ENERGY SECURITY AND CENTRAL ASIAN GEOPOLITICS

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_____

Prof. Dr. Meliha Benli Altunışık
Director

I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Science/Arts / Doctor of Philosophy.

_____

Assoc. Prof. Dr. Pınar Akçalı
Head of Department

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Science/Arts/Doctor of Philosophy.

_____

Assist. Prof. Dr. Işık Kuşçu-Bonnenfant
Supervisor

Examining Committee Members

Assist. Prof. Dr. Işık Kuşçu-Bonnenfant	(METU, IR)	_____
Assoc. Prof. Dr. Ayça Ergun Özbolat	(METU, SOC)	_____
Assoc. Prof. Dr. Zana Çitak Aytürk	(METU, IR)	_____

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Name, Last name : YILDIRIM GÜNDÜÇ

Signature :

ABSTRACT

ENERGY SECURITY AND CENTRAL ASIAN GEOPOLITICS

Gündüç, Yıldırım

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Energy security has become an important part of national security policies in the last decades. Policies concerning energy security are designed and implemented in different ways by countries based on their geographical, political and economic imperatives.

This thesis analyzes the securitization of energy resources in Central Asia and the roles of the US, China, India and Russia as major actors of the Central Asian energy politics in the post-Soviet period. The conditions shaping Central Asian countries decision making process' as well as the policies and priorities of the US, China, India and Russia are analyzed in the light of latest energy policy developments and related pipeline projects in the region. While doing so, this thesis aims to compare and contrast the practices and policies of the US, China, India and Russia in securing access to energy resources of Central Asia.

Keywords: Energy Security, China, India, Russia, the United States

ÖZ

ENERJİ GÜVENLİĞİ VE ORTA ASYA JEOPOLİTİĞİ

Gündüç, Yıldırım
Yüksek Lisans, Avrasya Çalışmaları
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Enerji güvenliği son yıllarda ulusal güvenlik politikalarının önemli bir parçası haline geldi. Enerji güvenliğine dair bu politikalar her ülkenin coğrafi, siyasi ve ekonomik koşulları çerçevesinde tasarlanmaya ve uygulanmaya başlandı.

Bu tez çalışmasında, Sovyet sonrası dönemde Orta Asya enerji kaynaklarının güvenlikleştirilmesi ve Orta Asya enerji politikalarında önemli aktörler olan Amerika Birleşik Devletleri, Çin, Rusya ve Hindistan'ın bölgedeki rolleri değerlendirilecektir. Bu kapsamda, Orta Asya ülkelerinin karar alma süreçleri, Amerika Birleşik Devletleri, Çin, Rusya ve Hindistan'ın politikaları ve önceliklerini belirleyen koşullar, Orta Asya'daki en son gelişmeler ve boru hatları projeleri çerçevesinde incelenecektir. Bu tezin amacı Amerika Birleşik Devletleri, Çin, Rusya ve Hindistan'ın Orta Asya'daki enerji kaynaklarına ulaşmak için uyguladığı politikaları karşılaştırmaktır.

Anahtar Kelimeler: Enerji Güvenliği, Çin, Hindistan, Rusya, Amerika

to Pelin,

for her love, support and patience…

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ADB	Asian Development Bank
APOC	Anglo-Persian Oil Company
BTC	Baku-Tbilisi-Ceyhan Pipeline
BTE	Baku–Tbilisi–Erzurum Pipeline
CAC	Central-Asia Centre Pipeline
CIS	Commonwealth of Independent States
CNODC	China National Oil and Gas Exploration and Development Corporation
CNOOC	China National offshore Oil Cooperation
CNPC	China National Petroleum Corporation
CPC	Caspian Pipeline Consortium
CST	Collective Security Treaty
CSTO	Collective Security Treaty Organization
EU	European Union
EurAsEC	Eurasian Economic Community
FDI	Foreign Direct Investment
FIOC	First International Oil Company
FMF	Foreign Military Financing
FSB	Federal Security Services
FY	Fiscal Year
GDP	Gross National Product
GCA	Gaffney, Cline & Associates
IEA	International Energy Agency
IPI	Iran-Pakistan-India Pipeline
KMG	KazMunaiGas
NATO	North Atlantic Treaty Organization
NCSPSA	North Caspian Sea Product Sharing Agreement
OAPEC	Organization of Arab Petroleum Exporting Countries

OPEC	Organization of Petroleum Exporting Countries
ONGC	India Oil and Gas Cooperation Limited
OSCE	Organization for Security and Cooperation in Europe
PFP	Partnership for Peace
PSA	Product Sharing Agreement
RWE	Rheinisch-Westfälisches Elektrizitätswerk
SCO	Shanghai Cooperation Organization
SINOPEC	China Petroleum & Chemical Corporation
SLOCs	Sea Lines of Communications
TA	Technical Assistance
TAPI	Turkmenistan-Afghanistan-Pakistan-India Pipeline
UN	United Nations
WWI	World War I
WWII	World War II

CHAPTER 1

INTRODUCTION

Energy resources particularly oil has always been on international agenda. However, the security of energy resources became one of the topic issues in world politics in last decade. Energy security is not just one of the important topics for industrialized and importing countries but exporting countries as well. The term "*energy security*" has been used as an "umbrella" term so as to cover many concerns the security of infrastructure, prices, supply diversity, investment regimes, security of supply, security of revenue, access to new reserves and risks of terrorism and war.[1] Energy security is a multiple term that covers both producer and consumer countries as well as companies proving linkages between both sides. From the perspective of consumer countries, the most important concern is reasonably-priced energy on demand and the risks of supply disruption.[2] From the perspective of producer countries, the most important concern is to fear balance of payment shocks, security of revenue, of demand integral parts of any energy security discussion.[3] From the perspective of energy companies, the most important concern is to access to new reserves, ability to develop new infrastructure, and stable investment regimes to be critical to ensuring energy security.[4] Therefore, the interpretation of term "energy security" differs by different actors.

[1] The New Energy Security Paradigm, The Energy Vision Update, Energy Governors' Community of the World Economic Forum, Spring 2006, p.8. https://members.weforum.org/pdf/Energy.pdf accessed on 13.10.2012

[2] Ibid.

[3] Ibid.

[4] Ibid.

After the demise of the Soviet Union, Central Asia has become one of the important regions of the world politics once again. About a hundred year ago, the Russian Empire and the British Empire scrambled for imperial supremacy over Central Asia which was called as "*the Great Game*" or "*the Tournament of Shadows*" at that time. A hundred year later, Central Asia has again become a region of vital importance where today's great powers such as the US, Russia, China and India compete. The core interest is to have a secure access to Central Asian energy, a region which provides an enormous potential in comparison to other regions. Since energy security has been one of the prominent components of national security, these major actors in world politics have prioritized the security of oil and natural gas assets and pipeline projects in Central Asia.

In this regard, creating alternative sources of energy supply to lessen the degree of vulnerabilities and possible supply disruptions have become main axes of geopolitical struggles in 21st century[5] including geopolitical struggle between the US, Russia, China and India since energy security is an important component of national security policy for every nation. Both the access to energy resources and control over potential transport routes or pipelines from the Central Asia are very important for the US, Russia, China and India, which involve not only economic, but also political and security interests.

This thesis will analyze the political and economic aspects of the policies and practices of the US, Russia, China and India concerning the security of energy resources in Central Asia and the reflections of these policies and practices on Central Asian countries decision making processes. This thesis is composed of seven chapters including introduction and conclusion parts. In the second chapter of the thesis, I will analyze the historical development and the securitization of energy in world politics. I will discuss the central role of "coal" as the predecessor of oil and natural gas because the power generated by the possession of coal was the most important factor behind the British imperial power which competed with the Russian

[5] Deniz Değer, "The Evolution Of Central Eurasia Policy Of The US In The Post Soviet Era And The Geopolitics Of The Caspian Oil", Master Thesis, Middle East Techinal University, September 2006, p.5.

Empire in Central Asia at the time. I will also briefly discuss the role of oil before and during the First World War, during the interwar period, Second World War and the Cold War periods respectively in order to show the importance oil as a vital energy resource which is important to sustain dominance in the world politics.

The rest of the chapters will analyze the policies of the major actors for dominance over the energy reserves of Central Asia. The third chapter will focus on India and will discuss the current situation of India's energy sector, the importance of Central Asian energy resources for India's energy security and its role in the Central Asian energy geopolitics. In the fourth chapter, I will analyze the US foreign policy priorities in Central Asia, the importance of securing Central Asian energy resources for establishing and preserving its dominance in world politics as well as the US efforts towards the diversification of Central Asian energy pipelines. The fifth chapter will discuss China's relation with the Central Asian states, their importance for China's energy politics and the role of China's energy assets and pipelines in Central Asia. In the sixth chapter I will examine the importance of Central Asian energy resources for Russian foreign policy priorities, Russia´s attempts towards establishing its monopoly over Central Asian resources as well as country´s competition with the US, China and India.. The last chapter will conclude with a discussion of the roles and policies of the major actors over securing Central Asian energy resources.

CHAPTER 2

HISTORICAL PROCESS OF THE SECURITIZATION OF ENERGY IN WORLD POLITICS

"He who has oil has empire."
Advisor of French Prime Minister Georges Clemenceau, December 1919[6]

Since the industrial revolution has begun, energy resources as an input for economy, military and even politics has created important changes in world history. At the beginning of the industrial revolution, coal has played a very crucial role in the history.[7] According to an earlier generation of economic historians—T. S. Ashton, Fernand Braudel, Roy Church, J. H. Clapham, Phyllis Deane, Michael Flinn, and John Nef—coal was indeed at the heart of the Industrial Revolution.[8] Following the use of coal in industrial machines, iron and steel production, rail transportation and steamships made coal an indispensable input for every sphere of life.[9] Over the years, the use of coal increased radically. Thanks to James Watt's modern day steam engine[10] coal became one of the important strategic inputs for economic development. The economically motivated political moves through undiscovered lands had contributed to the demands for more coal. The mechanization with

[6] Andrew Ryan Schlossberg, "The Military Dimensions of Post-Cold War US Oil Policy: Access to Oil and Consequences for Geostrategy", CUREJ - College Undergraduate Research Electronic Journal, University of Pennsylvania 2011, p.1. http://repository.upenn.edu/cgi/viewcontent.cgi?article=1173&context=curej accessed on 01.05.2012

[7] Gregory Clark and David Jacks, "Coal and the Industrial Revolution, 1700-1869", p.1. http://gpih.ucdavis.edu/files/Clark_Jacks.pdf accessed on 01.05.2012

[8] Ibid.

[9] World Coal Institute, "The Coal Resource: A Comprehensive Overview of Coal", Section Four, p.19. www.worldcoal.org/ accessed on 01.05.2012

[10] Justin Wickett, "Coal in Human History", p.1. http://www.duke.edu/~jyw2/Coal_in_Human_History.pdf accessed on 01.05.2012

industrial revolution did not just change the world economy but the means of production as well. Traditional production means which was the dominant for centuries started to be replaced by modern production means. With the industrial revolution, factories and machines took the place of human resources.[11] Agriculture has transformed itself through a more machine intensive way. The transformation in agriculture had been followed by heavy industry. In consequence of radical transformation of European nations, coal and iron became the basic component for imperial struggle in the age of empires. It became apparent that the more coal and iron meant more power in international system. In the first phase of the Industrial Revolution, coal has become the primary source of energy both in North America and Europe. For instance, steamships and steam-powered railroads become the most important form of transportation and coal was used to fuel their engine.[12]

Before the US came into world stage, the United Kingdom was the dominant power in the international system. One of the invisible inputs behind the UK's dominant position in international system was coal. Between 1760 and 1830, United Kingdom's industrial production was two thirds of the world total industrial growth.[13] By the 1860's, the United Kingdom produced 53 percent of world's iron and 50 percent of world's coal.[14] United Kingdom's dominance in international system had reached its highest position in the 1870s.[15] It was also important that "*there was little point in installing a steam machine, for example, if it could not be supplied with coal at a reasonable price*"[16] In this respect, many new railroads had

[11] Aslı Hüseyinoğlu, "The Role of the Energy Resources in Perception of States' Security: The case of Caspian Sea", Kadir Has University Graduate School of Social Sciences, Master Thesis, 2009, p.5.

[12] The US Department of Energy, "A Brief History of Coal Use" http://fossil.energy.gov/education/energylessons/coal/coal_history.html accessed on 01.05.2012

[13] Paul M. Kennedy, "The Rise and Fall of the Great Powers: Economic Change and Military Conflict From 1500 to 2000", Random House, 1987, p.151.

[14] Ibid.

[15] Micheal Fry, " History, the White House and the Kremlin: Statesmen as Historians", Pinter Pub Ltd, June 1991, p.108. http://weber.ucsd.edu/~dlake/Reprints/Hegemony%20Compared.pdf 01.05.2012

[16] Stewart Ross, "Industrial Revolution", Evans Brothers, 2009, p.30.

been made throughout the country to reach coal at reasonable price on time. New railroads had boosted the production of coal and steel in consequence. Great Britain had been followed by the US France and Germany in the late 19th century. One of the most important impacts of the industrial revolution on the international system was to provoke competition among great powers. It was crucial to have raw materials to sustain their economic and political dominance with military measures. Therefore, industrial revolution changed military means.

> *The industrial revolution first influenced the battlefield during the Crimean War, when the rifled musket, telegraph, and steamship combined to allow Britain and France to deploy forces and win against superior Russian numbers.*[17]

It was also valid for the US Civil war. "…*Civil War in the United States, South as well as North, to combine the "benefits" of technology (the railroad, steamboat, rifled musket and artillery, and telegraph)*…[18]

In the second phase of the Industrial revolution from the late 1860's to the beginning of 1900, the structure of industrial transformation has started to change trough a more complex and complicated compositions. In this phase, industries diversify and transform itself from iron, cotton and textiles to include steel, electricity, chemicals and most importantly oil.[19] On the eve of the First World War, oil as an international commodity gained a central place in the foreign policies of Great Powers. These Great Powers struggled and acted in strategic moves to acquire oil assets abroad and make transportation of oil secure since then.

Since oil has become an important commodity in the world agenda, it is important to control energy resources and to ensure sustainability due to fact that there are some regions which are richer in oil than the others. The distribution of oil is not fair for

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[17] Williamson Murray, "Thinking About Revolutions in Military Affairs", Joint Force Quarterly, Issue 16, Summer 1997, p.72. http://www.dtic.mil/doctrine/jel/jfq_pubs/1416pgs.pdf accessed on 01.05.2012

[18] Ibid.

[19] Stewart Ross, Op.Cit., p.47.

many countries and even among the regions. In this context, different policies and instruments have been considered to control these resources and ensure that there would not be any disruption.

At the beginning of the 20th century and before the First World War, the British navy led by Winston Churchill did begin to convert its battleships combustible from coal to oil.[20] With this move, oil began to take a larger share in the energy market.[21] The most important triggering factor was to achieve global superiority against the newly emerging power: Germany.[22] Winston Churchill, who became the First Lord of the Admiralty in 1911, had decided to establish a commission who was responsible for researching the use of oil in British Navy in 1912.[23] Although this radical change from coal to oil was seen as a structural transformation for British navy, nobody denied that battleships with oil in combustible would increase the speed of the ships and enable the fleet of refuel at sea without having to send quarter of its strength into harbor for coal.[24] As indicated by Churchill himself;

> "*In equal ships, oil gave a large excess of speed over coal. It enabled their speed to be attained with far greater rapidity. It gave 40 percent greater radius of action for same rate of coal. It enabled the fleet to refuel at sea with facility…the use of oil made it possible in every type of vessel to have more gun power and more speed for less size and less cost"*[25]

Thus, the oil had become one of the important cornerstones for Great Powers to sustain their dominance in world politics at the beginning of 20th century. However; using oil in naval ships revealed that the British Navy would be dependent on the

[20] William Kelleher Storey, "The First World War: a Concise Global History", Rowman & Littlefield, 2010, p.78.

[21] Robert A. Hefner, "The Grand Energy Transition: The Rise Of Energy Gases, Sustainable Life And Growth, And The Next Great Economic Expansion", John Wiley & Sons, 2009, p.10

[22] Ed Shaffer," The United States and the Control of World Oil", Taylor & Francis, 1983, p.40.

[23] Ibid.

[24] Michael I. Handel and John H. Maure, "Churchill and Strategic Dilemmas before the World Wars", Frank Cass, 2003, p.167.

[25] Ed Shaffer. Op.Cit., p.40

Iranian oil because Iran was the only source of oil at that time.[26] Just one year before the First World War, Churchill sent a group of experts to Iran to explore the oil fields for the sustainability of British navy in 1913.[27] This group of experts returned to Great Britain with recommendations to acquire assets from APOC (Anglo-Persian Oil Company) for oil supply.[28] In May 1914 – 3 months before the First World War- British government purchased the 51 percent of APOC for £2.2 million.[29]

During the First World War, oil had begun to be a strategic asset that could affect the direction of war. When Germany attempted to blockade the supply of British navy from the US, the Allied powers succeeded to prevent Germany to reach the Romanian oil.[30] This move caused a shortage of oil supply for Germany's war machines.[31] Azerbaijan's oil capacity was another important resource during the Great War. Germany also prevented from gaining a control of Azerbaijani oil.[32] After the Bolshevik withdrawal from the war with the October Revolution, British Army managed to control Baku oil resources until the Soviet Union reoccupied Azerbaijan in April 1920.[33] The importance of oil had increased day by day after the First World War. As the world economy had started to convert itself from coal to oil over the years, Great Powers' conquest for oil had begun to come to the light. As in the First World War, interwar period and Second World War has proved that oil was one of the main determinants of international relations.

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[26] Ian Rutledge, "Addicted to Oil: America's Relentless Drive for Energy Security", I.B.Tauris, 2006, p.23.

[27] M. S. Vassiliou, "Historical Dictionary of The Petroleum Industry", Scarecrow Press, 2009, p.137.

[28] Ibid.

[29] Ibid.

[30] Richard Heinberg, "The Party's Over: Oil, War and The Fate of Industrial Societies", Clairview Books, 2005, p.72.

[31] Ibid.

[32] Emmanuel Karagiannis, "Energy and Security in the Caucasus", Routledge, 2002, p.16.

[33] Ibid.

During the interwar period, the use of oil in every sphere of life affected the war strategies that would be used particularly by Adolf Hitler. Soviet Union acquired nearly 80 percent of its oil needs from the Caucasus region including Baku.[34] Adolf Hitler thought that if the supply of oil is cut off, the Soviet Union would have faced with crippling oil shortages which would in turn affects the mobility and maneuverability of Soviet soldiers eventually forcing Stalin to make a peace agreement with Germany.[35] It was known that Romanian oil fields would have not been sufficient to wage the war especially for German tanks and automobiles.[36] Therefore, there occurred a need to occupy more lands with oil fields to satisfy the oil demands of Germany while cutting off the oil supply to allied powers. When German soldiers were encircled by the Soviet troops during the Stalingrad war in1942-1943, Hitler –at first- refused to withdraw his troops from the Caucuses.[37] Hitler told Field Marshal Erich Von Manstein that "*it is a question of the possession of Baku. Unless we get Baku oil, the war is lost*".[38] However Hitler had to retreat his army from Caucuses in late 1943. Both in World War I and World War II, Germany could not manage to reach Baku which changed the fate of Great Wars. Japan was another victim of the oil disruption during the Second World War. Before the WW II, Japan's 80 of oil was supplied by the US.[39] When Japan decided to ally with Hitler's Germany, the US attempted to stop the oil supply to Japan. Even though Japan tried to diversify its oil supply by invading Indonesian oil fields in 1941, it was not enough to wage a war. Thus the US blockade should have been broken down. Eventually, Japan attacked Pearl Harbor on December 1941.

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[34] Steven D Mercatante, Robert M. Citino, "Why Germany Nearly Won: A New History of the Second World War in Europe", ABC-CLIO, 2012, p.137.

[35] Ibid.

[36] Vladimir Gel'man and Otar Marganiya,"Resource Curse and Post-Soviet Eurasia: Oil, Gas, and Modernization", Lexington Books, 2010, p.27.

[37] Lutz Kleveman, "The New Great Game: Blood and Oil in Central Asia", Grove Press, 2004, p.17.

[38] Ibid.

[39] Joshua Tickell, "Biodiesel America: How to Achieve Energy Security, Free America from Middle East Oil Dependence and Make Money Growing Fuel", Biodiesel America, 2006, p.27.

Following the end of Second World War, the role of oil has strengthened in international relations. With the Cold War, oil became a source of international crises directly or indirectly. In this period, the Middle East became the focus point for both the US and the Soviet Union.[40] Especially after the 1970's, most of the international conflicts contained oil disputes and sometimes these disputes turned into military conflicts. Post-cold war period shows that energy –in addition to oil, natural gas has become part of huge energy investments – is still one of the top priority of the countries´ national interest.

The then US President Bush´s statement in New York Times in 1990 is important to emphasize here; "*Our jobs, our way of life, our own freedom, and the freedom of friendly countries around the world would suffer if control of the world's great oil reserves fell into the hands of Saddam Hussein*".[41] Following the collapse of the Soviet Union, the position of the US on international relations has considerably increased and as the then President Bush stated, the US has pledged to control energy resources globally until China and Russia came back to the international stage once again. The regions which are rich in terms of oil and natural gas began to occupy an important place in the US foreign policy. Since the US has been a victim of oil disputes for many times, foreign policy objectives began to be planned in order to prevent the use of oil as a political weapon against the US and the US friendly countries. History taught the US that oil could be very dangerous in unfriendly countries' hands.

2.1. Oil as a Political Weapon

Fossil fuels such as coal, natural gas, and oil constitute nearly 80 percent of world total energy production.[42] Oil still accounts for over 35 percent, coal for 26 percent

[40] Peter L. Hahn, "Crisis and Crossfire: the United States and the Middle East Since 1945", Potomac Books, Inc., 2005, p.7.

