travel regime was introduced and a free trade agreement signed. Turkey became Georgia's number one trading partner and second investor.¹⁶ With its close relations with Moscow scaling down, for the past couple of years, Ankara is also seen as strategically more aligned with Tbilisi.

Meanwhile relations between Azerbaijan and Georgia have also been rising in strategic and economic significance. The strategic alliance between these two countries has been developing, particularly visible in the defense and energy sectors. Notably SOCAR is the largest foreign investor in Georgia.

¹³ Kemal Kirisci, *The transformation of Turkish foreign policy: The rise of the trading state*, New Perspectives on Turkey, 2009.

¹⁴ Nigar Goksel, *Religiously Inspired Bonding – Changing Soft – Power elements of Turkey's Relations with Azerbaijan*, Center for Conflict Prevention and Early Warning, CPCEW Bucharest, 2011, http://www.cpc-ew.ro/occasional_papers/008.pdf.

¹⁵ Nigar Goksel, *Turkey and Georgia: Zero-Problems?* Wider Europe Series of Black Sea Trust, 19 June 2013, <http://www.gmfus.org/archives/turkey-and-georgia-zero-problems/>.

¹⁶ Ivane Chkhikvadze, *Zero Problems with Neighbors: The Case of Georgia*, The Geopolitical Scene of the Caucasus, Turkish Policy Quarterly, Spring 2011, Vol. 10, No. 2.

As outlined by a joint report of two regional experts, Zaur Shiriyev and Kornely Kakachia:

“The strategic alliance has developed on an equal basis; Georgia has enabled Azerbaijan to deliver its energy resources to the European market, acting as a ‘door’ for Azerbaijan’s oil and gas. Georgia’s role as a key transit country has made it an important bridge in the East-West axis. Georgia’s support for this alliance has not been limited to serving as an energy transit route. At the international level, Georgia has a good reputation in European capitals and Washington, enabling Tbilisi to bring regional problems to the agenda of Western decision makers.”¹⁷

While all three countries were pursuing their own short-term interests in many of these cases, inadvertently, concrete foundations for an East-West corridor were laid. However, the political integration between these countries was more bilateral than trilateral until recently. Given the disjoints that were faced, an effort to “trilateralize” and institutionalize the political dimension of relations has been visible in the past two years.

To institutionalize a framework of trilateral cooperation, a meeting of the Ministers of Foreign Affairs of Turkey, Azerbaijan and Georgia was held in June 2012 in Trabzon. The “Trabzon Declaration” signed at this meeting foresaw the establishment of a joint experts group to draft a sectoral action plan for 2013-2015. The second meeting of the trilateral mechanism of the foreign ministers took place in Batumi in March 2013. A Joint Communiqué was released after this second meeting. An Azerbaijani-Georgian-Turkish business forum (TAG-BF) has also met three times.

The joint communiqué released after the second trilateral meeting underscored the importance of “expanding people-to-people contacts between the countries and promoting the region on the international level.” Indeed, this is an area needing significant attention.

As strong as the mutual sympathy between the Azerbaijan and Turkey publics are, there have been serious divergences in the past decade, some caused by a lack of investment in substantial ties at various levels of society. Accordingly, in the past few years, Azerbaijan has been investing in public relations activities. While Turkey’s soft power in Azerbaijan has been relatively cultivated, its public relations in Georgia have been weak – a reality that surfaced in the run-up of the Georgian October 2012 parliamentary elec-

¹⁷ Zaur Shiriyev and Kornely Kakachia, *Azerbaijani-Georgian Relations: The Foundations and Challenges of the Strategic Alliance*, SAM REVIEW, Volume 7-8, July 2013.

tions.¹⁸ There has been an assumption on all sides that intensifying economic ties would automatically foster a meeting of minds among the people, however, it has become obvious that deliberate action is needed for a deeper understanding of each other and a sense of shared destiny to evolve.

Though more contact between civil societies can indeed feed into social, political and strategic convergence, particularly when coupled with infrastructural integration and economic interdependence, the disjoint in where these three countries see their future will continue to be a weakness of this trilateral integration scheme.

Looking ahead: Infrastructure versus vision

As Zaur Siriyev, editor in chief of Caucasus International, has pointed out, the “geopolitical romanticism” of the 1990s had led to “effective coordination between these states with support from US” but now, “given the shifting axis of global powers with interests in the region, in addition to the unstable regional dynamics with periodic spikes in tensions, the risk of renewed hostilities appears to impose limits on the fulfillment of the broader objectives of trilateralism.” He concludes that “any long-term prospects for the trilateral initiative hinge more on the economic underpinnings of the relationship.”¹⁹

Indeed, many of the potential weaknesses of the strategic alliance between Azerbaijan, Turkey and Georgia as part of the East-West corridor are related to the vision question and, more distinctly, to the absence of an agreed set of values or vision for the future. For this sub-region, it is yet unclear whether the power of Europeanization will trump the “pull” of other models and geopolitical axes from Eurasia and the wider Middle East. Indeed, the opportunities and enthusiasm for European integration differs considerably between the parties and the vision for the future outlined by the political elite of the three countries is not necessarily congruent.

A significant challenge to moving the vision component of the integration beyond declarative level is the disjointedness between the three countries in their approaches to Euro-Atlantic involvement, which is also related to the disjointedness among Euro-Atlantic countries about how strategically involved they want to be with these countries. While a deeper elaboration is beyond the scope of this paper, a brief glance at the three countries’ relations with the

¹⁸ Nigar Goksel, *Turkey and Georgia: Zero-Problems?*, Published by the Wider Europe Series of Black Sea Trust, 19 June 2013, <http://www.gmfus.org/archives/turkey-and-georgia-zero-problems/>.

¹⁹ Zaur Shiryev, *Today's Zaman, Turkish, Azerbaijan and Georgian 'trilateralism*, 7 April 2013, <http://www.todayszaman.com/columnist-311917-turkish-azerbaijan-and-georgian-trilateralism.html>.

West and Western traction in the region gives a sense of the challenge of devising a joint direction in the region.

Since 2004, challenges have been added to Turkey's EU accession process, related to Cyprus and to the so-called "civilization differences" perceived by the European public, particularly in countries such as Germany, France, and Austria. Enlargement fatigue in EU countries has been exacerbated by the economic crisis and the so-called leadership deficit. From 2007 onwards domestic power consolidation in Turkey has led to a deadlock in the Turkey-EU relations. Ankara's preoccupation with being a regional leader in the MENA region in recent years has arguably played into this dynamic in complex ways. The popularity of the EU and NATO in Turkish public opinion has also plummeted. Some believed that Turkey-EU relations will rejuvenate in 2013²⁰, other more recent opinions differ.²¹

Meanwhile the gap between Georgia and Azerbaijan in European integration has also been widening. During the 5-year existence of EU's Eastern Partnership framework, the gap between Georgia and Azerbaijan in terms of integration with the EU has widened. In the meantime, Turkey's EU accession process and enthusiasm has also stalled. The disjointed nature of how Baku, Ankara and Tbilisi relate to the EU means their priorities and governance styles become out of synch, with indirect influence on the strategic alliance they are forging among them.

At the upcoming Vilnius Summit (November 2013), Georgia is expected to receive an Association Agreement (AA). While the EU engagement in the Caucasus is weak and incoherent in terms of strategic assurance, in the case of Georgia it is still able to forge governance-related reform.

Georgia has been moving steadily towards visa liberalization and a form of free trade, however not having membership as a pronounced target has had de-motivating effects on Georgia. Azerbaijan is much less enthusiastic about European integration besides the infrastructural and strategic dimensions. It has complained that Azerbaijan was absent from the European People's Party (EPP) Eastern Partnership Summit in Batumi In July 2012 and in Chisinau in July 2013.

A recent study highlights the public divergence in opinions towards the Euro-Atlantic between Georgia and Azerbaijan. While Georgian support for NATO and EU membership is 67% and 72% respectively, in Azerbaijan these figures are 48% for the EU and 33% for NATO.²² The conclusion drawn

²⁰ Joost Lagendijk, *Today's Zaman*, *Turkey-EU relations slowly warming up (1)*, 6 January 2013, <http://www.todayszaman.com/columnists-303171-turkey-eu-relations-slowly-warming-up-1.html>.

²¹ Yavuz Baydar, *Al Monitor*, 14 June 2013, *Turkey-EU Relations May Be A Casualty of Gezi Park*, <http://www.al-monitor.com/pulse/originals/2013/06/wounded-relations-turkey-eu-protests.html>.

²² *Go West? Perceptions of the West in the South Caucasus*, 5 August 2013, <http://crre-caucasus.blogspot.com/2013/08/go-west-perceptions-of-west-in-south.html?m=1>.

is that “there is no overwhelming trajectory towards the West or East for the South Caucasus as a whole”

These public opinion differences are also based on reasons emanating from the West itself – such as ambiguous carrots and sticks, incoherence among Euro-Atlantic capitals, perceived stereotypes and the like. Overall, there is no sense of inevitability regarding the Europeanization of the geographical space found to the East of Europe.

A trend related to Euro-Atlantic orientation is democracy. In all three countries, to varying degrees, freedoms, pluralism and balances of power are either weak or regressing.

Meanwhile, for the South Caucasus, the so-called Russian alternative is on the rise. Russia’s standing offer of a Eurasia Union, model of sovereign democracy, advocacy of “traditional” (read: un-European) values, and leverage over frozen conflicts enables Moscow to carve out an “alternative space” to Europe. Ultimately democracy deficits and frozen conflicts remain the biggest alternative to the European integration of the Caucasus.

Furthermore, having Armenia as the “odd man out” is the weakness of the trilateral integration. While it is stressed that this trilateral integration does not exclude any country or party, *de facto*, Armenia is left out. The statements made by the three countries in articulating the principles of the integration underline the respect for the sovereignty, territorial integrity and inviolability of the internationally recognized borders of the States – all principles which clearly rule Armenia out. Indeed, the assumption is that Armenia will have no incentive to resolve the Karabakh conflict if it is included in regional collaboration. Thus, Azerbaijan has no incentive to allow Armenia’s inclusion. As a result, Armenia remains firmly entrenched in the geopolitical axis of Russia, with means to drain Azerbaijan and Turkey of political capital. This tense reality bogs down the regional integration processes, and is expected to intensify in 2015.

Turkey is, perhaps naturally, preoccupied with the developments in the Arab world. Some Azerbaijani and Georgian elites can see Turkey’s activeness in this region as playing its role in the Caucasus, by virtue of maintaining a central position *vis-à-vis* the West, indirectly contributing to the Western engagement in the Caucasus. However, Turkey being drained by this region, in political will and credibility, has been having the contrary effect. Because the political capital and public attention of Turkey is limited, little is available for the integration process with Azerbaijan and Georgia. When messages from Ankara signal its wish to be the leader of the Muslim Middle East, enthusiasm in Baku and Tbilisi about forming a bloc with Turkey is negatively impacted. Both Georgian and Azerbaijani elites occa-

sionally have second thoughts about relying on Turkey as much as they do without a clear sense of where Turkey is heading.²³ However, even if Baku and Tbilisi opted for “diversifying” their strategic relations, and not relying so strongly on Turkey, their lack of alternatives to Turkey is also a reality.

Ultimately Turkey thrives on the same long term directions that the EU thrives on in the Caucasus and Central Asia: open borders, good governance, rule of law, free and fair economic competition, and the resolution of conflicts. These are also in the interests of Georgia and Azerbaijan. In this sense, it can seem inevitable that trilateral integration – at the expense of Tehran and Moscow – would proceed smoothly. However, short to mid term interests, priorities, and capabilities can prevent this long-term perspective from being realized.

²³ Nigar Goksel, “*Turkish Policy towards Caucasus: A Balance Sheet of the Balancing Act*”, EDAM Black Sea Discussion Paper Series 2011/1, November 2011, http://edam.org.tr/eng/document/Black_Sea_Paper_Series1.pdf.

Chapter 11

RUSSIA'S NEIGHBOURHOOD POLICY – FROM A RUSSIAN PERSPECTIVE –

BORDEI CIPRIAN

I. Introduction

A global power with a realist foreign and security policy

Russia's large geographical size and remoteness from attacking powers; its strong control over resources and society exercised by its centralized state and its low level of dependence on the world economy, make Russia an autonomous player in world politics despite its relative backwardness¹. Russia's political class perceives its country as a global power and the major regional power – and consequently as the main guarantor of security – in its immediate neighborhood.

Russia is undoubtedly a European state if only geography as well as European civilization, its culture, tradition and religion are taken as the defining criteria. What places Russia beyond Europe's bounds is its politics.

Russia's foreign and security policy is best described as pragmatic, geopolitically focused, realist rather than value-based, and striving towards a multipolar world by seeking to undermine the West's influence in international affairs².

Russia's overriding foreign policy goal is to establish Russia as one of the most important global powers, and to create a multipolar international order. However, Russia's understanding of multilateralism in international affairs is rather a form of multipolarity characterized by a collective decision-making

¹ "Russia: The Traditional Hegemon in Central Asia", Roy Sultan Khan Bhatti, Perceptions, Autumn 2008, pag. 46, <http://sam.gov.tr/wp-content/uploads/2012/01/Roj-Sultan.pdf>.

² "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 38, October 2009, Institute for Security & Development Policy. http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

procedure amongst a handful of great powers, or at best a selective and instrumental use and understanding of multilateralism. This means that Russia supports multilateralism as long as it affirms its great power status and deals with the issues and interests of the leading states.

The Russian worldview is more focused on power than rules. It has not played a major role in global governance (IMF, World Bank, WTO – member since July 2012) although it enjoys the prestige of being a permanent member of the United Nations Security Council.

Russia has been described as suffering from a sort of historical nostalgia for an earlier and less ‘moral’ moment of international relations – Russia, like China, wants to conduct a ‘values-free’ foreign policy with the United States and Europe in the manner of eighteenth or nineteenth century cabinet diplomacy where states could do as they please domestically³.

A new social contract domestically

First of all we have to understand what kind of transition Russia faced in the last 20 years. At least for many countries of Eastern and Central Europe there were two transitions: the transition from a centrally planned economy to a market economy and that from political authoritarianism to democracy. There is one more element in Russia, the transition from an imperial state to a national one.

Since the end of the 1990s, the cult of the fatherland and the idea of sovereign democracy have established themselves as the matrix of the new social contract proposed by the Kremlin: the patriotic reference creates norms of identification and articulates a representation of self as a nation beyond all social and ideological divisions⁴.

The Kremlin has worked out a patriotic program centered on the return of symbols of the fatherland and the institutionalization of an official historical memory, the instrumentalization of Orthodoxy as symbolic capital, the development of a militarized patriotism founded on Soviet nostalgia, and the indoctrination of the youth, either through the school system or by its politicization of youth movements like the Nashi or the Young Guard.

The most important sources of power in Russia are control of the administrative resources, mass media, and the power structures, together with

³ “Policy Briefing: Key aspects of Russia’s current foreign and security policy”, page 14, European Parliament, Policy Department, October 2012, <http://www.europarl.europa.eu/committees/en/studiesdownload.html?languageDocument=EN&file=76552>.

⁴ “Russia in a 10–20 Year Perspective”, Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 67, October 2009, Institute for Security & Development Policy, http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

control over strategic natural and economic resources⁵. This nature of power is not of a democratic kind. It is based on control and suppression. It is exercised in a non-transparent manner, is not based on accountable institutions, and for an outsider it can seem arbitrary. However, for insiders the rules of the game are, if not clear, at least not unknown. Loyalty to the state and its main actors is presupposed.

For most of its post-Soviet history Moscow has been seeking to project, both domestically and internationally, the image of a resurgent Russia reassuming the mantle and responsibilities of a great regional power. This vision is based on the assumption that Russia can only prevail in a globalised world if it succeeds in preventing further erosion of the 'post-Soviet space'. The status-quo thinking is deeply rooted in the mindsets of Russian political elites, resulting in a rigid zero-sum game approach shaping their attitude towards the neighbourhood⁶.

II. Former Soviet Union Space

A central Russian foreign policy concern

After the collapse of the Soviet Union, Moscow deployed heavy economic, military and political resources to transform its former empire into a sphere of influence. Yet despite strenuous efforts to control this space, Russia's influence in the region has been eroding over the last decade.

The West has become more engaged in Eastern Europe and the South Caucasus, while China and the US have constrained Russian ambitions in Central Asia. The post-Soviet countries have also grown wary of Moscow's dominance and have come up with strategies to balance Russia's pressure and decrease their dependence on it.

To counteract this, Russia has been developing a more streamlined strategy to maintain influence in the region⁷. Russia has increasingly relied on power projection rather than full control, owning key economic assets rather than splashing around subsidies, and focusing its integration efforts primarily on a "core" of Belarus, Kazakhstan and Ukraine. Elsewhere, Moscow

⁵ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 68, October 2009, Institute for Security & Development Policy, http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

⁶ "Russia's neighbourhood policy", by Andrei Zagorski, 14 February 2012, European Union Institute for Security Studies, <http://www.iss.europa.eu/publications/detail/article/russias-neighbourhood-policy/>.

⁷ "Dealing with a Post-BRIC Russia", Ben Judah, Jana Kobzova and Nicu Popescu, November 2011, pag. 23; European Council on Foreign Relations, http://ecfr.eu/page/-/ECFR44_POST-BRIC_RUSSIA.pdf.

has contented itself with a light-footprint “lily-pad empire” of pipelines, military bases and key chunks of the economy.

From 2000, Russia’s foreign policy has become increasingly assertive. Since 2001/2002 a very consistent policy had been pursued. Initially, it was concerned with only Russian territory, but over the last five years it has moved outside that territory. Its aim has been to monopolize energy resources, transport routes for energy, and, as much as possible, of supply⁸.

