

THE CASPIAN REGION AT THE CROSSROADS OF GEOPOLITICAL STRATEGIES

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ABSTRACT

The author concentrates on the geopolitical games in the Caspian region and identifies the factors that have remained prominent in the last twenty years and, in fact, determined the developments in this part of the world, viz. oil and gas reserves, the scope of their industrial production, and the recently built export pipelines as geopolitical instruments of the Caspian states and

extra-regional players. He analyzes the geopolitical aims of Russia, the European Union, the U.S., and China, the key players responsible for the Caspian geopolitical context, to conclude that the region's geopolitical, social, economic, and political future, as well as its interstate relations largely depend on the pace at which oil and gas is produced and pipeline projects implemented.

KEYWORDS: *geopolitics, Caspian region, foreign policy, Caspian states, hydrocarbon resources.*

Introduction

In the last 20-odd years, numerous and varied factors,¹ including the efforts to finally agree on the Caspian Sea's international legal status, its mounting militarization carried out by the coastal

¹ See: The Caspian Region concept is discussed in detail in I.S. Zonn and S.S. Zhiltsov, *Novy Kaspiy. Geografia, ekonomika, politika*, Vostok-Zapad, Moscow, 2008, 544 pp.

states, and environmental problems, have changed the geopolitical situation in the region. Preservation of the Caspian's biological diversity is one of the outstanding issues. Hydrocarbon resources, their level of production, and transportation routes have been and remain the region's main geopolitical factor.

Much has been written about the region's future; the strategies of the Caspian and non-regional states and the interests of oil and gas companies have been scrutinized by many authors, yet the rapidly changing geopolitical situation on the Caspian shores calls for fresh approaches and revised assessments.

The production and export of Caspian hydrocarbons has become global; today, the world energy market is waiting for even larger (if all sorts of forecasts prove correct) volumes of oil and gas, while the region can expect a new round of geopolitical rivalry. It will go on for decades and will require new pipeline projects.²

Here are some of the issues that might shape the region's future.

- The first is its energy potential, that is, the current state and possible future of hydrocarbon production. Highly politicized throughout the 1990s, the fuel and energy factor is responsible for a gross overestimation of the region's geopolitical contribution to the West's energy security. The wide disparities in the assessments of the region's hydrocarbon resources add an edge to its far from simple geopolitical context.
- Second, the pipeline infrastructure, its present state, and development potential are closely connected with oil and gas production. As one of the key elements of the geopolitical strategies of the Caspian countries and also of the EU, the U.S., and China, they should be carefully analyzed.
- Third, the geopolitical strategies of the new Caspian states, the foreign policies of which are geared toward the energy factor, need fresh approaches.
- Fourth, the highly dynamic geopolitical changes in the region are caused by the cardinal changes of the extra-regional players' geopolitical strategies. This means that previous forecasts and assessments must be revised and readjusted.

The academic community operates with a wide range of definitions of the Caspian. I have selected one of them, which limits the Caspian region to the littoral states (Russia, Iran, Azerbaijan, Kazakhstan, and Turkmenistan) and will concentrate on the latter three, the "young" Caspian Soviet successor states.

Resolved to acquire their share of the Caspian Sea, together with its rich natural reserves, they concentrated on the delimitation issue.³ Seen from Russia and Iran, the region is important, but not all-important as a foreign policy issue. The Caspian energy resources found mainly on the coasts of Azerbaijan, Kazakhstan, and Turkmenistan⁴ make the sea their key economic factor.

Finally, the rate of production and the pace with which pipeline projects (in which the three countries are involved) are implemented will significantly affect the region's geopolitical dynamics. In the Caspian countries, export of hydrocarbons is a strategic linchpin.⁵

² See: S.S. Zhiltsov, I.S. Zonn, *Kaspiyskaia truboprovodnaia geopolitika: sostoianie i realizatsiia*, Vostok-Zapad, Moscow, 2011, pp. 52-63.

³ See: I.S. Zonn, M.Kh. Glyants, "Kaspiyskiy maiatnik (Vzgliad v proshloe, chtoby poniat budushchee)," *Vestnik Kaspiia*, No. 4, 2002, pp. 80-102.