[41] Ian Rutledge, Op.Cit., p.52.

[42] EU Directorate General for Energy, "Key Figures", June 2011, p.4. http://ec.europa.eu/energy/observatory/eu_27_info/doc/key_figures.pdf accessed on 01.05.2012

and natural gas for 21 percent of world total energy production.[43] For the last hundred years, traditional fossil fuels have fostered economic growth, industrialization and even sometimes military occupations.[44] Fossil fuels will be used for a long time unless alternative fuels are found. Although the utilization of oil increased in the 19th century as a catalyzer for economic development and military superiority, the 20th century was the most intense period in terms of oil wars. Oil has become a central theme for the national and international strategies and made international relations more complicated in the 20th century.

One of the most important components that affect these complicated relations is "oil prices". Oil prices are an important factor that fundamentally changes the world economic structure which eventually overbalances the dynamics of world politics. That explains the reason for oil companies' attempts to be a part of the global competition. It is known that some oil companies' annual earnings are higher than most of the third world countries and even some developed but smaller countries' gross national product. These companies have always tended to organize in monopolistic structure in most countries in the last century since monopolistic structures allowed these companies to decide on oil prices unilaterally. Until the OPEC (Organization of Petroleum Exporting Countries) was established, oil companies called "Seven Sisters" comprised of Texaco, Gulf, Mobil, Exxon, BP and Shell were able to determine the oil prices that were previously decided by unilaterally.[45] So exporting countries could not be able to demand higher prices from the oil companies. However when it comes 1960s, exporting countries lead by Iran, Iraq, Kuwait, Venezuela and Saudi Arabia attempted to take a stand against "Seven

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[43] Höök, M., Sivertsson A. and Aleklett, K. "Validity of the fossil fuel production outlooks in the IPCC Emission Scenarios", Natural Resources Research, Vol. 19, Issue 2: 63-81, 2010, p.2. http://dx.doi.org/10.1007/s11053-010-9113-1 accessed on 01.05.2012

[44] Ibid.

[45] İdris Demir, "OPEC: A Strong Cartel", SDÜ Fen Edebiyat Fakültesi, Sosyal Bilimler Dergisi Issue 18, December 2008, p.232. http://sablon.sdu.edu.tr/dergi/sosbilder/dosyalar/18_14.pdf accessed on 01.05.2012

Sisters".[46] OPEC's formation coincides with the decolonization and the birth of new independent states in international system. In 1965, OPEC established its secretariat in Geneva and set down its objectives. One of the objectives stated in the Declaratory Statement of Petroleum Policy in Member Countries was to "… *bearing in mind that inalienable right of all countries to exercise permanent sovereignty over their natural resources in the interest of their national development is a universally recognized principle of public law...*"[47] Following the establishment of OPEC, oil exporting countries had stronger political and economic position against the oil companies by the 1970s. OPEC members acted in concert during the negotiations against the "Seven Sisters". The five founding members were followed by seven other members: Qatar (1961); Indonesia (1962); Libya (1962); United Arab Emirates (1967); Algeria (1969); Nigeria (1971); Ecuador (1973) until the 1973.[48] Although all of the founding members and others were not developed countries, they managed to become effective on international market. At the same time, rapid industrialization of nations promoted more use of oil that ended up with political strength against the developed but energy poor countries. In 1967, OPEC made its first move just one day after the 1967 Arab-Israeli War. It decided to implement an embargo against countries which supported Israel in terms of political and military.[49] Embargo mainly targeted the US, Great Britain and Germany.[50] However OPEC's this first attempt failed. Neither oil embargo did increase the prices nor did these three countries have difficulty to substitute their oil supply from other countries such as Iran, Venezuela and Indonesia.[51] These countries were non-Arab countries in the OPEC. Thus Arab countries decided to establish an organization which consists of only energy-rich

[46] www.opec.org accessed on 01.05.2012

[47] Shukri Mohammed Ghanem, "The OPEC, The Rise of and Fall of an Exclusive Club", Taylor & Francis, 1986, p.208.

[48] www.opec.org accessed on 01.05.2012

[49] Keith Crane, "Imported Oil and US National Security", Rand Corporation, 2009, p.26.

[50] Ibid.

[51] J. H. Bamberg, "British Petroleum and Global Oil 1950-1975: the Challenge of Nationalism", Cambridge University Press, 2000, p.170.

Arab countries. In 1968, Kuwait, Libya and Saudi Arabia signed an agreement in Beirut establishing OAPEC.[52] There were ten Arab oil exporting countries in the OAPEC by 1972: Algeria (1970), Bahrain (1970), Egypt (1973), Iraq (1972), Kuwait (1968), Libya (1968), Qatar (1970), Saudi Arabia (1968), Syria (1972), and United Arab Emirates (1970).

Next oil embargo came with another Arab-Israeli conflict Yom Kippur War in 1973. Following the war OAPEC decided to impose an oil embargo once again against the European countries and the US that favored Israel during the war. Arabian members of OAPEC took lessons from the 1967 war. This embargo decision was made in a resolution of the Arab Ministers of Oil Conference held in Kuwait on October 17 1973 instead of OPEC.[53] In addition to OAPEC's political moves, OPEC supported OAPEC embargo decision by increasing the oil price from 3,09 US $ on 16 October 1973 to 11,65 US $ on 22 December 1973 and by reducing of oil production by Saudi Arabia.[54] The reductions of oil supply and increasing oil prices have resulted in important lessons for the US foreign policy. The US Secretary of State Henry Kissinger made an important statement on 21 November 1973 and claimed that "*if pressures continue unreasonably and indefinitely, then the United States will have to consider what counter measures it may have to take*."[55] It was clear that US could take some military measures against the exporting countries. It was also clear that the US and European countries were caught unprepared for such an oil disruption. In response to such international oil crises, western countries decided to strengthen energy related cooperation and to produce long term policies for their energy security issues. OECD was prompted to initiate a new organization to defend the common interest of the countries that experienced oil disruption and price shocks. The

[52] The Egyptian Ministry of Petroleum Official Web Site, http://www.petroleum.gov.eg/en/ accessed on 01.05.2012
[53] Ibid.

[54] Alon Liel, "Turkey in the Middle East: Oil, İslam and Politics", Lynne Rienner Publishers, 2001, p.105.

[55] Rachel Bronson, "Thicker Than Oil: America's Uneasy Partnership with Saudi Arabia", Oxford University Press, 2006, p.122.

International Energy Agency (IEA) was formed with 16 members in November 1974.

1973 oil crisis did not only change the world politics or international economics, it also re-shaped the strategies of oil companies.[56] Diversification of energy resources in the modern period started to become a dominant policy for countries that import large amount of oil from the OPEC or OAPEC.[57] The Iranian revolution was another shock for the international oil market. The reason that prompted the second global crisis was the overthrown of Iran's monarchy by under Shah Pahlavi by Ayatollah Ruhollah.[58] With the revolution in Iran, oil prices escalated tremendously in 1979-1980.[59] However Iranian revolution was not the only cause that stipulated oil prices in 1979. US-Iranian relations were strained due to the hostage crises following the return of Ayatollah from exile in February 1979.[60] By the end of the year international oil prices reached 24 $ per barrel while it was about 14 $ during April 1979.[61] Following the Iranian Islamic revolution in 1979, relationships between Iran and Iraq began to deteriorate because of the denominational differences of two countries, regional challenges of Iran and the strategic opening of Iraq through Gulf. As of 1980, Iraq managed to become one of the largest OPEC producers.[62] Oil revenues of Iraq paved the way for modernizing its army. Iraq initiated a war which would last eight years and resulted in no victorious party from

[56] H. Naci Bayraç "An Economic Analysis of International Petroleum Market", 21 January 2007, p.5. http://www.turksam.org/tr/a1156.html accessed on 01.05.2012

[57] Ibid.

[58] John L. Seitz and Kristen A. Hite, "Global Issues: An introduction", Blackwell Publishers, 2001, p.115.

[59] Oystein Noreng, "Crude Power: Politics and Oil Market", I.B.Tauris, 2006, p.21.

[60] Don Hallett, "Petroleum Geology of Libya", Elsevier, 2002, p.38.

[61] Ibid.

[62] Mahmoud A. El-Gamal and Amy Myers Jaffe, "Oil, Dollars, Debt, and Crises: The Global Curse of Black Gold", Cambridge University Press, 2009, p.90.

1980 to 1988. Oil prices peaked to 40 $ a barrel which was reached again the Gulf Crises in 1990.[63]

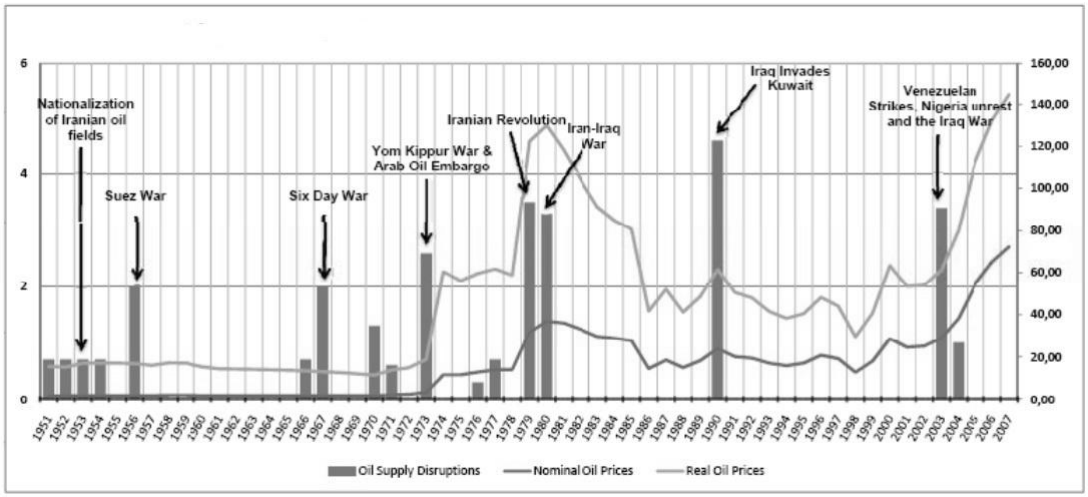

Figure 1 Major Oil Supply Disruptions and Price Impact[64]

These harsh experiences about the supply of oil and its sustainability and risky oil prices which tend to increase in every crises resulted in a change of perception about the importance of oil and its impact on the international system. Middle Eastern countries were the causes of the most of the oil disputes or of the risky oil prices. Middle Eastern oil was questioned in terms of sustainability as well. Therefore, since oil has been perceived as "critical", diversification of oil routes that can substitute the Middle Eastern countries oil became a major concern. The search for the diversification of energy resources including natural gas against oil and for the diversification of the locations for these resources created a new competition sphere in the international system. Central Asia with its considerable amount of oil and natural gas reserves mostly untapped became strategically "central" for Russia, India and China. These three countries are eager to get a bigger share of the energy cake of Central Asia while the US is eager to re-distribute these energy resources so as to prevent any challenger against its dominance world politics. For the rest of this

[63] Bassam Tibi," Conflict and war in the Middle East: From Interstate War to New Security", Palgrave Macmillan, 1998, p.142.

[64] Giacomo Luciani, "Armed Conflicts and Security of Oil and Gas Supplies", No.352, June 2011, p.4.

thesis, I will analyze the main goals, motivations and actions of these four major players in the Central Asia.

CHAPTER 3

THE SIGNIFICANCE OF CENTRAL ASIA IN TERMS OF ENERGY RESOURCES

British geographer Halford Mackinder in his article titled "The Geographical Pivot of History", argued that *"In the industrial age, the natural resources of Central Asia—'the great pivot'—are so vast that it will serve as the geostrategic instrument for the state that controls it to become 'the empire of the world" in today's world*.[65] Since the beginning of the new century, the competition among great powers over vast energy resources has been intensified as a result of rapid economic growth, persistent industrialization and increasing population. All of these factors with geo-political priorities have led states to secure and diversify energy resources. In this respect, Central Asia with its rich energy resources has presented an opportunity that cannot be ignored easily.

Oil and natural gas have been produced and transported in Central Asia under Soviet administrationfor a long time. However, it was actually following the collapse of the Soviet Union these energy resources have attracted considerable attention. Central Asia consist of five countries. These are Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan and Krgyzstan. However, Kazakhstan and Turkmenistan are the most important countries in terms of energy resources. Kazakhstan has an important amount of oil while Turkmenistan has large amount of natural gas reserves which can both be substituted with the Middle East reserves. According to the BP Statistical Review of World Energy 2011, Kazakhstan is the largest country in terms of proved

[65] Margaret Scott and Westenley, "Revisiting the Pivot: The Influence of Heartland Theory in Great Power Politics", May 2008, p.2. http://www.creighton.edu/fileadmin/user/CCAS/departments/PoliticalScience/MVJ/docs/The_Pivot_-_Alcenat_and_Scott.pdf, accessed on 01.05.2012

oil reserves in Central Asia and the 9th in the world with the ratio of percent 2.9.[66] Turkmenistan is the largest in terms of proved natural gas reserves in Central Asia and 4th in the world with the ratio of percent 4.3.[67] Thanks to their energy potential, Turkmenistan and Kazakhstan became an important sphere for energy competition. These countries provided alternative resources along with the Middle East.

Following to the collapse of the Soviet Union in 1991, a power vacuum occurred in Central Asia since the Russian Federation was economically weak and politically vulnerable to the other great powers. Central Asian states suddenly become independent but they were weak in terms of political motives and economic infrastructure. Thus, these states faced with political and economic challenges.[68] Central Asian states responded to these challenges by seeking to diversify their relations with other major actors. Although the term "diversification" is mostly used to define the process of multiplication of the transportation of oil, gas and other resources to market; it can be used for the foreign policy orientations of Central Asian countries in the post-Soviet process.[69] The most important component of the political and economic diversification efforts of Central Asian states is oil and natural gas reserves. Considering that diversification of energy resources for importing countries has become very crucial since the oil crises of the past, Central Asia presented a golden opportunity for the importing countries.

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[66] BP Statistical Review of World Energy, June 2011, p.6. http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2011/STAGING/local_assets/pdf/statistical_review_of_world_energy_full_report_2011.pdf accessed on 01.05.2012

[67] Op.Cit., p.20

[68] Svante E. Cornell, "Finding Balance: The Foreign Policies of Central Asia's States", in Ashley Tellis and Michael Wills, eds., Strategic Asia 2007-08: Domestic Political Change and Grand Strategy, Seattle: National Bureau of Asian Research, 2007, p.267. http://www.nbr.org/publications/strategic_asia/pdf/Preview/SA07/SA07_C_Asia_preview.pdf accessed on 15.10.2012

[69] Farkhod Tolipov, "The Foreign Policy Orientations of Central Asian States: Positive and Negative Diversification", Acta Slavica Iaponica No:16, 2007, p.24. http://src-h.slav.hokudai.ac.jp/coe21/publish/no16_1_ses/02_tolipov.pdf accessed on 15.10.2012

Since the demise of the Soviet Union, Central Asian countries tended to follow multi-polar foreign policies. Central Asian oil and natural gas provides important opportunities for Russia, the US, China and India while it provides important leverages for Central Asian countries to reach their foreign policy objectives. As stated above, Kazakhstan and Turkmenistan are two important countries in the region in terms of oil and natural gas reserves. In this respect, these two countries' foreign policies are much more complicated than others in the region. From the perspective of Kazakhstan, as an important supplier of oil, energy has become a basic compotent of its foreign policy.[70] Nazarbayev identified Kazakhstan's foreign policy priorities during his address at the ceremonial meeting in 2006 dedicated to the 15th Anniversary of Kazakhstan's independence as such;

> *At this time, our country is among world's top-ten countries by recoverable oil reserves. Kazakhstan holds the second largest oil reserves outside OPEC… apparently, such resources potentially place Kazakhstan among the world oil powers. We must become aware of our new geostrategic role in the global energy market, and develop our energy policy accordingly over the next ten to fifteen years.We find it essential to conduct an optimal, balanced, and transparent foreign policy. In the future, we are going to strengthen the reputation of Kazakhstan as a forward-looking, reliable international partner that contributes to global energy security with due consideration to its national interests.*[71]

Since independence, Kazakhstan has prioritized a foreign policy which is based on a balance among all four principal directions: North, South, East, and West.[72] Kazakhstan's relations with Russia have always been a top priority for Astana.[73] Nazarbayev has identified this relation as such: Russia is Kazakhstan's major foreign policy partner.[74] For a long time following the demise of Soviet authority, Russia

[70] Ariel Cohen, "Kazakhstan: The Road to Independence Energy Policy and the Birth of a Nation", Silk Road Studies Program, Institute for Security and Development Policy, 2008, p.83. http://www.isdp.eu/publications/index.php?option=com_jombib&task=showbib&id=5232 accessed on 15.10.2012

[71] Ibid.

[72] Op. Cit., p.84.

[73] Ibid.

[74] Ibid.

attempted to keep control on energy transportation routes from Kazakhstan to the world market. In order to do this Russian government focused on monopolizing Kazakhstan' energy routes as the best way to prevent it from distancing itself from its former imperial master.[75] However, with the 21th century, Kazakhstan's options began to diversify. Especially, China's developing economy have resulted in more energy needs to sustain its momentum. China's return to Central Asia to access oil and natural gas for its developing economy and its motivation for avoiding a confrontation with Taiwan or the US or deterioration of relations with Japan made Kazakhstan an important player in Central Asia. This situation serves Kazakhstan in terms of providing additional hydrocarbon export without additional tariffs and taxes on transit through third countries especially Russia.[76] In this equation, the US is another major actor for Kazakhstan to balance Russia and China. During the first years of the independence, the US made a significant contribution to the development of Kazakhstan's energy resources while Russia was preoccupied with domestic stability. The US efforts to transport Caspian oil into world market have created important opportunities for Kazakhstan to send its oil to west instead of Russia alone. The US also supports the opening of southern corridor from Kazakhstan to India. While Kazakhstan attempts to intensify its relations with the US, it also tries to develop its relations with India. In this respect, Kazakhstan welcomes India's membership to the SCO in order to conduct the multi-vector foreign policy. Thus, Kazakhstan attempts to maximize its national objectives through balancing four major actors in Central Asia.

After the demise of the Soviet Union, Saparmurat Niyazov ruled Turkmenistan with his complete authority. Since Saparmurat Niyazov's presidency, Turkmenistan´s foreign policy has based on the doctrine of permanent neutrality. In parallel with this doctrine, Turkmenistan's energy policy focused on prioritizing the national interests

[75] Ibid.

[76] Ibid.

and maintaining a neutral approach to energy partners.[77] Although Turkmenistan attempted to be neutral towards the new international partners, Turkmenistan was dependent on Russia, which controlled export routes for most of Turkmen natural gas and therefore had to prioritize Russia.[78] Considering that energy is intertwined with all aspects of Turkmenistan's foreign policy[79], this dependence on Russia was an important disadvantage for Turkmenistan because Turkmenistan's economy was mostly driven by its natural gas sales to Russia.[80] However Turkmenistan's dependence was an advantage for Russia because Russia used Turkmenistan's vulnerability to gain concessions from Niyazov including gas export prices and pipeline options that excluded Russia.[81]

After the death of Niyazov, Gurbanguly Berdymuhamedov gave more importance to energy issues. Gurbanguly Berdymuhamedov showed his desire for a more diversified foreign policy. Most of the major actors were already willing to cooperate with Turkmenistan. During the first year in office in 2007, Berdymuhamedov visited New York, Brussels, Moscow and Tehran and welcomed Recep Tayyip Erdogan, Vladimir Putin and Hu Jintao in Ashgabat.[82] Turkmenistan's new energy policy was officially underlined by the head of Turkmenistan's oil and gas company Turkmengas, Yashygeldi Kakayev in May 2007, "*Turkmenistan was in favor of*

[77] Saltanat Berdikeeva, "Turkmenistan's Energy Policy:Risks and Opportunities", Insight Turkey, Vol. 9 Nr. 3, July 2007, p.123. http://files.setav.org/uploads/Pdf/insight_turkey_vol_9_no_3_saltanat_berdikeeva.pdf accessed on 15.10.2012

[78] Ibid.

[79] Turkmenistan's Domestic and Foreign Policy, Chatham House, REP Seminar Summary, 12 October 2011, p.5. http://www.chathamhouse.org/sites/default/files/public/Research/Russia%20and%20Eurasia/121011summary.pdf accessed on 10.11.2012

[80] Kathleen J. Hancock, "Escaping Russia, Looking to China: Turkmenistan Pins Hopes on China's Thirst for Natural Gas", China and Eurasia Forum Quarterly, Volume 4, No. 3, 2006, p.70.

[81] Op. Cit., pp.71-72.

[82] Richard Pomfret, "Turkmenistan's Foreign Policy", China and Eurasia Forum Quarterly, Volume 6, No. 4, 2008, p.29. http://www.chinaeurasia.org/images/stories/isdp-cefq/CEFQ200811/tfp20081119-34.pdf accessed on 08.11.2012

exporting gas to all points of the compass and that although Turkmenistan would honor existing export agreements with Russia, it was seeking new export options." [83]

Since Berdymuhamedov´s coming to office, China, the US and India began to play important roles in diversifying Turkmenistan's natural gas from Russia and attempted to play a leading role in Turkmenistan's energy sector. The most important challenge came from East: China.[84] The political determination of China's government and strong financial capacity of Chinese energy companies made China a relatively advantaged partner in Turkmenistan. The US and India have also attempted to diversify Turkmenistan's gas through west and south while Russia put enormous efforts to keep its monopoly. This competition among major actors indeed serves Turkmenistan's interest. Since China, India and the US began to take larger role in Turkmenistan's energy sector, the relation between Russia and Turkmenistan has changed in favor of Turkmenistan. Therefore, Turkmenistan attempts to maximize its national objectives through balancing four major actors in Central Asia just like Kazakhstan.