The FSU is the only place where Russia is ready for a military intervention and a direct confrontation with the West. Yet the intensity of Moscow’s assertiveness in these areas differs, as do the challenges Moscow faces⁹. The FSU can be roughly divided into three components areas: the Western CIS, consisting of Ukraine, Belarus and Moldova; the South Caucasus; and Central Asia. Among these, Moscow’s most acute concerns are in the South Caucasus, where governments are more determined to escape Moscow’s domination.

The ‘Decree on Measures to Implement the Russian Federation Foreign Policy’, published by the Russian President Vladimir Putin on 7 May 2012, highlights the key role given to the Commonwealth of Independent States (CIS). The establishment of a free trade zone (on 18 October 2011) and the creation of the Eurasian Economic Union (to be completed by 1 January 2015) are given priority.

Stipulated already by the The Military Doctrine of the Russian Federation through 2020 (February 2010) a key instrument for maintaining stability and security in the CIS is the Collective Security Treaty Organisation (CSTO, a Russian-led military alliance that includes Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan).

Putin’s first declaration as President was to describe the CIS countries as ‘key to Russian foreign policy’. The statements dovetail with Putin’s concept of a multipolar world, in which Russia occupies a pole with an extended sphere of influence in the ‘near abroad’, with an ‘economic region from Lisbon to Vladivostok’.

According to Putin, the Eurasian Union is far from ‘any sort of resurrection of the Soviet Union’. Rather, it would represent a ‘powerful supra-natio-

⁸ “*Russia’s economic relations with Europe including energy security*”, Chairman: Silvana Malle, Discussion Leaders: Andrei Illarionov and Philip Hanson, page 5, European Conscience and Communism, Russia’s Economic Relations with Europe; Centre for Research into Post-Communist Economies, <http://www.cree.org.uk/publications/colloquium%20webbook/2nd%20Part%20-Russia%2027s%20economic%20relations....pdf>.

⁹ “*Russia in a 10–20 Year Perspective*”, Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 44, October 2009, Institute for Security & Development Policy. http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

nal union' of sovereign states that is 'capable of becoming a pillar in today's world'¹⁰.

In 2011 Putin launched ambitious plans for a Eurasian Union building on the 2009 customs union with Belarus and Kazakhstan, which is intended to be transformed later into a 'single economic space.' By 2015, Putin aims to create a 'Eurasian Schengen': a zone of free movement of capital and labor within the three countries, to be followed by a currency union. Putin has made no secret of his desire to reassert Russian influence over its neighbors with the aim of keeping others (EU, US, China) out of the area and, at the same time, increasing Russian security¹¹.

III. Russia's Energy sector

Energy power as leverage in international politics

Russia is an energy superpower. It has massive resources, including 12 percent of the world's oil reserves and 10 percent of the world's current production¹². When taking hydrocarbons together, to include oil and gas, Russia is indeed the energy superpower with the largest scope of production.

Russia's leverage in consolidating itself as a regional great power, which is an explicit goal, is its energy and economic resources in combination with a common language and history (i.e. the cultural factor).

Russia's main foreign policy tool is economic and energy power, hence the need for state control and influence on the economic development and the energy policy. In 2004, the economic reform climate shifted away from liberal market orientation to increased state intervention and ownership in the economy. With increasing frequency, the Kremlin intervened in the energy market with the aim to seize control over the extraction and export of energy.

The National Security Strategy of the Russian Federation up to 2020, adopted on May 12, 2009, outlines Russian determination to maintain control over its natural resources. Opposed to the liberalization of the energy

¹⁰ "Policy Briefing: Key aspects of Russia's current foreign and security policy", page 25, European Parliament, Policy Department, October 2012, <http://www.europarl.europa.eu/committees/en/studiesdownload.html?languageDocument=EN&file=76552>.

¹¹ "Study: The political and social development in Russia as a consequence of its new role on the global stage", page 15, European Parliament, Policy Department, May, 2012, <http://www.europarl.europa.eu/activities/committees/studies.do?language=EN>.

¹² "The Transatlantic Partnership and Relations with Russia", Frances G. Burwell and Svante E. Cornell, page 59, 2012, Institute for Security & Development Policy, http://www.isdp.eu/images/stories/isdp-main-pdf/2012_burwell-cornell_transatlantic-partnership.pdf.

market, the country prefers to maintain the status quo in its current energy policy. Russia's resources potential is described as an instrument of political and economic power for reinforcing the country's position on the world stage¹³.

The state-controlled monopolist Gazprom controlled 85 per cent of Russia's gas output at the height of the energy boom in 2008. Russian energy majors are, however, also in control of production in neighboring countries¹⁴. A considerable part of Kazakhstan's and Turkmenistan's gas is transited through Russia before reaching consumers in Europe. Gazprom has also made inroads in other countries, e.g. by seeking transit rights for Azerbaijani gas and by forming joint partnerships with other energy companies in extracting gas in Northern Africa. Gazprom also has an increasing stake in Europe's energy retail sector by investments in some of the larger European energy companies. The Kremlin also controls the oil sector, albeit to a lesser extent: approximately 50 per cent of output of crude oil comes from Kremlin-controlled companies.

Russia could not leverage its energy power as much as it wanted to as long as large energy resources were in private hands and mostly run in a commercially rational way. By controlling the assets, the government also gained greater power in controlling energy prices in other countries. With greater control of energy firms, the Kremlin could also leverage its energy power to a greater degree towards Former Soviet Union countries (FSU) that were re-orienting themselves away from Russia and toward the west¹⁵.

IV. Central Asia

Central Asia is a unique landlocked region sitting precisely in the middle between the big four of EurAsia – Russia to its North, China to the East, India to the South and the EU to the West. While the region has a clear geographical and cultural-historical identity, it is subject to divergent economic fortunes, with huge advances in the oil/gas-based wealth of Kazakhstan and Turkmenistan, against impoverishment in the two mountain states, Kyrgyzstan and Tajikistan, with Uzbekistan in an intermediate position. Politically

¹³ "Policy Briefing: Key aspects of Russia's current foreign and security policy", page 7, European Parliament, Policy Department, October 2012, <http://www.europarl.europa.eu/committees/en/studiesdownload.html?languageDocument=EN&file=76552>.

¹⁴ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 18, October 2009; Institute for Security & Development Policy, http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

¹⁵ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 19, October 2009; Institute for Security & Development Policy, http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

all five states are consolidated authoritarian regimes, although there are limited civil liberties in Kazakhstan, Kyrgyzstan and Tajikistan¹⁶.

The region has a modest population size of only 61 million people, so regional economic integration between these states does not have much potential if it is not part of a wider economic openness. As part of the Soviet Union, the five countries were tightly woven into a single system, especially in energy and transport. These interdependencies have proven difficult to unravel, and have produced serious imbalances.

Central Asia is not home to a regional integrationist project with a well developed institutional structure. While Central Asian nations belong to a variety of regional organizations, there is no regional organization that consists solely of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, nor are any of the supranational organizations to which these countries belong remotely.

The Central Asian states have never displayed a great eagerness for collaboration. All the attempts at regional alliances, principally economic ones, have stumbled on national sensitivities, on the competition between leaders, and on struggles for influence, in particular between Kazakhstan and Uzbekistan.

Russia's role in Central Asia

Russia is not a power like the others in Central Asia, as it is the region's former coloniser¹⁷. This legacy has its positive and negative aspects: positive insofar as the long period of Russo-Central Asian cohabitation bequeathed elements of a common language, culture, history and feelings of common belonging; but negative insofar as it involves the political sensitivities and cultural misinterpretations of the coloniser-colonised relationship. Russian-Central Asian relations are therefore complex, with both actors having highly emotional perceptions of relations to the other.

Since 2000, the Russian influence on Central Asian policy-making has become more direct. Russia has once again become the primary political reference for Central Asian regimes. Moscow sees itself as the traditional patron of the region, and Central Asia as the zone of its 'privileged interests'.

¹⁶ "Into EurAsia, Monitoring the EU's Central Asia Strategy", Report of the EUCAM Project, February 2010, page 8; Michael Emerson & Jos Boonstra (rapporteurs), Nafisa Hasanova, Marlene Laruelle, Sebastien Peyrouse, <http://www.ceps.be/book/eurasia-%E2%80%93-monitoring-eu%E2%80%99s-central-asia-strategy>.

¹⁷ "Into EurAsia, Monitoring the EU's Central Asia Strategy", Report of the EUCAM Project, February 2010, page 36; Michael Emerson & Jos Boonstra (rapporteurs), Nafisa Hasanova, Marlene Laruelle, Sebastien Peyrouse, <http://www.ceps.be/book/eurasia-%E2%80%93-monitoring-eu%E2%80%99s-central-asia-strategy>.

For Russia, Central Asian states are important as they form its southern flank and can transmit security threats and challenges, such as radical Islamism, drug trafficking and illegal migration¹⁸. Considering that the borders between Russia and Kazakhstan and between Kazakhstan and the rest of Central Asia are porous, the region cannot play the role of a buffer.

For Moscow, the security of the southern borders of Central Asia is seen as a question of domestic security: the 7000 kilometers of Russo-Kazakhstani border, in the heart of the steppes, are nearly impossible to secure. They require that the clandestine flows are better controlled down-stream¹⁹.

The Central Asian states (with the exception of Turkmenistan and Uzbekistan) are members of the Collective Security Treaty Organisation (CSTO), the Russia-led military-political alliance whose goal is to provide for the security of the region. When the development of a common economic space in the Commonwealth of Independent States did not work, the Eurasian Economic Community (EurAsEC) was created with fewer members. Kazakhstan, Kyrgyzstan and Tajikistan are members; Uzbekistan joined in 2006 but suspended its membership in 2008. The overall goal is to establish a customs union and build an economic base for a political union following the example of the EU.

Russia is still the main Central Asian provider of military equipment, the main partner in training military cadres; still has or has regained a number of military and research facilities and strategic sites in Kazakhstan, Kyrgyzstan and Tajikistan, and has revived cooperation between military-industrial complexes.

Russia's long-term interests in Central Asia are very clear and unambiguous. Russia has two main goals in Central Asia: to control energy resources and to maintain regional security. Moscow's economic interests are largely focused on its oil and gas reserves, yet Central Asia also has other important resources such as electricity, uranium, gold, and precious metals²⁰. Russian companies (chiefly Gazprom and Lukoil) are involved in the development of gas and oil deposits, building oil and gas re-fineries, renovating existing oil and gas pipelines, and constructing new export routes, mainly in Kazakhstan and Uzbekistan.

¹⁸ "The Impact of the global economic crisis on Central Asia and its implications for the EU engagement", Nargis Kassenova, page 9, EUCAM Working Paper No. 5, October 2009, <http://www.ceps.be/book/impact-global-economic-crisis-central-asia-and-its-implications-eu-engagement>.

¹⁹ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 49, October 2009, Institute for Security & Development Policy, http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

²⁰ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 47, October 2009, Institute for Security & Development Policy, http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

The second key aspect of the Russian presence in Central Asia is that of regional security, which has been the primary driving force behind Moscow's continued interest in the region since the early 1990s. The security challenges for Russia in Central Asia are multiple and complex²¹. Any destabilization in the weakest (Kyrgyzstan, Tajikistan) or the most dangerous (Uzbekistan) states will have immediate repercussions in Russia, including such things as: Islamist infiltration in the Volga-Ural region and the North Caucasus; a loss of control over the export networks of hydrocarbons or strategic sites in the military-industrial complex etc. Russia is on the receiving end of transnational threats such as narcotics trafficking, weapons smuggling, transnational crimes and terrorism that come from Central Asia²².

That is why Russia wants to maintain the status quo in the Central Asia Republics. Stability means avoiding any spill over effects. Conflicts in Central Asia would create a power vacuum that could develop security challenges for Russia.

On the bilateral level, Moscow is again a first-order strategic and military ally. The Kremlin has made a show of its abiding political support for the Central Asian regimes, a rapprochement facilitated by the common struggle against the so-called 'Islamist threat'²³. In exchange for the Kremlin's backing of their fight against the Islamic Movement of Uzbekistan and Hizbut-Tahrir the states of Central Asia have agreed to support Russia in its war in Chechnya. The 'colored revolutions' in Georgia in 2003, in Ukraine in 2004 and in Kyrgyzstan in 2005 further strengthened this political rapprochement.

Russia's weight in Central Asia does not depend solely upon global geopolitical and financial redistributions – it also relies on domestic factors. As part of a broader historical movement, the current demographic crisis, the depopulation of Siberia and the general 're-centering' of Russia around the European regions of the country signal a historic retreat for Moscow that will inevitably affect its presence in Central Asia. The Russian state also has difficulties in conceiving the impact that a massive intake of Central Asian workers might have on Russia and, moreover, how the rise of xenophobia and Islamophobia in Russian society might change its relationship with Central Asia²⁴.

²¹ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 49, October 2009, Institute for Security & Development Policy, http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

²² "Russia: The Traditional Hegemon in Central Asia", Roy Sultan Khan Bhatti, page 52, Perceptions, Autumn 2008, <http://sam.gov.tr/wp-content/uploads/2012/01/Roj-Sultan.pdf>.

²³ "Russia in Central Asia: Old History, New Challenges?", Marlène Laruelle, page 5, EUCAM Working Paper No. 3, September 2009, <http://www.ceps.be/book/russia-central-asia-old-history-new-challenges>.

²⁴ "Russia in Central Asia: Old History, New Challenges?", Marlène Laruelle, page 9, EUCAM Working Paper No. 3, September 2009, <http://www.ceps.be/book/russia-central-asia-old-history-new-challenges>.

The growing influence of China

For a long time, Russia considered the US its main rival in the region. Over the last few years, however, Russian experts have increasingly shown more concern about the growing influence of China. China's growing strategic ambition has been revealed under the pretense of Shanghai Cooperation Organization (SCO), a six-member group founded in 2001 that includes China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan and aimed to enhance security cooperation between its members. As of late, SCO has expanded its scope to cover economic, cultural, and other forms of cooperation.

China is trying not to disturb Russia and show respect for Russia's dominance in the area, seeing it as beneficial for the security of the region²⁵. Both China and Russia share a common interest in preserving the political status quo in Central Asia. Both consider the established regimes to be stabilizing elements.

For China, it is vital for its great source of energy, minerals and also a critical partner for stabilizing and developing the Xinjiang province that has Uighur population, Turkic language and Islamic faith. The Central Asian states proved to be highly sensitive to Beijing's concerns and chose to cooperate in the struggle against the 'three evils' of separatism, extremism and terrorism. That became one of the pillars of the Shanghai Cooperation Organization.

Russia is much more active on security issues, but it is more interested in combating drug trafficking than the separatist and terrorist groups that worry China. Although there is some overlap, since drug trafficking is an important source of finance for terrorist groups, the difference in priorities makes it hard for China and Russia to find common interests on which to work together.

However, while the Central Asian states welcome the opportunity to diversify their trade away from Russia, they are also wary of China²⁶. According to a recent poll, an overwhelming majority of Kyrgyz and Kazakhs saw Russia as a friend and China as a threat. In the aftermath of the ouster of President Bakiyev in 2010, people in Bishkek looted Chinese, not Russian, shops. In Kazakhstan and Tajikistan, the news about the possible lease of land to Chinese farmers sparked anti-government protests. With public opinion against it, China is in no position to outflank Russia and become the leader in the region in the medium term.

²⁵ "The Impact of the global economic crisis on Central Asia and its implications for the EU engagement", Nargis Kassenova, page 9, EUCAM Working Paper No. 5, October 2009, <http://www.ceps.be/book/impact-global-economic-crisis-central-asia-and-its-implications-eu-engagement>.

²⁶ "Dealing with a Post-BRIC Russia", Ben Judah, Jana Kobzova and Nicu Popescu, November 2011, page 27; European Council on Foreign Relations; http://ecfr.eu/page/-/ECFR44_POST-BRIC_RUSSIA.pdf.

Despite such wariness in Central Asia, the lures of economic and political benefits of a partnership with China are irresistible and are increasingly constraining Russian power.

The stakes of maintaining a stable, secure business environment in Xinjiang and Central Asia rise with every new investment. In the coming years several factors as ethnic tensions in Xinjiang or the U.S. withdrawal from Afghanistan in 2014 will threaten to undermine the relative stability achieved during the 2000s. As Beijing's energy and mining interests throughout its western periphery increase, it will seek to buffer against such risks by enhancing regional security cooperation and tightening control over its borderlands²⁷.

V. South Caucasus and the Caspian Sea Region

How to get Caspian energy to the West

The most important new energy resources in Eurasia are located in the Caspian basin in Central Asia. With Russia to the north, Afghanistan on the border (in permanent civil war) and Iran to the South (with bad relations with the West) there are not so many options for exploiting these resources.

If a pipeline could be built that could transport Caspian energy resources to the West it would create a critical new source of supply to vast regions that are ever more hungry for oil. Even though the total reserves of the Caspian basin pale by comparison with those of the Persian Gulf region, they are hugely important. If such a pipeline could be constructed, it would provide the newly independent states of the Caucasus and Central Asia a degree of control over the export of their most valuable commodity that they would not otherwise have.