⁴ See: B. Syrlybaeva, "Sotrudnichestvo prikaspiyskikh gosudarstv v neftegazovoy sfere: problemy i perspektivy," Information and analytical journal *Analytic* (Kazakhstan), No. 5, 2009, pp. 58-69.

⁵ See: S.S. Zhiltsov, "Kaspiyskiy region: hotspots," *Analytic*, No. 3, 2012, pp. 26-29.

Preliminary Results

During the years of independence, all the geopolitical players involved in the game have scored certain points. Oil and gas are produced in greater quantities, and there are new export pipelines that move Caspian hydrocarbons to external markets. The energy factor has helped the Caspian states diversify their foreign policy contacts; the oil and gas from newly developed fields have contributed to their economic and political stability.

They have capitalized on the increased interest of Western oil and gas companies to resolve domestic and foreign policy problems; in fact, oil and gas has supplied the three countries with a key to economic development. It comes as no surprise that the share of the fuel and energy complex in the total volume of industrial production is steadily growing. For obvious reasons the Caspian countries overestimated their hydrocarbon resources: this is pumping money into their fuel and energy complexes and invigorating their economies.

At the earlier stages of their independent development, the Caspian countries and non-regional players concentrated on production and transportation; both neighbors and world powers alike wanted to be involved, in one way or another, in exploration, survey, production, and export of the Central Asian and Caspian energy resources.⁶

Oil and gas production in the Caspian proved much harder than expected, which caused repeated revisions of forecasts. It turned out that access to the steadily increasing production of Caspian hydrocarbons required new and better technologies. As could be expected, new rich and economically promising fields attract a lot of attention.

The West, which in Soviet times was kept away from the Caspian, has currently gained a lot of geopolitical influence. Western companies decide what fields should be developed and what pipelines they will need. They, however, have been treating Caspian oil and gas primarily as a foreign policy instrument, and only then as an alternative source of fuel, albeit of secondary importance for the next decades. It was a “dish” to be tried later.⁷ They needed direct and uninterrupted access to the Caspian fields and no less reliable transportation routes to export additional volumes of oil and gas. This explains why, at the early stage, the Caspian hydrocarbon assessments occupied different places in the policies of the Caspian and Western states.

Very much as in the past, today Azerbaijan, Kazakhstan, and Turkmenistan are pinning their hopes on increased volumes of production. This has prompted forecasts that in the next ten years the Caspian states will join the ranks of the world’s largest oil and gas suppliers with increased amounts of produced and exported hydrocarbons. There was a lot of talk about the Caspian reserves being comparable to those of the Gulf and the North Sea; the Caspian was seen as an alternative to the functioning centers of oil and gas production.

The Caspian states, or rather their elites, have mastered the game of inflated forecasts: they were used to attract foreign investments, to negotiate new pipeline projects to preserve social and political stability at home, and to remain in power. This explains the regularly revised (and inflated) assessments.

The problems that worry the Caspian countries and the region’s production dynamics do not suggest that the region is and can become an alternative to the main areas of production. Making the Caspian hydrocarbons globally important has raised many questions; there is a more or less common opinion that the reserves are big but no rival to the Gulf and are nowhere close to become a fully

⁶ See: E. Tianle, “Rol Tsentralnoy Azii v energeticheskoy strategii Kitaia,” in: *Tsentralnaia Azia: problemy i perspektivy (vzgliad iz Rossii i Kitaia)*, Collection of articles, ed. by K.A. Kokarev, D.A. Alexandrov, I.Yu. Frolova, Russian Institute of Strategic Studies; Chinese Academy of Contemporary International Relations, RISI, Moscow, 2013, p. 145.

⁷ See: I.S. Zonn, *Kaspiy: illiuzii i realnost*, Moscow, 1999, 467 pp.

fledged alternative source for the world oil market.⁸ Moreover, Russian experts who do not agree with the deliberately inflated assessments have been successfully ignored.

Despite the dubious nature of the assessments of oil and gas reserves, the Caspian countries have tried to use them to consolidate their independence and address social and economic problems.⁹ Amid the unfolding geopolitical struggle, the Caspian countries and the West have pushed aside the much more modest figures and obstacles on the road to Caspian energy resources. This explains why, having achieved a certain level of production, in the early 21st century the Caspian countries came face to face with technical and technological problems.