[83] Saltanat Berdikeeva, Op. Cit., p.123.

[84] Richard Pomfret, Op.Cit., p.29.

CHAPTER 4

INDIA

> *India's growing international stature gives it strategic relevance in the area ranging from the Persian Gulf to the Strait of Malacca…. India has exploited the fluidities of the emerging world order to forge new links through a combination of diplomatic repositioning, economic resurgence and military firmness.*[85]
>
> *Dr Manmohan Singh, Indian Prime Minister*

India has never been entirely disconnected with Central Asia throughout the history. India and Central Asia have contiguous borders, climatic continuity, similar geographical peculiarities and they both have several characteristics in common such as social, cultural, political and economic.[86] India and Central Asia were linked through the Silk Road and periodic invasions from the north, which resulted in movement of people, goods and the culture.[87] After the establishment of the British East India Company, British influence continued to increase in India until the Russian Empire came into the region.[88] British dominance continued in India until her withdrawal in 1947.

India's role in world politics was inconclusive in terms of being a constitutive player. Before the 1990s, India was not much the center of attention due to the Cold War rivalry. In contrast to the previous years, with the beginning of 1990s, India

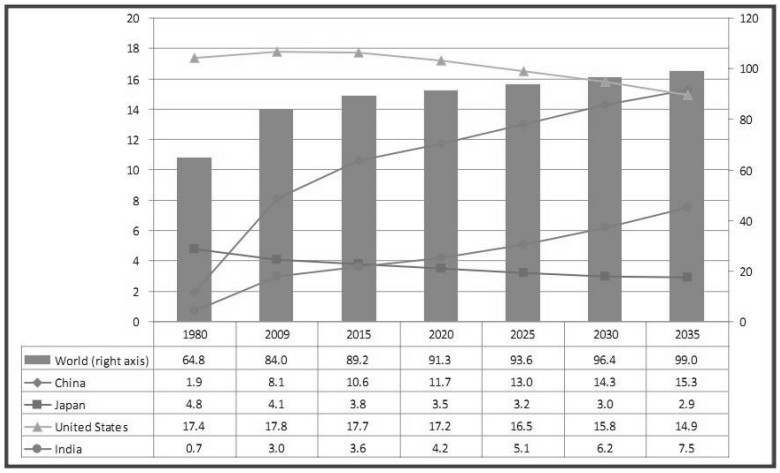
[85] Ibid.

[86] Braja Bihārī Kumāra and Astha Bharati, "India and Central Asia: Classical to Contemporary Periods", Concept Publishing Company, 2007, p.3.

[87] Raghav Sharma, "India and Central Asia: the Road Ahead", IPCS Special Report no:63, January 2009, p.2. http://www.ipcs.org/special-report/india/india-in-central-asia-63.html accessed on 01.05.2012

[88] Jennifer L. Siegel, "Endgame: Britain, Russia and the final struggle for Central Asia", I.B.Tauris, 2002, p.1

witnessed liberalization in both politics and economy. Since India opted for market economy, liberalization touched mostly the economic sphere.[89] This liberalization has prompted an unutilized capacity of the Indian economy. India has caught up with high growth rate in the last decade. Even today, India is fifth largest economy in the world with about four billion dollars after the EU, the US, China, Japan.[90] According to economic projections, the higher growth rate will continue to persist in Indian economy and it will quadruple its GDP per capita in US dollar terms its economy until the 2020.[91] In parallel with India's economic growth, India's energy needs increased in last decades. However, these energy needs could not be met by domestic sources because India is not a self-sufficient country in terms of natural resources in particular with oil and natural gas.



	1980	2009	2015	2020	2025	2030	2035
World (right axis)	64.8	84.0	89.2	91.3	93.6	96.4	99.0
China	1.9	8.1	10.6	11.7	13.0	14.3	15.3
Japan	4.8	4.1	3.8	3.5	3.2	3.0	2.9
United States	17.4	17.8	17.7	17.2	16.5	15.8	14.9
India	0.7	3.0	3.6	4.2	5.1	6.2	7.5

Figure 2 Demand for Oil Selected Countries, 1980-2035 (est)[92]

The increasing consumption and relatively flat production capacity caused increasing dependency on importing oil resources in order to meet its demand.[93] For instance,

[89] Economic Survey of India, OECD October 2007 Policy Brief, p.1. http://www.oecd.org/dataoecd/17/52/39452196.pdf accessed on 01.05.2012

[90] India Country Brief, CIA World Fact Book, https://www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html accessed on 01.05.2012 accessed on 15.10.2012

[91] Report of the Committee on India 2020, Foreign Service Institute, New Delhi, Academic Foundation, 2003, p.36.

[92] World Energy Outlook 2010, (Paris: International Energy Agency, 2010), p.105.

India was the world's fifth largest net importer of oil which equals to its 70 percent of consumption.[94] Most of the India's oil needs are provided by the Middle Eastern countries.[95] India's natural gas need increased in last decade as well. Although India's natural gas production has increased, demand outstripped the supply and country became a net importer of natural gas since 2004.[96] India's natural gas import is expected to increase in the next years.[97] India has focused on a number of import schemes including both LNG and pipeline projects in order to meet its increasing demand.[98]

However, the most important problem for India's energy security is that 90 percent of its energy imports comes either from offshore fields or from across the sea that is under the threat of disruption.[99] Indian Ocean is one of the determining causes for India to be interested in Central Asia because India's energy need is met through transported energy resources imported by seaways from mostly Middle East. In addition to the dependency on imported oil from Middle East, India's long rival China is perceived as a threat by Indian policy makers. China's economic development resulted in maritime improvement which aims to secure China's energy routes in the ocean. China's growing interest and influence from the South China Sea through the Indian Ocean to the Middle East is described as the String of Pearls strategy which aims to expand China's strategic depth in India's backyard.[100] As

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[93] India Country Analysis Brief, US Energy Information Administration (EIA), http://www.eia.gov/countries/country-data.cfm?fips=IN accessed on 15.10.2012

[94] Ibid.

[95] Ibid.

[96] Ibid.

[97] Ibid.

[98] Ibid.

[99] "Freedom to Use the Seas: India's Maritime Military Strategy", Integrated Headquarters, Ministry of Defence, (Navy), 2007, p.46. http://www.scribd.com/doc/31917366/India-s-Maritime-Military-Strategy accessed on 01.05.2012

[100] Ashley J. Tellis, Travis Tanner and Jessica Keough, eds.,Richard A. "Strategic Asia 2011-12: Asia Responds to Its Rising Powers--China and India", NBR, 2011, p.110.

India becomes more dependent on imported oil for its rapidly developing economy, India began to worry about the Chinese military power projection capabilities to control the shipping routes from Persian Gulf to Malacca Straits.[101] The ability of Chinese navy to control Indian Ocean energy routes makes India more vulnerable.[102] For most strategists, China's position in the Indian Ocean aims to encircle India in order to make her close off its control of sea lanes and provide the Chinese military a jumping-off point for attack during a conflict.[103] Indian policy makers are worried about that whether the US dominance in the Indian Ocean can pass into China's hand in the next decades. China is viewed as an emerging naval threat in the Indian Ocean. Due to strategic concerns about the fear of being encircled by China, [104] India's endeavors to engage in Central Asian countries to prevent a possible Chinese control on oil and gas transfers can provide significant leverages. India and the US both agree upon that north-south corridor is a more secure way to transport oil to India instead of Indian Ocean which China poses potential threat against the US naval domination. If the stabilization of Afghanistan can be achieved by the US, the possible oil and natural gas pipelines will be transported through a more secure way free from Chinese influence.

Under such conditions, in the south, India that imports most of its energy needs through sea routes could be disrupted by China. In the west, Iran is under intense pressure by the US. It is given that India does not have any pipeline project that could link Central Asia like China has with Kazakhstan's oil and Turkmenistan's gas. Therefore, establishing strong links with the Central Asian states can be

[101] Harsh V. Pant, "China and India: A Rivalry Takes Shape", Foreign Policy Research Institute, June 2011, p.3. http://www.fpri.org/enotes/201106.pant.china_india.pdf accessed on 01.05.2012

[102] Ibid.

[103] Nathaniel Barber, Kieran Coe, Victoria Steffes, Jennifer Winter, "China in the Indian Ocean: Impacts, Prospects, Opportunities", Workshop in International Public Affairs, the University of Wisconsin, Spring 2011, p.20. http://www.lafollette.wisc.edu/publications/workshops/2011/china-india.pdf accessed on 01.05.2012

[104] David Scott, "India's drive for a Blue water Navy", Journal of Military and Strategic Studies, , Vol. 10, Issue 2, Winter 2007-08, p.9. http://www.jmss.org/jmss/index.php/jmss/article/view/90 accessed on 01.05.2012

beneficial for India in order to diversify its energy routes. In the following part I will examine how India works on developing its relations with each of the Central Asian countries concerning energy security.

Since the demise of the Soviet Union, Central Asia was seen as new lebensraum for India following the Soviet withdrawal. Central Asian countries were also keen to establish firm diplomatic and economic relations with powerful and effective countries to counterbalance the role of the Russian Federation as well as a strategic ambition in the north to seek access to the warm waters of the Indian Ocean.[105] India's current Minister of External Affairs Pranab Mukherjee identifies that "*the nurturing of a web of cooperative energy security networks in Central Asia as a primary goal of Indian foreign policy*."[106] In the same way, in the International Conference on "Cooperative Development, Peace and Security in South & Central Asia on March 01, 2009 in Kolkata-India, Pranab Mukherjee stated that

> *In the area of hydrocarbons, there is a meshing of interests between India and other countries of South Asia as consumers and countries such as Turkmenistan, Uzbekistan and Kazakhstan as suppliers.*[107]

The diplomatic relations between Kazakhstan and India officially established in February 1992. After the establishment of diplomatic relations, Kazakhstan President Nursultan Nazarbayev visited in the same month which opened a new phase for the two countries relations. India was the first countries outside the CIS region that Nazarbayev visited after Kazakhstan's independence.[108] Since the

[105] Arun Sahgal and Vinod Anand, "Reconnecting India and Central Asia: Strategic Environment in Central Asia and India", Central Asia-Caucasus Institute & Silk Road Studies Program – A Joint Transatlantic Research and Policy Center, 2010, p.36.
http://www.silkroadstudies.org/new/inside/publications/Joshi.html accessed on 01.05.2012

[106] Arun Sahgal and Vinod Anand, Op.Cit., p.58.

[107] Inaugural address by External Affairs Minister Hon'ble Shri Pranab Mukherjee at the International Conference on "Cooperative Development, Peace and Security in South & Central Asia" (Kolkata, March 01, 2009), http://www.globalindiafoundation.org/crrid%20pmaddress.htm accessed on 01.05.2012

[108] Rupakjyoti Borah, "The new India-Russia-Kazakh trio", 11.05.2011, http://engarticles.gazeta.kz/art.asp?aid=340850 accessed on 01.02.212

initiation of the diplomatic relations, the energy cooperation has expanded between the two countries. Indian energy companies including Oil and Natural Gas Corporation (ONGC) began to have an increasing presence in Kazakhstan's energy sector since the beginning of the 21th century. ONGC-Videsh Ltd. owns a 25 percent stake in the "Alibekmola" project[109] and 10 percent in "Kurmangazı" project.[110] The Alibekmola field is located in the western part of Kazakhstan, south of the city of Aktobe.[111] The Kurmangazy field is the least developed of Kazakhstan's oil field projects.[112] With the support of the Indian state, state-owned oil and gas companies have begun to seek investment opportunities and look for acquiring assets in the Tengiz and Kashagan oil fields as well as the Kurmangazy and Darkhan exploration blocks in Kazakhstan.[113] In addition to the commercial energy cooperation, both sides officially established a Joint Working Group to develop a comprehensive plan for involving India in Kazakhstan's diverse oil and gas projects.[114] However, in 2005, PetroKazakhstan which was one of the biggest oil companies in Kazakhstan was purchased by China's CNPC after an intense bidding competition that outbid India's ONCG.[115] In 2008, India's vice President Hamid Ansari's visited Kazakhstan. After the visit Kazakhstan Prime Minister stated that "*The task set for our governments is to put favorable conditions in place to facilitate cooperation. We*

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[109] LukOil Official Web Site, Kazakhstan, http://www.lukoil-overseas.com/projects/kazakhstan/5811.php, accessed on 01.05.2012

[110] "India creates "corridor" in Central Asia", http://en.trend.az/regions/world/ocountries/2003723.html accessed on 01.05.2012

[111] LukOil Factbook 2006, p.37. http://www.lukoil.com/materials/doc/DataBook/DBP/2006/Fact/LUKOIL%20Fact%20Book%20ENG%20-%20International%20projects.pdf accessed on 01.05.2012

[112] US Energy Information Administration, Kazakhstan Country Analysis Brief, http://www.eia.gov/countries/cab.cfm?fips=KZ accessed on 01.05.2012

[113] Richard Weitz, "Kazakhstan and the New International Politics of Eurasia", Silk Road Paper July 2008, p.135. http://edoc.bibliothek.uni-halle.de/servlets/MCRFileNodeServlet/HALCoRe_derivate_00001985/Kazakhstan.pdf accessed on 01.05.2012

[114] Richard Weitz, Op.Cit., p.135.

[115] Ibid.

need to ensure greater involvement of Indian companies in the Kazakh energy sector."[116] India continues to invest in oil and natural gas projects and sign strategic cooperation agreements. A good example for such an agreement is 2010 agreement between the Indian state-owned oil and gas company ONGC and Kazmunaygaz on concerning the purchase of a 25 percent stake in the Satpayev Oil Block in the Caspian Sea.[117] According to this deal, entire exploration in Satpayev Oil Block is funded by ONGC.[118] A month later from this agreement, Indian Prime Minister Manmohan Singh and Kazakh President Nursultan Nazarbaev agreed on the "Road Map" for 2011-2014 to strengthen the strategic partnership between their two countries including energy. [119]

India's effort to take part in Kazakhstan's energy sector is important for both sides. The recent bilateral agreements and India's appetite to increase its presence in Kazakhstan's energy sector serve for India's role in the region by diversifying energy resources and also serve for Kazakhstan's multifactor foreign policy objectives. Since Kazakhstan attempts to diversify its export countries, Russia is not the only country to export its oil anymore. China is the most important competitor in Kazakhstan against India in addition to Russia. China's presence increased in Kazakhstan´s energy sector in recent years. Thus, India has intensified its efforts to build an oil pipeline through Afghanistan.[120] Therefore, India can be more active in Kazakhstan's oil resources in next decade. India's efforts to build pipeline from

[116] Kazakhstan's Prime Minister Press Service, "Kazakhstan's PM Karim Massimov meets Mohammad Hamid Ansari, Vice President of India", http://en.government.kz/site/news/042008/04 accessed on 01.05.2012

[117] India Ministry of External Affairs, Country Reports, Uzbekistan, February 2012, http://www.mea.gov.in/mystart.php?id=50044485 accessed on 01.05.2012

[118] India signs landmark Kazakh oil deal http://www.indianexpress.com/news/india-signs-landmark-kazakh-oil-deal/777067/ accessed on 01.05.2012

[119] Roman Muzalevsky, "India, Kazakhstan bolster ties" http://www.atimes.com/atimes/South_Asia/ME13Df03.html accessed on 01.05.2012

[120] Michael Lelyveld, "Kazakhstan: Talk Of Oil Pipeline Through Afghanistan Seen As Premature", Radio Free Liberty February 15, 2002, http://www.rferl.org/content/article/1098817.html accessed on 01.05.2012

Kazakhstan will inevitably lead to an escalation of the competition among India, China and Russia over Kazakhstan in particular and in the region in general.

Turkmenistan is a very important country for India in terms of its natural gas reserves as well. Thus, Turkmenistan constitutes an important part of India's energy policy. India's natural gas export increased in recent years. It is stated that "*India's dependence on import of natural gas is expected to almost double in nearly two years and tenfold by 2030.*"[121] In this respect, India will need much more gas than today in the very near future. Thus, India began to show interest in Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline in order to meet its needs. TAPI pipeline project is an important issue for India's energy security strategies from the North. TAPI pipeline project consists of Turkmenistan, Afghanistan, Pakistan and India. It was proposed and supported by the Asian Development Bank in 2002.[122] The 1700 kilometer-long TAPI gas pipeline is proposed to deliver 30 billion cubic meters of Turkmen gas per year into India. This pipeline will be constructed by an international consortium of national oil companies of the participating states. It is estimated that it will cost 7.6 $ billion.[123] The US is one of the countries that support the TAPI project despite not being one of the regional states. However there are some obstacles in the region. First one is the Taliban-controlled regions in Afghanistan. The second one is Pakistan's troubled border region. Taliban forces have not been completely removed yet. With the lapse of time, The Taliban soldiers have fled to Pakistan and re-organized themselves against Afghanistan and against the International Security Force (ISF). In addition to this war, Taliban forces are still very active on the pipeline route. This is a one major problem that makes India very concerned about the TAPI's future and pipeline's physical security. Another threat comes from the historical problems between Pakistan and Afghanistan. The Pashtun region where TAPI pipeline route goes through is a problematic region between two countries.

[121] India's dependence on natural gas import to double in two years, January 13, 2012, http://www.eai.in/360/news/pages/2953 accessed on 01.05.2012

[122] Geoffrey Kemp, "The East Moves West: İndia, China and Asia's Growing Presence in Middle East", Brookings Institution Press, 2010, p.170.

[123] Geoffrey Kemp, Op.Cit., p.170.

Afghanistan still claims the Pashtun territories and do not recognize the Durand Line as an official border between Afghanistan and Pakistan.[124] For India, Durand line has always been a problematic issue as well. India and Pakistan have accused each other of not helping with the peaceful resolution of this border issue. However, for today, Pakistan is *too weak to confront India directly, Pakistan needs to avoid isolation and maintain international engagement at all costs. In particular, it constantly seeks US protection, which it has never been able to formalize through a bilateral treaty*."[125] Pakistan needs the US presence in Afghanistan to balance India's weight. That's why, Pakistan strongly support TAPI pipeline project to maintain the current but delicate balance. Richard Boucher, the US Assistant Secretary of State for South and Central Asian Affairs, said in September 2007:

> *One of our goals is to stabilize Afghanistan, so it can become a conduit and a hub between South and Central Asia so that energy can flow to the south . . . and so that the countries of Central Asia are no longer bottled up between two enormous powers of China and Russia, but rather they have outlets to the south as well as to the north and the east and the west*[126]

A year later from this comment, Afghanistan announced its new National Development Strategy for 2009-2013 in July 2008. This document claimed that

> *Afghanistan, a landlocked country, has the potential to operate as a bridge between Central Asia (it borders Turkmenistan, Uzbekistan and Tajikistan) to… If Afghanistan is able to perform this role, it will bring significant potential benefits for the entire region, linking energy-rich Central Asia with energy-deficient South Asia and landlocked Central Asia with warm water ports…*[127]

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[124] Frédéric Grare, "Pakistan-Afghanistan Relations In The Post-9/11 Era", Carnegie Papers, South Asia Project, Number 72, October 2006, p.3.
http://carnegieendowment.org/files/cp72_grare_final.pdf accessed on 01.05.2012

[125] Frédéric Grare Op.Cit. p.13.

[126] John Foster, "a Pipeline Through a Troubled Land: Afghanistan, Canada, and the New Great Energy Game", Canadian Center for Policy Alternative, Foreign policy Series, volume 3, no. 1., June 19, 2008, p.2.
http://www.policyalternatives.ca/sites/default/files/uploads/publications/National_Office_Pubs/2008/A_Pipeline_Through_a_Troubled_Land.pdf accessed on 01.05.2012

[127] Afghanistan 2009-2013, Asian Development Bank Country Partnership Strategy, November 2008, p.109. http://www.adb.org/Documents/CPSs/AFG/2008/CPS-AFG-2009-2013.pdf accessed on 01.05.2012

Needless to say, India is eager to materialize the TAPI pipeline project after the realization that the IPI pipeline is "impossible" to be materialized without a change of regime in Iran with a friendlier one. In fact, IPI project aims to bring Iranian gas to energy hungry India though Pakistan. This pipeline is also called "*Peace Pipeline*" in terms of solving the long standing problems among the members.[128] However, Iran is under the embargo of the US in both economic and political way. Due to the US economic embargo, making investment in Iran and related projects concerning Iran is very hard to realize for the time being. IPI pipeline project is strongly supported by Russia. Pipeline through India would enable Iranian gas to flow to India instead of Western markets that is largely dependent on the Russian natural gas. If India's needs are met by Iranian natural gas, Central Asian countries are more unlikely to become the reserves that can meet India's demand. Thus, the realization of IPI project will take a much longer time than expected.

Despite the security concerns of the participating countries, they did not hesitate to sign formal agreements to buy natural gas from Turkmenistan on April 2008. Following this formal agreement in 2008, the US Assistant Secretary of State Richard Boucher paid a three days visit to Turkmenistan to talk about wide range of cooperation issues including energy cooperation.[129] With the help of the US, an intergovernmental agreement was signed between Turkmenistan, Afghanistan, Pakistan and India on December 2010 on natural gas which is planned to take effect in 2015.[130] On January 25, 2012, the Federal Minister of Petroleum and Natural Gas of Pakistan Asim Hussain and his Indian counterpart Jaipal Reddy agreed to have a uniform transit fee to import natural gas from Turkmenistan.[131] According to the

[128] Reetika Sharma., Ramvir Goria., Vivek Mishra., "India and the Dynamics of World Politics: A book on Indian Foreign Policy, Related events and International Organizations" Dorling Kindersly 2011, p.168.

