



# Outcomes and strategies in the 'New Great Game': China and the Caspian states emerge as winners



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## ARTICLE INFO

### Article history:

Received 22 July 2014

Accepted 10 March 2015

Available online 2 April 2015

### Keywords:

Geopolitics

New Great Game

Foreign policy

Small states

## ABSTRACT

The decades-long struggle for control over oil and natural gas resources, infrastructure and influence in the Caspian region has been referred to as the 'New Great Game', with Europe, China, the US and Russia typically cited as the main combatants. We explore recent developments and aver that, if present trends continue, Europe will have access to Azerbaijan's resources, China to those of the East Caspian states, the US will stay commercially and strategically engaged, and Russia's influence will (continue to) diminish. How did this unexpected turn of events arise? We examine China's dominance and argue that the foreign policies of the US and Russia – within the region and even further abroad – have inadvertently driven the East Caspian states and China towards each other. Wary of potential maritime chokepoints in the Pacific, China feels strongly compelled to shore up resources and influence in the Caspian region. In part because of Russia's intransigence regarding the Caspian Sea's status, the East Caspian states – faced with constrained access to the West – have turned to China as an alternative market and counterbalance to Russia.

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## 1. Introduction

With the collapse of the Soviet Union, new sources of oil and gas in the Caspian basin were suddenly 'accessible' for external powers. The ensuing decades-long struggle for control over these hydrocarbon resources, transit routes, and influence has been referred to as the 'New Great Game'<sup>1</sup> (Edwards, 2003; Smith, 1996; Swanström, 2005). The initial

combatants were Russia and the United States (US), but over the years, other actors, such as the European Union (EU) and China, have entered the fray. China has quickly become the leading trade partner for both Kazakhstan and Turkmenistan; and, recently, several observers claimed that China is winning the struggle for influence against other major powers (Boonstra & Laruelle, 2013; Genté, 2014; Olcott, 2013; Standish, 2014). President Xi Jinping's visit to the region in September 2013, in which energy agreements worth over US\$60 billion were signed, has even been described as a 'victory lap' (Olcott, 2013: 1).

If present trends continue, it appears that the EU will have access to a smaller than hoped for portion of Azerbaijan's resources, the US will be distracted but stay commercially engaged, Russia's influence will continue to wane, while China will be the dominant energy power, particularly in the East Caspian states. How did this unexpected turn of events

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Peer review under responsibility of Asia-Pacific Research Center, Hanyang University

<sup>1</sup> The 'New Great Game' often refers to Central Asia. However, for the purposes of our article and of this special issue, we focus on a Central Asian sub-region comprising the energy-producing Caspian states: Azerbaijan, Kazakhstan, and Turkmenistan. For ease of language, references to the 'Caspian region' denote these three states.

arise? What explains China's intensified interest in the region and why have regional leaders either actively turned to China or allowed it to gain dominance?

Our first task is to address these questions. We posit that the behaviours of Russia, the US, and the EU, both within the region and, in the case of the US, further abroad, have inadvertently driven the Caspian states and China towards one another. For example, the main thrust of Russian foreign policy towards these former Soviet republics has been integration, or, as it seems to many in the Caspian region, re-integration. Russia has attempted to both assert its dominance and keep these states insulated from the interests and influence of other major powers. The Caspian states, however, seek autonomy and have thus, for the most part, welcomed China as a new investor and as a counterweight to Russia. The EU and the US have also pushed policies that have aggravated regional leaders. Meanwhile, China is disturbed by the US government's military presence and activities in the Pacific. With regards to energy, China is particularly worried about US naval control over the Sea Lines of Communication<sup>2</sup> in the Strait of Malacca, through which China receives significant imports of both oil and natural gas. China thus seeks energy resources it can transport over land – a need the Caspian region neatly fulfils (Smith Stegen, 2015).