Encouraged by the fantastic assessments of their oil and gas riches, the Caspian countries moved offshore without waiting either for decisions on the international legal status of the sea or for geologically confirmed information about the reserves. As could be expected, later it became clear that the region needed a new pipeline infrastructure.

It was easy to manipulate the figures of hydrocarbon reserves in the Caspian because the geology of the local fields has not been adequately studied. Moreover, optimistic assessments of the possible volumes of production and export ignored numerous objective problems, which the Caspian countries and international consortiums had to address and resolve before moving further.¹⁰

Inflated assessments led to inflated forecasts of the production level. The Caspian countries built their foreign policy strategies according to the published figures in expectation of moving to the fore in hydrocarbon exports.

It was not enough to produce oil and gas, they had to be moved to the market, which meant a new pipeline infrastructure. The inflated figures, which bred inflated expectations, inspired the new Caspian states to seek ways and means to lower their dependence on Russia's pipeline domination. "Diversification" became the key word: the Caspian states looked at their hydrocarbon riches as a key to greater independence and closer relations with the West. They readjusted their foreign policies accordingly: for many years, oil and gas and transportation issues dominated the relations between Russia and the West.¹¹

In the last two decades, the Caspian region has acquired several new export pipelines: the Baku-Ceyhan oil pipeline, a gas pipeline between Baku and Erzurum, and the pipelines that connect the region with China and Iran. This has changed the geopolitical situation in the Caspian.

In the first decade of the 21st century, information about the depleting oil reserves in the North Sea and confrontation between the West and Iran, excluded from discussions and the implementation of production and transportation projects, pushed the Caspian hydrocarbons into the limelight.

Today, the new configuration of international relations and the fresh forecasts of oil and gas production in the main exploitation regions have led to a revision of the role and prospects of the Caspian region. In the near future, its hydrocarbons cannot be accepted as a potential reserve of global importance; they remain, however, an important factor of regional energy-related policies.

After becoming relatively independent from Russia in terms of energy export routes, the Caspian countries have gained little freedom in this respect. They have found themselves under the pressure of the Western states and their oil and gas companies, which have their own ideas about energy strategies. The strongest players have "divided" the Caspian hydrocarbon reserves; the European

⁸ See: V.I. Kalyuzhny, "Speech at the Caspian and Black Sea Oil and Gas Conference, Istanbul (Turkey), 27 May, 2003," *Vestnik Kaspia*, No. 3, 2003, pp. 7-12.

⁹ See: I.S. Zonn, *op. cit.*

¹⁰ See: S. Zhiltsov, "Kaspiyskaia energeticheskaia igra," *NG-Energiya*, 14 January, 2014, p. 11.

¹¹ See: S.S. Zhiltsov, "Epokha geopoliticheskikh truboprovodov," *NG-Energiya*, 13 April, 2011.

Union, Russia, and China are competing for stronger control over the Caspian oil and gas fields and export routes. Western and Chinese oil and gas companies, which can rely on political support from their state structures, figure prominently in the region.

The Chinese Wave

China's Caspian policy is the result of a slow yet steady and persistent process. Before moving into the energy sector, Beijing was very active in trade and the economy as a whole, which created prerequisites for gradual reorientation of the local countries' foreign policies.

The steadily growing demand for energy resources has forced Beijing to turn its attention to Caspian oil and gas, a region where China has long-term strategic gas-related interests.¹²

The Chinese demonstrated a lot of persistence in buying hydrocarbon fields and refinery facilities; they organized deliveries of equipment, services and, recently, drilling.

China has been consistently increasing its share in the energy sector of the Caspian countries, which speaks volumes about Beijing's geopolitical aims, the rapidly developing Chinese economy, and its steadily mounting demand for fuel. According to different sources, China's share in Kazakhstan's energy sectors has topped 25 percent; an impressive result of consistent foreign policy supported by impressive financial backup.