[129] Ibid.

[130] Oleg Lukin, "New Route for Gas Flow", http://www.turkmenistan.ru/en/articles/14522.html accessed on 01.05.2012

[131] Sujay Mehdudia, "TAPI project takes a step forward", January 25, 2012, http://www.thehindu.com/news/national/article2832202.ece accessed on 01.05.2012

agreement, India will pay a transit fee to Pakistan and Afghanistan to import 38 cubic meters gas per day through TAPI while Pakistan will pay a transit fee to only Afghanistan.[132] Secretary of State of the US Hilary Clinton cleared the support of the US to TAPI pipeline and stated that "*The United States strongly supports the idea of construction of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline*"[133] during the hearings of the subcommittee of Appropriations Committee of the US House of Representatives.

With the realization of the TAPI pipeline, India will be connected with Turkmenistan. TAPI will make India more dependent and sensitive to Turkmenistan's politics and the stability of the regime as other importing countries such as China and Russia are. Thus, India will be more sensitive about the China's and Russia's relations with Turkmenistan. When TAPI project is completed, there will be a pipeline from India to Turkmenistan which could be lengthened up to Uzbekistan and Kazakhstan. These countries give additional gas for Turkmenistan-China gas pipeline as well. In this respect, TAPI project is an important for India to open a door into Central Asia.

Since India's energy need has increased considerably, India's perception of Central Asia began to change along with its new energy perspective. China's aggressive search for energy has also contributed to the changing perception of India's energy policy for Central Asian countries. India's concerns about encirclement by China in the Indian Ocean accelerated India's quest for alternative energy sources in Central Asia. In this regard, Kazakhstan's oil and Turkmenistan's gas with pipeline projects can provide important leverages for India's energy security strategies.

[132] Ibid.

[133] "US Strongly Supports Idea of TAPI Gas Pipeline Construction" http://pda.trend.az/en/1998487.html accessed on 01.05.2012

CHAPTER 5

THE UNITED STATES OF AMERICA

> *Globally, China is increasingly active in striving for energy security in ways that portend direct competition for energy resources with the United States. This is producing a possibility of conflict between the two nations.*
>
> US-China Commission, 2005 Report to Congress [134]

Historically, the US foreign policy and national security are generally built on geopolitical and long term strategies. During the 20th century, the US foreign policy concerned mostly with geo-political and geo-strategic strategies to deal with the socialist expansion. With the end of the 20th century, a new security concept began to dominate the world politics. This energy based security concept claim that global dominance is closely connected to with the controlling of energy resources. These changes in world politics cover most of the foreign policy objectives of the US in the 21thcentury. As President Obama stated on March 30, 2011

> *We cannot keep going from shock to trance on the issue of energy security, rushing to propose action when gas prices rise, then hitting the snooze button when they fall again. The United States of America cannot afford to bet our long-term prosperity and security on a resource that will eventually run out. Not anymore. Not when the cost to our economy, our country, and our planet is so high. Not when your generation needs us to get this right. It is time to do what we can to secure our energy future.*[135]

The dissolution of the Soviet Union and the end of the cold war paved the way for a new world order in world politics. In parallel with the power vacuum in post-Soviet

[134] Christopher J. Pehrson, Op.Cit., p.3.

[135] Blueprint For a Secure Energy Future, President Obama, March 30, 2011, p.4 http://www.whitehouse.gov/sites/default/files/blueprint_secure_energy_future.pdf accessed on 01.05.20.12

areas, the US interests in Central Asia and its energy resources have increased over the years. The US supported the peaceful disintegration of these countries from Soviet authority.[136] Following the collapse of the Soviet Union, these states were recognized by the US respectively. Newly independent Central Asian states were politically open to Turkey's and Iran's regional influence.[137] However, it was a minor challenge for the US in the region. The real challenge occurred after a year later following Putin's coming into power in Russia and 9/11 which has radically changed the Central Asian politics. 9/11 attacks resulted in the US intervention in Afghanistan and establishing of military bases in Central Asian countries. With the presence of the US soldiers in Afghanistan and establishing of a permanent US base, Russia and China became worried over their dominance in Central Asia. The US under-Secretary of State for Eurasian Affairs Elizabeth Jones remarked on 13 December 2001:

> *In what only a decade ago was the Soviet Union, the United States now has thousands of military personnel working alongside their Central Asian counterparts... Our country is now linked with this region in ways we would never have imagined before September* 11…

As under-Secretary of State stated, the US has eventually become important actor in the region after the intervention. However, Central Asia also became a focus point for other great powers not just for the US. Because, thanks to its geo-strategic position, Central Asia can provide huge and untapped natural resources for the West, Russia, India and China.[138] In this respect, the main purpose of the US foreign policy in Central Asia is to prevent any political rapprochement in the region on one hand, and to ensure the security of the region for the US energy companies on the other hand.[139] Therefore, it could be said that there are two major objectives in the region. First one is political and second one is economic.

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[136] Jarkyn Samanchina, Op.Cit., p.28.

[137] Elizabeth Wishnick, "Growing US Security Interests in Central Asia", Army War College (US). Strategic Studies Institute, October 2002, p.3.
http://www.strategicstudiesinstitute.army.mil/pdffiles/pub110.pdf accessed on 01.05.2012

[138] Jarkyn Samanchina, Op.Cit., p.33.

[139] Ibid.

The political objective of the US in the region is well defined by Brzezinski. According to him, Central Asia is seen as "chessboard" which requires that the US should have an interest in Central Asia and preserve the delicate balance to prevent that no other challenger emerges as a great power in world politics.[140] Brzezinski established a link between the US presence in Central Asia and the US dominance in world politics. According to him the duration of the US presence in region will be main keystone of the world order. The US Defense Planning Guidance for the Fiscal Years 1994-1999 supports Brzezinski's thoughts:

> *Our first objective is to prevent there emergence of a rival that poses a threat on the territory of the former Soviet Union. This is a dominant consideration…and requires that we endeavor to prevent any hostile power from dominating a region whose resources would, under consolidated control, be sufficient to generate global power…Our strategy must now refocus on precluding the emergence of any potential future global competitor.*[141]

The position of the US companies in the Central Asian energy sector is as important as its political objective in the region because political objectives adheres economic objectives in the new world order. The acting Secretary Strobe Talbott in his address at the US-Central Asia Business Conference in 1994 proved this objective:

> *Central Asia is a gateway to three regions that are of great strategic importance to the United States: To the east lie China and the rest of Asia; to the south lie Iran, Afghanistan, and the Islamic world; to the west and north lie Russia and Europe. Moreover, in its own right, Central Asia is a region of vast natural and human resources offering the potential for the prosperity of its own people and benefits for American entrepreneurs with the foresight to do business there...The Administration wants to be sure that American business is competitive in Central Asia – that we don't lose in the global competition with Japan, Germany, South Korea, the People's Republic of China, Turkey, Pakistan, and Iran – all of whom have begun serious efforts to develop business ties to the region.*[142]

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[140] Jarkyn Samanchina, "US Foreign Policy toward Central Asia: 1991-2003", Master Thesis, 2004, p.12. http://etd.lib.metu.edu.tr/upload/12605108/index.pdf accessed on 01.05.2012

[141] Mark Gerard Mantho, "The Bush Doctrine: Origins, Evolution, Alternatives", April 2004, p.1 http://www.comw.org/pda/fulltext/0404mantho.pdf accessed on 01.05.2012

[142] Strobe Talbott, "Promoting Democracy and Prosperity in Central Asia," US Department of State Dispatch, Vol. 5, Issue No. 19, 1994, p.280.

Following the collapse of the Soviet Union, the US established closer links with the Central Asian states. In parallel with the US-Central Asian countries' rapprochement, the US energy companies acquired important economic opportunities in Turkmenistan and Kazakhstan. These countries were technically underdeveloped and needed a great amount of investment to support economic and political independence particularly from Russia. The capabilities of the US companies such as Chevron, Exxon and Amaco penetrating into the Turkmenistan and Kazakhstan's market were important.[143] Unlike the US energy companies, Chinese, Indian and Russian energy companies were not financially powerful enough to invest on energy projects in Central Asia during the first years of independence

Since the beginning of the 21th century, it has been debated whether the US is such an important power that embodies military, economic, technological, and cultural components which produce decisive global political clout. However, the power and the influence of the US in world politics began to be challenged especially in last years by other major actors such as China and Russia. Since currently Chinese and Russian energy companies have more financial opportunities to offer to Central Asian energy sector, this challenge has become clear in Central Asia. In order to overcome this challenge, the US has tried to regional dominance on Central Asia because of the fact that controlling energy resources is one of the important determinants of world dominance. The US basically aims to control the oil and gas reserves of the regions and to secure the energy transportation line in Central Asia. Although the US is not a direct consumer of Central Asia's oil and natural gas production, she, as a global great power, needs to protect world economic order which is mostly based on the sustainability of natural resources such as oil and natural gas. It is a well-known fact that China, India and other developing countries are very dependent on the oil and natural gas today as well.

[143] Baybars Öğün,"ABD'nin Orta Asya Siyasi", 21.Yüzyıl Enstitüsü", 25.06.2011, p.4. http://www.21yyte.org/tr/pdf6210-ABDnin_Orta_Asya_Siyaseti.pdf accessed on 01.05.2012

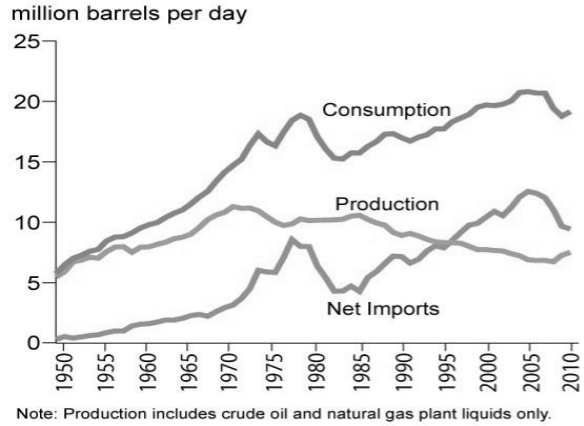

Figure 3 Petroleum Consumption, Production and Import Trend (1949-2010)[144]

An example could be given to illustrate the latest situation in the US energy market. For instance, in 2005, in terms of domestic oil consumption, the US imported 67 percent of its oil supply, and the share remained above 60 percent in 2009.[145] At the same time, the financial expenditure for imported oil has become conspicuous after the post-2008 financial crises due to the fact that the US paid nearly $1.7 trillion for foreign oil, a total equal to 30 percent of its cumulative trade deficit between 2000 and 2009.[146] It is anticipated that the oil consumption of the US will be roughly the same in 2020.[147] By the 2020, in the US, two of every three barrels of oil that is used in gasoline and heating will be imported from foreign countries.[148] Therefore the US energy security is directly related to the security of major oil supply routes and the security of the source country as well. A possible petroleum shock could be devastating for the US economy as well as for the US global role in world politics. During the East Asian Crisis in 1997-1998, the US intervention in Afghanistan in

[144] US Energy Information Administration, Montly Energy Review (May 2011), Preliminary Data and Annual Energy Review 2009, Table 5.1 (August 2010)

[145] Vaclav Smil, "America's Oil Imports: A Self-Inflicted Burden", Annals of the Association of American Geographers, 2011, p.1. http://www.vaclavsmil.com/wp-content/uploads/docs/smil-article-2011-AAAG.pdf accessed on 01.05.2012

[146] Ibid.

[147] Report of the National Energy Policy Development Group, May 2001, p.11. http://www.wtrg.com/EnergyReport/National-Energy-Policy.pdf accessed on 01.05.2012

[148] Op.Cit., p.13.

2001, Venezuelan unrest in 2003 and the Iraq War in 2003, Arabian Spring in 2011 caused the increasing of world oil prices.[149] Therefore any international intervention or event that endangers international security and stability could be costly for the US energy security.

Thus, any challenger that would be eligible to challenge the US' supremacy in the near future by controlling Central Asian energy resources can be very threatening to US dominance in world politics. For this reason, the United States has tried to avoid the emergence of any potential power that is also dependent on these energy resources by controlling the transportation routes. The US has developed different policies towards Kazakhstan and Turkmenistan in order to ensure the security of the energy routes and prevent any challenger to its power. The US focuses on the alternative pipeline projects from Kazakhstan and Turkmenistan through the west in order to prevent Russia's dominance and to support India's role in these countries while attempting to wipe China out of the region.

As the only great power of the new world order, the US is very interested in the uninterrupted supply of energy resources all around the world. It is essential to diversify these resources to sustain its position. However the position of the US is not strategically superior on geopolitical areas that are rich in energy resources. Other great powers such as China and Russia have geographical superiority over Central Asian states which hold very important and untapped energy resources. In this respect, Kazakhstan is a strategic country among other Central Asian states because of the fact that Kazakhstan has one of the largest oil reserves in the world total.[150] Kazakhstan has the second largest oil reserves as well as having the second largest oil production among the former Soviet republics after Russia. The country has also

[149] James D. Hamilton, "Historical Oil Shocks", Handbook of Major Events in Economic History, February 1, 2011, p.21. http://dss.ucsd.edu/~jhamilto/oil_history.pdf accessed on 01.05.2012

[150] Diana Ismailova, "Some Trends in Energy Policy in Kazakhstan", European Journal of Business and Economics, Volume 3, 2011, p.9. http://economics.journals.cz/documents/Vol3/Untitled04.pdf accessed on 01.05.2012

large reserves of natural gas which has been increasing in recent years.[151] Thus Kazakhstan's oil reserves can help the West to decrease its dependence on Middle East's oil. The most important advantage of Kazakhstan is not being one of the OPEC members since Kazakhstan can pursue its energy policies without any collective administration such as OPEC. The country is free from the decisions made by a higher organization. In addition to this, Kazakhstan is more stable in terms of its internal dynamics compared to the Middle Eastern or other Central Asian countries. Thus, the sustainability of energy supply for the world market is more likely to be provided by Kazakhstan. However, Kazakhstan is not totally free from interference of the neighboring countries. First of all, Kazakhstan is a former-Soviet country that has a great number of Russian minorities. Thus, Kazakhstan and Russia have close relations that cannot be easily substituted. In addition to the cultural and historical ties, Kazakhstan has a very long border with Russia. So the US presence can never be accepted by Russia in her near abroad. Kazakhstan's geographical proximity to China is also important for the US. China's attempt to import oil and natural gas from Kazakhstan through bypassing Russia is strategically important for the US. China's attempts to prevent the US dominated seaways for importing energy by using overland routes can diminish the US position on China's energy policies.

The Caspian Sea is another part of the US energy policy for Kazakhstan in the region. One of the US foreign policy priorities support bringing the Caspian oil and gas into the world energy market. Since Kazakhstan has become one of the important oil exporters in particular to China and Russia, it has become an important area for the US foreign policy. The US position in Kazakhstan is challenged by Russia and China in recent years. During the first years of independence, FDI for Kazakhstan energy sector was dominated by the United States. [152] In 2009, Kazakhstan received

[151] US Energy Information Administration, Kazakhstan Country Analysis Brief, http://www.eia.gov/countries/cab.cfm?fips=KZ accessed on 01.05.2012

[152] United Nations Conference On Trade and Development, FDI in brief: Kazakhstan, December 2002, p.1. http://www.unctad.org/sections/dite_fdistat/docs/wid_ib_kz_en.pdf accessed on 01.05.2012

US$19.5 billion in FDI, almost seven times greater than what it was in 2000.[153] The US foreign direct investment in Kazakhstan constituted 76 percent of total foreign direct investment in 1993 while in 2002, 41 percent of the total foreign investment.[154] According to the Kazakh statistics, the US percentage of FDI decreased whereas Chinese and Russian FDI have increased.[155] Considering that "*United States is heavily dependent on continuing inflows of foreign investment…*"[156] it is not surprising that China's and Russia's economic and political power increased while the US position weakened in last years.

Although Kazakhstan does not have problematic foreign relations with her neighbors; Kazakhstan's foreign policy is based on a very delicate balance between these great powers. The most important thing for Kazakhstan is to sustain her economic development and increase its living standards. Thus, Kazakhstan's government has attempted to maximize her economic benefits from the US, Russia, India and China without disturbing the balances among them. Both great powers Russia and China have significant neighbors in terms of military capabilities and economic power. Kazakhstan managed to deal with four great powers by maintaining good relations with all and not pitting them against one another. Kazakhstan is conscious of the importance of preventing conflicts among these powers. Kazakhstan seeks well-balanced relations with US, China, India and Russia. In this respect, Kazakhstan has never hesitated to develop wide range of ties with these countries. According to Kazakhstan's foreign policy priorities, good relations with China and Russia could prove a useful leverage against the US political and military influence in Central Asia.[157] In short, Kazakhstan uses its energy resources to achieve its own

[153] Kazakhstan investment Attractiveness, Ernst & Young's Investor Opinion Survey, p.27.http://invest.slaskie.pl/zalaczniki/2011/06/07/1307423918.pdf accessed on 01.07.2012

[154] Op.Cit., p.2.

[155] Ibid.

[156] Edward Montgomery Graham and David Matthew Marchick, "US National Security and Foreign Direct Investment", Institute for International Economics, 2006, p.76.

[157] Adam Hug1and Feng Zhang, "Kazakhstan at a Crossroads: Kazakhstan and the world", Foreign Policy Centre, December 2010, p.5. http://fpc.org.uk/fsblob/1310.pdf accessed on 01.05.2012

national goals by benefiting from the competition among the US, India, China and Russia. These great powers are seen as leverage against each other to sustain Kazakhstan's own economic growth and political stability. As the importance of energy increases and investment of these great powers rises, concerns about Kazakhstan energy sector can attract attention.

For the US, Kazakhstan's partnership is important in terms of its energy resources which provide a huge opportunity for the US energy companies. That's why; Chinese investment in Kazakhstan has been followed cautiously by the US. According to the latest statistics, China has invested billions of dollars for the oil and gas projects of Kazakhstan's energy sector in very recent years. These are very major and strategic projects for China's energy security. In contrast to China or Chinese firms, some US energy companies have been discouraged in recent years by the Kazakh government in terms of terms, taxes, and fines in order to balance the US position.[158] Due to global financial crises, Chinese investment has been welcomed by Kazakhstan and China appears to gain a stronger position in the region.[159] This situation can be sensitive for the US foreign policy towards Kazakhstan in particular and Central Asia in general because with the pipeline projects and acquisition of oil and gas assets, China's and Chinese firms' impacts on Kazakhstan's foreign policy increased. However, the US is unable to preserve this balance in the last decade. Kazakh Minister of Energy and Mineral Resources Sauat Mynbayev clarified this changing balance as such "China held a 50-100 percent stake in 15 companies working in Kazakhstan's energy sector."[160]

[158] Jim Nichol, Op.Cit., p.9.

[159] David Greene, "As China Invests, Many Kazakhs Say: Not Too Fast", June 7, 2011 http://www.npr.org/2011/06/07/136822829/as-china-invests-many-kazakhs-say-not-too-fast accessed on 01.05.2012

[160] Rayhan Demytrie, "Struggle for Central Asian energy riches", 3 June 2010 http://www.bbc.co.uk/news/10175847 accessed on 01.05.2012

In the field of energy security, the US and EU have a common approach.[161] In this respect, the US and EU decided to establish a council which was designed to bring together all key actors working on energy issues on both sides of the Atlantic.[162] This council adopted some objectives. The first two objectives are as follows: "*to support action to make energy markets stable, reliable and transparent, particularly in oil and gas…*" and "to promote the modernization of existing infrastructures wherever necessary and the diversification of energy routes and sources, including the Southern Corridor to Europe, in order to achieve enhanced global energy security."[163] Therefore, the US and EU share a similar vision about the Southern Corridor which extends to Central Asia. Trans-Caspian pipeline project is one of the important steps in order to realize this vision because Trans-Caspian pipeline will supply gas from Central Asia through Nabucco pipeline. The EU and the US share a similar interest in the Trans-Caspian pipeline system, which was initiated by the US and supported by the EU under its Trans-European Energy Networks initiative.[164] The EU and the US supports Kazakhstan's participation in the Trans-Caspian gas pipeline which connects Caspian coast of Kazakhstan and Baku. By the completion of the project, TCGP will be connecting with South Caucasus gas pipeline which runs from Baku through Erzurum (BTE). Although the US and the EU attempted to persuade Kazakhstan to support Trans-Capsian gas pipeline, Kazakh officials made contradictory statements about providing gas through other pipeline. Kazakhstan's Deputy Energy and Mineral Resources Minister Aset Magaulov stated at the Euro-Atlantic Partnership Council Security Forum in June 2009 that Kazakhstan did not have a surplus of gas that it could send through the pipeline.[165] On October 2009, the

[161] EU Commision Official Web Site, Bilateral Cooperation, http://ec.europa.eu/energy/international/bilateral_cooperation/usa_en.htm accessed on 01.05.2012

[162] Ibid.

[163] Ibid.

[164] Shamil Midkhatovich Yenikeyeff, "Kazakhstan's Gas: Export Markets and Export Routes", Oxford Institute for Energy Studies, November 2008, p.69. http://www.asiacentral.es/docs/oxford_energy_kazakhstan_nov08.pdf accessed on 01.05.2012

[165] Jim Nichol, "Central Asia: Regional Development and Implications for U. S. Interests", Diane Publishing, 2010, p.35.