As the issue of extracting and exporting the major energy resources of the Caspian sea basin arose in the mid-1990s, three major options were under consideration (as far as oil was concerned): through the Russian system to the North or by sea; the Iranian option to the South; and finally, the U.S.-supported concept of multiple pipelines, that sought to prevent any actor from a monopoly over the export of the Caspian energy resources

In the present-day development it's clear that Iran's stakes in Caspian energy extraction are low. No major pipeline is likely to transit Iran in the foreseeable future, especially in the absence of a change of regime in Tehran. Minor deals are being conducted and may increase in quantity, but thanks in

²⁷ "China's Ambitions in Xinjiang and Central Asia: Part 2", Stratfor, October 1, 2013, <http://www.stratfor.com/sample/analysis/chinas-ambitions-xinjiang-and-central-asia-part-2>.

great part to its refusal to compromise on the status of the Caspian Sea, Iran is gradually forfeiting its chances to be a serious player in Caspian energy sector. Russia realized in the late 1990s that it was losing opportunities by opposing the sectoral delimitation of the Caspian and as a result changed its policy.

The majority of Caspian hydrocarbon resources will continue to transit for the foreseeable future through Russia. But an important challenge that complicates oil transportation by sea from the Caspian region is the fact that the prime southern Russian oil export route, the port of Novorossiysk (as well as routes using the Georgian Black Sea ports of Batumi and Supsa, and the Ukrainian port of Odessa), requires tanker transits through the Bosphorus Strait. The Bosphorus slices through the center of Istanbul, a city of twelve million inhabitants that has been designated by UNESCO as a World Heritage Site²⁸ and is already a crowded place.

Another option is a pipeline system. Caspian states had existed previously as a part of a unified Soviet oil and gas industry. The transportation infrastructure reflected this fact, giving Russia a monopoly over the Caspian countries' access to foreign markets. Infrastructure was positioned on a "North-South" axis, directed towards Moscow, the former Soviet centre. The Russian government pushed for the entirety of Azerbaijani and Kazakh oil production to be sent to markets via Russian networks (whether existing or newly-created) so that it maintained its monopoly over these countries' political and economic future.

Another channel to transport resources from this area it is via Azerbaijan and Georgia to the Black Sea and to the Mediterranean Sea via Turkey. In the 1990s, the U.S. supported the concept of multiple pipelines that sought to prevent any actor from a monopoly over the export of the Caspian energy resources.

Russia-US competition

For the West, the South Caucasus forms the hub of an evolving geostrategic and geo-economic system that stretches from Europe to Central Asia and Afghanistan. It provides unique transit corridors for Caspian energy supplies and Central Asian commodities to the Euro-Atlantic community and, now, a direct access for allied forces to bases and operational theaters in the Greater Middle East and Central Asia²⁹.

²⁸ "The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West", Edited by S. Frederick Starr & Svante E. Cornell, page 40, Central Asia-Caucasus Institute, Silk Road Studies Program, 2005, <http://www.silkroadstudies.org/new/inside/publications/BTC.pdf>.

²⁹ "The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West", Edited by S. Frederick Starr & Svante E. Cornell, page 27, Central Asia-Caucasus Institute, Silk Road Studies Program, 2005, <http://www.silkroadstudies.org/new/inside/publications/BTC.pdf>.

As a strategically central region, the South Caucasus has been a focal point of Russian-US competition throughout the post-Soviet period. In addition, the region has been plagued by a number of major conflicts that have been exacerbated by the US-Russian competition³⁰.

In the post-imperial era many Russian politicians still dream to revive their country's dominion in the Caspian basin so they vehemently denounced the notion of a direct east-west pipeline independent of their control as an unwarranted curtailment of their natural rights in the South Caucasus. They have repeatedly made it very clear that they seek to oppose the western orientation of Azerbaijan and Georgia. The Russian government pushed for the entirety of Azerbaijani and Kazakh oil production to be sent to markets via Russian networks.

Moscow would like to see Georgia and Azerbaijan cutting their military and security cooperation with the West and to build a North-South transportation corridor connecting Iran and Russia via the South Caucasus, at the expense of an East-West corridor³¹.

Georgia in particular became a target for Russian pressure. Russia responds 'adequately' to every move Georgia makes towards integration into western structures. Russia has been accused of creating problems on this route from the Caspian basin via Azerbaijan and Georgia to the Mediterranean. Since September 1999, the new Russian prime minister initiated a consistent policy of undermining Georgian independence, provoking different movements in the enclaves of Abkhazia and South Ossetia, and it resulted in the Russian-Georgian war in August 2008³². The reason was the geographical or, more properly, the geopolitical position of Georgia. Of the three states of the South Caucasus, Georgia's location is especially strategically vital since it is the only state with sea access and thus is key to control of the entire landlocked region of the Caucasus and Central Asia.

The most important project on the East-West corridor is the Baku-Tbilisi-Ceyhan pipeline, formally commissioned in May 2005 in Baku. The Russian government perceived the BTC pipeline to be 'against' Russian interests and opposed the project. The Russian opposition to BTC was taken so seriously

³⁰ "The Transatlantic Partnership and Relations with Russia", Frances G. Burwell and Svante E. Cornell, page 93, 2012, Institute for Security & Development Policy, http://www.isdp.eu/images/stories/isdp-main-pdf/2012_burwell-cornell_transatlantic-partnership.pdf.

³¹ "The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West", Edited by S. Frederick Starr & Svante E. Cornell, page 27, Central Asia-Caucasus Institute, Silk Road Studies Program. 2005, <http://www.silkroadstudies.org/new/inside/publications/BTC.pdf>.

³² "Russia's economic relations with Europe including energy security", Chairman: Silvana Malle, Discussion Leaders: Andrei Illarionov and Philip Hanson, page 6, European Conscience and Communism, Russia's Economic Relations with Europe, Centre for Research into Post-Communist Economies, <http://www.crce.org.uk/publications/colloquium%20webbook/2nd%20Part%20-Russia%27s%20economic%20relations....pdf>.

by the Turkish government that, in order to reduce bilateral tensions, it agreed to the massive Blue Stream gas pipeline which is to transport annually 16 bcm of Russian gas under the Black Sea to Turkey³³.

VI. European Union

Different views

Russia's foreign policy officials openly question the EU's values agenda and draw a distinction between Moscow's view of the international order – strong sovereign states cooperating within a multipolar world system – and what they present as the failed 'postmodernism' of the European project. The focus is thus on Russia as a sovereign great power and on its exclusion from the 'European project', if not from the broader European civilization³⁴.

Russia's political elite perceives that the foreign policy influence of the EU is waning in the international arena. This is the result of the problems related to a common foreign and security policy and the fact that the core member states, especially France and Germany, are moving away from a common foreign and security policy to seek their own bilateral solutions.

A leaked Russian Ministry of Foreign Affairs (MFA) document, which appeared in 2010, emphasized the importance of using friendly countries, especially the French-German 'tandem' within the EU, to achieve progress in major security issues. Popular in the Russian press is the idea of a French-German-Russian 'troika' pulling Europe along in place of a Commission incapable of acting according to strategic vision³⁵.

Russia resents the current European security architecture, dominated by the EU and NATO. In 2008, 'Foreign Policy Concept', the first major security document, was the first document to explicitly propose changing the existing European security architecture by creating a regional collective security and cooperation system, while rejecting a further expansion of NATO.

In the past decade a kind of competition was seen to emerge between Moscow and Brussels in putting forward different offers to the states in the

³³ "The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West", Edited by S. Frederick Starr & Svante E. Cornell, page 115, Central Asia-Caucasus Institute, Silk Road Studies Program, 2005, <http://www.silkroadstudies.org/new/inside/publications/BTC.pdf>.

³⁴ "Study: The EU – Russia relations, The shared neighbourhood: an overview", page 6, European Parliament, Policy Department, March 2011, <http://www.europarl.europa.eu/activities/committees/studies.do?language=EN>.

³⁵ "Study: The EU – Russia relations, The shared neighbourhood: an overview", page 8, European Parliament, Policy Department, March 2011, <http://www.europarl.europa.eu/activities/committees/studies.do?language=EN>.

region³⁶. In the 2000s tensions evolved first and foremost around security issues, related to NATO enlargement. Today the disagreement seems to stem from the competing trade integration schemes, namely the Customs Union (CU) and the Single Economic Space (SES) promoted by Moscow, on the one hand, and the Association Agreements and Deep and Comprehensive Free Trade Agreements offered by the EU, on the other.

The key drivers of the relationship at present are, for Brussels, securing binding Russian commitments on energy, trade and security, particularly through the new EU-Russia agreement that is to succeed the 1994 Partnership and Cooperation Agreement (PCA); and for Russia, securing Europe's contribution to the modernization program promoted by former President Dmitrii Medvedev and a simplified visa regime with the prospect of introducing visa-free travel in the near future³⁷.

The energy issue

The European Project was about economic and cultural integration, and was aimed at making old Europe competitive in the contemporary world. A market of 500 million people, a common currency, and the free movement of goods, capital and people were designed to make Europe attractive for business and people, and globally competitive in the run with the U.S. and China³⁸.

"Energy" had been chosen at the Paris EU-Russia Summit of 30 October 2000 as the most positive component in bilateral relations that would help to lead our common European continent into deeper integration. However, over the last ten years, energy relations between the EU and the Russian Federation have been subject to considerable media exposure. In some cases, both sides had to note their different positions.

Over the past half century, Russia has been a vital supplier of energy to the EU. But if Russia is important to the EU, then the EU, as a neighbor with half a billion energy consumers in a unified internal market, is just as important to Russia.

Russia's growing economic power it is based on its hydro-carbon resources. Economically, due to its dependence on its exports of hydrocarbons, of which a considerable part is engineered for Europe, we can say that Russia

³⁶ "Russia's neighbourhood policy", by Andrei Zagorski, 14 February 2012, European Union Institute for Security Studies, <http://www.iss.europa.eu/publications/detail/article/russias-neighbourhood-policy/>.

³⁷ "Study: The EU – Russia relations, The shared neighbourhood: an overview", page 6, European Parliament, Policy Department, March 2011, <http://www.europarl.europa.eu/activities/committees/studies.do?language=EN>.

³⁸ The European Project And Geopolitics of Energy, Sergiy Korsunsky, page 92, Turkish Policy Quarterly, Vol. 11 Nr. 1; <http://www.turkishpolicy.com/dosyalar/files/2012-1-SergiyKorsunsky.pdf>.

depends more on the EU than vice-versa. Because of the size of the European economy and because of the location and distance, Russia may seem stuck with Europe³⁹.

Yet Europe's energy dependency on Russia, its fragmented energy market, and the absence of a common foreign policy have made the EU a weak partner for Russia and created an asymmetric bilateral relationship. European states such as France, Germany, and Italy have cultivated bilateral energy relations with Russia at the expense of a common energy strategy towards the continent's dependence on Russian gas, thereby undermining one of the EU's fundamental principles, the multilateral decision-making process.

Nowadays Russia's energy policy can affect the economic and political stability of many European countries, including Russia's immediate neighbors, Eastern and Central European members of the EU and NATO. So far, the EU has failed to develop and pursue a real common energy policy, raising questions about whether the individual EU members would rather cherish common goals or pursue their selfish interests.

European gas demand has been growing fast, and currently it is projected to resume its growth after the crisis. Countries like the UK, which currently are not using Russian gas, except very marginally, may well find themselves importing more gas from abroad as North Sea reserves dwindle, and this could quite possibly be from Russia.

Also, Russia represents an important emerging market which is of interest to foreign exporters. European countries in particular have interests in Russia to defend, especially in the oil sector and on the Russian stock market.

VII. Future perspectives

Demographic shifts

Russia's main goal will be to maintain stability domestically while strengthening its position internationally. The debate stemming from the nineteenth-century about whether Russia is a European state with Asian colonies or a specific Eurasian state has now taken on a very concrete form, as a result of the muslim migration⁴⁰.

³⁹ "Russia's economic relations with Europe including energy security", Chairman: Silvana Malle, Discussion Leaders: Andrei Illarionov and Philip Hanson, page 1, European Conscience and Communism, Russia's Economic Relations with Europe, Centre for Research into Post-Communist Economies, <http://www.crce.org.uk/publications/colloquium%20webbook/2nd%20Part%20-Russia%27s%20economic%20relations....pdf>.

⁴⁰ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 74, 78, October 2009, Institute for Security & Development Policy, http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

Russia's Muslim question is underlined by the rapidly changing demographic shifts in the country. While the Slavic Russian population is in rapid decline, the Muslims of Russia are actually projected to increase in numbers. Russia's Muslim population is diversified both in terms of religious belief and practice, and in how it relates to the federal center in Moscow.

Russia has the world's second-largest migrant intake after the United States, but its identity narrative is not one of an immigration country. Russia finds itself in the position of the United States or Canada, but with a narrative inspired by that of West European populist movements, focused on the implicit separation between the "native/indigenous/white population" and "migrants/Muslims." The authorities' refusal to place at the core of public debate the question of the inevitable transformation of the Russian society⁴¹ in the forthcoming decades only reinforces popular nationalism and everyday xenophobia.

The growing xenophobia results in a rise of Islamophobia, despite that this phenomenon has been historically very rare in Russia. The state's endorsement of Orthodoxy as an element of the national identity exacerbates the critique put forward by Muslims concerning the disrespect of state secularism.

The future of Russian domestic politics will be partly determined by the ability of the Kremlin to secure a civic identity to its citizens, which means that the current policy to promote ambiguous nationalist rhetoric will have to be halted. Using the instrument of nationalist mobilization may be a short-term approach to avoid any political challenge, but will, in a more long-term perspective, form a threat to internal stability⁴².

In the field of foreign affairs, Russia's main challenges lie in its neighboring regions, especially the instability of Central Asian countries and the continued efforts on the part of the western CIS countries to break free from Russia's sphere of influence.

Unlike the Customs Union/SES and the CIS free trade agreement, the concept of the Eurasian Union remains vague⁴³ and it is essentially limited to further developing, although it seems that political integration is excluded from Moscow's roadmap. The very vision of a Eurasian Union is based on the expectation that the attractiveness of membership of the SES will grow

⁴¹ "Russia's Gordian Knot, Radical Nationalism, the North Caucasus, and Migration", Marlène Laruelle, PONARS Eurasia Policy Memo No. 163, September 2011, pag 5, http://www.ponarseurasia.org/sites/default/files/policy-memos-pdf/pepm_163.pdf.

⁴² "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 8, October 2009, Institute for Security & Development Policy, http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

⁴³ "Russia's neighbourhood policy", by Andrei Zagorski, 14 February 2012, European Union Institute for Security Studies, <http://www.iss.europa.eu/publications/detail/article/russias-neighbourhood-policy/>.

over time. It is hoped that other states, which are not yet part of the project and have limited their engagement to participation in the CIS free trade agreement, will seek accession to the SES. For Russia, which sought to consolidate its influence in the post-Soviet space, the project is of predominantly political rather than economic value.

The Economy and the Model of Development

It is still an open question whether the superpower from the past will manage to become the global economic force that it strives to be. In 2009 the Russian government adopted a new Russian Energy Strategy to cover the two decades up to the year 2030. However, the document does little to address the various problematic issues besetting the energy sector⁴⁴. Based on the assumption of perpetually growing international demand, the document stresses the importance of energy security and pledges huge investments mainly from private sources in the expansion of production capacities as well as infrastructure and energy efficiency. It would be mistaken, however, to assume that this document will have an impact on the shape of the energy industry and the challenges it faces.

The new version, Energy Strategy 2050 will be equally unrealistic in its assessments and forecasts because governmental control do not allow for an open discussion of the problems undermining Russia's energy sector. The absence of a critical debate results in a lack of ideas on how to restructure the industry and establish a competitive environment. Moreover, the document does not contain the calculation of the amount of investment needed to achieve the goals it identifies, nor does it explain where the money should come from. It does not draw a clear picture of the future production costs for oil, gas and electricity, and of the respective market prices.

The issue of Russia's economic relations is actually the authorities' policies, the Russia's leadership policy. This is not something that can be explained from the position of Russia's national interest, commercial and economic interests. This is why it is difficult to associate these leadership policies with medium and long-term interests of the country. We need to look at the political system of the country and at the sociology of this political regime and identify the group actually in charge of most of the decisions taken on Russia's behalf. It is a very small group⁴⁵.

⁴⁴ "Russian elections and the energy sector – no changes ahead", November 14, 2011, Mikhail Krutikhin European Union, Institute for Security Studies, <http://www.iss.europa.eu/publications/detail/article/russian-elections-and-the-energy-sector-no-changes-ahead/>.

⁴⁵ Russia's economic relations with Europe including energy security, Chairman: Silvana Malle, Discussion Leaders: Andrei Illarionov and Philip Hanson, European Conscience and Communism, Russia's Economic Relations with Europe, Centre for Research into Post-Communist Economies, <http://www.crce.org.uk/publications/colloquium%20webbook/2nd%20Part%20-Russia%27s%20economic%20relations....pdf>.

Few signs today point to Russia altering its use of energy as a political tool, which materialized with Putin's ascendancy to power. The Russian energy-strategy under Putin has essentially consisted of three components: reasserting state-control over the energy sector by dismantling private companies, controlling CIS gas production for domestic consumption and/or re-exports to Europe and, finally, dominating the European market by crowding out other producers, controlling downstream delivery, while maximizing all export outlets⁴⁶.

Russia is still an emerging market. It is a populous country and despite its natural resources or perhaps because of them, the size of the economy is smaller than the large European economies, such as France and Germany. Russia experienced a spectacular economic boom in the 2000s. Increasing oil and gas prices enabled Russia to follow an export-led economic growth model, with increasing revenues coming through the balance of trade. But international oil price shocks have highlighted the inherent weaknesses of the Russian economy.

The Russian government did not expect to be hurt by the market crash in 2008. Russia's GDP shrank by 8.9 percent in 2009. The Russian Central Bank spent a third of its reserves of \$600 billion in a costly attempt to prevent the fall of the ruble.