Until recently, Beijing had been increasing its presence in the old nearly depleted fields; in recent years, however, it has shifted its interest to new oil and gas fields in the Caspian region, hoping to satisfy its fast-growing appetite for hydrocarbon supplies. It is particularly interested in the offshore fields of Kazakhstan: it has already paid \$5 billion for a share in Kashagan, one of the offshore oil and gas deposits in the Kazakhstan sector of the Caspian, and promised to invest even more in infrastructure.

China has long been and remains interested in Kazakhstan and its hydrocarbon riches: in September 2013, during the visit of the Chairman of the PRC to Kazakhstan, the Chinese side confirmed its interest in agreements totaling \$30 billion. The leaders of the two countries signed a Declaration on Strategic Partnership, which presupposed greater cooperation between the two countries, particularly in the energy sphere. Beijing remained as eager as ever to be part of energy projects, develop new fields, and produce more oil and gas.

China is moving into the Caspian energy sector with cheap loans and investments in infrastructure. In recent years, Astana has received about \$20 billion in loans for its energy projects.

Its active involvement has allowed China to lower oil and gas prices; today it haggles with Russia over hydrocarbon prices from a much stronger position.

The pipelines that China has planned and built to move energy resources to its territory are an important element of its energy policy; Beijing is determined to take control over the natural riches of the Caspian region to use them in its interests. It is steadily enlarging the pipeline infrastructure. In September 2013, China extended a loan to Turkmenistan for another branch of the functioning pipeline in order to expand its presence in the Caspian energy sector. The first branch was commissioned in 2009, and the third will be commissioned in 2014 to bring the volume of exported gas up to 65 billion cu m (an increase of 25 billion over the planned capacity of 40 billion cu m).

¹² See: L. Timofeenko, "Energeticheskaya politika Turkmenistana v Prikaspiyskom regione," *Analytic*, No. 5, 2009, pp. 13-18.

At the Crossroads of Integration Strategies

Multilateral economic cooperation is another tool China is using to complement its bilateral cooperation. In the last ten years, it has been very active within the SCO; until recently, it was believed that Russia and China had identical interests in the Caspian and Central Asia.¹³ As an SCO member, Russia has been concentrating on regional security and multisided anti-terrorist cooperation; the idea that together Moscow and Beijing can prevent America's infiltration in the region has been very popular in Russia for some time now.

Beijing, which has sided with Moscow in this respect, has also been pursuing its own policy in disregard of Russia's interests. So far, the energy cooperation between the two countries, an alternative to the oil and gas exports to Europe as seen from Moscow, has stirred up little enthusiasm in China. Today, when China has gained access to the Caspian hydrocarbons out of reach of Moscow's influence, energy cooperation between China and Russia has lost much of its former potential attraction. Beijing can insist on lower prices for Russian energy resources, while expanding its involvement in the development of hydrocarbon deposits, building new pipelines, and increasing economic cooperation with Turkmenistan and Kazakhstan.

From the very beginning, Beijing has been determined to tip the balance of power in Central Asia and the Caspian: their energy resources are too important both politically and economically to allow Russia to expand its influence in both regions. Likewise, China has no soft spot for the European Union, which has been offering itself as a partner in the new pipeline projects. Beijing does not need them: it wants to acquire all the oil and gas the eastern coast of the Caspian can produce.

As a SCO member, China can spread far and wide in the Caspian countries: its trade and economic expansion have finally brought it to the energy sector. Its stronger position has readjusted its political accents: regional cooperation in several, including the energy, spheres has been pushed aside—since then China has been seeking a changed balance of power. It wants sustainable access to local oil and gas and involvement in infrastructural projects as its two priorities in Eurasia.

This means that Russia's plans to set up a Eurasian Economic Union contradict China's long-term interests: Moscow will not stop at increasing economic and energy cooperation—it will move further to preserve its influence in Central Asia and the Caspian region.

Beijing confronted Moscow's persistence with its own efforts to expand its energy cooperation with all the Caspian countries, Kazakhstan in particular. Economic cooperation and active involvement in the development of hydrocarbons are the tools expected to persuade Astana to revise its foreign policy priorities; Beijing can also capitalize on the problems pestering the Customs Union today.