Kazakh Ministry of Energy reiterated that "*the main problem for our country is the limited availability of gas*" because of the existing contracts for projected gas production.[166] Kazakhstan may become a supplier for the pipeline if gas production exceeds expectations, but Kazakhstan cannot transport any gas via a pipeline until the legal status of the Caspian Sea is resolved.[167]

The EU invited Kazakhstan to take part in the Trans-Caspian Gas Pipeline Project. In September 2011, the EU Council approved the mandate given to the European Commission, to negotiate an agreement for the legal framework for a Trans-Caspian gas pipeline.[168] European Union Energy Commissioner Guenther Oettinger said that

> *This pipeline will become a very important contribution to the development of the Southern Gas Corridor. Not many people know that this is the first time the has EU suggested signing an international contract aimed at supporting an infrastructure project. It shows how important the project and cooperation in the region are important for the EU and all its 27 member states. We will welcome corresponding participation of Kazakhstan in the Southern Corridor in the future.*[169]

This common vision and joint activities of the EU and the US over energy security contributes to the US position in Kazakhstan in Central Asia. However even this cannot help the US falling behind China and Russia in recent years. For example, the US energy companies cannot take part in energy projects like it used to do during the first years of the collapse of the Soviet Union. The new pipelines projects originating from Kazakhstan or pipeline projects that Kazakhstan participate do not promote the Southern Corridor as the US desired. Putin's Russia is one of the most important figures on Kazakhstan's position in these pipeline projects. Similar to Russia's increasing role in Kazakhstan´s energy policy, China managed to secure oil and

[166] Ibid.

[167] Jim Nichol, Op.Cit., p.9.

[168] EU invites Kazakhstan to join Trans-Caspian Pipeline project, 04/10/2011 http://en.rian.ru/business/20111004/167369488.html accessed on 01.05.2012

[169] Ibid.

natural gas deals through the Central Asia-China natural gas pipeline and Kazakhstan-China pipeline while the US was not able to do so since the Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum pipelines.

With the collapse of Soviet Union in 1991, Turkmenistan became independent just like Kazakhstan. Saparmurat Niyazov who was the chairman of the Supreme Soviet became the first president of the country with the 98,3 percent of the votes.[170] Saparmurat Niyazov was an authoritarian leader. Turkmenistan's authoritarian regime was based on Niyazov's personal cult, calling himself Turkmenbashi (the father of all Turkmens).[171] Being internationally neutral from the international system strengthened the authoritarianism at the domestic level. This situation was also supported by the country's energy reserves. Turkmenistan's energy resources reinforced Niyazov's position and paved him the way for maintaining his strong position. Turkmenbashi Niyazov died in late 2006 and a new election was conducted and Gurbanguly Berdymukhammedov was elected as the new president on 11 February 2007.

There were major changes in Turkmenistan's foreign policy under Gurbanguly Berdymukhammedov particularly concerning Turkmenistan's energy policy. One of the important approaches adopted by the new Turkmen leader coincides with the US foreign policy in Central Asia and Caspian region. Former President Niyazov was not as much willing to open Turkmenistan's resources to the outside world in comparison with Berdymukhammedov. In a meeting of the Organization for Security and Cooperation in Europe (OSCE), Turkmenistan's President Gurbanguly Berdymukhammedov stated that "*gas supply to Europe is the most important aspect of Turkmenistan's foreign policy*"[172] and added that "*The trans-Caspian pipeline*

[170] Peter Roudik, "The history of the Central Asian Republics", Greenwood Publishing Group, 2007, p.153

[171] Mehdi Parvizi Amineh, "Towards the control of oil resources in the Caspian Region", Palgrave Macmillan, 2000, p.75.

[172] European Gas Supply "Most Important" to Turkmenistan, November 4 , 2011 http://www.naturalgaseurope.com/european-gas-supply-important-to-turkmenistan-3362 accessed on 01.05.2012

system is thus an important project that demonstrates Turkmenistan's readiness for mutually beneficial cooperation with all interested parties."[173] Trans-Caspian natural gas pipeline was firstly introduced during a formal visit of Turkmenbashi to US in 1998.[174] This project was strongly supported by Azerbaijan, Georgia and Turkey as well. Trans-Caspian Gas pipeline project was part of a bigger plan which was called "Multiple Pipeline Strategy" and was initiated by the US and intended for energy rich post-Soviet states.[175] With the help of Trans-Caspian Gas pipeline project, political and economic pressure of Russia and Iran over Turkmenistan would have decreased.[176] In 1999, the pipeline project was calculated as 2,5 billion US $ worth and as the US committed to support to fund the pipeline construction, Turkmenistan, Azerbaijan, Georgia and Turkey signed an agreement to start the gas export to Turkey in 2002.[177] It was planned that Trans-Caspian gas pipeline would have transport about 30bcm natural gas to western market.[178] It was designed to break the monopoly of Russia in the natural gas market and to circumvent Iran to enlarge international gas pipeline.[179] However, by 2000, the possibility for the realization of the project began to lessen due to no buyers, no suppliers, no financing and no agreements on the legal status of the Caspian Sea.[180] Azerbaijan's new discovery in Shah Deniz deposit in the Caspian Sea led the country to diminish her commitment to the Trans-Caspian gas pipeline. Also Turkmenbashi declared to reduce

[173] Ibid.

[174] Liana Jervalidze and Kevin Rosner, "Georgia: Russian Foreign Energy Policy and Implications for Georgia's Energy", GMB Publishing Ltd, 2006, p.24.

[175] Mamuka Tsereteli, "Connecting Caspian Gas To Europe: No Large Scale Infrastructure Development In Near Future", Turkish Policy Quarterly, Vol 9, No:2, Summer 2010, p46. http://www.turkishpolicy.com/dosyalar/files/45-52.pdf

[176] Luca Anceschi, "Turkmenistan's Foreign Policy: Positive Neutrality and the Consolidation of the Turkmen Regime", Routledge, 2008, p.90.

[177] Ibid.

[178] Daniel Moran and James A Russel, "Energy Security and Global Politics: The Militarization of Resource Management", Routledge, 2009, p.167.

[179] Ibid.

[180] Adrian Dellecker and Thomas Gomart, "Russian Energy Security and Foreign Policy", Taylor & Francis 2011, p.76.

Turkmenistan's role in the project.[181] This situation paved the way for Russia to promote the Blue Stream Project from Russia to Turkey that carries natural gas through the seabed. The construction of the Blue Stream Project led to decrease in the US' efforts to promote the Trans-Caspian project.[182] Russia, taking advantage of this situation, managed to secure a long-term agreement from Turkmenistan to export its gas through Russia.

The death of Turkmen president in 2007 revived the Trans-Caspian gas pipeline with the participation of Kazakhstan due to Russia-Ukraine gas dispute in 2006 which Russia accused Ukraine for diverting its gas into EU without Gazprom's permission and rejecting the price increase asked by Russia.[183] The Russian-Ukraine dispute continued in the following years. These disputes triggered the US to intensify its efforts to promote the Trans-Caspian pipeline. Daniel Stein, senior advisor to the State Department's special envoy for Eurasian energy stated at an international oil and gas conference in the Turkmen capital Ashgabat,

> *The producer countries, including Turkmenistan, should be able to make their own independent choices regarding how they deal with energy resources, if Turkmenistan and Azerbaijan agree on construction of such a pipeline, no other country has veto power over that decision.*[184]

Therefore, the US has not given up on the Trans-Caspian pipeline project yet. The US will continue to give political support for Turkmenistan to take part in this project.

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[181] Ibid.

[182] Liana Jervalidze and Kevin Rosner, Op.Cit., p.24.

[183] Russia cuts Ukraine gas supplies, 1 January 2006, http://news.bbc.co.uk/2/hi/4572712.stm accessed on 01.05.2012

[184] Supplier countries have right to join Trans-Caspian pipeline, Universal Newswire, November 17, 2011, http://www.universalnewswires.com/centralasia/turkmenistan/viewstory.aspx?id=10724 accessed on 01.05.2012

Another project that the US government supports in Turkmenistan is Nabucco Pipeline Project which brings Turkmen natural gas into heart of Europe. Although the natural gas will not flow into the US market, the diversification of Europe's energy resources is part of the general US strategy in the region. The importance of the Nabucco pipeline for the US government is very high in terms of both European and Central Asian politics.

> *Although the United States is neither a customer nor a producer of the natural gas that will traverse the pipeline, steadfast American support over many years has been instrumental in keeping Nabucco on the agenda and for bolstering the confidence of partner countries.*[185]

The US position to Nabucco is clear. In 2009, a delegation which is headed by the Under Secretary of State for Political Affairs William J. Burns is considered one of the important strategic visits to Turkmenistan. During the press meeting on July 11, 2009 which took place in the Public Affairs Section of the US Embassy in Ashgabat, Turkmenistan, a question about the Nabucco was answered by William J. Burns as such:

> *We certainly welcome the President's expression of interest in the Nabucco Project. It seems to us to be very much in Turkmenistan's interest to look at diverse routes and to diversify its energy policies. Certainly American companies, in our view, have a lot to offer in terms of helping Turkmenistan develop its energy resources; not only in extraction, but in downstream processing. So we think this is an area of considerable potential.*[186]

As William J. Burns indicated, the main point of US interest in Turkmenistan in particular is to diversify energy routes from the Russian dominated pipelines. This position also supports that the current capacity of Turkmenistan's natural gas and oil should be flow through the West instead of the East: China. Therefore major pipeline projects are supported strongly by the US. The first one is the Nabucco project which is anticipated to transfer 31 bcm natural gas from Turkmenistan to Hungary upon

[185] Importance of the Nabucco Pipeline, Lugar Energy Report, July 2009, p.3. http://lugar.senate.gov/energy/press/pdf/Nabucco.pdf accessed on 01.05.2012

[186] Embassy of the US to Turkmenistan Press Releases, July 11, 2009 http://turkmenistan.usembassy.gov/transcript20090711.html accessed on 01.05.2012

project completion. [187] The construction will start in 2013 and the first gas flow will be realized in 2017."[188] Even though Nabucco project dates back to 2002, until now, the main challenge was to find enough gas to fill the pipeline.[189] That's why; the feasibility of the project is often questioned because of the uncertainty related to supply.[190] In this perspective, the most crucial country is –of course- Turkmenistan. Although Nabucco pipeline project has been on the table since 2002, it has never been completely concluded due to inconsistent attitudes and commitments of Turkmenbashi Niyazov. But new president Berdymukhammedov though made commitments to support the Nabucco Project. In fact, the US is interested much in the realization of the Nabucco pipeline due to latest supply crises between Ukraine and Russia since 2005. That's why the US government supports EU's diversification of energy supply from Russia.[191] The natural gas which will come from Turkmenistan and Azerbaijan will enable the US position against Russia's dominance in Europe.

The US does not support any international project which includes Iran in the region because of the fact that if Iran is supported by the pipeline projects, this may lead Iran challenging the US dominance in the Middle East as well as in Central Asia. While the US supports and attempts to convince Turkmenistan to fill the pipeline, China has made considerable progress in the transportation of natural gas from Turkmenistan including commitments to fill the pipelines with the amount of natural gas that could not be produced in the near future. It is obvious that China attempted

[187] Nabucco Pipeline Official Web Site
http://www.nabucco-pipeline.com/portal/page/portal/en/Home/the_project accessed on 01.05.2012

[188] Ibid.

[189] Sonia Zilberman, "If Gas Could Talk", The Guardian, 14 December 2009
http://www.guardian.co.uk/commentisfree/2009/dec/14/turkmenistan-eu accessed on 01.05.2012

[190] Marco Giuli, "Nabucco Pipeline and The Turkmenistan Conundrum", Caucasian Review of International Affairs, Vol. 2 (3) – Summer 2008, p.124.
http://www.cria-online.org/Journal/4/Nabucco_pipeline_-_the_Turkmenistan_conundrum_done.pdf accessed on 01.05.2012

[191] Jim Nichol and Steven Woehrel, "Russia's Cutoff of Natural Gas to Ukraine:Context and Implications", CRS Report for Congress, February 15, 2006, p.2.
http://www.usembassy.it/pdf/other/RS22378.pdf accessed on 01.05.2012

to prevent Turkmenistan from signing any other international agreements on natural gas exports. The most important move towards this end was the Central Asian gas pipeline project which was supported and financed by China. A year later when the Nabucco pipeline was proposed in 2002, the Central Asian gas pipeline was offered by China to Turkmenistan as the source country, Kazakhstan and Uzbekistan as the participating countries. China was successful to guarantee the long term gas supply from the source countries. Thus, Turkmenistan cannot be able to supply natural gas to any projects unless new gas reserves are discovered. This situation curtails the availability of the Turkmen gas in the near-to-medium term for the Nabucco project and the other components of the Southern Corridor to Europe as the US desired.[192]

Another project that is strongly supported by the US is The Trans-Afghanistan Pipeline (TAPI) Project. The Turkmenistan-Afghanistan-Pakistan Natural Gas Pipeline Project will be connecting Dauletabad fields on southeast Turkmenistan with Afghanistan, Pakistan, and India.[193] Within a short period of time after the start of the Afghanistan war, participating countries met in Pakistan in 2002 to make the necessary arrangements about the implementation of the TAPI Project. During its first meeting in July 2002 in Ashgabat, the Steering Committee of the project requested the Asian Development Bank (ADB) to take part in the development process and to grant a regional technical assistance (TA) for feasibility studies of the TAPI.[194] It should be noted that the US is the largest shareholder of the Asian Development Bank.[195] The US efforts to realize TAPI will be supported by many organizations and through wide range of financial tools. TAPI gas pipeline project is

[192] Vladimir Socor, "Strategic Implications of the Central Asia-China Gas Pipeline", Eurasia Daily Monitor Volume: 6 Issue: 233, December 2009
http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=35856 accessed on 01.05.2012

[193] Technical Assistance for the feasibility studies of the Turkmenistan – Afghanistan – Pakistan Natural gas pıpelıne project, Asian Development Bank, December 2002, p.1.
http://www.adb.org/Documents/TARs/REG/tar_stu36488.pdf accessed on 01.05.2012

[194] Ibid.

[195] Asian Development Bank, US Factsheet, December 2011, p.2.
http://www.adb.org/Documents/Fact_Sheets/USA.pdf accessed on 01.05.2012

expected to transfer 30 billion cubic meters of natural gas annually from the Dauletabad fields in southeast Turkmenistan to Pakistan, Afghanistan and possibly India.[196] As General David H. Petraeus indicated:

> *Sound strategy demands the use of all the instruments of power. This vision for Afghanistan and the region makes a compelling case that transport and trade can help restore the central role of Afghanistan in Central Asia. By once again be-coming a transport hub, Afghanistan can regain economic vitality and thrive as it did in the days of the Silk Road.*[197]

The potential importance of the TAPI pipeline to send Turkmen gas to India is more than it looks. Through this project, it is expected that Turkmen natural gas will promote positive relations among between Afghanistan, Pakistan and India. TAPI pipeline will not only be useful for diversifying Turkmenistan's export routes but to create a revenue for Afghan government about US300$ annually. It is expected to aid in solving problems between Pakistan and India as well. If Pakistan and India have friendly relations, Pakistan's efforts to establish closer links with China will diminish. Finally, Turkmen gas will help India to reduce their dependency on the Middle East.[198] The US sees the TAPI pipeline as "*a convergence of interest*" and "*magic glue*" that supports peace building efforts among participating countries.[199] The TAPI pipeline will also enable India to recede from the Iran-Pakistan-India (IPI) gas pipeline which proposes importing gas from Iran's south Pars field to India. [200] In this way, Iran will be isolated from the region and India will have Turkmenistan's natural gas.

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[196] Noor Ul Haq, "Gas Pipeline Projects in South Asia", Islamabad Policy Research Institute (IPRI), August 2005, p.25. http://ipripak.org/factfiles/ff64.pdf p.25 accessed on 01.05.2012

[197] S. Frederick Starr and Andrew C. Kuchins, "The Key to Success in Afghanistan: A Modern Silk Road Strategy", Central Asia-Caucasus Institute & Silk Road Studies Program, Silk Road Paper May 2010, p.1. http://csis.org/files/attachments/100610_russia_report_takeaway_FINAL.pdf accessed on 01.05.2012

[198] S. Frederick Starr and Andrew C. Kuchins, Op.Cit., p.40.

[199] Shanthie Mariet D'Souza, "The TAPI Pipeline: A Recipe for Peace or Instability?", Institute of South Asian Studies, No. 194 – 1 April 2011, p.2. http://www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS_Brief_194_-_Email_-The_TAPI_Pipeline_-_A_Recipe_for_Peace_or_Instability_04042011181503.pdf accessed on 01.05.2012

[200] Ibid.

In conclusion, the US policy in Central Asia basically aims to support Kazakhstan and Turkmenistan to improve their relations with the West while protecting their sovereignty against Russia, to foster the US companies roles in energy related investments, to promote Western energy security through diversified suppliers and to oppose the building of pipelines that transit "energy competitor" Iran.[201] On the other hand, Kazakhstan and Turkmenistan are both under strong pressure by Russia to use existing pipelines and not to construct new pipelines. In fact, the Russia's Institute of Energy Strategy[202] for 2007-2030 summarizes Russia's foreign policy though Central Asia as such; "Russian control over a large share of Central Asian gas needs to be maintained."[203] Putin's achievements with Kazakhstan and Turkmenistan to supply more oil and natural gas to Russia pose an obstacle for proposed oil and gas exports through the BTC, trans-Caspian gas pipeline and Nabucco pipeline which is strongly supported by the US.[204]

[201] Jim Nichol, "Central Asia: Regional Developments and Implications for U.S. Interests", US Congressional Research Service, 19 September 2012, p.50.
http://www.fas.org/sgp/crs/row/RL33458.pdf accessed on 15.10.2012

[202] The Institute of Energy Policy, (IEP) is a research institute working on development of Russian Energy Strategy. A non-governmental, non-profit research institution, IEP was founded with the objective of helping *Ministry for Energy of Russia Federation* develop a conceptually new version of the Russian Energy Strategy.

[203] Lt Col Scott and G. Frickenstein, "The Resurgence of Russian Interests in Central Asia", ASPJ, Spring 2010, Air & Space Power Journal, Spring2010, Vol. 24 Issue 1, p.71.
http://connection.ebscohost.com/c/opinions/51826121/resurgence-russian-interests-central-asia accessed on 15.10.2012

[204] Jim Nichol, Op.Cit., p.51.

CHAPTER 6

CHINA

The rise of China has been one of the heatedly debated issues in every sphere of international relations. These apparent changes are visible from politics to economy and from culture to military issues. After the 1990's Chinese political and economic system transformed itself to a unique capitalist model with communist political governance. These steps were taken to integrate itself to the new world order and to the region. Today's China's foreign policy which is based on regional security is carried out on the global scale.[205] The foreign policy priorities of China are not just based on national doctrines but on security and sovereignty concerns. China tries to resolve these concerns by maintaining a balance of powers at both regional and global level.

Especially after the Jiang Zemin, the general secretary of China's communist party between 1989-2002, economic development has become a key issue for Chinese government. China's GDP was 194,111,112,580 $ ranked 8th greatest economy in 1981, after 30 years, China's GDP reached 7,298,096,609,545 $ ranked 2th greatest economy following the US in 2010.[206] It was projected that the momentum of the Chinese economy can trigger political openings. Chinese political openings mostly target with the countries or region with rich natural resources. One of China's priorities is to assure an adequate and reliable supply of energy at reasonable prices while not jeopardizing its so-called "peaceful rise" and its foreign policy strategies. Almost every survey or research about the future of China's economy and its energy demand projects that it will continue to increase in next two or three decades.

[205] Bates Gill, "Rising Star: China's New Security Diplomacy", Brookings Institution Press 2010, p.21.

[206] World Bank Official Web Site, Indicator: GDP http://data.worldbank.org/indicator/NY.GDP.MKTP.CD?order=wbapi_data_value_2011+wbapi_data_value+wbapi_data_value-last&sort=desc accessed on 01.05.2012

China is the world's second-largest consumer of oil after the US and the second-largest net importer of oil as of 2009. China's oil consumption in 1980 was about 2000 thousand barrel/day, China's oil consumption in 2010 reached to 10.000 thousand barrel/day.[207]

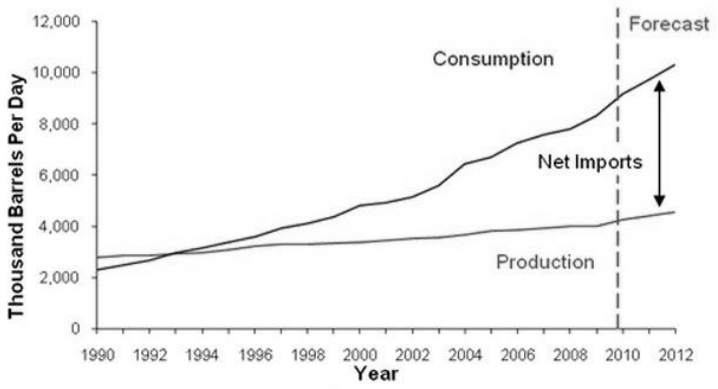

Figure 4 China's Oil Production and Consumption, 1990-2012[208]

This graphic shows that China's energy demand increased by five than what it was three decade ago. In parallel to its oil consumption, China's natural gas import increased from being zero to 400 billion cubic feet. China's natural gas graphic also shows that China's energy need will be more than expected in the years ahead.