The Russian economy remains exposed to international slowdown and unstable energy and commodity prices. A fall in oil prices by \$10 brings about a one percentage fall in budget revenues. A new approach to economic development and growth is unfolding, where the scope for private undertaking appears to be broadening and economic diversification away from energy is considered to be necessary⁴⁷. The role of the state in these developments, however, remains paramount and changes so far have followed a top-down approach.

Russia is highly exposed to fluctuations in the global economy and particularly vulnerable to the developments in one single commodity. One flaw of the energy industry is its structure, which is dominated by government-backed monopolies and characterised by discrimination against private businesses, small domestic operators and international players⁴⁸.

⁴⁶ "Gazprom's Monopoly and Nabucco's Potentials: Strategic Decisions for Europe", Nicklas Norling, page 11, SILK ROAD PAPER, November 2007, Central Asia-Caucasus Institute, Silk Road Studies Program, <http://www.silkroadstudies.org/new/docs/Silkroadpapers/2007/0711Nabucco.pdf>.

⁴⁷ "Two Decades of Post-Communist Change in Europe and the CIS: What Has Been Achieved? What Is Still To Be Done?", CRCE Colloquium – September 2011, page 3, The Russian Economy since Communism: The Long View; Chairman: Duncan Allan, Discussion Leaders: Silvana Malle & Philip Hanson; Centre for Research into Post-Communist Economies, <http://www.crce.org.uk/publications/colloquium2011/part1.pdf>.

⁴⁸ "Russian elections and the energy sector – no changes ahead", November 14, 2011, Mikhail Krutikhin European Union, Institute for Security Studies, <http://www.iss.europa.eu/publications/detail/.article/russian-elections-and-the-energy-sector-no-changes-ahead/>.

Another serious problem is the deeply dysfunctional way in which the energy industry is governed. The absence of public scrutiny allows for uncontrolled redistribution of rents among the actors involved in the networks around the political leadership. Also a lot of its production infrastructure is Soviet-era; it is capital-intensive and aging. So the question regarding Russia's role as an energy power is not about the present; the real question is what is going to happen to Russia's energy sector in the future.

A debate on the Russian model of development has recently been instigated⁴⁹. This debate has created the conditions for a number of reforms that should help to modernise and diversify the Russian economy whilst at the same time stimulating an innovation drive. Notably, however, neither the manifesto ('Russia Forward'), nor the successive Presidential public speeches point clearly to the need to improve or upgrade existing institutions. The theory underlying the modernisation drive is that economic growth must come before democracy or, to put it another way, that democracy inevitably follows economic growth.

⁴⁹ "Two Decades of Post-Communist Change in Europe and the CIS: What Has Been Achieved? What Is Still To Be Done?" CRCE Colloquium – September 2011, page 2, The Russian Economy since Communism: The Long View, Chairman: Duncan Allan, Discussion Leaders: Silvana Malle & Philip Hanson, Centre for Research into Post-Comunist Economies, <http://www.crce.org.uk/publications/colloquium2011/part1.pdf>.

Chapter 12

THE EAST-WEST STRATEGIC CORRIDOR: THE CASE OF THE REPUBLIC OF MOLDOVA

OAZU NANTOI

The East-West strategic corridor encompasses a territory that could largely be defined as “ex-Soviet space”. It is obvious that the East-West strategic corridor can become functional only if the participating states will be predictable, stable and sovereign. Until the collapse of the Soviet Union, in 1991, on this space there was an authoritarian political regime that promoted policies aiming at the creation of the “Soviet people”. The “Soviet people” were to become a homogeneous mass. The Soviet economic system was a hyper centralized administrative-command system. The Soviet Union’s center unilaterally decided on the location of various economic objects and subjects. This was also true for the infrastructure of the energy sector (i.e. the gas pipeline system).

The process of disintegration of the Soviet Union, followed by the transformation of the former Soviet republics in independent states demonstrated both the depth of the internal conflicts within the Soviet Union and the severity of the impact that the communist ideology had on the former “Soviet people” – now the citizens of the new states. As a result, the process of transformation of the former Soviet republics into fully sovereign and democratic states is difficult and slow-paced.

Despite the fact that all former Soviet republics declared their intent to make their transition towards democracy and rule of law, their performances are very different. Corruption, the lack of statehood tradition and democratic tradition, ethnic conflicts, and emerging radical religious currents are only a few of the barriers that hamper the state-building processes in the new countries. Some of the former Soviet republics have become authoritarian states ruled by leaders unchanged since Soviet times.

These states did not witness the experience of peaceful power transition after free, fair and democratic elections. These realities present many risks

for the implementation of projects which require cohesion of interests at an interstate level, the domestic political stability of the involved states and long-term investments under a joint effort of several actors.

Meanwhile, the Russian Federation is trying to use its energy resources and control over the gas pipeline systems as a geopolitical weapon. This was proven by the “gas war” between the Russian Federation and Ukraine (2008-2009). As a result the Russian Federation is opposing the creation of new transportation routes for energy resources that would represent an alternative to the ones it controls. Only states that can afford to act independently of the Russian Federation and which are sufficiently resistant to possible challenges and interferences from its side can successfully participate in projects involving the alternative transit of energy resources in the post-Soviet space.

The Republic of Moldova declared its independence on August 27, 1991, when the collapse of the Soviet Union became obvious. Due to its geographical position, the Republic of Moldova cannot claim to play any major role in the implementation of projects that connect the basins of the Black Sea and Caspian Sea. At the same time, the Republic of Moldova is totally dependent on the Russian Federation, primarily the state-owned *Gazprom*, with respect to the supply of natural gas.

The Republic of Moldova faces serious problems in terms of the energy security of the country as a whole. Up to the present (2013) the interconnector of gas transmission networks between the Republic of Moldova and Romania was not constructed. This demonstrates the incompetence of the political class or confirms the efficiency of the Russian lobby within the Republic of Moldova political class. Nevertheless, the Republic of Moldova has a vital interest in the participation of at least one of its neighbor countries – Ukraine or Romania – in projects involving energy resources transit routes. This could reduce in the future its dependence on the Russian Federation for the supply of energy resources.

Moreover, the Republic of Moldova is facing a set of problems that could have a negative impact on the stability of the region. The main problem is the fact that Russian Federation blocked the process of state-building of the Republic of Moldova through the issue known as the “Transnistrian conflict”. After the formal return of Vladimir Putin to Kremlin, the Russian Federation intensified its efforts of tacit annexation of the eastern districts of the Republic of Moldova (the Transnistrian region). The Russian Federation also consistently uses soft power, aiming to undermine the European path of the Republic of Moldova and maintain it in its sphere of influence.

Currently (summer 2013) it is obvious that the Russian Federation makes considerable efforts to ensure that the process of rapprochement between the Republic of Moldova and the European Union will not become irreversible

until the next parliamentary elections (winter 2014/2015) and will try bring to power anti-European political forces during these elections. This competition of geopolitical projects reveals the need for an update and a rigorous analysis of the risks for the Republic of Moldova.

*The main causes of the vulnerability of the Republic of
Moldova's state-building project*

The Republic of Moldova emerged as an independent state because, in legal terms, the Soviet Union was a federal state consisting of a federation subjects defined as “national” Union republics. Even though the Soviet Union had a single citizenship, it also kept track its citizens in terms of ethnicity. At the same time, the “Soviet federation” had a quite non uniform internal structure, based on the ethnic criteria, with various levels of subordination.

Besides the “Union republics”, there were also “autonomous republics”, “autonomous regions” and “autonomous districts”. Moreover, the internal borders between Union republics did not coincide with the borders of the ethnically homogenous areas (this fact was later used to cause regional conflicts during the collapse of the Soviet Union and still continues to create friction between the newly independent states).

The Republic of Moldova is the successor of Moldavian Soviet Socialist Republic (MSSR), which was created after the annexation of Bessarabia by Soviet Union in June 1940. In order to justify its territorial claims on Bessarabia, the Soviet Union's center promoted the idea of a *Moldovan nation*, distinct from Romanians. On October 12, 1921 in Harkiv (then the capital of Ukrainian Soviet Socialist Republic), following indication from the Soviet Union's center, the Moldovan Autonomous Soviet Socialist Republic (MASSR) component of the Ukrainian SSR was established. The Soviet Union claimed that in MASSR / Transnistria “flourished a part of the Moldovan socialist nations”, while in Bessarabia, which was part of Romania, “the other part of Moldovan nation groaned under the occupation of Romanian bourgeois-landlords”.

The maps published in Soviet Union, showed the western border with Romania not on Nistru River, but on the Prut River. The Soviet regime didn't hide at all its plans to use MAASR as a bridgehead for the expansion of Soviet ideology in Romania, especially in Bessarabia.

After the annexation of Bessarabia on June 28, 1940, the Soviet regime could have limited itself to “restore the territorial integrity of MAASR component of Ukrainian SSR”. Such a scenario was not improbable at all since in its ultimatum notes to Romania, the Soviet Union affirmed that Bessarabia

was mainly populated by ethnic Ukrainians. However, the Soviet Union's center decided otherwise and on August 2, 1940, in Moscow, the Law on the establishment of the Moldavian Soviet Socialist Republic component of the Union of Soviet Socialist Republics was adopted. The borders of the new republic were established in an arbitrary manner on November 4, 1940. As a result, the territory of Moldavian SSR was reduced by about 36% (compared to the territory of MAASR comprising left bank of Nistru and Bessarabia). Moldavian SSR had no access to the Black Sea.

At the time when the Republic of Moldova proclaimed its independence, its territory did not identify with any past state and there was no tradition of statehood in the collective memory of the population. At the same time, the majority of native population was forced to accept an artificial ethnical identity, based on *Romanophobia* and *Moldovenism*. After 1940, in the MSSR social segments without which it is impossible to build a functioning state were terminated – intellectuals, civil servants, activists of various political parties, businessmen, etc. The native population was concentrated in rural areas (about 83% of Moldovans), while Chisinau and other cities were deeply “Russified”. In the final years of the Soviet Union, about 35% of the MSSR population, which were ethnic minorities, categorically opposed the idea of the former Soviet Socialist Republic of Moldova's transformation into an independent state. As a result, the state-building process faced serious internal resistance.

The system of government and the capacity of the country to respond to external challenges

The events of April 7, 2009 resulted in the devastation of official governmental buildings (the Parliament and the Presidency), disappearance of the Declaration of Independence, disproportionate response of the law enforcement structures, degrading behavior of the justice system, and the expulsion of the Ambassador of Romania and the introduction of a visa regime for Romanian citizens. These events demonstrated that at that moment the Republic of Moldova was a dysfunctional state which was incapable of ensuring at least its internal stability. On June 10, 2009, after the April events, the Government adopted its Program of Activity. The level of disorientation of the government of the Republic of Moldova at the time can be deduced from the first sentence of that Program: *Program by name but manifest, in essence, this document represents the government's mandate, whose main purpose is to keep the state Republic of Moldova on the map of the world.*

The structure and functions of the state institutions of the Republic of Moldova are largely determined by the Constitution of the Republic of Moldova and the specificity of the local political spectrum.

The Constitution of the Republic of Moldova was adopted by the Parliament on July 29, 1994 and was influenced by the domestic political situation at the time. The political rivalry between the President Mircea Snegur and the speaker of the Parliament Petru Lucinschi was reflected in the distribution of powers between these two institutions set in the Constitution. Initially, the Constitution provided for a semi-presidential system of government.

The President was elected through direct vote for a four-year term. The President had the power to propose to the Parliament for approval the candidature of the prime-minister, after consultations with the parliamentary factions. Due to the fragility of the political class, the Republic of Moldova has changed eight governments in its first ten years.

When the Constitution of the Republic of Moldova was adopted, the country was already facing the issues of the conflict in its eastern districts and illegal Russian military presence. In those circumstances, by adopting the Constitution, the Republic of Moldova proclaimed itself a neutral state (Art. 11), which does not allow the deployment of foreign troops on its territory. The fact is that this article was proposed to be introduced in the Constitution either by agents of influence of the Russian Federation, or it was an expression of the naive expectation that the Russian Federation will evacuate their troops from the Republic of Moldova in exchange for its commitment not to become a NATO member country.

The amendment of the Constitution requires the vote of at least 2/3 of the elected MPs (67 out of 101), with prior approval of the amendments by the Constitutional Court. This procedure assumes that there is a broad national consensus. However, due to the lack of civic and political culture in the society, the amendments to the Constitution have been used as tools of political struggle between different interests/political groups, without taking at all into consideration the issue of the functionality of the state.

The first attempt to amend the Constitution was made by the second President of the Republic of Moldova, Petru Lucinschi, in December 1996. During his the electoral campaign, Petru Lucinschi, voiced several populist and absolutely infeasible promises. Subsequently, in order to justify the striking contrast between promises made and achievements, Petru Lucinschi blamed the lack of necessary competences. The proposal of Petru Lucinschi to amend the Constitution (an exclusive right of the Parliament) in order to broaden the powers of the President provoked a negative reaction from the majority of MPs. At the beginning of the year 2000, "democratic forces" in the Parliament were discussing a joint candidate for the President of the

country in order to compete with Petru Lucinschi and Vladimir Voronin (the President of the Communist Party).

But very soon it became obvious that the “democratic forces” are incapable of identifying a common candidate. As a result, a broad coalition against Petru Lucinschi was formed in the Parliament – uniting the “democratic forces” and the Communist Party. In July 2000, the Constitution was amended in order to not allow Petru Lucinschi to be re-elected for a second term by the direct vote of the citizens – the amendment stipulated that the President of the country was to be elected by the Parliament with a majority of at least 3/5 of the elected MPs (61 out of 101).

However, the same MPs who amended the Constitution were unable to elect a new President under the new provisions of the Constitution. Vladimir Voronin, who controlled the 40 votes of the Communist Party, proposed his own candidature. The other 61 MPs were unable to consolidate their votes for a common candidate. Therefore, at the end of 2000, by Decree of the President Petru Lucinschi, the Parliament was dissolved. In the early parliamentary elections of February 25, 2001, the Communist Party, headed by Vladimir Voronin, obtained a categorical victory – 50,07% of the valid votes or 71 out of the 101 seats in the Parliament. The other three political parties which voted for the constitutional amendments did not succeed in passing the electoral threshold.

The subsequent political developments in the Republic of Moldova have shown that the parliamentary system of government cannot ensure a stable and efficient functioning of the state. In general, the existing system of electing the President can operate either when a single political party dominates the Parliament, and its leader is elected President, or in the absence of deep cleavages and antagonism between parliamentary parties, as well as the existence of a minimum degree of political culture in the society.

In the period 2001-2009 the Communist Party held a comfortable parliamentary majority (71 and 56 seats) which ensured the repeated election of Vladimir Voronin as President in 2001 and 2005. However, the domination of a single party in the absence of democratic traditions and the weakness of the rule of law led to the deterioration of the political situation in the Republic of Moldova. As a result, the parliamentary elections of April 5, 2009, as well as the early parliamentary elections of July 29, 2009 and November 28, 2010, took place under conditions of deep division among the society.

Although in the elections of April 5, 2009, the Communist Party won 60 seats, it failed to get one remaining vote from the other parties in order to elect the President. Due to the inability of the MPs to elect a President the Parliament was dissolved and early parliamentary elections were held again on July 29, 2009 and November 28, 2010. Governmental coalitions created

as a result of these elections did not meet the required number of votes to elect a President, while the opposition represented by the Communist Party rejected any compromise. Only after the separation of a group of MPs from the Communist faction it was possible to elect Nicolae Timofti, on March 16, 2012, as the fourth President of the Republic of Moldova.

It can be concluded that the current system of government in the Republic of Moldova, combined with the specificity of the political process and the level of political culture of the society doesn't guarantee neither the functionality of state structures in general, nor the ability of the state to respond appropriately to external challenges.

The President of the Republic of Moldova has a four year mandate, which means that the issue of the election of the head of state will reappear at the beginning of 2016 – after the parliamentary elections that will take place at the end of the mandate of the Parliament, elected on November 28, 2010.

The issue of amending the Constitution, to guarantee the election of a president, remains unresolved. For the moment Republic of Moldova's political class is unable to take actions based on national consensus in order to improve the constitutional framework of the state.

The capacity of the Republic of Moldova to meet the challenges of national security is affected by the lack of adequate legislation. Parliamentary political parties throughout the existence of the state of the Republic of Moldova did not have a clear position towards the many threats to state security. At a certain moment the parliamentary majority was controlled by political parties that avoided any confrontation with Russian Federation. The representatives of these parties prefer to ignore the fact that Russian Federation committed an act of aggression against the Republic of Moldova in 1992 and that the illegal stationing of Russian military troops on the territory of the Republic of Moldova is an act of military occupation.

For example, immediately after coming to power, the Communist Party signed and ratified a Treaty on Friendship and Cooperation with the Russian Federation which included the notion of "strategic partnership" (with a country that occupies part of the national territory of the Republic of Moldova!).

The illegal stationing of Russian troops in the Republic of Moldova was completely ignored when the National Security Strategy was adopted in 2011¹. Security sector relevant documents adopted in the Republic of Moldova usually contain vague terms, which do not contribute to solving pro-

¹ http://www.google.md/url?sa=t&rct=j&q=&esrc=s&source=.web&cd=1&ved=0CCcQFjAA&url=http%3A%2F%2Fwww.parlament.md%2FLegislationDocument.aspx%3FId%3D4f09e2f7-cc6f-4017-be87-9dc19c942cfb&ei=-YtRUsTCHsSbtQaQwoDADg&usg=AFQjCNFMGcGCiqr-JJoUtmUVZ1soHjFUSQ&sig2=vRfyU6KCNOYknWaeNnJe_g&bvm=bv.53537100,d.Yms .

blems related to national security. As a result, currently, the national legislation in the field is nonfunctional and divorced from the realities facing the state.