The gap between the geopolitical interests of China and Russia and their determination to gain access to the raw materials of the Caspian region have added an edge to the rivalry between the two countries. Integration projects may widen the gap still further. China is determined to adjust the SCO to its interests by shifting the accent from regional security to greater economic and energy cooperation through projects expected to push it to a leading position. A Free Trade Area within the SCO is one of the projects China has been insisting on for several years. Chinese experts describe Russia's tepid attitude to multilateral cooperation within the SCO as one of the highest stumbling blocks on the road to a free trade area.¹⁴

¹³ Two of the five Central Asian states (Turkmenistan and Kazakhstan) are also Caspian states. In recent years, the term the Caspian-Central Asian region has become quite common.

¹⁴ See: D. Xiaoxing, "Evraziyskiy soiuz i SCO," in: *Region Tsentralnoy Azii: sostoyanie, problemy i perspektivy rossiysko-kitayskogo vzaimodeystviya*, Collection of papers, ed. by E.V. Suponina, B.M. Volkhonskiy, RISI, Moscow, 2013, pp. 18-19.

The time when Russia's integration projects were rejected for political reasons is becoming a thing of the past. China is absolutely open about its intention to pay a high price for its absolute control in the Caspian and Central Asia.

Its energy strategy is long-term and multisided. It buys aggressively to move into the oil and gas industry of the Caspian countries. Unlike other foreign investors, China is setting up JVs, which suits the Caspian countries: they try to use the strong and strengthening rivalry between the leading powers in their interests to diversify their exports and balance out Russia's policies and America's ambitions.

China is interested in the fuel and energy sphere of Kazakhstan and Turkmenistan because of its huge economic significance; it is, in fact, a key to China's greater political weight in these countries. It is steadily moving in the chosen direction by increasing its share in the oil and gas sector of these countries. Today, although not the biggest among the shares of other players, it will increase in the near future to make China the leader. It will go on buying the most promising facilities in the Caspian oil and gas sector and will spare no effort to draw the Central Asian countries, including Kazakhstan and Turkmenistan, two Caspian states, into its sphere of influence.¹⁵

When operating in the energy sector of Kazakhstan and Turkmenistan, China never lets geopolitical issues out of sight: it is concerned about the growing presence of the United States and the European Union, and the West in general, in the region. It wants to replace Russia as an exclusive supplier of regional energy resources. This means that, under the pressure of China's rapidly growing ambitions and its readiness to compromise when it comes to new oil and gas, transport and infrastructural projects, competition between the Chinese, Western, and Russian companies working in Kazakhstan and Turkmenistan will become even fiercer.

American Strategies in the Caspian

As soon as the Soviet Union fell apart, non-regional states turned their attention to the newly opened Caspian region. America, the EU, and China all claimed leading positions in the region in general and in the energy sphere in particular.

American and European oil and gas companies were especially excited about the prospect of developing Caspian hydrocarbons. Turkmenistan with its huge gas reserves and Kazakhstan with considerable oil deposits looked especially enticing. Azerbaijan, or rather its hydrocarbons, was another target of attention.

Numerous international consortiums set up for the purpose hastened to stake out the potentially most promising oil and gas deposits. Their task was facilitated by the energy policy of the new Caspian states, which needed Western money to explore for hydrocarbons and to produce and export oil and gas. At the earlier stage, the money of Western oil and gas companies proved to be all-important in developing the Caspian energy reserves.

At the state level, the Caspian became one of the pivotal points of America's foreign policy. Washington did not hesitate to extend the political support needed to organize oil and gas production and transportation. The West hoped to turn the export routes toward Europe in order to decrease the Caspian countries' dependence on Russia.¹⁶

¹⁵ See: S.S. Zhiltsov, "Tsentralnaia Azia na peresechenii geopoliticheskikh interesov: itogi i perspektivy," in: *Aktualnye voprosy bezopasnosti v Tsentralnoy Azii: materialy X Ezhгодnoy Almatinskoy konferentsii* (g. Almaty, 6 iyunya 2012 g.), ed. by B.K. Sultanov, Kazakhstan Institute of Strategic Studies at the President of the RK, Almaty, 2012, pp. 29-36.

¹⁶ See: S.S. Zhiltsov, I.S. Zonn, *SShA v pogone za Kaspiem, Mezhdunarodnye otnosheniia*, Moscow, 2009, 200 pp.