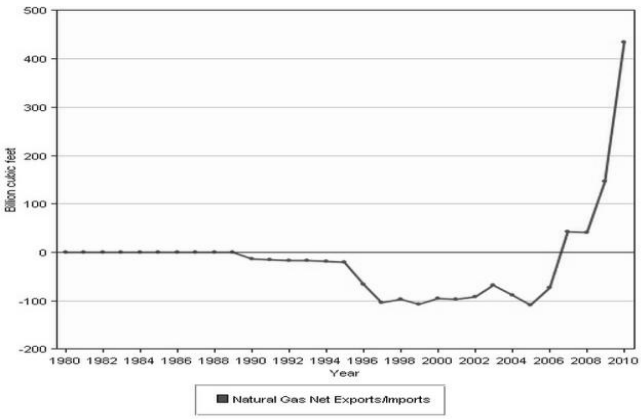

Figure 5 China's Natural Gas Net Exports and Imports[209]

[207] US Energy Information Administration, China Country Analysis Brief, http://www.eia.gov/countries/cab.cfm?fips=CH accessed on 01.05.2012

[208] US Energy Information Administration, Short-Term Energy Outlook, April 2011

[209] US Energy Information Administration, China Country Brief, http://www.eia.gov/countries/country-data.cfm?fips=CH accessed on 08.11.2012

According to the BP statistical review of 2011 report, China's share of global energy consumption is 20.3 percent.[210] This is the world's highest level and Chinese energy consumption grew by 11.2 percent while China surpassed the US as the world's largest energy consumer.[211] China is expected to be leading country in energy consumption in the next 20 years according to various projections.

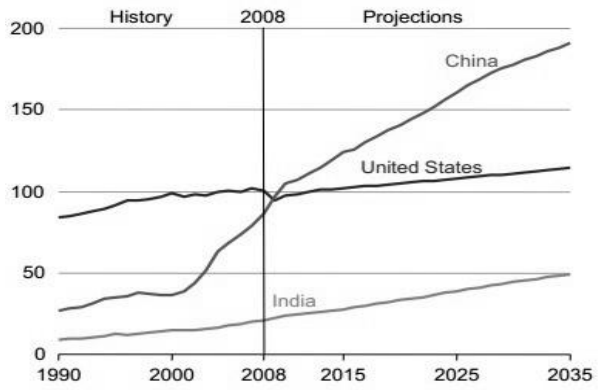

Figure 6 Energy Consumption in the US, China and India, 1990-2035 (Quadrillion Btu)[212]

Chinese economic development is established on a delicate internal balances and external alliances that provide strategic energy resources. However, these energy resources are imported mostly from the Middle East and Africa. An important strategic goal of China is to create additional energy resources by making long term agreements and massive investments to enable stagnant resources. The sustainability of energy transportation is in the forefront of China's foreign policy due to the fact that China is dependent on energy imports.

> *The Middle East remains the largest source of China's crude oil imports, although African countries also contribute a significant amount. China imported nearly 4.8 million bbl/d of crude oil in 2010, of which over 2.2*

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[210] BP Statistical Review of World Energy June 2011, p.2. http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2011/STAGING/local_assets/pdf/statistical_review_of_world_energy_full_report_2011.pdf accessed on 01.05.2012

[211] Ibid.

[212] US Energy Information Administration | International Energy Outlook 2011, p.10.

million bbl/d (47 percent) came from the Middle East, 1.5 million bbl/d (30 percent) from Africa.[213]

Saudi Arabia and Angola were China's two largest sources of oil imports that account for about one-third of China's total crude oil imports."[214] However, China's increasing needs for natural resources from the Middle East and Africa makes China vulnerable to supply disruptions by seaways.[215] The political instability and long sea lines of communication from the Persian Gulf to the Strait of Malacca can be sources of the disruptions of China's energy.

Sea lines of communications are vitally important because most of China's foreign trade is conducted by sea. Since energy provides the foundation of the economy, China's economic policy depends on the success of its energy policy. Securing SLOCs for energy and raw materials supports China's energy policy and is the principal motivation behind the "String of Pearls. [216]

The long sea lines of communication which is important for China has been under the US supremacy.[217] This unique position of the US made her an important deterrent power and unrivalled military influence in world politics.[218] Therefore, China attempts to prevent the US from interdicting its energy supplies through the long sea lines of communication in case of any conflict of interest. [219] The increasing military presence of the US on the sea lines of communication worried China's decision makers about the security of its oil supplies which has been shipped via Indian Ocean and the Strait of Malacca. Although the Obama administration declared in a high-

[213] US Energy Information Administration, China Country Analysis Brief, http://www.eia.gov/countries/cab.cfm?fips=CH accessed on 01.05.2012

[214] Ibid.

[215] Bert Chapman, "Geopolitics: A Guide to the Issues", ABC-CLIO, 2011, p.66.

[216] Christopher J. Pehrson, Op.Cit., p.5.

[217] James Kraska, "How the United States Lost the Naval War of 2015", Foreign Policy Research Institute Paper, Winter 2010, p.35. http://www.fpri.org/orbis/5401/kraska.navalwar2015.pdf accessed on 01.05.2012

[218] Op.Cit., p.36.

[219] Leszek Buszynski, "Emerging Naval Rivalry in East Asia and the Indian Ocean: Implications for Australia", Security Challenges, Vol. 5, No. 3, Spring 2009, p.74. http://www.securitychallenges.org.au/ArticlePDFs/vol5no3Buszynski.pdf accessed on 01.05.2012

level the US and Chinese defense officials meeting that "*We assured General Ma and his delegation that the US does not seek to contain China. We do not view China as an adversary.*"[220] In contrast to Obama's statement, People's Liberation Army Major General Luo Yuan stated that "*The United States is laying out forces across the Asia-Pacific region in advance to contain the rise of China*."[221] This situation reveals that the US has the ability to prevent China's energy imports which go through the straits of Malacca in case of conflict.

In this perspective, China has been interested in seeking for alternative supply routes to prevent a possible US blockade on the long sea lines of communication. For China, overland supply routes through Central Asia could be an important alternative to diminish the vulnerability of energy disruption. The most important advantage of Central Asian states is that overland supply routes are not directly subject to the US military presence as being in the SLOCs. Thus, China has intensified its efforts to diversify its energy resources in Central Asia and invested on many big pipeline projects.

Among the Central Asian states, Kazakhstan is the most important country for China in terms of its great oil reserves. China was one of the first countries that established diplomatic relations with Kazakhstan in 1992. Since then, Kazakh-Chinese relations have deepened in every sphere in particular to energy. By the late 90's Kazakhstan has become a crucial partner for Chinese energy security initiative in Central Asia. This initiative has been strengthened by many investments in Kazakhstan's oil and natural gas sector and building one of the country's longest pipelines. China's efforts to diversify its energy resources from Kazakhstan can result in bilateral ways. For China, Kazakhstan's oil resources can help to avoiding a possible the US intervention in case of conflict and diversify Chinese supply routes. For Kazakhstan,

[220] Michael Martina, "US seeks to reassure China on Australia military ties", Reuters Dec 8, 2011 http://www.reuters.com/article/2011/12/08/us-china-usa-military-idUSTRE7B70BR20111208 accessed on 01.05.2012

[221] Chris Buckley, "US military strategy aims to contain rise of China: PLA report", Reuters January 11, 2012 http://www.chinapost.com.tw/asia/regional-news/2012/01/11/328689/US-military.htm accessed on 12.07.2012

China's participation in oil and natural gas sector can help avoiding Russian pressure in its energy sector. By this way, Kazakhstan sees China as a important partner to counterbalance Russia and to gain political and economic leverage.

China's energy companies have been interested in Kazakhstan oil and natural gas since 1997. The most pre-eminent companies are China National Petroleum Company (CNPC), China National offshore Oil Cooperation (CNOOC), the National Oil and Gas Exploration and Development Corporation (CNODC). China's first step was the acquisition of Aktobemunaigas's 60 percent stake by China National Petroleum Cooperation (CNPC) in 1997.[222] CNPC managed to do this by offering 4.3 billion dollars and eliminating the Russian and the US companies.[223] In the same year in 1997, CNPC managed to purchase 51 per cent of Uzen field for $1.3 billion.[224] In this purchase, CNPC managed to outbid many US companies as well.[225]

In March 2003, British Gas Group in Kazakhstan had intension to sell its share in the North Caspian Sea PSA (NCSPSA) to two Chinese companies, CNOOC and Sinopec. NCSPSA is located in Kashagan field which is one of the world's largest oil discoveries of the last forty years.[226] North Caspian Sea consortium consisted of KMG Eni, ExxonMobil, Shell and Total with a 16.81 percent share for each, ConocoPhillips with 8.40 percent and INPEX 7.56 percent.[227] Both Sinopec and CNOOC would have 16.81 percent of the total stake in return for 1.23 billion dollars however in May 2003, it was announced that this sale was pre-empted by five of the

[222] China National Petroleum Corporation (CNPC) Official Web Site, Kazakhstan Country Brief http://www.cnpc.com.cn/en/cnpcworldwide/kazakhstan/ accessed on 01.05.2012

[223] Gaye Christoffersen, "China's Intentions for Russian and Central Asian Oil and Gas", The National Bureau Of Asian Research Analysis Volume 9, Number 2, 1998 p.6. http://www.nbr.org/publications/analysis/pdf/Preview/vol9no2_preview.pdf accessed on 01.05.2012

[224] Erica Strecker Downs, "China's Quest for Energy Security", Rand Corporation, 2000 p.21.

[225] Gaye Christoffersen, Op.Cit., p.3.

[226] North Caspian Operating Company Official Web Site http://www.ncoc.kz/en/kashagan/default.aspx accessed on 01.05.2012

[227] Ibid.

North Caspian partners expect KMG Eni.[228] It means that stakeholders were not willing to allow China's state oil companies to take part in the PSA. China's investment in energy sector in Kazakhstan was not welcomed. However, in same year, CNPC managed to purchase the 25 percent stake in CNPC-Aktobemunaigas in May 2003. With this agreement, CNPC increased its stake from 60 percent in 1997 to 85 percent in 2003. The Aktobemunaigaz Company currently controls one-seventh of the total oil production in Kazakhstan.[229] In 2004, Sinopec managed to acquire American First International Oil Company (FIOC) which established in Kazakhstan in 1997.[230] Sinopec's purchase in Kazakhstan supported the position of CNPC. In 2005, CNPC announced that Petrokazakhstan's total stake is bought by CNPC in return for $ 4.18 billion.[231] The most important competitor for China's CNPC in this sale was Indian state energy company ONGC (Oil and Natural Gas Corp). In August 2005, China National Offshore Oil Corporation (CNOOC) and China National Petroleum (CNPC) signed a memorandum with the Kazakh state oil company KazMunaiGas to develop the Darkhan field in the Kazakh area of the Caspian Sea.[232] Following this agreement, CNOOC's officials stated that "*Entering into this area has long been one of CNOOC's strategic priorities of its overseas development*."[233] Even though Darkhan field has been on Indian state energy company ONGC's agenda, Chinese companies managed to avoid India's participation in the field. With the help

[228] BG Group Data Book 2003, p.26. http://www.bggoup.com/InvestorRelations/Reports/Documents/Data%20Book/BG_DataBook_2003.pdf accessed on 01.05.2012

[229] International Outlook Kazakhstan Country Brief http://www.eoio.com/kazakhstan/the-republic-of-kazakhstan.html accessed on 01.05.2012

[230] Phạm Minh Thu, "Energy and Geopolitics American power projection toward Kazakhstan", Master Thesis, University of Amsterdam 2010, p.76. http://www.iias.nl/epa/files/Pham%20Thu%20Energy%20and%20Geopolitics.pdf accessed on 01.05.2012

[231] Theodore H. Moran, "China's Strategy to Secure Natural Resources: Risks, Dangers, and Opportunities" Peterson Institute 2010, p.17.

[232] James MacKenzie, "Trio agree Caspian block deal", 08 September 2005 http://www.upstreamonline.com/live/fsu/article98209.ece?viewAllCompanies=true accessed on 01.05.2012

[233] Ibid.

of the Chinese national energy companies, Kazakhstan became the second-largest foreign base of production for the CNPC.[234]

In addition to acquiring oil and gas fields, China attaches utmost importance to constructing oil pipelines from Kazakhstan. China's first step was "the Kazakhstan-China Oil Pipeline". This pipeline was important because it was the first oil pipeline that transport from Central Asian countries. China was importing oil from Kazakhstan by the railroad connection before the pipeline.[235] China's first choice to import oil by pipeline was Kazakhstan since Kazakhstan's oil was not totally exploited by the Soviet Union.[236] The Soviet Union used mostly the energy resources of Azerbaijan and West Siberia due to the fact that these were easily extracted from the ground.[237] In contrast to Azerbaijan and Siberian resources, Kazakhstan's wealth was not totally exploited.[238] Kazakhstan-China Oil Pipeline runs from Atasu, northern Kazakhstan to Alashankou in China's northwestern Xinjiang province. It was built as a joint venture of CNPC and Kazakhstan's KazTransoil.[239] This pipeline is important for Kazakhstan as well. Kazakhstan's export routes were limited to Russia before the Kazak-China pipeline. Thus it was first pipeline in terms of diversifying its export route.[240] Kazakhstan is well aware of the fact that if China's position is strengthened in oil sector, there will be more opportunity for Kazakhstan

[234] China National Petroleum Corporation (CNPC) Official Web Site, Kazakhstan Country Brief http://www.cnpc.com.cn/eng/cnpcworldwide/euro-asia/Kazakhstan/ accessed on 01.05.2012

[235] Manochehr Dorra, China's Energy Relations with the Developing World, Continuum International Publishing Group, 2011, p.181.

[236] Ariel Cohen, "Kazakhstan: Energy Cooperation with Russıa —Oil, Gas and Beyond", GMB Publishing Ltd, 2006, p.3.

[237] Yavuz Özdemir, "Kazakhstan, Azerbaijan, Turkmenistan and Uzbekistan's energy potentials and policies", Master Thesis, Atılım University, Ankara 2007, p.19.

[238] Ibid.

[239] Adam Blinick, "The Kazakh-China Oil Pipeline: "A Sign of the Times", Center on China's Transnational Relations Working Paper No. 21, 2007, p.3. http://www.cctr.ust.hk/materials/working_papers/WorkigPaper22-Blinick.pdf accessed on 01.05.2012

[240] Ibid.

against Russia to use as political and economic leverage.[241] The construction of the Kazakh-Chinese pipeline which connects separate pipeline systems in the country was financed by China.[242] China's comparative advantage in financial issues against Russia paved the way for Kazakhstan to diversify its export routes without bearing its financial cost.

The Kazakh-Chinese oil pipeline was the first oil pipelines that connect China with another state.[243] This pipeline will provide very important share of China's total oil import.[244] China considers Kazak oil pipeline to "provide long-term, strategically secure source of oil, rather than to meet urgent demand requirements."[245] Kuen Woon Paik, a researcher at Chatham House, written that the "*new Kazakh pipeline is small but it signals a real Chinese interest in trying to move away from Middle East oil*."[246] It was a very strong indicator that China is trying to create an alternative supply routes through Kazakhstan. Kazakhstan-China oil pipeline is an important step for Kazakhstan as well. It is very important for Kazakhstan to divert its export route apart from Russia. It means that Kazakhstan's dependency on Russia's infrastructure to export its oil is diminished with the help of China's finance. From the Kazakhstan's perspective, this will strengthen the bargaining position of the country against Russia.

Another project is the Central Asia-China Gas Pipeline which is defined as "*a grand construction project that will in time resurrect the ancient Silk Route*"[247] by Kazakh President Nursultan Nazarbayev. Central Asia-China Gas pipeline is the first long

[241] Ariel Cohen, Op.Cit, p.9.

[242] KazMunayGas Official Web Sites, Kazakhstan-China Oil Pipeline http://www.kmg.kz/en/manufacturing/oil/kazakhstan_china/ accessed on 01.05.2012

[243] Adam Blinick, Op.Cit., p.2.

[244] Ibid.

[245] Ibid.

[246] China-Kazakhstan pipeline starts to pump oil, China Daily, December 15 2005 http://www.chinadaily.com.cn/english/doc/2005-12/15/content_503709.htm accessed on 01.05.2012

[247] China's President Hu Jintao opens Kazakh gas pipeline, BBC News, 13 December 2009 http://news.bbc.co.uk/2/hi/8410369.stm accessed on 01.05.2012

distance natural gas pipeline that connects three of five Central Asian countries with the largest energy consumer, China. The Central Asia-China Gas Pipeline's construction began in 2008 and became operational in late 2009. This pipeline originates from Turkmenistan which is the main supplier, running through Uzbekistan and Kazakhstan to China's Xinjiang Uygur Autonomous Region to link with China's internal supply network. In July 2007, China and Turkmenistan have agreed on to explore and develop gas fields on the right bank of the Amu-Darya River which was the starting point of this pipeline.[248] In the same year, Chinese government managed to make agreements with Kazakhstan's KazMunayGaz and Uzbekistan's UzbekNefteGaz. According to these agreements, Turkmenistan will provide 30 bcm natural gas for 30 years to China. In addition to Turkmenistan, Kazakhstan and Uzbekistan will provide 10 bcm and 25 bcm natural gas in the years ahead respectively. Following the completion of pipeline in late 2009, current capacity has reached two thirds of total capacity in beginning of 2012.[249] It is expected that the Central Asia-China pipeline is scheduled to carry its total capacity at the end of 2013. The Central Asia-China pipeline has dual line which is called Line A and Line B. Line B became operational in 2010, a year after the inauguration of line A in 2009. According to the latest agreements, a new line, line C, will be completed in 2014 and began to be pumped in 2015.[250] This means that this pipeline will increase its capacity in near future.

Central Asia–China gas pipeline takes very important place in the region. First of all, it provides a significant share of natural gas for China. The demand of natural gas in

[248] China National Petroleum Corporation (CNPC) Official Web Site, Central Asia-China Gas Pipeline, http://www.cnpc.com.cn/en/aboutcnpc/ourbusinesses/naturalgaspipelines/Central_Asia%EF%BC%8DChina_Gas_Pipeline_2.htm accessed on 01.05.2012

[249] Saule Mukhametrakhimova, "China reaps rewards of Central Asian investment", February 20, 2012 http://www.universalnewswires.com/centralasia/kazakhstan/viewstory.aspx?id=11417 accessed on 01.05.2012

[250] China National Petroleum Corporation (CNPC) Official Web Site, Central Asia-China Gas Pipeline, http://www.cnpc.com.cn/en/aboutcnpc/ourbusinesses/naturalgaspipelines/Central_Asia%EF%BC%8DChina_Gas_Pipeline_2.htm accessed on 01.05.2012

China has increased radically in the last decade and the demand is expected to continue to increase although at a lower growth rate.[251] Thus, this pipeline will contribute to China's energy security objectives in Central Asia. Due to the fact that, Tajikistan and Kyrgyzstan are both unstable and geographically unsuitable for the projected pipelines, Kazakhstan will continue to provide a safe house for China's pipelines in next years. For Kazakhstan, in addition to the diminishing the role of the Russian dominant energy market and pipeline network, Central Asia gas pipeline will enable strengthening Kazakhstan's position against Turkmenistan and Uzbekistan as well. Both countries will be more dependent on Kazakhstan to avoid the Russian dominant energy politics and to counterbalance the US position with China. For the US, there will be no sufficient amount of natural gas to western markets by using western routes such as Trans-Caspian or Nabucco if this project's capacity continues to increase. There won't be any available natural gas for India either. It should be considered that China has made long term agreements with these countries to supply a high amount of natural gas in the next years and this prevents the US, India and Russia from making new agreements, building new pipelines or filling up these pipelines in near future.

Turkmenistan is another important energy supplier in Central Asia for China. Turkmenistan has large amount of natural gas reserves. Turkmenistan's proved natural gas reserves are 8.0 trillion cubic meters and 4.3 percent of world's total proved natural gas reserves.[252] Turkmenistan is the fourth largest country in terms of proved natural gas reserves following the Russian, Iran and Qatar.[253] According to the latest research done by Gaffney, Cline & Associates (GCA), a UK based independent audit firm, the South Yolotan-Osman and Yashlar fields in

[251] International Energy Agency, "Oil and Gas Emergency Policy - China 2012 Update", 2002, p.15.http://www.iea.org/publications/freepublications/publication/China_2012-1.pdf accessed on 15.10.2012

[252] BP Statistical Review of World Energy June 2011, p.20. http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2011/STAGING/local_assets/pdf/natural_gas_section_2011.pdf accessed on 01.05.2012

[253] Ibid.

Turkmenistan contains the lowest estimate of 4 tcm, optimum 6 tcm and the highest estimate of 14 tcm of gas.[254] These fields are sufficient to make Turkmenistan one of the top producers of natural gas in the world.

During the era of Turkmenbashi, country's energy resources mostly flowed to Russia and most of the country's resources operated by the Russian giant Gazprom. Niyazov did not strive to divert Turkmenistan's export routes expect for Russia. Thus, a Russia dependent pipeline system made Russia to be influential on Turkmenistan's energy policy including prices.

China could not achieve a significant penetration into Turkmenistan until Turkmenbashi Niyazov realized that Turkmenistan would not be able to sustain its isolated position in 2006. According to some analysts "*Turkmen President Saparmurat Niyazov has grown increasingly unhappy with his country's role as a natural-gas reservoir feeding Russia's ambition to reinvent itself as a 21st-century energy great power.*"[255] With the new policy, Niyazov visited China after 8 years from his first visit which and paved the way for Chinese energy-related expansion into Turkmenistan. During the visit, Turkmenistan and China have agreed on building a pipeline which is called "Central Asia-China gas pipeline and Turkmenistan to provide China 30 bcm natural gas for 30 years. This was a very important step for Turkmenistan in terms of both excluding Russia and creating new markets for its natural gas with market prices that Russia attempted to lower. The pipeline that connects Turkmen gas to China passes through Uzbekistan and Kazakhstan and it cost billions of dollars that Turkmenistan cannot afford alone. This project is an indicator of China's strong financial position and eagerness to build pipelines from Central Asia as an actor of the region. Although China needs energy

[254] Ibrahim Arinç and Süleyman Elik, "Turkmenistan and Azerbaijan in European Gas Supply Security", Insight Turkey Vol. 12, No. 3, 2010, p.70. http://www.readperiodicals.com/201007/2114775551.html#b accessed on 01.05.2012

[255] Daniel Kimmage, "Central Asia: Turkmenistan-China Pipeline Project Has Far-Reaching Implications", Radio Free Europe, April 10, 2006 http://www.rferl.org/content/article/1067535.html accessed on 01.05.2012

from Central Asia, it would not be possible to construct thousands of kilometers of pipelines unless China's financial capacity is strong.