A pertaining example in this sense is the Law no. 212 from June 24, 2004, regarding state of emergency, siege and war. This Law is absolutely inapplicable and doesn't ensure the functionality of the state under state of emergency, siege or war. The events on April 7, 2009, during which all of state structures were paralyzed, have demonstrated that the adoption of this law was formal and that it is not applicable. The situation regarding the capacity of the Republic of Moldova to react appropriately and effectively to any destabilization in the Security Zone is even worse.

On January 1, 2012, Vladimir Pisari, a citizen of the Republic of Moldova, was killed by a Russian "peacemaker" on a bridge over Nistru, near the Vadul lui Voda town. However, this crime committed against a citizen of the Republic of Moldova, on the territory of the Republic of Moldova, remained without any response from Chisinau.

The Republic of Moldova doesn't have a legal framework which would ensure the efficient interaction between the President, the Supreme Security Council, the Security and Intelligence Service and the Government. Starting October 2012, for more than ten months the Security and Intelligence Service was headed by an interim Director, due to the fact that the Parliament delayed the decision to approve a Director. In 2012 the reform of the Security and Intelligence Service was announced. However, there is no certainty regarding the outcome of these intentions, given that the national security issue is ignored by the political class as a whole.

The Supreme Security Council is a consultative body which "analyzes the activity of the ministries and other central authorities in the field of national security and presents recommendation to the President of the Republic of Moldova on issues of foreign and domestic policies of the state". However, the Supreme Security Council lacks the capacity to fulfill these functions. Even if the Council concludes on the need for amendments or adoption of certain legislation, the lack of cohesion between the parliamentary parties regarding the main threats to national security prevents action.

The specifics of the political spectrum and political party system

Starting with February 1994, the parliamentary elections were held under the "absolute proportional system" (one county, one constituency). Initially a 4% electoral threshold was established. Subsequently the threshold was

changed repeatedly depending on political circumstances. The quality of the governing coalitions is largely determined by the quality of the political parties in Republic of Moldova.

First, it should be mentioned that all the attempts to revive the “historical parties” (the parties which were active in Bessarabia between 1918 and 1940, when it was part of Romania) failed. At the same time, in the Republic of Moldova there is a local specificity regarding the concepts of “right-wing party” and “left-wing party”.

The distinction is not made by looking at parameters traditional for European political arena such as social policies, taxation etc. Instead the distinction between these two types of parties is usually reduced to clichés regarding the opposite point of view on ethnic identity of the population (*moldovans vs. romanians*), the interpretation of a series of historic events and the geopolitical orientation of the country. The essence of this local specificity is manifested in the attitude towards the incorporation of Bessarabia into the Soviet Union on June 28, 1940.

The representatives of “left-wing” political parties consider that an act of “liberation” by the Soviet Union of the Romanian-occupied Bessarabia had occurred. Meanwhile, representatives of “right-wing” political parties consider that a part of Romania was “occupied” by the Soviet Union. A sociological survey, the Barometer of Public Opinion, conducted by the Institute for Public Policy in May 2010 showed the following distribution of opinions on the issue:

1. Liberation – 27.7%
2. Occupation – 34.2%
3. No answer – 36.6%

Over 50% of interviewed ethnic minorities consider that on June 28, 1940 an act of “liberation” took place, while among Moldovan/Romanian population only 20% support this view. At the same, an opinion poll conducted in April 2013 showed that the Communist Party has a 25% rating among Moldovan/Romanians and 60% rating among the representatives of ethnic minorities.

This data demonstrates that there is an ethno-political polarization in the society. At the same time “left-wing” political parties continue to manipulate a large segment of electorate by using *Romanophobia*.

Republic of Moldova’s declaration of independence coincided with the ruining of the Soviet Union’s social structure. The collapse of the Soviet Union was followed by de-industrialization of the Republic of Moldova and the collapse of collective farms in the rural areas. The majority of citizens of the new state proved to be unprepared and failed to adapt to the new challenges that aroused from the transformation of the Republic of Moldova

into an independent state. Therefore, in the first parliamentary elections of February 1994, the overwhelming majority in the Parliament was obtained by political parties that identified themselves with the Soviet past – the Democratic Agrarian Party (56 seats out of 101), the Socialists' Bloc and the Internationalist Movement "Unity – Edinstvo" (28 seats out of 101). This result confirmed the speculations that the citizens of the Republic of Moldova were not prepared to become citizens of an independent state and lacked the capacity to govern themselves using the tools of political democracy.

The inability of the citizens of Republic of Moldova to adopt a system of values was reflected in the absence of stable and viable political parties in the center of the political spectrum. The case of the Democratic Party of the Republic of Moldova is eloquent. This party, which claims to be a "center-left" party, is a member of the International Socialist Organization as a party with "social-democratic doctrine". In the parliamentary elections of 2001 and 2009 this party was unable to pass the electoral threshold. In 2005 it sent its representatives in the Parliament under the "Democratic Moldova" Electoral Bloc.

Later, in the early parliamentary elections of 2009 and 2010 it passed the electoral threshold mainly due to the notoriety of Marian Lupu, which left the Party of Communists and joined Democratic Party. At the next parliamentary elections, in 2014, the party is again at risk of not being able to pass the 6% electoral threshold due to the fact that Marian Lupu was dismissed from the function of President of the Parliament, which will have a negative impact on the electoral support of Democratic Party.

The electoral system, the lack of local autonomy and the high level of corruption in the society have favored the perpetuation of some negative features, common for all the political parties. Typically political parties are perceived by the voters based not on their doctrine or electoral programs but based on their party leaders. So far, in the Republic of Moldova there are no examples of leadership change within the parties as a result of a transparent process of internal competition and statutory procedures.

As an example, the Communist Party is headed from the time of its formation, in 1993, and up to the present by the same person – Vladimir Voronin. It is certain that his eventual withdrawal from political activity will shake the powerful political position of this party.

The funding of the political parties, especially during electoral campaigns, is made by cash money gathered from the informal economy. This means that all parliamentary parties are obliged to refund the donors from the account of public finances. Without any transparency regarding party funding there is a risk that the electoral process may be influenced by financial injections from other states (in particular, this refers to the Russian Federation).

In the last decade the Republic of Moldova has seen business and politics intertwine. The majority of local experts speak about the oligarchic nature of the political process and the Republic of Moldova as a captured state.

The adoption of a new law on party funding is expected in autumn of 2013. This law should ensure a minimum level of transparency in political party funding. However, due to the existing level of corruption in the society, the impact of the law should be viewed with skepticism.

Political parties and national security

The capacity of the Republic of Moldova to get involved in regional projects that compete with Russian geopolitical interests depends on the level of vulnerability of the state in its relation with the Russian Federation. The Republic of Moldova is facing a series of threats to its national security posed by Russian Federation's policy in the region: the conflict in the eastern districts of the Republic of Moldova ("Transnistrian conflict") and the issue of energy security, primarily determined by the relations between the Republic of Moldova and the Russian state-owned *Gazprom*.

The issue known as the "Transnistrian conflict" is a conflict between the Republic of Moldova's state-building project within internationally recognized borders and Russian geopolitical interests. This definition is confirmed by several documents adopted by international institutions such as the Judgment of the European Court for Human Rights (ECHR) on the Case of Ilascu and Others vs. Republic of Moldova and Russia².

Although the Transnistrian conflict is a direct threat to the national security of the Republic of Moldova, it is obvious that the political class was not and is not able to develop a Plan for its reintegration into the state; consolidate itself and the society around this Plan, and start its implementation. The electoral programs of almost all the local political parties address the issue of Transnistrian schematically, using standard and empty of meaning phrases. Only right-wing parties, which usually do not hold more than 15% of the seats in the Parliament, blame Russian Federation for the initiation and preservation of the conflict. However, like all other parties in the Parliament, they are not able to propose a realistic settlement scenario. At the moment it is virtually impossible to create a parliamentary coalition that would have a common coherent vision regarding restoring the territorial integrity of the Republic of Moldova.

² <http://hudoc.echr.coe.int/sites/eng/pages/search.aspx?i=001-61886#%7B%22itemid%22:%5B%22001-61886%22%5D%7D>.

In its short history, the Republic of Moldova had a period when it was governed by a single political party – between 2001 and 2009 the Communist Party held a comfortable majority in the Parliament. Accordingly, this party didn't need to create coalitions in order to promote certain policies for the settlement of the Transnistrian conflict. Indeed, Vladimir Voronin, the President of the Communist Party and the President of the country between 2001 and 2009, has launched a series of initiatives aiming to restore the territorial integrity of the Republic of Moldova.

These initiatives ranged from appealing for help from Vladimir Putin to obvious antagonism with the Russian Federation. In the first case, it's about the "Kozak Memorandum", whose signing was scheduled for November 25, 2003. The document stipulated the liquidation of the Republic of Moldova as a state and its transformation in a pseudo-state (a dysfunctional confederation-like state consisting of three subjects), with guaranteed Russian military presence for at least 20 years.

The prompt interventions of the United States of America and other foreign partners, mainly the European Union, forced Vladimir Voronin to give up on the idea of signing the document, which was suicidal for Republic of Moldova's statehood. On June 16, 2005, in Vinnytsia, the "Yushchenko Plan" was presented for the settlement of the Transnistrian conflict. The provisions of this Plan were the framework for the Law on the Basic Provisions of the Special Legal Status of the Localities from the Left Bank of the Nistru River³ that was passed on July 22, 2005 by the Parliament of the Republic of Moldova.

However, ultimately the "Yushchenko Plan" remained unfulfilled. In both cases Vladimir Voronin and the Communist Party showed incompetence in terms of understanding the essence of the Transnistrian conflict and the ability to develop a realistic strategy to address the problem.

The issue of the Transnistrian conflict represents a direct threat for the statehood of the Republic of Moldova. So far, the political class did not show competence in dealing with this problem.

The attitude of the political parties towards the prospect of joining NATO

As mentioned above, according to the Constitution, the Republic of Moldova has the status of permanent neutrality. It is evident that the status of permanent neutrality does not solve any problems related to the security of

³ <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=313004>.

the state as long as the Russian Federation defies the sovereignty and territorial integrity of the Republic of Moldova. The Republic of Moldova is a country with an insignificant regional economic and military potential, and its security could only be guaranteed by a collective security system.

On the European continent this role is played by NATO. However, Russia's military operation against Georgia in August 2008 showed that even the unambiguous intent of Georgia to join NATO did not protect it from Russian aggression. In the case of the Republic of Moldova the question remains open whether its rapprochement with NATO has limits in the context of the illegal Russian military presence on its territory.

The relations between the Republic of Moldova and NATO were marked by the lack of competence and cohesion within the local political class. However, on March 16, 1994, in Brussels, at the NATO Headquarters, the Framework Document of the "Partnership for Peace" was signed. On December 16, 1997 the Mission of the Republic of Moldova to NATO was established. Also in 1997, the Republic of Moldova has expanded its cooperation with NATO in the field of science. On June 7, 2005, the President, Vladimir Voronin, visited NATO Headquarters, participating in the meeting of the North Atlantic Council, where the Republic of Moldova stated its intention to adopt an Individual Partnership Action Plan (IPAP).

As a result, the IPAP Republic of Moldova-NATO was adopted by the North Atlantic Council on May 19, 2006 and respectively by the Government of the Republic of Moldova on May 24, 2006. This document sets out a number of important objectives, such as the deepening of cooperation of the Republic of Moldova with European and Euro-Atlantic institutions, the promotion of democratic reforms in various areas, the reform and modernization of the defense and security sector, the strengthening of democratic control of armed forces etc.

It should be mentioned that the phase of closer cooperation between the Republic of Moldova and NATO was determined by the fact that Vladimir Voronin had to position himself and his party as "pro-Western Communists". This shift in geopolitical positioning of the Communist Party occurred after the events of November 25, 2003, when Vladimir Voronin was pressured by United States and European Union to not sign the "Kozak Memorandum". This step was interpreted as a personal offence and treason by Vladimir Putin because previously Vladimir Voronin cosigned each page of this document which totally suited Russian interests.

Later, starting with 2007, the Communist Party and Vladimir Voronin returned to the authoritarian style of governing, which led to a reduction of communication between the Republic of Moldova and NATO. This also had a negative impact on the implementation of the provisions of the IPAP.

Sociological surveys show that there is a correlation between political developments and citizens' attitude towards NATO. Citizens' opinions on how best to ensure the security of the state are dispersed and volatile. When the majority of the political parties is avoiding the subject or insists on the "strategic partnership" with the Russian Federation the issue of joining NATO is not addressed by the mass media. The maximum of citizens' support for the idea of the Republic of Moldova joining NATO (29%) was measured by the opinion polls in December 2005, when the Communist Party showed a maximum openness to the West. The fact is that the number of supporters of Republic of Moldova's accession to NATO could be much higher if the political class would have taken a responsible attitude towards state security and if the subject of accession to NATO would have been systematically addressed by local mass media.

The issue of energy security in the Republic of Moldova

The status of the energy sector of the Republic of Moldova is determined by three main factors:

- The specificity of the Soviet legacy in the energy sector;
- The consequences of the conflict in the eastern districts of the Republic of Moldova;
- The incompetence and corruption of the political class.

Since the East-West Corridor implies alternative routes for the transportation of natural gas, it is necessary to analyze the issue of energy for the Republic of Moldova in terms of ensuring reliable supply at a reasonable price to consumers in the country.

The energy sector of the Republic of Moldova relies on imported energy. Moreover, being geographically located on the south-western outskirts of the former Soviet Union, Republic of Moldova is totally dependent on the natural gas supply coming from a single source: the Russian Federation. After the proclamation of independence there were expectations related to the existence, in the south of the Republic of Moldova, of oil and natural gas deposits. However, the potential of these deposits is extremely small compared to the required volume. Therefore they have no impact on the energy security of the state.

It is obvious that by relying on its own resources the Republic of Moldova cannot change the situation regarding the Russian monopoly on the import

of natural gas. Solving this problem requires huge financial resources and can only be addressed in a regional context. The implementation of such solutions also requires a long-term political will, independent of the Russian Federation's pressure.

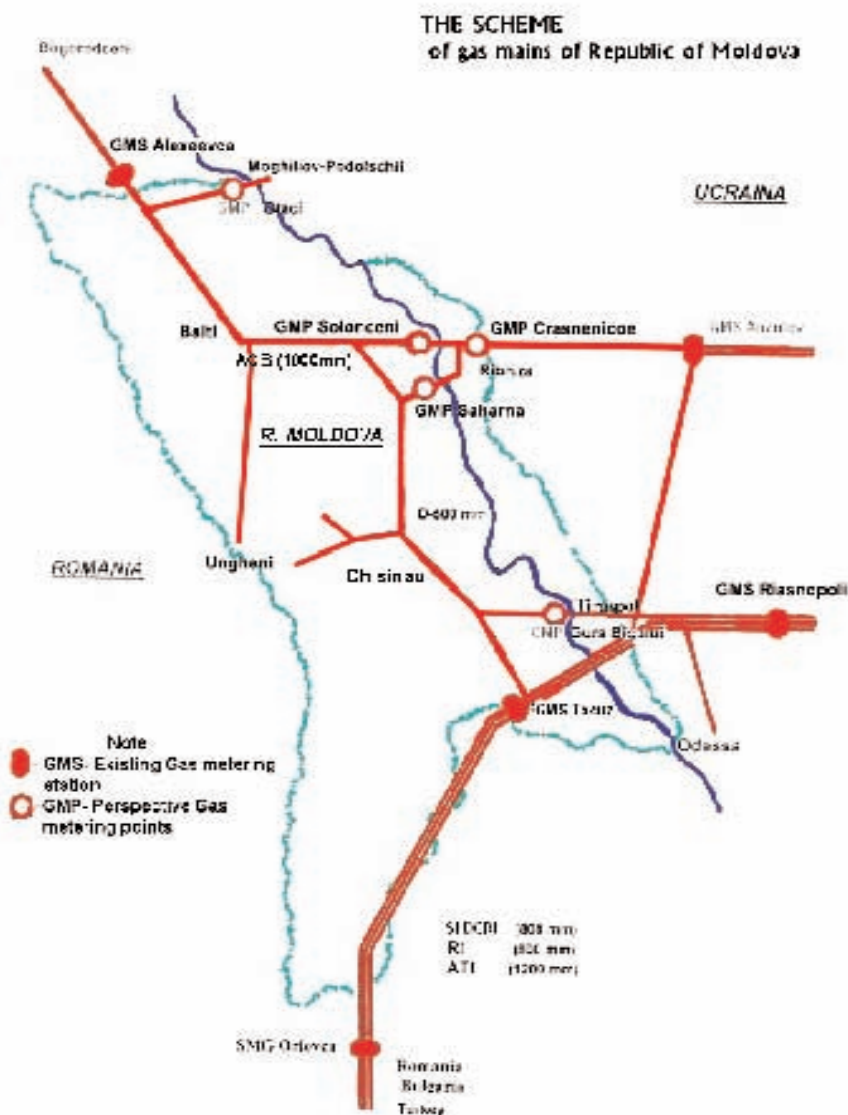
The Republic of Moldova didn't even look for opportunities to associate to different future projects involving Ukraine and Romania, which would allow access to other sources of natural gas. Although the idea of inter-connecting the gas pipeline networks of the Republic of Moldova and Romania appeared almost simultaneously with the independence, and especially after the armed conflict in the Transnistrian region, when Chisinau remained disconnected for a while from any gas sources (summer of 1992), the governments in Chisinau and Bucharest were not consistent enough to implement this intention (the construction of Iasi-Ungheni gas pipeline inter-connector began on August 27, 2013).