American interest in the Caspian is mainly geopolitical; in recent decades Washington has partially satisfied it through new pipeline projects, including by extending considerable political support to the Trans-Caspian gas pipeline project.

Acting in the Caspian region, the Americans plan to strengthen the statehood and independence of the states determined to develop market economies and weaken their ties with Russia. Washington is seeking better commercial advantages and stronger positions for American private capital; it aspires to help resolve regional conflicts by establishing political, economic, and military contacts among the newly independent states. It paid particular attention to setting up special units to protect the energy communication lines. In addition, Washington hoped to make the local states less dependent on Russia by ensuring an uninterrupted flow of Caspian oil and gas to the world markets. Americans wanted control over the transportation routes that connected the Caspian with the world market.

The Obama Administration is pursuing practically the same aims in the Caspian and with respect to its energy resources as those formulated in the 1990s. The American president prefers to follow the course formulated by Bill Clinton and George W. Bush. Barack Obama has not shown any special interest in the region.¹⁷ Under different presidents, America's Caspian policy formulated practically twenty years ago remains the same.

The EU Extends Its Presence in the Caspian

In the last few years, Washington has shifted the "responsibility" for implementing pipeline projects to the European countries and pushed them to the front line. The European Union had spent some time trying to formulate its Caspian policy, which, at first, was anything but dynamic. It was in the late 1990s, when the first assessments of the huge oil and gas reserves were made public, that Brussels finally found its bearings in the Caspian context. To a great extent, it followed in the footsteps of the United States, which concentrated on pipeline projects.

It turned out, however, that the ambitious plans for diversifying export routes ran into serious problems. The EU's initial intention to decrease its dependence on Russian gas by opening new transportation routes shifted to the political field, where this purely economic issue became an end in itself. The foreign policy of the Caspian and European states and the issues related to energy production and transportation were pushed aside and safely forgotten.

The EU put the Nabucco project on the table to move Azeri gas to Austria and Germany. From 2002 onwards the project remained the core of European energy policy in the Caspian. After a while, however, it turned out that Azerbaijan (the main source of gas to be sent by Nabucco) did not have enough gas to sell. Turkmenistan did not want to be involved in the economically dubious venture, particularly since the project caused a political "allergy" of sorts in Beijing. At the turn of 2013, the EU had to revise its policy; it moved away from global to more modest pipeline projects. In 2012, Brussels produced a shorter version of the same project called Nabucco West, stretching from the Turkish-Bulgarian border across Bulgaria, Rumania, and Hungary to Austria. There was not enough gas to fill this pipeline either.

These failures are of an objective rather than political nature; so far, the newly developed gas fields cannot produce enough gas to fill the planned pipelines. On the other hand, the European Union cannot reach a consensus among its members on what should be done in the Caspian. At the negotia-

¹⁷ See: "Tsentralnaia Azia v usloviakh geopoliticheskoy transformatsii i mirovogo ekonomicheskogo krizisa," in: *Materialy VII ezhegodnoy almatinskoy konferentsii*, Almaty, 2009, pp. 33-35.

tion table, the Caspian countries and their European partners have been pursuing their own aims in disregard of what the other side wants. This is confirmed by the fact that different pipeline projects were initiated outside the EU.

The Caspian countries saw their chance to join the pipeline race. Turkey and Azerbaijan were the first to recognize the opportunity offered by the failures of Brussels' pipeline policy to come forward with their own pipeline projects designed to bring gas to Europe. The Trans-Anatolian Gas Pipeline (TANAP), which was to transport gas from Azerbaijan to Turkey's western borders, was one of them. Approved by the EU, it can be regarded as a foreign policy victory of Azerbaijan, which needs more transportation facilities to sell the gas produced within the second phase of the development of Shah Deniz. It is expected that in 2019-2020 (when the pipeline is commissioned), Azerbaijan will be ready with the needed 16 billion cu m of gas.

Cooperation between the two countries in the energy sphere can be described as a response to Brussels' energy policy, which failed to arrive at coordinated decisions and implement the project. TANAP is a local project that suits the interests of Azerbaijan and Turkey in particular. Baku will acquire a new export route, while Ankara will have another alternative source of fuel and greater involvement in gas supplies to Europe.