China's penetration in Turkmenistan has continued after Niyazov's death in 2006. After his passing away, Chinese energy companies rapidly invested on Turkmenistan's oil and gas fields. Russia is no longer the single major actor in the Turkmenistan's energy sector. Following to death of Niyazov, Gurbanguly Berdymuhamedov has taken over in 2007 election. In contrast to Niyazov, Berdymuhamedov attaches much more importance on energy cooperation with China. Following the agreement for the construction of Turkmenistan-Chinese pipeline, two countries signed a production sharing agreement (PSA) for CNPC in Bagtyiarlyk area at Amu Darya Right Bank in Turkmenistan.[256] A natural gas purchase and a sale agreement with Turkmen State Agency for the Management and Use of Hydrocarbon Resources and Turkmengaz were signed with CNPC respectively.[257] These agreements constitute the cornerstones of Turkmenistan-China pipeline for the next 30 years.

The cooperation between CNPC and Turkmenistan has strengthened in 2008 with the agreement on the Natural Gas Purchase and Sales and Technical Agreements for the exploration and development project on the Amu Darya River.[258] This agreement was another supplement for Turkmenistan-China pipeline. At the end of August 2008, China and Turkmenistan have signed another framework agreement for strengthening their cooperation in the field of natural gas. The agreement was signed with the participation of the Chinese President Hu Jintao and the Turkmen President Gurbanguly Berdimuhammedov as well as CNPC President Jiang Jiemin and the Deputy Prime Minister of Turkmenistan Tachberdi Tagiyev. According to this framework agreement, energy companies of both sides will enhance the existing

[256] China National Petroleum Corporation (CNPC) Official Web Site, Turkmenistan Country Brief http://www.cnpc.com.cn/en/cnpcworldwide/kazakhstan/ accessed on 01.05.2012

[257] Ibid.

[258] Ibid.

cooperation to increase natural gas supply to China.[259] Following the Chinese President Hu Jintao's visit to Turkmenistan on 29 August, Chinese Foreign Minister Yang Jiechi paid a visit to CNPC Amu Darya River Natural Gas Corporation on August 30 2008.[260] Chinese Foreign Minister Yang stated that "the Amu Darya River gas project should play a leading role in promoting Sino-Turkmen relations on the basis of the joint statement signed by President Hu Jintao and President Gurbanguly Berdimuhammedov."[261] The strong political cooperation between China and Turkmenistan is strengthened with the Chinese technological investment in Turkmenistan's energy sector. With the support of CNPC, the most technologically advanced natural gas processing plant with the greatest capacity in Central Asia became operational on December 2009 in Turkmenistan. [262] On October 2010, China-Turkmenistan relations have intensified upon the visit of CNPC President Jiang Jiemin to Turkmenistan's vice president Hojamuhammed Muhammedov for a consultation meeting on extending gas cooperation.[263] After the visit, Line B of Central Asia-China Gas Pipeline became operational in the same month.[264]

In conclusion, China's relations with Central Asia following the demise of the Soviet Union have been primarily about ensuring the security of its energy needs and

[259] China National Petroleum Corporation Official Web Site, Press Releases, September 01, 2008 http://www.cnpc.com.cn/eng/press/newsreleases/CNPCandTurkmengazStateConcernsignframeworkagreementonexpandingnaturalgascooperation.htm accessed on 01.05.2012

[260] Yang Jiechi visits CNPC Amu Darya River Natural Gas Corporation, China National Petroleum Corporation (CNPC) Official Web Site, Press Releases, September 03, 2008 http://www.cnpc.com.cn/en/press/newsreleases/2008/9-3.htm accessed on 01.05.2012

[261] Ibid.

[262] China National Petroleum Corporation (CNPC) Official Web Site, Turkmenistan Country Brief http://www.cnpc.com.cn/en/cnpcworldwide/turkmenistan/ accessed on 01.05.2012

[263] Jiang Jiemin meets Turkmenistan's vice president Hojamuhammed Muhammedov, China National Petroleum Corporation (CNPC) Official Web Site, Press Releases, October 13, 2010 http://www.cnpc.com.cn/en/press/newsreleases/JiangJieminmeetsTurkmenistansvicepresidentHojamuhammedMuhammedov.htm accessed on 01.05.2012

[264] China National Petroleum Corporation (CNPC) Official Web Site, Turkmenistan Country Brief http://www.cnpc.com.cn/en/cnpcworldwide/turkmenistan/ accessed on 01.05.2012

diversifying its energy supply.[265] Since China is a net oil exporter, Chinese policy makers are aware of the fact that dependence on imported energy resources bring foreign economic and political pressures that can threaten national security.[266] One of the important directions for China's energy security activities is Central Asia. However, Central Asia with rich energy resources is a region in which other major actors have similar interests.[267] Chinese policy makers view the US as a major threat to China's energy security because the US is not comfortable about China's rising power and its emergence as a potential rival in world politics.[268] Considering that the US is the most important and powerful actor who dominates the sea-lanes stretching from the Persian Gulf to the South China Sea, China's concerns about the deterioration of Sino-US relations and the consequence of this as the US using her superior military power to disrupt China's oil supply.[269] That's why China is keen on building pipelines through Kazakhstan and Turkmenistan.[270] In this respect, Central Asia with its rich energy resources is a safe haven for China.[271]

[265] Xuanli Liao, "Central Asia and China's Energy Security", China and Eurasia Forum Quarterly, Volume 4, No. 4 (2006), p.61. http://www.silkroadstudies.org/new/docs/CEF/Quarterly/November_2006/Liao.pdf accessed on 15.10.2012.

[266] Erica Strecker Downs, Op.Cit.,p.44.

[267] Xuanli Liao, Op.Cit., p.61.

[268] Erica Strecker Downs, Op.Cit., p.44.

[269] Erica Strecker Downs, Op.Cit., p.45

[270] Xuanli Liao, Op.Cit. p.61.

[271] Li Hak Yin and Wang Zhengxu, "China's Advancements in Central Asia", East Asian Policy, Vol:1, No:4, 2009, p.6. http://www.eai.nus.edu.sg/Vol1No4_LiHakYinWangZhengxu.pdf accessed on 15.10.2012

CHAPTER 7

RUSSIA

The relations between Russia and Central Asia have been complex since independence. Since energy security and national security issues are closely related in world politics, Russia's relations with the Central Asian states have attracted much more attention. Russia has managed to create a monopoly on Central Asian states' oil and natural gas resources. The exploitation of these resources and the control of the transportation routes are used for economic and political leverage by Russia against both Central Asia itself and Europe which is relatively energy-poor. In this equation Central Asian states are left with few choices but to export their natural resources via Russian pipelines.

Central Asian states have taken different roles in the US, China, or India's policies in the region from time to time; however their politics has never completely free of Russia's political interventions. Since the demand for energy have exploded and prices increased considerably in the last decades, Russia has taken important steps in its relationship with the Central Asian states as well as the Caspian states to preserve its position over transportation routes in addition to exploration of these resources in source countries. Russia made many forward looking moves in sources countries such as long term agreements on the production of natural gas and oil. In addition to the long term agreements between the sources countries, Russia used its political power to continue on the use of existing pipelines in particular to Europe. However, other actors in the region have not been idle while Russia has penetrating into Central Asia by different means.

The US has always been supporter of diversification of these states' resources to weaken Russian dominant position in the region as well as in world politics. China has managed to penetrate itself as far as the Caspian Sea by building world's longest

pipelines and acquiring exploration rights in these states. India has begun to penetrate itself into Central Asia with the help of the US. There is a competitive environment in Central Asia states. Thus Moscow has compounded its foreign policy priorities and strategic moves related to energy security issues in the region. The US and China have emphasized on rich energy resources of the Central Asian states as an alternative resource for Middle Eastern energy resources. However, transporting oil and natural gas from Central Asia through Caspian Sea for western market is not completely about security of supply. It is much more related to challenging Russia's dominant position the region and depolarizing the Russian threat in world politics.

The collapse of the Soviet Union did not leave a straight legacy for the Central Asian states. All of these states and the Russian Federation experienced very harsh economic conditions for several years. Even though political transformation from communist rule to democracy created positive impacts on these states, their economies were not sufficiently ready to sustain their self. Central Asian states had comparative advantage in terms of wealthy natural resources such as oil and natural gas but state owned oil and gas companies were not financially prepared to invest in these resources. Russian companies were not financially on an equal level with these companies.[272] After the dissolution of the Soviet Union, major oil companies such as ExxonMobil, Texaco, Unocal, BP Amoco, Shell, and Enron invested billions on Central Asian states' oil reserves to secure equity rights.[273] In contrast these energy companies, Lukoil-Russia's largest energy company- was able to acquire a small minority holding in several projects in these countries.[274] Lukoil had to wait for the

[272] S. Frederick Starr and Svante E. Cornell, "The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West", Central Asia-Caucasus Institute & Silk Road Studies Program, 2005, p.40. http://www.silkroadstudies.org/new/inside/publications/BTC.pdf accessed on 01.05.2012

[273] Michael C. Ruppert, "Crossing the Rubicon: the decline of the American empire at the end of the age of oil", New Society Publishers, 2004, Chapter 7, p.1.

[274] Martha Brill Olcott, "Russia, Central Asia and The Caspian: How important is the energy and security trade off?", 2009, p.12. http://www.bakerinstitute.org/publications/EF-pub-OlcottRussAsiaCaspEnergySecurity-050609.pdf accessed on 01.05.2012

second half of the 90 to become a participant in the oil and gas fields in Central Asia.[275]

Following the years after the collapse of the Soviet Union, Russia was not able to prevent the flow of oils and natural gas without its consent out of its pipelines. For instance, Russia was the major country who opposed the BTC pipeline which was a major step to decrease Russia's political and economic dominance in the region just after the demise of Union. Russia realized that BTC pipeline was a geostrategic step to reach Azerbaijani and Central Asia through Caspian Sea.[276] BTC pipeline was important in terms of forming an alternative corridor from Central Asia through Caspian Sea. The pipeline has created other project of east-west pipelines transporting energy from Central Asia to west. Russia could not impede BTC pipeline to realize. The US supported BTC pipeline despite its high cost. The political deadlock between Turkey and Armenia caused to change the pipeline route. The initial route was Azerbaijan-Armenia-Turkey. Due to political tension between Armenia and Turkey, the route was changed. It is known that the frozen relationship between Turkey and Armenia is a gain for the Russian foreign policy priorities in terms of energy security in Central Asian regions. As long as Armenia has problematic relations with Turkey, it would be harder and costly to diversify energy transportation routes from Central Asia through Caspian to West. While the US and European Union are supporters of easing Turkey Armenia relations, Russia has supported the deadlock in the region. If the relations between Georgia and Russia are considered, it would be clearer that Russia's efforts to close Caucasian region for energy transportation routes from Central Asia.

[275]Lukoil Official Web Site, Company History http://www.lukoil.com/static_6_5id_212_.html accessed on 01.05.2012

[276] Svante E. Cornell and Fariz Ismailzade, "The Baku-Tbilisi-Ceyhan Pipeline: Implications for Azerbaijan", Silkroad Studies, 2005, p.77. http://www.silkroadstudies.org/BTC_4.pdf accessed on 01.05.2012

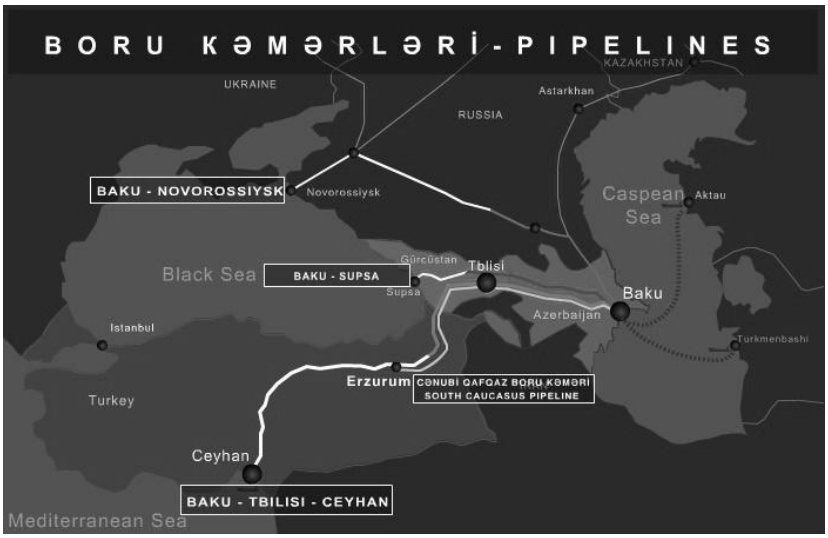

Figure 7 Baku-Tiblisi-Ceyhan Pipeline[277]

Russia's position in the region began to change with the Putin's coming to power. Russia's current challenges in the region can be analyzed with Putin's strategies developed before he became the president of Russia in 2000. Putin has emphasized on the importance of natural resources as a tool of state policy.[278] When Vladimir Putin became the director of the Federal Security Services (FSB) in 1999, he wrote an article and suggested that "*Russia should develop hydrocarbon resources for Russia's future development and the restoration of its former state power*.[279] When Boris Yeltsin handed its power to Vladimir Putin in late 1999, Russia's relations with Central Asian states were not satisfactory. The US and other western oil and gas companies were substantially active in these states and politically supported by the US and EU countries. However Central Asia states' political and economic orientation to the West instead of Russia was not acceptable for Russia's strategies. In addition to the Western countries' penetration into Central Asia, Russia was falling behind China as well. Since China's economy boomed during the last decade,

[277] The State Oil Company of the Azerbaijan Republic (SOCAR) Official Web Site, http://socar.az/btc.html accessed on 08.11.2012

[278] Harold Elletson and Kevin Rosner "Baltic Independence and Russian Foreign Energy Policy", GMB Publishing Ltd, 2006, p.18.

[279] Ibid

Central Asian states without the "Big Brother" offered strategic oil and natural gas reserves for China's economy. In addition to the political vacuum, this region was free from the US presence and thus a possible seaway intervention by the US or India from the viewpoint of China. Thus, China's state owned energy companies began to acquire important assets and offered one of the longest pipeline projects to Central Asian States. However, Russia realized that although Central Asia began to be challenged by the US and China, it was not totally lost or it could still be saved.[280]

Putin emphasized on energy resources and pipelines in order to realize Russia's economic, political and eventually international revival in its near abroad as well as in world politics. From this perspective, Russia's energy priorities in the region are identified as such;

> *Russian goals have been threefold: first, to try to insist on the priority use by these states of the export infrastructure Russia already has in place; second, to promote Russian oil and gas companies and help them obtain the maximum shares possible in available projects; and third, to try to use a variety of instruments to block projects that do not promote Russia's perceived interests.*[281]

The instruments of third goal include military show of strength. The August war in Georgia showed that there is still a risk for the transit energy corridor in the southern Caucasia from Central Asia.[282] Russia refuses to cross its red lines. Russia's intervention to Georgia is perceived as a threat for transporting oil and gas from the

[280]Martha Brill Olcott, Op.Cit., p.13.

[281] Roy Allison, "Strategic Reassertion in Russia's Central Asia Policy", international affairs Vol:80 Issue:2, 2004, p.290.
http://www.chathamhouse.org/sites/default/files/public/Internationalpercent20Affairs/Blanketpercent20Filepercent20Import/inta_383.pdf accessed on 01.05.2012

[282] Mamuka Tsereteli, "The Impact of the Russia-Georgia War on the South Caucasus Transportation Corridor", The Jamestown Foundation, p.6.
http://www.jamestown.org/programs/recentreports/single/?tx_ttnewspercent5Btt_newspercent5D=34654&tx_ttnewspercent5BbackPidpercent5D=63&cHash=767b1efe5d768ef5f2c8cb15c4578652 accessed on 01.05.2012

Caspian Sea.[283] The most strategic corridor for Europe to reach Central Asian resources was virtually closed by Russia in 2008.

As one of important oil rich countries in the world, Kazakhstan served as a country having strategic petroleum reserves for the Soviet Union.[284] Although Soviet administrations confirmed the presence of huge oil deposits in the giant Tengiz field during the 70s and 80s, West Siberian fields were mostly used.[285] Following the demise, Kazakhstan started to form its own independent foreign policy, guided heavily by energy issues which paved the way for investing untapped oil fields such as Tengiz in the Caspian coast. Even though Kazakhstan has followed a "multilateral" foreign policy and attempted to preserve the delicate balance among the great powers after independence, Russia as an old-big brother was always much more important in this delicate balance. Energy sphere was and remains as one of the basic factors that shape the Russia- Kazakhstan relations. As Kazakh Prime Minister Karim Massimov stated as

> *We are delighted to be dealing with such a partner as Kazakhstan – a country with an impressive economic growth and stable macroeconomic parameters. All this is a prerequisite to expansion of our interaction in all directions.*[286]

During the Soviet Union, Kazakhstan's energy infrastructure was connected to Russia. This reliance was not exactly same with the Soviet times but Kazakhstan's export routes are still mostly dependent to Russia for today. First pipeline to divert Russian dominance pipeline system was CPC pipeline financed by a major US oil company Chevron in 2001. It was the first private pipeline that was financed by a US oil company. It is not part of the Transneft system as well. This pipeline

[283] Not a Safe Route: Oil and gas traveling through Georgia was supposed to free Europe from Russia. Not anymore, The Daily Beast, Aug 22, 2008
http://www.thedailybeast.com/newsweek/2008/08/22/not-a-safe-route.html accessed on 01.05.2012

[284] Ariel Cohen, Op.Cit., p.1.

[285] Ibid.

[286] Government of the Republic of Kazakhstan Official Web Site, News of the June 2007
http://en.government.kz/site/news/062007/03 accessed on 01.05.2012

transports Kazakhstan's oil to Russia's Black Sea port Novorossiysk. After the completion of the CPC pipeline, the then US president George Bush stated that

> *I congratulate Russia, Kazakhstan, and Oman, and their consortium partners, for the commissioning of the Caspian Pipeline Consortium (CPC). US firms, notably ChevronTexaco and ExxonMobil, have played leading roles in this project.*[287]

Russia had to pass over the CPC pipeline during its initial phase however, as Russia gained strength in world politics; it began to raise its voice against the stakeholders in the consortium and tariffs.[288] The head of Transneft, Simon Vainshtock said that

> *CPC losses have exceeded $US5.5bln, the situation can only be rectified by raising oil-shipment tariffs. To turn the situation around we should consider sharp rise of transportation tariffs. We have to revise the management structure and solve many other problems. Our experience will help us to do it.*[289]

In this respect, the most important thing for Russia is that the CPC pipeline is the first and still the only independent from the direct control of the Russian oil monopoly Transneft.[290] Russia has always opposed to expand the current capacity which has been proposed by Chevron for a long time.[291] Although Chevron declared to invest more than 5 billion dollars to double its CPC capacity, Russia did continue to block the expansion of the pipeline until the Kazakhstan–China oil pipeline began to pump. Russia's approach changed following to China's efforts in Kazakhstan and

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[287] George Bush's Statement on Caspian Pipeline Consortium, Office of the Press Secretary November 28, 2001 http://merln.ndu.edu/archivepdf/centasia/WH/20011128-11.pdf accessed on 01.05.2012

[288] Equity interest in the Caspian Pipeline Consortium is allocated as follows: Russian Federation (24 percent) Republic of Kazakhstan (19 percent) Chevron Caspian Pipeline Consortium Company (15 percent), LUKARCO B.V. (12.5 percent), Rosneft-Shell Caspian Ventures Limited (7.5 percent), Mobil Caspian Pipeline Company (7.5 percent),Caspian Pipeline Company (7 percent) ₁ENI International (N.A.) N.V. S.ar.l. (2 percent), BG Overseas Holdings Limited (2 percent),Kazakhstan Pipeline Ventures L.L.C. (1.75 percent), Oryx Caspian Pipeline L.L.C. (1.75 percent).

[289] Transneft signals tariff rise to pay for Caspian Pipeline Consortium, 13 March, 2007, http://rt.com/business/news/transneft-signals-tariff-rise-to-pay-for-caspian-pipeline-consortium/ accessed on 01.05.2012

[290] Mamuka Tsereteli, Op.Cit., p.30.

[291] Stephen Bierman, "Russia, Chevron Approve $5.4-Billion CPC Oil Pipeline Expansion", Dec 15, 2010, http://www.bloomberg.com/news/2010-12-15/caspian-pipeline-investors-approve-5-4-billion-expansion-plan.html accessed on 01.05.2012

in July 2011, it was announced that the Caspian Pipeline Consortium (CPC) started the construction phase of the 5.4 billion dollars expansion of the pipeline.[292]

Before the CPC pipeline was constructed, Atyrau-Samara Pipeline was the largest and the only northern pipeline running through Russia.[293] Atyrau-Samara Pipeline is Kazakhstan's main oil export pipeline which compromise about 80 percent of Kazakhstan's oil export.[294] Kazakhstan's KazTransOil and Russia's Transneft began the official talks for the expansion of the Soviet-era Atyrau-Samara pipeline in 2009.[295] Kazakh President Nursultan Nazarbayev announced after signing an agreement together with his visiting Azerbaijani counterpart, President Ilham Aliyev on 16 July 2006 that "*We've now secured a third alternative way of selling our oil,*"[296]

Another important project for Kazakhstan is BTC pipeline. Kazakh oil supplies are still delivered by tankers across the Caspian Sea from Aktau to be Baku to re-exported to Ceyhan. Kazakhstan's first oil was loaded to BTC pipeline in 2008. Actually, it was planned that a pipeline would be constructed to link Kashagan offshore oil fields near Aktau with Baku under the Caspian Sea in order to increase the oil supply through the BTC pipeline in 2005.[297] Eventually, it was envisaged that

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[292] Caspian Pipeline Consortium Marks the Groundbreaking for its $5.4 Billion Expansion, Chevron Official Web Site http://www.chevron.com/chevron/pressreleases/article/06302011_caspianpipelineconsortiummarksthegroundbreakingforits54billionexpansion.news accessed on 01.05.2012

[293] Russia and Nis Mineral Industry Handbook, Int'l Business Publications, 2009, p.100.