The Republic of Moldova inherited from the Soviet Union a gas pipeline system with the following parameters:

Table 1. THE CAPACITY OF THE MAIN GAS PIPELINES CROSSING THE TERRITORY OF THE REPUBLIC OF MOLDOVA⁴

Main gas pipeline	Diameter, mm	Capacity, bln. m ³ /year	Real volume, bln. m ³ /year
<i>To the north, export to Ukraine and Slovakia</i>			
Ananiev-Cernăuți-Bogorodceni	1020	8,72	1,30-2,0
<i>To the south, export to Balkan states</i>			
Șebelinka-Dnepropetrovsk-Krivoi Rog-Ismail	800	15,8	7,3-8,0
Razdelinaia-Ismail	800		
Ananiev-Tiraspol-Ismail	1200	20,0	11,5-13,0
Total	—	44,52	20,0-23,0

⁴ Valentin Arion, *Strategii și politici energetice*, Chișinău, 2004.



After declaring its independence, the Republic of Moldova inherited a relatively well developed network of gas distribution pipelines. At that moment, the Republic of Moldova had a distribution network of 2546 km and was crossed by two systems of main gas pipelines with a length of 580.8 km. Despite the economic difficulties of the time, the development of this network continued. Therefore the internal gas pipelines of low medium and high pressure reached in 1995 the length of about 4100 km. From 2000 to

2007 there were built more than 8000 km of internal gas pipelines with different pressure, worth about 100 million USD. These networks were built with support from the state and are now are owned by the state.

The way in which the assets inherited from Soviet times – gas transportation and distribution network – was used in establishing *Moldova Gaz SA* company had a very serious impact on the energy security of the Republic of Moldova. The changes in the gas sector of the Republic of Moldova took place with obvious violations of the legislation, and in the opinion of several experts⁵, had seriously damaged the energy security of the Republic of Moldova.

On May 18, 1994, by presidential decree, the state company *Moldova Gaz* was created, comprising of 51 gas distribution enterprises. On October 7, 1994 the Government approved the Decision no. 749 according to which *Gazprom* was to hold a share of no less than 51% of the statutory capital.

Loss of control over its own gas pipeline system was legalized by the approval of the Parliament of the Republic of Moldova in 1998 of the restructuring of the state company, *Moldova Gaz*, leading to the creation of *Moldova Gaz Joint Stock Company*⁶, through the merger of the state company *Moldova Gaz* with the joint Moldo-Russian company *Aprogaztranzit* (previously named *Gazsnabtranzit*). The Moldo-Russian company has a statutory capital of 290,6 mln USD, including 78,1 mln USD worth of property on the territory of Transnistrian region. 50% + 1 of the shares were to be held by *Gazprom*, 35.53% by the Government of the Republic of Moldova, 13.44% by *Tiraspolitransgaz* and 1.23% by individual shareholders. Decision no. 1068 of October 21, 1998 compelled the Department of Privatization and Administration of State Property to carry out, in 1999, through an international audit company, the reevaluation of the assets and the gas debt to the suppliers, as well as the rectification of the statutory capital and the founders' share.

For reasons still unclear, the reevaluation didn't take place. Under the conditions of the Contract that established *Moldova Gaz JSC Gazprom* was required pay the debts of the Republic of Moldova for the gas consumed amounting to the value of its 50% quota in the company. However, this also didn't happen. In addition, in 2006, all the shares belonging to *Tiraspolitransgaz* (13.44%) were submitted to the administration of *Gazprom*, which currently controls about 64.44% of *Moldova Gaz JSC*.

The unsolved conflict in the eastern districts of the Republic of Moldova has a particularly serious impact on the energy security of the state. As a

⁵ <http://www.investigatii.md/index.php?art=256&cat=6&editie=>.

⁶ Information about the activity of *Moldova Gaz* can be found on the website of the institution, <http://www.moldovagaz.md/menu/ru/about-company/transportation>). However, the presented information does not reflect the real problems faced by Moldova in this sector.

result of the conflict the Republic of Moldova does not control the situation on the left bank of river Nistru (Transnistrian region). Since 2006, Russian Federation is deliberately allowing the population and businesses in Transnistrian region to pay tariffs 5 to 7 times lower than the real cost of the gas consumed. Furthermore the money collected from the population and businesses are accumulated in a special bank account used to cover the budget deficit of the unconstitutional regime in Transnistria, while the debt for the gas consumed is attributed to *Moldova Gaz*.

In this respect the situation of the Cuciurgan Power Station, which is licensed by National Energy Regulatory Agency of the Republic of Moldova to export electric energy⁷, speaks for itself. The electricity produced using natural gas by this plant (illegally privatized in 2005 by Inter RAO UES⁸ a Russian company), generates a debt to *Gazprom*, which has to be paid by *Moldova Gaz*.

Gazprom tolerates the lack of payments from the authorities in Transnistria. At the same time *Gazprom* repeatedly attempted to make *Moldova Gaz JSC* – its local branch – pay for the debts accumulated by Transnistrian region. In November 2009 and February 2010 *Gazprom* petitioned the International Commercial Arbitration Court of the Chamber of Commerce and Industry of the Russian Federation in an attempt to recover from *Moldova Gaz JSC* the debt for gas supplied in the fourth quarter of 2006 amounting to about 80 mln USD and respectively year 2007 amounting to 288 mln USD.

In 2013 the debt of Transnistrian region to *Gazprom* was announced to be about 4.5 bln USD. The fact is that these figure cannot be regarded as debts between two economic agents (*Gazprom* and *Moldova Gaz JSC*), instead it is about Russian Federation openly supporting the anti-constitutional regime in Transnistrian region, which is economically bankrupt. Even more serious is the fact none of the Republic of Moldova's governments was able to come up with realistic solutions in order to prevent this threatening situation for Chisinau.

Eastern Partnership – a chance to strengthen the Republic of Moldova

On May 7, 2009, at the summit in Prague, the EU launched the Eastern Partnership initiative. This program covers six countries – Belarus, Ukraine, Republic of Moldova, Georgia, Armenia and Azerbaijan. The Republic of

⁷ <http://anre.md/upl/file/licente/Titularii%20de%20licente%20ce%20activeaza%20in%20sectorul%20energiei%20electrice.pdf>.

⁸ <http://www.interrao.ru>.

Moldova is the only one of them that has a pro-European governmental coalition. The coalition was initially formed after the political turmoil in April 2009 and the early parliamentary elections of July 2009, and consolidated its presence following the early parliamentary elections of November 28, 2010.

Pro-European parties' coalition government has been affected by many internal conflicts. The latest of them was marked by the ousting of the Government led by Vlad Filat, the leader of the Liberal Democratic Party, on March 5, 2013, following a vote in the Parliament. However, on May 30, 2013, the crisis ended and a Government headed by Iurie Leanca was voted in. Currently, the Republic of Moldova has concluded negotiations on the Association Agreement with the EU and is expected to initiate it at the Eastern Partnership Summit in Vilnius on November 28-29, 2013.

The partnership between the Republic of Moldova and the EU also gave positive results in the energy sector. In December 2009, the Parliament adopted the Law no. 117 concerning Republic of Moldova's accession to the Energy Community Treaty. As a result, with effect from January 1, 2010, Republic of Moldova became a full member of the Energy Community. Subsequently, in October 2011, the Government signed the Agreement for the implementation of Directives and Regulations of the Third Energy Package. The core elements of the third package include ownership unbundling, which stipulates the separation of companies' generation and sale operations from their supply networks.

These steps taken by the Government bothered *Gazprom*. As a result, a deadlock was created regarding the signing of a new contract for *Gazprom* gas supply to the Republic of Moldova. So far, the contract that expired at the end of 2011 is prolonged annually. At the same time, there is no sign that the Government has a clear-cut position regarding the resolution of all the problems that have accumulated in the relations between the Republic of Moldova and *Gazprom*.

However, on August 27, 2013, the construction of the gas pipeline Iasi (Romania) – Ungheni (Republic of Moldova) officially started. This project will also be funded by the EU Commission. The construction of this pipeline alone doesn't solve Republic of Moldova's energy security problems. In order to achieve that, at least three more costly projects are required. It is necessary to build a pumping station (the pressure in the pipeline system in Romania is lower than in the Republic of Moldova), to build the gas pipeline Ungheni-Chisinau and to increase the capacity of several main Romanian gas pipelines. Nevertheless, the process began, even if with a twenty years delay.

Victor Ponta, the prime-minister of Romania, attending the inauguration of the Iasi-Ungheni gas pipeline's construction site, said that by 2018 Roma-

nia wants to secure its energy independence and, in case of necessity, to be able to cover in full the natural gas demand from the Republic of Moldova. The actions undertaken by Ukraine in order to reduce its dependence on gas supplies from Russian Federation also offer prospects for situation change in the region in terms of the *Gazprom* monopoly.

Conclusions

1. The Republic of Moldova is a weak state, with a part of its national territory (Transnistrian region) illegally occupied by the Russian Federation;
2. At the moment the Republic of Moldova is not capable to ensure its energy security, nor it has the capacities to participate as an independent actor in regional energy projects;
3. Republic of Moldova – EU Partnership is the only solution for strengthening the rule of law, fighting corruption and the ensuring sustainable economic growth of the country;
4. If Ukraine will sign the Association Agreement at the Eastern Partnership Summit in Vilnius and the Republic of Moldova will sign and ratify the Association Agreement in 2014, preconditions will be met for the settlement of the Transnistrian conflict by the step-by-step embedding region on the left bank of Nistru in to the socio-economic and political space of the Republic of Moldova;
5. Only when the European path of the Republic of Moldova will become irreversible, will the country become a sufficiently independent and predictable actor, able to participate in regional energy policy making, including through such mechanism as the East-West strategic corridor.

Chapter 13

THE EAST-WEST STRATEGIC CORRIDOR FROM CENTRAL ASIA TO EUROPE AND UKRAINE'S INTERESTS

VOLODYMYR NOVOROTSKY

Strategic review of the Central Asia region

The Central Asia region occupies a special place on the current world's geopolitical map. The collapse of the Soviet Union had a crucial impact on the development of the region. The rich deposits of energy resources and the political consistency created good preconditions for the new independent states to become significant actors in international relations and promote the growth of the geopolitical potential of the region.

However, the strategic position of the region had been the subject of geopolitical studies long before the dramatic changes of the early 1990s. In 1904 the British scientist Helford Mackinder, in his outstanding speech "*The Geographical Pivot of History*", submitted to the Royal Geographical Society, highlighted the unique geopolitical and historical role of the North Eastern part of Eurasia (including the Central Asia region).¹ According to Mackinder, the strategic value of the region consisted in the rich deposits of natural resources and the advantageous geographical position protected by deserts, mountains and the Arctic Ocean from a hypothetical military invasion by maritime powers, especially Great Britain.

In his later work "*Democratic Ideals and Reality*" Mackinder named the abovementioned region "*Heartland*" which was the core of the World-Island formed by the continents of Eurasia and Africa. According to the British scientist, the *Heartland* plays the key role in the world's geopolitical affairs

¹ Mackinder H. The Geographical Pivot of the History // The Geographical Journal, Vol. 23, No 4 (Apr. 1904), pp. 421-437.

because "... *Who rules the Heartland commands the World-Island: Who rules the World-Island commands the World*".²

In contrast to Mackinder, the classic of the American geopolitical studies, Nicolas J. Spykman, suggested that the *Hartland's* key role in geopolitics was overestimated. According to Spykman, the boundary areas of the continent are more important for the realization of the strategic objectives than Central ones. He proposes the new geopolitical term "*Rimland*" to define the rim surrounding the *Heartland* from the West, the South and the Southeast. *Rimland* includes the territories of the Western and Central Europe, Turkey, Iran, Saudi Arabia, Iraq, Pakistan, India, China and the Far East states.

Spykman modernized Mackinder's conceptual dictum in the following way: "*Who controls the Rimland rules Eurasia; who rules Eurasia controls the destiny of the world*".³ Nevertheless Spykman admits the exclusive geopolitical potential of the Central Asia region which is surrounded by the *Rimland* and, due to its position, can connect different parts of the *Rimland*.

Central Asia's impact on the regional and global security systems was highlighted by Samuel P. Huntington, one of the most prominent representatives of the civilization studies in the theory of international relations. According to Huntington, being situated on the periphery of the Islamic civilization, the Central Asia region borders the Sinic (Chinese) and Buddhist civilizations from the East and Orthodox civilization from the North West.

Huntington suggests that the civilization factor will be the dominant feature of future conflicts in international relation. "*Nation states will remain the most powerful actors in world affairs, but the principal conflicts of global politics will occur between nations and groups of different civilizations. The clash of civilizations will dominate global politics. The fault lines between civilizations will be the battle lines in the future. Conflicts between civilizations will be the latest phase in evolution of conflict in modern world*", argues Huntington in his classical work "*The Clash of Civilizations?*".⁴

Not overestimating Huntington's civilization theory, it is worth being stressed that national and cultural factors remain a solid catalysts for the escalation of conflicts. Thus, the military, political, economical and social stability in Central Asia, as well as in the other regions situated near the fault lines between the civilizations, is one of the key elements in ensuring security at both the wider regional and global levels.

Zbigniew Brzezinski, a legendary American geostrategist, also pays attention to the issue of the evolution of conflicts in Central Asia. In his out-

² Mackinder H. *Democratic Ideals and reality*, New-York, Holt, 1919, p. 106.

³ Spykman N., Nicholl H. *The Geography of Peace*, New-York, Harcourt Brace and Company, 1944, p. 43.

⁴ Huntington S. *The Clash of Civilizations?* // *Foreign Affairs*, Vol. 72, No 3, Summer 1993, p. 22.

standing work *"The Grand Chessboard: American Strategy and Its Geostrategic Imperatives"* Brzezinski proposes a new geopolitical term, the *"Eurasian Balkans"*, to identify a region which includes nine countries: Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, Tajikistan, Azerbaijan, Georgia, Armenia and Afghanistan.⁵ According to Brzezinski, *the Eurasian Balkans* form the inner part of a large geographical oblong *"that demarcates Central zone of global instability ... and that embraces portions of southeastern Europe, Central Asia and parts of South Asia, the Persian Gulf area, and the Middle East"*.⁶

The mosaic character of the ethnic structure of the countries turned the region into the cauldron of the ethnic confrontations, territorial disputes and military conflicts. The main source of regional tensions is concentrated in the Fergana Valley, a multiethnic, highly populated region situated on the border of Uzbekistan, Kyrgyzstan and Tajikistan. Since the beginning of the 1990s a number of ethnic conflicts with different intensities broke out in the Fergana Valley, involving both ethnic and national actors. Most of these conflicts are deescalated now, but they still remain in the latent phase. Unsettled territorial disputes between countries increase the degree of tension and catalyze the turning of Fergana Valley into a tinder box at a regional scale.

However, Brzezinski admits the significant geopolitical role of the Central Asia region. *"The Eurasian Balkans, astride the inevitably emerging transportation network meant to link more directly Eurasia's richest and most industrious western and eastern extremities, are also geopolitically significant ... the Eurasian Balkans are infinitely more important as a potential economic prize: an enormous concentration of natural gas and oil reserves is located in the region, in addition to important minerals, including gold"*, notes Brzezinski.⁷

Rich deposits of the energy resources are among the main determinants of the geopolitical potential of the Central Asia region. The American scientists Geoffrey Kemp and Robert Harkavy elaborated the theory of the *"strategic energy ellipse"* stretching from the Caspian Basin to the southern part of the Arabian Peninsula via the Persian Gulf.⁸ The *strategic energy ellipse*, which among others unites the Caspian regions of Kazakhstan, Uzbekistan and Turkmenistan, contains over 70% of the world's proven oil reserves and over 40% of the natural gas reserves. It describes the *strategic energy ellipse* as a

⁵ Brzezinski Z. *The Grand Chessboard: American Strategy and Its Geostrategic Imperatives*, New-York, Basic Books, 1997, p. 125.

⁶ *Ibid.*, p. 123.

⁷ Brzezinski Z. *The Grand Chessboard: American Strategy and Its Geostrategic Imperatives*, New-York, Basic Books, 1997, p. 124.

⁸ Kemp G., Harkavy R. *Strategic Geography and Changing Middle East*, Washington, Brookings Institution Press, 1997, 493 p.

key region for the future development of the world political and economical affairs.

According to the data provided by *BP P.L.C.*, three Central Asian countries Kazakhstan, Uzbekistan and Turkmenistan provide together about 2.4% of the global oil production.⁹ The *OEDC* estimates that Kazakhstan holds more than 60 years of oil reserves.¹⁰

Turkmenistan is among the world's leaders in deposits of the natural gas. As of 2012 Turkmenistan's share of the total proven reserves of natural gas was about 9.3%¹¹. According to the *OEDC*'s estimations Turkmenistan holds nearly 220 years of natural gas reserves.¹² Kazakhstan and Uzbekistan hold together nearly 1.5% of the total global proven reserves of natural gas.¹³

Kazakhstan is rich in coal deposits. It holds 3.9% of all proven reserves.¹⁴ Kazakhstan is also the world's largest uranium producer with about 37% of world production and continually increases the national overall production in this sphere.¹⁵ Kazakhstan has the richest proven deposits of zinc, wolfram and barium sulphate and remains among the world leaders in deposits of silver, lead, chromites, cooper and fluorite.¹⁶

The region is rich in gold deposits, especially the territories of Kazakhstan and Uzbekistan.¹⁷ The Kumtor goldmine in Kyrgyzstan is the 8-th largest goldmine in the world.¹⁸ There are also rich reserves of iodine (Uzbekistan, Turkmenistan), mercury (Kyrgyzstan), molybdenum (Kyrgyzstan, Uzbekistan), antimony (Tajikistan) etc.¹⁹ At the same time, the agricultural sphere occupies great shares of the GDP of Central Asia countries.