In June 2013, a consortium set up to develop the gas condensate Shah Deniz field accepted the Trans Adriatic Pipeline (TAP) as the main route by which Caspian gas would reach Europe. This ended a fairly long period of discussions of all sorts of alternative routes. The pipeline will cross Greece and Albania and reach Italy across the Adriatic. The project discussed at length throughout 2012 and 2013 was finally supported by Norwegian Statoil, German E.ON, and Swiss Axpo.

If implemented, it will bring up to 10 billion cu m of gas to Europe after 2019-2020; the initial volume is too small to affect the balance in the European gas market. It is expected that by that time, Europe will be using considerable amounts of liquefied natural gas and certain amounts of shale gas.

TAP, which raised a wave of enthusiasm in Europe, left many important questions unanswered: it may affect the geopolitical balance in the region. Unlike Nabucco, which was expected to bring Caspian gas to big consumers, TAP will bring gas to Greece and Italy, fairly modest consumers, which means that the pipeline will not bring gas to Europe in general. Everything said so far about the possible expansion of TAP's capacity is unfounded because the market is too small. To reach bigger European markets, TAP would have to be expanded with new branches, an expensive and time-consuming task.

The Trans-Caspian Gas Pipeline is another pet project of Brussels; it is working hard to promote and ultimately implement it in the hope of moving Turkmen gas to Europe. Active negotiations have gradually drawn Turkmenistan into the orbit of Brussels' economic interests; however, it is not so much funding the Trans-Caspian Pipeline needs as enough gas. Today, Turkmenistan is pumping its gas to China and Iran and sees no reason to be involved in a project fraught with political disagreements with its closest neighbors and China's displeasure.

Russia in the Caspian

In the post-Soviet period, Russia strove to preserve its geopolitical control over the Caspian states; it wanted continued domination in the energy sphere, as well as in the production and transportation of hydrocarbons from the new Caspian states. Caspian oil came to the fore in the world market and as the cornerstone of the local economies.¹⁸

¹⁸ See: G.I. Starchenkov, "Nef't Kaspia i puti ee transportirovki," in: *Musulmanskie strany u granits SNG*, Institute of Oriental Studies, RAS, Kraft+, Moscow, 2001, p. 298.

Russia insisted on continued application of the free navigation and fishing regimes (in the latter case, outside the ten-mile coastal zone) and prohibition of navigation under flags of non-Caspian states established by earlier treaties. Moscow wanted to preserve the “common waters” principle as the starting point for the sea’s new legal status; it was also concerned about preserving biological resources, particularly sturgeon. In fact, in the absence of a new treaty, Russia invited the Caspian countries to accept conditions under which they could not carry out any operations without seeking consent from Moscow and Tehran.

By the beginning of the first decade of the 21st century, Russia had managed to solve the problem of the Caspian international-legal status on a tripartite basis (with Azerbaijan and Kazakhstan) and preserve cooperation in the energy sphere by persuading the Caspian countries to move part of their exported hydrocarbons across Russia.

The Caspian is one of the all-important regions for Russia; this is confirmed by the fact that it is mentioned in several key documents, including the National Security Strategy of the Russian Federation to 2020 adopted on 12 May 2009 which said, in part: “The resolution of border security problems is achieved by creating high-technology and multifunctional border complexes, particularly on ... the Caspian.”

Russia has been concentrating and continues to concentrate on preventing offshore trans-Caspian pipelines and developing its own Caspian resource base; it is still looking for a solution to the riddle of the international legal status of the Caspian on the basis of the Convention on the Legal Status of the Caspian Sea, which regulates all types of activities of the coastal states. Russia is trying to keep the non-Caspian states, America and the EU in particular, away from the region.¹⁹

In recent years, Russia has been promoting its strategic interests through bilateral relations with the Caspian states; it is concentrating on the development of new oil and gas fields and transportation routes, which allows it to preserve its key position in the region.