The great power politics of the region have captured the attention of many scholars. We believe, however, that the agency of the regional actors should not be ignored. These states have been more than mere pawns on someone else's chessboard. Thus, our second task is to examine the 'multi-vector' strategies pursued by Kazakhstan, Turkmenistan, and Azerbaijan, as they navigate the manoeuvrings of the larger states. Initially, these states attempted to appease and balance the larger states. However, we argue that the behaviour of the Caspian states has changed during the past decade and that, with regards to energy, these states are no longer pursuing a multi-vector approach. Rather, the authoritarian rulers of these states presently engage in strategies to (re-) claim control over their energy assets and transit routes in order to attain greater autonomy and maximize rents.

The article proceeds as follows: we first provide an introduction to the energy resources and infrastructure of the three Caspian region energy producers, Kazakhstan, Turkmenistan, and Azerbaijan, and then provide background information on the New Great Game and on the multi-vector concept. We then present the general approach and energy concerns of each major external actor as well as the major events, agreements and milestones. Next, we focus on the energy relations between each major actor and each of the energy-producing Caspian states, resulting in twelve mini case studies that capture the contours of the relationships. We acknowledge that energy is only one aspect of the complex web of relations between and among these states. We mention security and other non-energy matters when we believe they have had a direct influence on energy relations. For the most part, we approach our analysis from a 'state-as-actor' perspective;

however, we also acknowledge that these states are not unitary actors.<sup>3</sup> We have thus included significant countervailing voices, particularly when they seem to have constrained greater cooperation and/or deeper energy relations. We conclude by suggesting several ways of understanding the shift away from multi-vectorism in energy matters and what this change could mean for the future.

## 2. Background: Caspian resources and infrastructure

The Caspian region contains significant oil and gas reserves and is one of the world's oldest production areas. As our article focuses on Kazakhstan, Azerbaijan, and Turkmenistan, we single out their data here. As indicated in Table 1, by the end of 2013, the proven oil reserves of the three countries, combined, were calculated at 5 billion tonnes. Of the three countries, most of the oil reserves are located in Kazakhstan (78.0%) and Azerbaijan (20.0%), with Turkmenistan possessing far less (2.0%). The largest amount of oil produced comes from onshore fields. Offshore fields, however, hold the highest potential for future production, but remain underdeveloped.

The gas deposits of these three countries are also substantial. Turkmenistan has the lion's share, with 17.5 trillion cubic metres in reserves, more than 9% of the world's total reserves. Kazakhstan and Azerbaijan have relatively far less reserves, but sufficient amounts to be important exporters, particularly for, respectively, China and the EU. In sum, all three producers hold 2.25% of world total proven oil reserves and 10.7% of world total proven gas reserves, as Table 1 illustrates.

During the Soviet era (1922–1991), the region's pipeline infrastructure was tailored to Soviet supply needs, with major pipeline arteries feeding north to Russia. Exploration and production in the Caspian basin was – and still is – considered technically challenging and in the late 1980s the Soviet Union brought in foreign expertise in the form of Chevron, a US international oil company (IOC). When the Soviet Union collapsed in 1991, the three Caspian states assumed ownership of the reserves within their borders and western IOCs, piqued by the prospect of new non-OPEC supplies, flocked to the region. Initially, the main geopolitical tensions existed between the US and Russia. Over the next twenty years, however, Caspian resources have attracted widespread attention from numerous states, including the EU, India, Turkey, Japan, South Korea, and China. Thus, the Caspian region has not only become an increasingly important source of global energy production, but also a centre of overlapping economic and geopolitical interests. Competition between states over resources led observers to call the situation the New Great Game.

## 3. The struggle for the Caspian's resources: the New Great Game

While it is undisputed that rivalry exists between major powers over the Caspian's resources, scholars differ in their

<sup>2</sup> Sea Lines of Corresponding author. are key maritime passages that facilitate large volumes of shipping traffic and hosting the transportation of key maritime trades such as crude oil.

<sup>3</sup> For an approach that examines the role of domestic actors in the region, see Heinrich & Pleines, 2012.

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