⁹ BP Statistical Review of World Energy. June 2013 // Bp, http://www.bp.com/content/dam/bp/pdf/statistical-review/statistical_review_of_world_energy_2013.pdf.

¹⁰ Farra F., Birgio C., Cerbov M. The Competiveness Potential of Central Asia // Organization for Economic Coooperation and Development, <http://www.oecd.org/daf/psd/46974002.pdf>.

¹¹ BP Statistical Review of World Energy . June 2013 // Bp, http://www.bp.com/content/dam/bp/pdf/statistical-review/statisticalreview_of_world_energy2013.pdf.

¹² Farra F., Birgio C., Cerbov M. The Competiveness Potential of Central Asia // Organization for Economic Coooperation and Development, <http://www.oecd.org/daf/psd/46974002.pdf>.

¹³ BP Statistical Review of World Energy. June 2013 // Bp, http://www.bp.com/content/dam/bp/pdf/statistical-review/statisticalreview_of_world_energy_2013.pdf.

¹⁴ *Ibid.*

¹⁵ Basov V. Kazakhstan Reinforcing Its Leadership in the Global Uranium Race // MINING.com. Global Mining News, <http://www.mining.com/kazakhstan-reinforcing-its-leadership-in-the-global-uranium-race-95557/>.

¹⁶ Investment Climate and Market Structure Review in the Energy Sector of Kazakhstan // Energy Charter, http://www.encharter.org/fileadmin/user_upload/Publications/Kazakhstan_ICMS_2013_ENG.pdf.

¹⁷ Mineral Commodity Summaries 2013 // US Geological Survey, <http://minerals.usgs.gov/minerals/pubs/mcs/2013/mcs2013.pdf>.

¹⁸ Farra F., Birgio C., Cerbov M. The Competiveness Potential of Central Asia // Organization for Economic Coooperation and Development, <http://www.oecd.org/daf/psd/46974002.pdf>.

¹⁹ Mineral Commodity Summaries 2013 // US Geological Survey, <http://minerals.usgs.gov/minerals/pubs/mcs/2013/mcs2013.pdf>.

Energy resources are the decisive factor of the economical development of Central Asia countries. According to the global research “*The World in 2050*”, provided by HSBC, Kazakhstan, Uzbekistan and Turkmenistan are on the list of fast-growth countries for the period until 2050, with respect to their economical potentials.²⁰ At the same time, the governments of Kyrgyzstan and Tajikistan permanently face the problems of poverty and unemployment within their population.

Central Asia countries demonstrate sustainable growth in the *Human Development Index (HDI)* composite statistical analysis of life expectancy, education and income indices, provided by the United Nations’ annual Human development reports. Nevertheless, the HDIs of Central Asian countries remain comparatively low. According to the Human Development Report 2013 only Kazakhstan occupies a place in the list of the countries with a high human development (69 in the total rating). Turkmenistan (102), Uzbekistan (114), Kyrgyzstan (125-126) and Tajikistan (125-126) are among the countries with a *medium human development*.²¹

All Central Asia countries are governed by authoritarian regimes. Nursultan Nazarbyev and Islam Karimov have been ruling Kazakhstan and Uzbekistan since their declarations of the independence in 1991. Emomalii Rahmon has been occupying the post of the President of Tajikistan since 1994. Gurbanguly Berdimuhamedow has been the President of Turkmenistan since 2006 after the death of the first President Saparmurat Niyazov, who was proclaimed the *President for Life*. In this sense Kyrgyzstan differs from the other Central Asia countries because there is some kind of inconsistency. In 2005 and 2010 revolutions that ended with the overthrowing of the ruling presidential regimes took place in Kyrgyzstan.

Centralized power, closed political elites, total domination of the ruling party, weak opposition and the violation of human political rights are the inalienable elements of the political system of every Central Asia country. According to the report *Freedom in the World 2013*, prepared by *Freedom House*, Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan and Kyrgyzstan are admitted as *not free countries*.²² Additionally, according to the *Democracy Index*, provided by *The Economist*, Central Asia countries are among the *authoritarian regimes* and demonstrate comparatively low scores in cate-

²⁰ The World in 2050. From the Top 30 to the Top 100 // Exhibition Pilot, <http://www.exhibitionpilot.com/sites/default/files/pdf/The%20World%20in%202050%20Top%2030%20to%20100.pdf>.

²¹ Human Development Report 2013. The Rise of the South: Human Progress in a Diverse World // UNDP, http://hdr.undp.org/en/media/HDR_2013_EN_complete.pdf.

²² Freedom in the World 2013. Democratic Breakthroughs in the Balance. Selected data from Freedom House’s annual survey of political rights and civil liberties // Freedom House, <http://www.freedomhouse.org/sites/default/files/FIW%202013%20Booklet.pdf>.

gories like the electoral process and pluralism, functioning of government, political participation, political culture and civil liberties.²³

The lack of democratic control usually facilitates the growth of corruption. According to the *Corruption Perception Index of Transparency International*, which includes 176 countries as of 2012, Central Asia countries occupy low positions in the rating of corruption perception in the public sector: Kazakhstan – 133, Kyrgyzstan – 154, Tajikistan – 157, Turkmenistan – 170-171, Uzbekistan – 170-171.²⁴

The dynamic world political, economical and military processes in the post bipolar epoch lead to the growing of the Central Asia region's role in the present international system. The region found itself between three powerful actors: Russia, China and India, which largely encourage the global development. The geographical position allowed the region to become a link between the abovementioned countries by developing strategic transport infrastructure and organizing the effective system of three-way movement of people, goods and services. Moreover, it is a key region for China and India through which they can reach the European countries by land.

Adhering to the provisions of the Treaty of Semipalatinsk on a Central Asia Nuclear Weapons Free Zone, Central Asia countries are surrounded by 4 nuclear powers (Russia, China, India and Pakistan) and Iran which is making evident steps towards the unauthorized joining of the “nuclear club”. Such a unique position creates favorable preconditions for the increase of Central Asia countries' diplomatic potential in the area maintaining international security, advancing the nuclear disarmament process and reaching the “global zero” goals.

The wars in Iraq and Afghanistan and the following peace-building processes in these countries, Iran's nuclear file and permanent confrontation between India and Pakistan established a bow of military-political tension near the borders of the Central Asia region, which remains vulnerable to conflicts. However, this situation gave the impetus to the growing of the region's geostrategic role. The stability of Central Asia countries became one of the key factors for the wider regional security. Moreover, Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan and Kyrgyzstan gained a number of excellent opportunities to increase their weight in world politics.

The *Enduring Freedom* and *ISAF* missions conducted respectively by the United States and the coalition of states headed by the NATO in Afghanistan

²³ Democracy Index 2012. Democracy at the Standstill. A report from The Economist Intelligence Unit // The Economist, <https://www.eiu.com/public/topicalreport.aspx?campaignid=DemocracyIndex12>.

²⁴ Corruption Perception Index 2012 // Transparency International, <http://cpi.transparency.org/cpi2012/results/>.

highlighted the transit potential of Central Asia countries. Having opened their own territories for the transportation of the military personnel, ammunitions and resources for the mission in Afghanistan, Central Asia countries raised their relations with the USA and a number of the European NATO members to a new qualitative level of partnership, made their joint significant contribution to meeting the missions' strategic objectives and demonstrated in this way their commitment to the principle of the impartibility of the security in both the wider Asia region and on a global scale.

The current unstable external geopolitical environment opens up new political prospects for the Central Asia countries. The geographical position facilitates more intensive participation of these countries in the process of the settlement of urgent security problems in the region. Central Asia countries could increase their diplomatic role as mediators in the negotiations over combating and preventing terrorism and extremism in the region, political reconstruction of the post-conflict Afghanistan, denuclearization of Iran and its reintegration into the world's political and economical processes, normalization of Indian-Pakistani relations etc. Stability near the borders is one of the national interests of Central Asia countries. Still, they don't use their existing geopolitical and diplomatic potentials in full to increase their role in the political and security processes in wider Asia region.

Battlefield of the global actors

The great potential of the Central Asia region attracts the global powers which see the region as essential for the realization of their political, economical, security and domination interests in the global international system. Due to this fact Central Asia became the battlefield of the interests of the most influential global actors, especially Russia, China, the United States, as well as the European Union and India.

The Russian Federation has historically close ties with Central Asia countries. During the larger part of the XX century Kazakhstan, Turkmenistan, Uzbekistan, Kyrgyzstan and Tajikistan had been the part of the Soviet Union, governed from Kremlin. Despite the end of the Soviet epoch, Russia still looks at the Central Asia region as an exclusive zone for its influence as long as the control over the region meets the Russian existential, evolutionary and dominant interests in international relations.

The Multiethnic and multiconfessional Russian Federation is deeply interested in the stability of the Central Asia region in order to prevent the escalation of civilization conflicts and the expansion of religious extremism and terrorism on its own territory with respect to the number of troubled, areas

especially Dagestan, Ingushetia and Chechnya, and including Ichkeria. Moreover, the Russian authorities' direct efforts to deter drug trafficking from Central Asia countries and from Afghanistan via Central Asia are still under way.

Central Asian countries are the target markets for Russian goods of industrial and agricultural origin and the *terra nova* for the expansion of Russian companies and banks. The Russian government and business groups participate in a number of investment projects in the region, especially in the spheres of power engineering (construction of hydroelectric power stations) and infrastructure.

Control over Central Asia region has great strategic value for Russia. The access to the rich deposits of natural resources and use of the geopolitical potential of the region increases Russian influence in current international system and facilitates the renewal of Kremlin as a key actor in global political and security affairs.

Russia has got a wide operational space for the development of the manipulation mechanisms for accomplishing its own goals in Central Asia region. First of all the Kremlin can secure the support of the numerous groups of the ethnic Russians who form numerous minority groups in Central Asia countries, especially in Kazakhstan (about 25% of the population).

By means of different funds and programs Russia gives financial aid to Central Asian countries which demonstrate the low economic indices (Kyrgyzstan, Tajikistan and Uzbekistan). During 2008-2012 Russia spend nearly \$ 1 billion of aid for the Central Asia region. Moreover, a lot of labor migrants especially from Tajikistan, Uzbekistan and Kyrgyzstan work in Russia and their remittances are the appreciable contributions to the economies of their countries.

Russia has a network of the military bases on the territories of the Central Asian countries. Seven large Russian military objectives are located in Kazakhstan, 5 large military objectives in Kyrgyzstan, and a military base with the contingent of 7000 of the soldiers and a complex of optic and electronic control of the outer space is located in Tajikistan.²⁵ Moreover, Russia signed large-scale military contracts with Central Asian countries and provides them with packages of military aid.²⁶

To increase and ground its influence in the region, Russia encourages the integration processes in the region, supporting the intensification of the political (Commonwealth of Independent States, CIS), economical (Eurasian

²⁵ The Military Bases of the Russian Federation abroad. Information (in Russian) // RIA News, <http://ria.ru/spravka/20100215/209344182.html>.

²⁶ Yousaf F. Russia's Central Asia Power Play // The Diplomat, <http://thediplomat.com/the-editor/2013/09/02/russias-central-asia-power-play/>.

Economic Community, EAEC) and security (Collective Security Treaty Organization, CSTO) cooperation under Russian auspices. For example, the Russian military doctrine envisages the use of force for the protection of the allies in the framework of the CSTO²⁷, a step proposed by the Kremlin.

The dynamically rising Chinese dragon is also deeply interested in the stability of the Central Asia region. The main pillar of the Chinese policy in the region consists of the establishment and development of large-scale projects in the areas of energy resources and transport infrastructure, in order to meet the increasing needs determined by the rapid tempo of its economic processes and its enormous population. The gas pipeline "Central Asia – China" (from Turkmenistan to China) and the oil pipeline "Western Kazakhstan – Western China" remain important for the Chinese energy security and economy.

Beijing aims to renew the Silk Road, the strategic corridor which unites China with Europe and ensures the mutual movement of goods and people. In this line, China is working on new multinational infrastructural projects like building the Western Europe-Western China highway. The Central Asia region remains the natural bridge that the Chinese new Silk Road must cross.

The Central Asia region also contains risks and challenges for the Chinese national security. The ethnic tensions, the growing Islamic extremism and intensification of the separatist movements threaten the political and security stability of the neighboring Xinjiang Uyghur Autonomous Region of China.

Beijing is interested in the stability of Central Asia countries with the aim to secure its infrastructural and investment projects, and to prevent the escalation of the conflicts on its territory. Still, the rising role of China in international affairs entails the actualization of the Chinese domination interests in the Central Asia region. Beijing encourages the broadening and deepening of the integration in the framework of the Shanghai Cooperation Organization in which China, despite the membership of the Russian Federation, remains the main locomotive.

The geographical distance restricts the U.S. diplomatic activity in the Central Asia region. However, the region stays in the focus of the American geopolitical interests. Central Asia is the key region for the U.S. objectives in Afghanistan. The transit corridors for the transportation of the personnel and materiel, and the American military bases in the region (especially the Manas Air Base in Kyrgyzstan) became significant factors for the success of the operation *Enduring Freedom*, headed by the United States, and *ISAF* mission, headed by NATO and supported by the U.S. The withdrawal of the troops from Afghanistan raises the actuality of the issue of the stability in the

²⁷ Military Doctrine of the Russian federation (in Russian) // President of Russia, http://www.kremlin.ru/ref_notes/461.

Central Asia region and brings into discussion the level of security the Afghan authorities can provide and ways to prevent the Taliban's revenge.

Except for the Afghan case, the U.S security interests in the Central Asia region are determined by the issues of combating terrorism and drug trafficking, and preserving the non-proliferation regime. The geopolitical potential of the region attracts special attention from the American diplomacy as part of the process of realization of the U.S. global strategy.

To ensure their own interests in the region the White House is making efforts to promote the processes of establishment of democratic governance, protection of human rights and liberalization of the economic systems in Central Asian countries. In this context, the American diplomacy uses NATO's mechanisms. All Central Asian countries participate in the NATO's *Partnership for Peace* program which establishes the framework for their security cooperation with the Western states and encourages a complex of democratic reforms in the region.

The Central Asia region remains strategically important for the United States, the Russian Federation and China because of their domination interests in the framework of the current international system. Moreover, an increased presence of one of these actors in the region causes security challenges for the other ones. The current trends in the sphere of international indicate further clashes of interests and the intensification of the trilateral diplomatic battle in Central Asia. Washington, Moscow and Beijing will make efforts to increase their influence in the region and to push each other out of it.

The European Union isn't deeply involved in the geopolitical processes in the Central Asia region in comparison with the abovementioned global actors. Still, the EU is interested in preserving the stability in the region, especially with the view of the enhancement of the cooperation in the sphere of energy resources, the prospective initiation of the new investment projects in Central Asian countries, using of their transfer potentials in trade relations with China and India (another highly populated market), and countering the urgent security challenges (including the issues of terrorism, proliferation of the weapon of mass destruction, drug trafficking, illegal migration, traffic of human beings etc).

The strategic bridge between Central Asia and Europe

The East-West Corridor, which links Central Asia with Romania (the EU area) via the Caucasian region, remains a strategically important element on the geopolitical map of Eurasia. Being a geographical bridge between the

Central Asia region and Europe, it provides opportunities for the transportation of energy resources and other goods and services, enhancing the trade relations which involve five Central Asia countries, the EU, Romania and the other separate interested EU members, Caucasian countries (Georgia, Azerbaijan and to a lesser extent Armenia), and the neighboring countries (Ukraine and Turkey). It also facilitates the access of the Corridor and proximity actors to the large Asian markets, especially the Chinese, Indian and Pakistani ones.

Due to its geographical position and the different potential of the countries involved the East-West Corridor facilitates the initiation and realization of various new multinational infrastructural projects, especially in the area of transportation of oil and gas resources. Besides the cooperation in trade, energy resources and infrastructural areas, the Corridor opens a wide spectrum of opportunities for the beneficial cooperation in political and security issues with the involvement of actors with different potential from the European, Caucasian and Central Asia regions.

The intensification of the relations between countries in the framework of the Corridor will facilitate the ensuring of energy security for the European Union, contribute to the preserving of the security in the Black Sea area and give a new impetus to the democratic processes in the Caucasian (especially in Azerbaijan) and Central Asian countries. Moreover, the intensified cooperation and the mediation of the other participating countries could lead to progress in the resolution of the conflicts between Turkey and Armenia, Azerbaijan and Armenia, and the conflicts in the Fergana Valley.

In the future, under the condition of the common interests of a number of participants, the East-West Corridor could lay the ground work for the establishment of new regional integration formations. Due to the potential of each involved country, these prospective formations could turn into significant geopolitical players on the international scene and solve a number of political, energy, economical and security dilemmas especially, in the Central Asia region.

The East-West Corridor in the light of Ukraine's foreign policy and national interests

The advantageous geographical position, the largest territory in Europe, nearly 52 million of population, a well developed industrial base and the third largest nuclear arsenal in the world (ranking after the United States and the Russian Federation) created the preconditions needed by the newly independent Ukraine to turn into a powerful geopolitical actor in Europe.

After more than 20 years of independence, one can admit that Ukraine failed to use its initial opportunities in full.

During its period of independence Kyiv has been conducting a changeable and sometimes vacillating foreign policy. In separate instances Ukraine demonstrated intent towards the intensification of cooperation with the Western countries, emphasized on the necessity of rapprochement in the relations with the Russian Federation, announced the plans to integrate into NATO, declared the non-aligned policy etc. In 2010 Ukraine proclaimed the multi-vector course of the foreign policy with the emphasis on the issue of integration into the European Union.²⁸

However, despite the progress of negotiations on the Association Agreement, the Ukrainian policy towards the integration into the EU contains a significant element of the declarative approach, especially in meeting the democratic and economic standards.