[294] US Energy Information Administration, Kazakhstan Country Analysis Brief, http://www.eia.gov/countries/cab.cfm?fips=KZ accessed on 01.05.2012

[295] Saltanat Berdikeeva, "Future of Energy Transportation in Eurasia after the Georgia Crisis" , Insight Turkey Vol. 10 / No. 4 / 2008, p.28. http://files.setav.org/uploads/Pdf/insight-turkey-10---4---saltanat-berdikeeva.pdf accessed on 01.05.2012

[296] Anthea Pitt , "Kazakhstan joins BTC party" http://www.upstreamonline.com/live/article111952.ece?newt_graphFrontpage_tab=companies accessed on 01.05.2012

[297] Tuncay Babalı, "Implications of The Baku-Tbilisi-Ceyhan Main Oil Pipeline project", Perceptions, Winter 2005, p.49. http://sam.gov.tr/wp-content/uploads/2012/02/TuncayBabali.pdf accessed on 01.05.2012

BTC pipeline would be Aktau-Baku-Tbilisi-Ceyhan pipeline.[298] However, due to Russia's political pressure, this pipeline has not been realized yet. Kazakhstan's contribution has been limited with the shipment opportunities. Russia managed to blockade the possible expansion of the BTC with the political pressure and military measures after Georgia war. Zbigniew Brzezinski, former US National Security Adviser at the Senate hearings said that "*Russia aspires to control the Baku-Tbilisi-Ceyhan (BTC) pipeline by the violating stability in Georgia. If the Government of Georgia loses its stability, access of the West to Baku and Caspian basin will be restricted."*[299]

Another big project that Russia could not prevent to realize was the Kazakhstan-China oil pipeline which runs from Atyrau in Kazakhstan to China's northwest Xinjiang region. It is a joint venture between CNPC and KMG. This pipeline is filled by the oil that is developed by CNPC in Atyrau.[300] This pipeline was important in terms of Russian foreign policy objectives. Even though Kazakhstan's oil still mostly runs through Russia's infrastructure; it seems that Russia began to lose its unique position on Kazakhstan's oil reserves. Kazakhstan also began to use the Central-Asia Gas pipeline to transport its gas to China. Thus it is interesting that while Russia has attempted prevent to Kazakhstan to construct additional pipeline, Russia cannot stop China's penetration. In order to balance China's weight in Kazakhstan in the region -during the construction of Kazakhstan-China pipeline - in 2007, Russia, Kazakhstan and Turkmenistan agreed on to renovate and to expand the western branch of the CAC pipeline which is the oldest oil pipeline that connects

[298] Ibid.

[299] Zbigniew Brezezinski: Russia aspires to control BTC pipeline by violating stability in Georgia, Georgia Daily, June 13 2008, http://georgiandaily.com/index.php?option=com_content&task=view&id=3119&Itemid=65 accessed on 01.05.2012

[300] Leonard L. Coburn, "Central Asia: Pipelines Are the New Silk Road", International Association for Energy Economics, 4. Quarterly 2010, p.19.

these countries, and to construct a new Caspian Gas Pipeline paralleling the western branch.[301]

Turkmenistan is the most important natural gas producer in Central Asia. The existing gas links with Turkmenistan has been under a harsh pressure by Russia for a long time. Turkmenistan's natural gas was exported through the pipeline inherited from the Soviet period. Therefore, although Turkmenistan declared its independence in 1991, it was completely dependent to Russia. This dependence gave very important political and economic leverage to Russia and Russia did not hesitate to use this leverage against Turkmenistan during the mid-1990s. When Ukraine fell into debt and could not pay the gas bills imported from Turkmenistan through Russia, Turkmenistan's export were unpaid and gas deliveries were stopped in mid-1997.[302] This situation was very severe for Turkmenistan's economy since the gas exports accounted for between two and three-fifths of GDP in the 1990s.[303] Gazprom used this situation and increased Russian supplies to Ukraine so as to compensate the shortage caused by the discontinuance of Turkmen imports.[304] Turkmenbashi looked for new alternative for Turkmen natural gas against the Russia's move. Following the Ukraine dispute, Turkmenistan and Iran opened a small pipeline in late 1997 for transporting comparatively a small amount of gas. Turkmenistan's first move to diversify its pipeline resulted in a deal between Gazprom and Turkmenbashi in 1998 for delivering supply to Ukraine. Until the beginning of the new millennium, Turkmenistan was almost dependent on Russia in spite of having huge natural gas reserves. Turkmenistan's dependency on Russia to export its gas to West, made

[301] Michael Ratner, Paul Belkin, Jim Nichol and Steven Woehrel, "Europe's Energy Security: Options and Challenges to Natural Gas Supply Diversification", CRS Report for Congress, March 13 2012, p.20. http://www.fas.org/sgp/crs/row/R42405.pdf accessed on 01.05.2012

[302] Bettie Moretz Smolansky and Oles M. Smolansky, "The Lost Equilibrium: International Relations in the Post-Soviet Era", Lehigh University Press, 2001 p.260.

[303] Richard Pomfret, "Turkmenistan's Relations With Russia", Eurasia Review, January 29, 2010 http://www.eurasiareview.com/29012010-turkmenistan%E2%80%99s-relations-with-russia/ accessed on 01.05.2012

[304] Tadeusz Andrzej OlszaÄski, "Ukraine and Russia: mutual relations and the conditions that determine them**",** Center for Policy Studies, Central European University, 2001, p.38. http://pdc.ceu.hu/archive/00002222/01/uk_ru_mutual_rel.pdf accessed on 01.05.2012

Russia an inevitable partner for export. Turkmenistan was forced to sell its natural gas to states which were not able to pay or were tardy with payments for supplies already received.[305]

Turkmenistan's gas exports were always under the threat of the Russian dominance. In order to avoid Russian dominance on Turkmenistan's export route, Trans-Caspian pipeline to import natural gas was offered by the US in 1996.[306] This was an important step taken by the US to break the monopoly of Russia on Turkmenistan. Following the minor pipeline to Iran, Trans-Caspian pipeline was welcomed warmly by Turkmenistan and in 1999; Turkmenistan made an agreement with PSG (General Electric and Bechtel Group) and Shell to construct this pipeline.[307] In the same year, Turkmenistan, Georgia, Azerbaijan and Turkey agreed to join Trans-Caspian pipeline.[308] The US, Turkey, Azerbaijan, and Georgia supported the project, while Russia strongly opposed the pipeline. Trans-Caspian pipeline was supported mainly by the US to undermine Russia's dominance in the Caucasia and to open a southern corridor to reach Turkmen natural gas in the future. However this project has never been realized yet due to both financial shortages and political pressure by Russia.

> *Some Russian analysts have suggested that Russia would use military force to stop Turkmenistan. Although this is unlikely, it does indicate that Moscow will put enormous legal and political pressure on Turkmenistan to abandon the pipeline. It will also make the project very unattractive to foreign investors, and could even ban companies which work on the pipeline from securing lucrative deals in Russia.*[309]

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[305] Trans-Caspian Gas Pipeline, Center for Energy Economics, University of Texas, March 26 2006, p.2. http://www.beg.utexas.edu/energyecon/new-era/case_studies/Trans-Caspian_Gas_Pipeline.pdf accessed on 01.05.2012

[306] Marius-Cristian Neacşu and Silviu Negut, "Gas Pipelines War", Romanian Review on Political Geography, Year 12, No:1, May 2010, p.35. http://rrgp.uoradea.ro/art/2010-1/03_OK_Neacsu+Negut.pdf accessed on 01.05.2012

[307] Joseph Laurence Black, "Vladimir Putin and the New World Order: Looking East, Looking West?", Rowman & Littlefield, 2004, p.284.

[308] Alec Rasizade, "The Mythology of the Munificent Caspian Bonanza and Its Concomitant Pipeline Geopolitics", Comparative Studies of South Asia, Africa and the Middle East, Volume 20, Number 1&2, 2000, p.138. http://www.tandfonline.com/doi/abs/10.1080/02634930220127937#preview accessed on 15.10.2012

[309] A.Badalova, " Azerbaijan, Turkmenistan Can Build Trans Caspian Pipeline Using Provisional Boundary", 6 December 2011 http://en.trend.az/capital/energy/1966026.html accessed on 01.05.2012

In order to balance the US support to diversify Turkmenistan's exports, Russia convinced Turkmenistan to enter into a 25-year Cooperation Agreement in 2003. According to the Agreement, Gazprom's subsidiary Gazprom Export and Turkmenneftgas agreed on supplying Turkmen's natural gas to Russia through Central Asia – Center pipeline which crosses Uzbekistan and Kazakhstan before reaching to Russia. In addition to this long term agreement between the two countries, Russia still attempts to control Turkmen's current and even future natural gas reserve with new pipelines. One of the so-called alternative pipelines to Russia is Pre-Caspian pipelines which originate from the Caspian Sea fields and other locations in Turkmenistan and Kazakhstan to the Russia.[310] This pipeline was proposed in 2007 and envisaged to transport 30 billion cubic gas from Turkmenistan and 10 billion cubic meters from Kazakhstan.[311] In 2009, Gazprom and Turkmengaz made amendments on the 2003 cooperation agreements and gas price was regulated under the equation adjusted for petroleum products pricing.[312] This is a very important step for Turkmenistan. During the mid-90's, Turkmenistan was completely dependent on Russia in terms of pricing. However, Turkmenistan managed to gain a crucial political leverage which resulted in a position with more equitable against Russia.

Another challenging natural gas import project for Russia was the Nabucco project which has not been realized yet. In fact, it could be said that Russia managed to blockade the construction of pipeline by long term agreements with the source countries. Russia managed to deplete the pipeline before it is filled. As Putin stated

> *The main problem with Nabucco is the absence of guaranteed volumes of necessary product in this pipe as there is no source for filling the system…but theoretically I do not rule out that it could be possible if there is an interested*

[310] Gazprom Official Web Site http://www.gazprom.com/about/production/central-asia/ accessed on 01.05.2012

[311] Ibid.

[312] Gazprom Official Web Site http://www.gazprom.com/about/production/central-asia/ accessed on 01.05.2012

company that is ready to invest billions without signing long-term supply contracts.[313]

Therefore, Russia has never hidden its aim to blockade the realization of Nabucco pipeline. When Nabucco countries intensifies their efforts to realize, Russia has initiated the South Stream Project which is a pipeline originating from Russia and going through the Black Sea to Europe. South Stream project is presented as a much more secure alternative against the Nabucco. While Nabucco project's resources have not finalized yet to supply the pipeline, South Stream's major source is the Russia gas. Nabucco has lost its position against the South Stream project in terms of cost as well. According to RWE, Nabucco's cost increased from the original € 8 bln to € 15 bln.[314]

While Russia has enormous efforts to close the southern energy corridor from Central Asia to West, Russia could not avoid that Central Asian gas began to flow to East. Central Asia-China pipeline is one of the biggest loses of Russia in her near abroad against China in Central Asia. Although Russia and China has cooperated in SCO in the last decade, Russia is still cautious about China's position in energy sector. Turkmenistan's President Berdymukhammedov defined this pipeline as follows: "*a new chronicle in the relations of our countries and will stand as a golden page" in their history*."[315] The most important thing for this pipeline is that "*it is the first high-volume export route opening up for Turkmenistan that does not go through Russia*."[316]

[313] Putin says South Stream to be built as quickly as Nord Stream, Institute of the Caspian Cooperation, http://www.casfactor.com/en/main/32.html accessed on 01.05.2012

[314] Polina Chernitsa and Alexandra Dibizheva, "Nabucco – a pipeline to nowhere?", May 16, 2012, The voice of Russia, http://english.ruvr.ru/2012_05_16/74920749/ accessed on 01.05.2012

[315] Bruce Pannier, "New Turkmen-China Pipeline Breaks Russia's Hold Over Central Asian Gas", Radio Free Liberty, 14.12.2009, http://www.rferl.org/content/TurkmenistanChina_Gas_Pipeline_To_Open/1903108.html accessed on 01.05.2012

[316] Ibid.

Before the demise of the Soviet Union, Central Asian states' pipelines passed through Russia and they were all subject to its transit regime.[317] Following the collapse of the Union, Russia acted as the buyer of Central Asian oil and gas at artificially low prices to re-sell to Europe.[318] However, the position of Central Asian states began to change when other major actors began to develop the relations with the Central Asian states. That's why when Putin came to power in Russia in 2000; energy has become one of the important components of the Russian geopolitics in Central Asia.[319] Putin saw energy as a guarantee for Russia's economic revival and international resurgence.[320] Putin has intensified its efforts to ensure monopoly on the transportation of Central Asian energy reserves. However, Baku–Tbilisi–Ceyhan (BTC), Baku–Tbilisi–Erzurum (BTE), Kazakhstan-China and Turkmenistan–China pipelines have dented these ambitions considerably.[321] In addition to these pipelines, Turkmenistan and Kazakhstan – two important energy suppliers in Central Asia – have flexibility to diversify their energy exports now. As other major actors continue to develop their ties with Turkmenistan and Kazakhstan especially in the field of energy cooperation, this reduces Russia's current level of leverage over these countries.[322]

[317] James Nixey, The Long Goodbye: Waning Russian Influence in the South Caucasus and Central Asia", Russia and Eurasia Programme, June 2012, p.12. http://www.chathamhouse.org/sites/default/files/public/Research/Russia%20and%20Eurasia/0612bp_nixey.pdf accessed on 15.10.2012

[318] Ibid.

[319] Martha Brill Olcott, "Frıendshıp Of Nations: In The World Of Energy", "The Power of Oil and Gas" edition of the Pro et Contra Journal, Volume 10, Nos. 2-3, 2006, p.1. http://www.carnegieendowment.org/files/Friendship.pdf accessed on 15.10.2012

[320] Martha Brill Olcott, "Russia, Central Asia, and the Caspian: How Important is the Energy and Security Trade-Off?", Energy Study Working Paper, The James A. Baker III Institute for Public Policy, May 2009, p.14. http://www.bakerinstitute.org/publications/EF-pub-OlcottRussAsiaCaspEnergySecurity-050609.pdf accessed on 15.10.2012

[321] James Nixey, Op.Cit., p.12.

[322] Roman Muzalevsky, "Russian Strategy In Central Asia", Yale Journal of International Affairs, Volume 4, Issue 1: Winter 2009, pp.35-36. http://yalejournal.org/wp-content/uploads/2011/01/094103muzalevsky.pdf accessed on 15.10.2012

CHAPTER 8

CONCLUSION

Since the term "energy security" has been on agenda, energy rich countries or regions became one of the most important places in world politics. In this respect, after the dissolution of the Soviet Union, Central Asia has become an important region once again. With its rich untapped oil and gas reserves, Central Asia became a region in which today's major actors' such as the US, Russia, China and India's energy interests collide. Since Central Asia as an alternative energy rich region to the Middle East provides many opportunities for the US, Russia, China and India, these actors focus on Central Asia's oil and gas resources to achieve their national energy security objectives.

Among the US, Russia, China and India, Russia is the most experienced actor in Central Asia. In the early years after the collapse of the Soviet Union, Russian policy makers were occupied with domestic problems and thus could not act as an important actor. However, when Vladimir Putin came to power in 2000, he restructured Russian foreign policy and the country´s relations with post-Soviet countries including Central Asia. According to Putin, Russia should focus on energy resources which constitute most of the state's income and exports in order to reassert its former power in world politics. In this regard, post-Soviet countries including Central Asian ones with rich energy resources are defined as "spheres of influence".[323] Russia therefore attempted to increase its influence in the region because the exploitation of these resources and the control of the transportation routes can be used as an economic and political leverage to achieve foreign policy goals.

[323] Annıe Jafalıan, "Russia, the United States and Central Asia: The new versıon of the "Great Game", French Strategic and Military Yearbook, Paris, F.R.S., Odile Jacob, 2002-2003, p.56. http://www.frstrategie.org/barreCompetences/approchesRegionales/doc/asm_gb.pdf accessed on 08.11.2012

Central Asian states were mostly dependent on the Russian pipelines to export their natural resources. Turkmenistan's natural gas and Kazakhstan's oil was exported through the pipelines inherited from the Soviet Union. This dependence gave a very important political and economic leverage for Russia. However, in recent years, Turkmenistan's gas and Kazakhstan's oil began to be diversified through the West by Baku-Tbilisi-Ceyhan, Baku-Tbilisi-Erzurum and through the east by Kazakhstan-China and Turkmenistan–China pipelines. These are very important challenges for Russia's foreign policy strategies in Central Asia. Russia can be influential in Central Asia as long as it preserves its dominance in the region.

Another important actor for Central Asia is India. With the beginning of the 90s, India's economy started to boom. This fast upward moving trend of economic development has created enormous energy demand. Thus energy security became one of Indian foreign policy priorities. Since India is dependent on imported oil and natural gas from the Middle East, India's concerns on over dependence on Middle East increased in the last years. Therefore, India attempted to diversify its energy routes and began to be interested in Central Asia. India sees China as the most important rival in Central Asia. China with its proposed pipelines and the acquisition of energy assets poses an important challenge for India's energy security strategies. The success of India' energy security policies are based on how and when Kazakhstan and Turkmenistan began to divert its oil and gas through the south.

Thanks to its geo-strategic position, Central Asia is important for the US energy policy with its untapped natural resources between the West, Russia, India and China. The US efforts to diversify Central Asian energy routes towards the west through Europe or towards the south through India are the major axis of the U.S foreign policy objectives for Central Asia. These efforts are mainly about preventing Russia's or China's dominance in Central Asia. In this regard, The US supports Nabucco, Trans-Caspian and TAPI natural gas projects. However, Nabucco and Trans-Caspian projects are still away from realization. Despite the consensus on TAPI project by the participating countries, there is no concrete step taken towards the construction of the pipeline yet. Central Asian energy sphere is not just occupied

by Russia today; China began to take part in important projects in the region. Thus, China is seen as an important rival in Central Asia by the US because many new pipelines were built by China to diversify Kazakhstan's and Turkmenistan's energy export routes while the US has not accomplished any pipeline that it proposed such as Nabucco, Trans-Caspian or TAPI. Therefore, the success of the US energy policy in Central Asia is based on building the construction of the new pipelines through the West and the South to Indian Ocean as well as supporting the US energy companies to help Kazakhstan and Turkmenistan to resist Russian and Chinese pressures.

China's strengthened role in world economy paved the way for an aggressive search for energy resources because China is dependent on energy imports from the Middle East and Africa. This makes China vulnerable and sensitive to crisis in energy source countries. Thus, the sustainability of energy transportation and diversification of it have become important priorities for China's energy security policy. In this regard, with their rich oil and natural gas reserves, developing close relations with Turkmenistan and Kazakhstan provide very important advantages for China. These relations have become useful for both sides. As China seeks to diversify its energy resources from the Middle East and Africa to these countries, their roles are likely to increase. China's growing influence on Central Asia helps them to enhance their bargaining power against Russia and allow them to negotiate for a higher price for their resources.

Central Asian geo-politics is widely shaped by energy resources since the demise of the Soviet Union. Considering that energy security and diversification of energy resources for countries have become more important than a decade ago, the role of Central Asian countries' importance today as an alternative source of energy can be better understood. Thus, positions of Kazakhstan with its huge oil reserves and Turkmenistan with its untapped natural gas have become more significant than ever. In this regard, decision making process of these countries has witnessed a strong political struggle among the US, Russia, India and China. These actors has used different instruments to influence the decision-making process of Kazakhstan and Turkmenistan in particular, A harsh competition exists among the US, Russia, India

and China to influence the decisions of these two energy rich countries. Kazakhstan and Turkmenistan - being aware of this competition- use their natural resources to maximize their national interests.

Having examined the competition among the US, China, India and Russia over Central Asian energy resources, this study has come to the conclusion that energy has become an important part of the geopolitics of the 21st century. Today, energy is an instrument of geopolitical competition. Central Asia provides significant energy resources for the US, China, India and Russia all in order to reach their long term geo-strategic and geo-economic goals. These actors use different tools and pursue different strategies to have an influence on Central Asian countries in order to ensure an access to rich energy resources. As long as Turkmenistan and Kazakhstan preserve their oil and natural gas reserves, the US, China, India and Russia's engagement will likely to increase in the near future.

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APPENDIX: TEZ FOTOKOPİSİ İZİN FORMU

ENSTİTÜ

Fen Bilimleri Enstitüsü [ ]

Sosyal Bilimler Enstitüsü [x]

Uygulamalı Matematik Enstitüsü [ ]

Enformatik Enstitüsü [ ]

Deniz Bilimleri Enstitüsü [ ]

YAZARIN

Soyadı : GÜNDÜÇ
Adı : YILDIRIM
Bölümü : AVRASYA ÇALIŞMALARI

TEZİN ADI (İngilizce) : ENERGY SECURITY AND CENTRAL ASIAN GEOPOLITICS

TEZİN TÜRÜ : Yüksek Lisans [x] Doktora [ ]

1. Tezimin tamamından kaynak gösterilmek şartıyla fotokopi alınabilir. [ ]
2. Tezimin içindekiler sayfası, özet, indeks sayfalarından ve/veya bir bölümünden kaynak gösterilmek şartıyla fotokopi alınabilir. [ ]
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