Russia’s Caspian policy has covered a long road from ad hoc moves to a consistent and fully substantiated strategy. Moscow is actively involved in many of the regional problems, including the international legal status of the Caspian, environmental problems, preservation of biological resources, and mounting militarization.²⁰ The Concept of the Foreign Policy of the Russian Federation says the following about Russia’s Caspian policy: “Russia’s approach to comprehensive interaction with its partners in the Black Sea and Caspian Sea regions... takes into account the need to strengthen the mechanism of cooperation among five Caspian states on the basis of collectively taken decisions.”²¹

Iran in the Caspian

For a long time Iran’s Caspian policy was limited to the problem of the sea’s international legal status and efforts to gain a foothold in the pipeline transportation systems. From the very beginning, Iran agreed with Russia that the sea and its resources should be used jointly by all the Caspian states.²²

¹⁹ See: *Tsentralnaia Azia i Kaspiyskiy region: riski, vyzovy, ugrozy*, Collective monograph ed. by B.K. Sultanov, Kazakhstan Institute for Strategic Studies at the President of the RK, Almaty, 2012, p. 89.

²⁰ See: S.S. Zhiltsov, “Politika Rossii v kaspiyskom regione: sovremenny etap,” *Vestnik RUDN. Politologia*, No. 2, 2013, pp. 71-92.

²¹ *Concept of the Foreign Policy of the Russian Federation approved by President of the Russian Federation V. Putin on 12 February 201*, available at [<http://www.mid.ru/ns-osndoc.nsf/1e5f0de28fe77fdcc32575d900298676/869c9d2b87ad8014c32575d9002b1c38?OpenDocument>].

²² See: *Tsentralnaia Azia segodnia: vyzovy i ugrozy*, ed. by K.L. Syroezhkin: A monograph, KISI at the President of the RK, Almaty, 2011, pp. 412-413.

Tehran believes it important to preserve control of the coastal states over the sea and to keep non-regional states away. This explains why it is consistently building up its naval forces on the Caspian.

As distinct from the new Caspian states, Iran, very much like Russia, does not depend on Caspian energy resources. Its economy relies on the hydrocarbons produced in the south; its northern coastal part is poorly explored, was believed to have practically no oil and gas and, therefore, attracted little interest. Tehran's newly acquired interest, fed by the recent discoveries of oil and gas in its sector of the Caspian, has opened a new stage in the development of the Caspian's hydrocarbon resources.²³ There is a recently discovered and potentially promising Sardar Jangal gas deposit with expected, but not confirmed, reserves of 1.4 trillion cu m of gas and 2 billion barrels of oil. Tehran is contemplating increased cooperation with the Central Asian states in exporting their hydrocarbons.

In recent years, Iran has been increasing its involvement in the transportation projects of the Caspian countries; it has stepped up its cooperation with China in the energy sphere: Beijing relies on Tehran for its energy security.

Conclusion

The preliminary assessments of the rates of energy production and implementation of pipeline projects in the Caspian and the degree to which the non-regional states are involved in the process show that the region has entered a new stage of its geopolitical development. Today, the geopolitical situation is vague: the dynamics of energy production is hard to assess, yet expectations of higher volumes of oil and gas will intensify the geopolitical struggle between local and non-local countries for control over the pipelines, an important geopolitical instrument.

The geopolitical race began as soon as the Soviet Union left the stage; the Caspian moved into the focus of attention of many countries and oil and gas companies lived through the fever of the 1990s. In the first decade of the 21st century, the fever subsided: oil and gas from newly developed deposits were exported by newly built pipelines. Today, the region has come close to a new stage of geopolitical rivalry, the course of which depends on the pace with which the coastal states develop their most promising oil and gas fields.

The geopolitical situation may change in the next decade: Kazakhstan, Turkmenistan, and Azerbaijan will begin industrial production of their hydrocarbon reserves to load the functioning pipelines. If this happens the planned pipelines expected to enlarge the geographical scope and increase the volumes of Caspian energy resource export will be implemented and shape the geopolitical situation in the Caspian. The region has reached a crossroads: production and exports will mostly affect the race among non-regional states for access to local hydrocarbons and control over their export.

²³ See: L. Timofeenko, "Osnovnye priority strategii Irana v Kaspiyskom regione," *Analytic*, No. 6, 2012, pp. 32-42.