Such uncertainty is determined by the number of internal (political mainstreams, social attitudes, economic situation etc) and external factors (the dynamic processes in international environment with the changing challenges, risks, prospects etc). Among the external factors which affect the Ukrainian foreign policy, the first place is occupied by the policy of the Russian Federation which employs a toolbox of eclectic measures of pressure (rise of prices for gas resources; trade wars; diplomatic provocations; military presence in the Crimea peninsula; activities of the representatives of the Russian Orthodox Church and the affluent pro-Russian lobby groups in political, business, scientific and academic circles; manipulation using the public opinion of the Eastern population of Ukraine etc.) to keep Ukraine in the radius of its exclusive influence.

"Without Ukraine, Russia ceases to be a European empire. Russia without Ukraine can still strive for imperial status, but it would then become a predominantly Asian imperial state...", argued Brzezinski in *"The Grand Chessboard: American Primacy and Its Geostrategic Imperatives"*.²⁹ After more than 15 years this thesis is still valid. The current Russian efforts directed at the involvement of Ukraine into the Eurasian Union and prevention of the signing of the Association Agreement between Ukraine and the European Union highlight the important place Ukraine occupies in the system of Kremlin's geostrategic interests.

The overall impact of the external and internal factors in sum with the lack of the political will among the respective Ukrainian authorities led to

²⁸ Law of Ukraine On Foundations of Domestic and Foreign Policy (In Ukrainian) // Verkhovna Rada of Ukraine, <http://zakon2.rada.gov.ua/laws/show/2411-17.>

²⁹ Brzezinski Z. *The Grand Chessboard: American Strategy and Its Geostrategic Imperatives*, New-York, Basic Books, 1997, p. 42.

gaps in the conceptual planning of Ukraine's foreign policy. After more than 20 years of independence Ukraine still didn't work out any single comprehensive concept-based document in the area of foreign policy with the definition of the national interests, fundamental principles and key objectives for the Ukrainian diplomacy or the identification of the main actual challenges for Ukraine on the international scene. The Law on Foundation of Domestic and Foreign Policy, adopted in 2010, cannot solve this problem as long as its provisions remain mainly declarative and don't ensure in a full manner the efficient adaptability of the country to the dynamic processes in the current international system.

The Central Asia region occupies a special place for the officials in Kyiv on the world's geopolitical map. Despite the specificity of the foreign policy of Ukraine and the priority of its European vector, the region remains strategically important for its national interests.

The blackmail often used by Moscow and the inadequate gas price policy used in the relations with Ukraine forced the officials in Kyiv to look for alternative gas supply sources, including reverse gas supplies from European countries. According to the *Energy Strategy of Ukraine for the Period until 2030* the diversification of the sources of supply of the energy resources is considered one of the key issues for ensuring the energy security of the country.³⁰

In this context, the Central Asia region, with its rich deposits of the natural gas, remains eminently important for the Ukrainian energy sector. However, the opportunities for the establishment of large-scale mutually beneficial trade relations in the area of energy resources (especially natural gas) between Ukraine and Central Asian countries (especially Turkmenistan and Kazakhstan) are significantly restricted by the position of the Russian Federation regarding the issue of transportation of energy resources from Central Asia to Ukraine through its territory.

Except the need of diversification of the sources of supply of the energy resources, Ukraine is strongly interested in developing cooperation with Central Asian countries in other economic sectors as well. For instance, Central Asian markets are attractive for exported Ukrainian goods in the areas of mechanical engineering industry, chemical industry, agricultural sector, metallurgical industry etc.³¹ In order to enhance the development of the business relations, a number of Ukrainian companies opened representa-

³⁰ Energy Strategy of Ukraine for the Period till 2030 (in Ukrainian) // Ministry of Energy and Coal Industry of Ukraine, <http://mpe.kmu.gov.ua/fuel/control/uk/doccatalog/list?currDir=50358>.

³¹ Central Asia (in Ukrainian) // Ministry of Foreign Affairs of Ukraine, <http://mfa.gov.ua/ua/about-ukraine/bilateral-cooperation/central-asia>.

tive offices in the region.³² During the span 2000-2010 companies of the Ukrainian military industrial complex concluded a number of contracts with Central Asian countries on the supply of naval military equipment (combat crafts), small arms and artillery-type weapon as well as mechanical service of their armor (ed vehicles).³³

The East-West Corridor which unites Central Asia with Europe, coming near the Ukrainian border, facilitates the further development of trade relations between Ukraine and Central Asian countries. It proposes new ways of supplying Ukrainian goods to Central Asian customers and its actuality is incessantly increasing in the light of the frequent trade wars with the Russian Federation. Moreover, the Corridor creates additional conditions for Ukrainian goods needed to conquer other markets (especially the Georgian and the Azerbaijani markets) situated on their way to Central Asia as far as the main items of the Ukrainian export to Central Asian countries are practically identical with the ones meant for Georgia and Azerbaijan (products of mechanical engineering industry, chemical industry, agricultural sector, metallurgical industry etc).³⁴

The East-West Corridor could give a new impetus to the supply of natural gas from Central Asia to Ukraine. Moreover, it creates new preconditions for Ukraine's further diversification of sources of supply for energy resources, especially by the means of the possible intensification of the trade relations in the energy area with Azerbaijan, which has rich deposits of oil and natural gas and remains an important tie element in the Corridor between Europe (Romania) and Central Asia.

The East-West Corridor opens up new prospects for the establishment of large-scale infrastructural projects, especially in the area of supply with energy resources. In this respect, Ukraine could participate in and gain significant benefits. Gazprom's activity of building gas pipelines from Russia to European countries by-passing Ukraine (especially Nord Stream, South Stream, Yamal-Europe 2) actualizes the issue of searching for the new ways of using Ukraine's gas transportation system. In this context, the participation in the new projects of supply with energy resources in the framework of the Corridor will enhance the Ukraine's national energy security.

The European Union will also benefit from the abovementioned potential projects involving the gas transmission potential of Ukraine. The new ways

³² Lyashenko T. Transformation of the Political Systems in the Central Asian Countries: National and Regional Aspects (in Ukrainian), Kyiv, 2011, p. 205.

³³ Lyashenko T. Transformation of the Political Systems in the Central Asian Countries: National and Regional Aspects (in Ukrainian), Kyiv, 2011, p. 206.

³⁴ Central and Eastern Europe (in Ukrainian) // Ministry of Foreign Affairs of Ukraine, <http://mfa.gov.ua/ua/about-ukraine/bilateral-cooperation/central-europe>.

of supplying energy resources will help the EU to minimize the risks regarding the disruptions in supply of the energy resources from Russia and reduce Kremlin's opportunities of using the tools of energy blackmail in the relations with the officials in Brussels and with individual EU members.

During the last three years there were held a number of negotiations and mutual visits, both on the highest and ministerial levels (especially on the levels of the foreign ministers and the ministers in the areas of natural resources etc.) between Ukraine and Central Asian (especially Turkmenistan and Kazakhstan), and between Ukraine and the Caucasian (especially Azerbaijan) countries. Such intensification of bilateral relations confirms the significance of this vector for Ukraine's foreign policy and affords grounds to expect a further of Ukraine's intentions to expand and deepen the future cooperation with these countries in the framework of the East-West Corridor.

Except the calculation of the prospective mutual benefits, the abovementioned cooperation is facilitated by a number of other factors, especially the common historic heritage (the Soviet period), economic, political and social ties (established during the Soviet times and the years of independence), and the large minority groups of Ukrainians in Central Asian (especially in Kazakhstan) and Caucasian countries as well as the representatives of these countries in Ukraine.

The East-West Corridor opens up new prospects for the development of the Ukrainian-Turkish relations within the strategic partnership. Both countries are interested in minimization of their dependence on the Russian energy resources (especially natural gas) and could make a significant contribution to the establishment of new prospective infrastructural projects in the area of supply of the energy resources from Central Asia and the Caucasian region to EU countries.³⁵ For example, Kyiv is studying the possibilities for participation in the gas pipeline projects *Nabucco West* and *TANAP (Trans-Anatolian gas pipeline)*, which are going to run through the territory of Turkey.³⁶

The abovementioned prospective projects will give the new impetus to the issue of the ensuring of the security in the Black Sea region and will stimulate consequently the further development of cooperation in the area of security between Ukraine and Turkey, especially in the framework of such initiatives as *BLACKSEAFOR* and the *Black Sea Harmony*, with the qualitative strengthening of the cooperation with the other participants of these

³⁵ Enverov R. The Energy Aspects in the Relations between Ukraine and the Republic of Turkey (in Ukrainian) // *Strategic Priorities*, No 4, 2012, p. 162.

³⁶ Vоротnyuk M. Ukraine-Turkey (In Ukrainian) // *Ukrainian Perspective. Between the Strategic Partnership and Security*, Kyiv, 2013, p. 40.

initiatives, especially Romania and Georgia.³⁷ As a result, such strengthened cooperation focused on security will lead to an increase in the level of trust between the abovementioned countries.

During the last few years the level of goods exchanged between Ukraine and Turkey has been sustainably increasing.³⁸ The establishment of constructive cooperation in the framework of the East-West Corridor will enforce the future development of the Ukrainian-Turkish trade and economic relations, especially in the area of transportation and mutual investment.

The Corridor also creates the preconditions to bring to a qualitatively new level to Ukraine's relations with Romania, which have a controversial character due to incidents involving territorial claims and disputes. However, both countries share the interest of the mutually beneficial cooperation. The joint border with the length of 613,8 km which is also the part of the border between Ukraine and the European Union actualizes the areas of border security, border crossing, preventing and combating illegal migration and trans-border crimes, protection of the rights of the national minorities, ensuring social, trade and cultural people to people contacts in the border regions, especially in the framework of the regulated small cross-border movement etc.

The trade and economic relations between the countries do not demonstrate stable tendencies and remain still far from meeting the interests of the officials in Kyiv and Bucharest.³⁹ In this context, the Corridor could propose new prospective ways for the intensification of the mutual exchange of goods and service, both in direct trade relations and by using the transfer potentials of the countries.

Apart from the enforcement of the cooperation in the area of preserving the security in the Black Sea region (*BLACKSEAFOR*, *Black Sea Harmony* etc), the intensification of the relations between the countries in the framework of the Corridor, with the initiation of the new large-scale multinational projects, will facilitate the initiation of joint Ukrainian-Romanian activities seeking a solution for the urgent security issues in the region. In this context, the officials in Kyiv and Bucharest are expected to intensify the cooperation in searching ways to establish efficient mechanisms for the solution to the *Transnistrian conflict*, which, despite the latent phase, restricts the political,

³⁷ Mkhytaryan N. State and Prospects of the Ukrainian-Turkish Relations. Analytical Paper (in Ukrainian) // National Institute for Strategic Studies, 2012, <http://www.niss.gov.ua/articles/472/>.

³⁸ Trade and Economic Relations // Embassy of Ukraine in the Republic of Turkey, <http://turkey.mfa.gov.ua/en/ukraine-tr/trade>.

³⁹ Trade and Economic Cooperation between Ukraine and Romania (in Ukrainian) // Embassy of Ukraine in Romania, <http://romania.mfa.gov.ua/ua/ukraine-ro/trade>.

social economic and trade relations in the region, and remains a source of security challenges and tensions.⁴⁰

The establishment of the constructive cooperation in the framework of the East-West Corridor meets Ukraine's declared aspirations to integrate into the European Union. The effective use of the opportunities to intensify the political, economical, trade and security relations with the other involved and neighboring countries provided by the Corridor and the active participation in the joint prospective multinational projects could accelerate the economical development of the country, positively affecting its status in international environment and decreasing Ukraine's dependence on Russian gas resources. It also facilitates meeting the EU standards. Meanwhile, by providing the enhancement of mutually beneficial cooperation with Romania in different areas, Kyiv could enlist the support of Bucharest on its way towards the integration into the EU.

Moreover, the constructive cooperation in the area of the security with Romania and Turkey as NATO members could bring significant results for Ukraine if the officials in Kyiv return to the idea of integration into the Euro-Atlantic security structures. Although this issue doesn't appear on the agenda of the Ukraine's foreign policy, the previous steps made in this direction (the experience of the relations during the distinctive partnership, the consent regarding the Ukraine's future membership in the NATO issued at the Bucharest Summit Declaration etc) and the current geopolitical processes don't exclude the probability of the abovementioned scenario.

Due to the possible benefits, the cooperation in the framework of the East-West Corridor could form the new vector of the Ukraine's foreign policy. Still, without fixing this vector at the conceptually based level, Ukraine will face difficulties in using in full all the possibilities provided by the Corridor and could follow the traditions of inconstancy and uncertainty on the international stage.

Conclusion

In the age of the dynamic globalization processes and the exhaustive natural resources, the geopolitical role of Central Asia region will be ever-increasing. Taking this fact into consideration, the global actors such as the United States, the Russian Federation and China, triggered off the diplomatic battle for the strategic control over the region which is significantly impor-

⁴⁰ Rojansky M. Prospects for Unfreezing Moldova's Frozen Conflict in Transnistria // Carnegie Endowment for International Peace, http://carnegieendowment.org/files/Rojansky_Transnistria_Briefing.pdf.

tant for the realization of their domination interests in the current international system.

The East-West Corridor, which unites Central Asia with Europe via the Caucasian region, creates unique conditions for Central Asian countries that will allow them to increase their subjectivity in the current international system by using more efficiently their geopolitical potentials in the intensified relations with the other countries, especially Corridor participants and EU countries. It could facilitate decisions on the geopolitical and security dilemmas in the region caused by the specificities (political, economic, historic, social, geographic etc.) of the region and the clash of the strategic interests of the global actors.

The Corridor opens up multiple opportunities for mutually beneficial cooperation, especially in the areas of supply of the energy resources from Central Asia and the Caspian region to the European customers, development of the transport infrastructure which unites Europe and Asia (especially China and India) for the improvement of transportation of the passengers, goods and services between the countries, enforcement of the economic and trade relations, joint settlement of the urgent political and security issues etc. In the long-term perspective the enhanced cooperation in the framework of the Corridor could lead to new integration formations with significant influence on the further development of the international processes both at the regional and inter-regional levels, due to the different high potential of the participants.

Under the condition of the constructive cooperation in the area of security, with the participation of the involved, but also neighboring countries, the East-West Corridor could form a bow of stability from Central-Eastern Europe to Central Asia via the Caucasian region. It will inspire the elaboration of new multinational mechanisms to solve a number of local conflicts (especially the Transnistrian conflict, conflict over Nagorno-Karabakh, Turkish-Armenian conflict, conflict over Abkhazia and North Osetia and conflicts in the Fergana Valley), and prevent the new conflicts and disputes between the participating actors.

The constructive cooperation in the framework of the East-West Corridor could bring multiple benefits for Ukraine as neighboring country. Among the main prospective benefits: the decrease of Ukraine's dependence on the Russian gas through the diversification of the sources of the supply of natural gas thanks to Central Asian and Caucasian (Azerbaijan) countries and participation in the projects of energy resources supply from Central Asia and Caucasian region to Europe; better access to Central Asian, Chinese and Indian markets through the development of the new transport infrastructural projects; intensification of trade and economic relations with the individual

countries (especially Turkey, Romania and Central Asian countries); enforcement of the security in the Black Sea region; boosting the political dialog with Romania, significant for the realization of the Ukraine's aspirations towards the EU membership etc.

However, Ukraine should improve its conceptual framework in the area of foreign policy with the clear identification of the national interests, priorities, objectives, potential risks and challenges to reduce the vulnerability of the Ukraine's diplomatic activities from the political manipulations inside the country and the processes in the changing international environment. It will facilitate the development of the stable and consistent beneficial cooperation in the framework of the East-West Corridor and the other vectors of the foreign policy of Ukraine.

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TABLE OF CONTENTS

Forword	5
Chapter 1	
Changing the name of the game: From Chess to GO (<i>Iulian Chifu</i>)	7
Chapter 2	
Why is Central Asia central to Eurasian Security? (<i>Iulian Chifu</i>)	17
Chapter 3	
The South Caucasus: Going with the Wind (<i>Iulian Chifu</i>)	33
Chapter 4	
The East-West Caspian Sea – Black Sea Strategic Corridor. A concept, a vision and a project (<i>Iulian Chifu</i>)	46
Chapter 5	
Georgia, a piece of the puzzle or the weak link of the Southern Corridor? (<i>Bogdan Nedea</i>)	62
Chapter 6	
Azerbaijan: an essential link on the East-West Black Sea – Caspian Sea Corridor (<i>Lavinia Lupu, Sabit Baghirov</i>)	79
Chapter 7	
Turkmenistan – Enormous energy resources trapped in geopolitical clashes (<i>Narciz Bălăsoiu</i>)	113
Chapter 8	
Uzbekistan – the East end of the East-West Strategic Corridor (<i>Radu Arghir</i>)	133

Chapter 9

Republic of Kazakhstan and its Strategic Interest
for the East-West Corridor (*Adriana Sauliuc*) 150

Chapter 10

The Turkish Link in the East-West Corridor (*Nigar Goksel*) 178

Chapter 11

Russia's neighbourhood policy
– from a Russian perspective – (*Bordei Ciprian*) 191

Chapter 12

The East-West Strategic Corridor:
the Case of the Republic of Moldova (*Oazu Nantoi*) 211

Chapter 13

The East-West Strategic Corridor from Central Asia to Europe
and Ukraine's Interests (*Volodymyr Novorotsky*) 231

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