

Documento de Trabajo

Working Paper

Central Asia in the EU's Ever-changing Geo- strategic Horizon

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3/10/2007

Working Paper 29/2007 (Translated from Spanish)

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Summary

This working paper aims to examine, first, whether it is possible to inscribe the EU's relationship with Central Asia within the framework of short-term energy security or in the likelihood of an increase in energy interconnections in the long term. Secondly, it seeks to explore from the perspective of the second option the possible relations of the EU with Kazakhstan –the most significant nation as regards Brussels–, and from the Kazakh point of view of client diversification or *multivectorialism* (which Turkmenistan might follow, despite last May's gas deal between Moscow and Ashgabat, which also involves Astana). Thirdly, the paper seeks to identify the options open to Central Asian countries to cooperate in a somewhat flexible triangular system involving the EU and the now-distant Russia, and encompassing both the political and energy spheres. Fourthly, it will take into account the general orientations which in this regard and in connection with security might be considered by the SCO in the Eurasian region.

Introduction

Over the past year there have been discussions in the EU regarding the increasing control of the hydrocarbons industry by the Russian State, its pressure on producer and transit countries and, in particular, the production and channelling of energy from the Caspian Sea. This focus, fuelled by the energy emergency in the Caspian area, led Brussels to re-evaluate Central Asia and specifically Kazakhstan as the most *reliable* oil State. After the death of the Turkmen President Saparmurat Niyazov last December, new prospects appeared to emerge for an equally reliable gas supply. These possibilities were superseded by the Russian offer in early May to acquire and channel Turkmen gas production, which was accepted by Turkmenistan and Kazakhstan (the latter has, in turn, also undertaken to increase its oil supplies to Russia). As things stand, the question over guarantees for energy supplies in a triangular system involving the EU, Central Asia and Russia is no longer relevant in the immediate term, despite being a still-plausible hypothesis just last March. However, this possibility should not be ruled out in the medium and long term. At the same time, there are parallel events and regional integration processes of an economic and security significance that is pivotal to Brussels, pointing to a Central Asia that is a part of Eurasia as a whole.

The EU and Central Asia in an Energy Security Framework in Eurasia

A major stumbling block when we consider Central Asia is that in our minds the region is not homogeneous. Indeed, since 1991 basic aspects of the new Central Asian identities have been in the throes of redefinition, or indeed fully-fledged conflict, in a bid spearheaded by the post-Soviet leaders to distinguish themselves from the previous era, based on the constitution of each State and their respective diplomatic apparatus.¹

Answering the question of whether or not it is possible to inscribe the relationship of the EU with Central Asia within a framework of energy security in the short term or in terms of the probability of increased energy interconnections in the long term is to ask for a highly complex projection.²

¹ See Augusto Soto, 'Reflexiones sobre Rusia y Asia Central: senderos que se cruzan y bifurcan', *Revista CIDOB d'Afers Internacionals*, nr 59, October/November 2002, p. 123-139.

² This security dimension takes its inspiration from the alternatives put forward by Gonzalo Escribano in 'Seguridad Energética: concepto, escenarios e implicaciones para España y la UE', WP 33/2006, Elcano Royal Institute. Similarly, it takes into consideration the comprehensive focus of the area by Aurèlia Mañé Estrada, 'Territorios ricos en

Just a few years ago it would have seemed unrealistic to consider importing gas and oil to the EU from the Caspian area.³

It is estimated that the region accumulates gas reserves totalling 9.5 trillion cubic metres (bcm), ie, almost 50% more than Saudi Arabia, and that estimated production will exceed 250 billion cubic metres by the end of this decade, which is equivalent to the current production in the Middle East. As for oil, the reserves are not as spectacular as in the case of gas, but they are significant, totalling 40 billion barrels, ie, one third of Iraq's reserves. In 2020 up to 5 million barrels per day (mbd) could be produced, more than double the current production.⁴

A specific matter when it comes to taking a long-term approach is the persistent non-existence of a common agreement between the five countries on the shores of the Caspian Sea in regard to ownership of these reserves. Some progress has nevertheless been made. The 2003 agreement between Kazakhstan, Russia and Azerbaijan opened the door slightly to hopes of integral exploitation in the long term. Pursuant to the agreement, the three countries are allocated 27%, 19% and 10%, respectively, covering 64% of the Caspian Sea. The agreement does not include Turkmenistan or Iran, whose claims do not meet with consensus (indeed they sometimes entail encroaching interests).⁵

There are two opposing views. On the one hand, Azerbaijan upholds the position of the Caspian as an 'inland sea' with exclusive economic blocks. On the other, the 'lake' thesis is upheld by Russia and Iran, advocating shared condominium use, with exclusive 10-mile zones. Turkmenistan has veered between one position and the other.⁶

Furthermore, in the wake of the tripartite agreement on the Caspian between Russia, Kazakhstan and Azerbaijan, in 2003 the Kazakh authorities revealed their intention of acquiring a war fleet to defend the country's hydrocarbon riches should the need arise. The plan was then projected for a period of between five and seven years. Russia, Turkey and the US offered their help in this initiative which was billed as defensive.⁷

However, in the last five years, there have been signs of regional and extraregional cooperation.⁸ One positive agreement was signed in August 2006 in which all five countries on the Caspian undertook to pool efforts and reverse the environmental damage caused by the extraction of hydrocarbons. There was also the so-called Baku initiative to develop energy and transport cooperation between the EU and the countries around the Black Sea and Caspian Basin. The Baku initiative is an ongoing policy dialogue and it held its second Ministerial Conference in Astana on

hidrocarburos de Asia Central ¿Países productores, enclaves exportadores o países de tránsito?', *Revista d'Afers Internacionals*, nr 70-71, 2005.

³ The EU's relationship with the region has been developing over more than a decade. The 'Partnership and Cooperation Agreement' between the EU and Kazakhstan, signed in January 1995, entered into force in July 1999.

⁴ See Paul Isbell, 'El "gran creciente" y el nuevo escenario energético en Eurasia', *Política Exterior*, nr 110, March/April 2006, p. 113.

⁵ One such issue triggered an armed stand-off between Azeri patrols and their Iranian counterparts in 2001, in the Alborz field (which Azerbaijan calls Alov), where all exploration activities halted for a time.

⁶ For the alternative boundaries of the Caspian, see Barbara Janusz, *The Caspian Sea: Legal Status and Regime Problems*, Chatham House, London, 2005 (digital version).

⁷ At the time there was talk of a fleet of more than 15 vessels. The official motives: to fight smuggling, terrorism, drug-trafficking, illegal arms trading and illegal immigration, *Kommersant*, 21/III/2007. Nevertheless, Kazakhstan is not the top military spender in the region, with 1.2% of its GDP. That honour is for Uzbekistan (close to the Caspian, although not on its shores), its traditional regional rival. For the most recent shift by the Kazakhs in neighbourhood foreign policy, see Marat Yermukanov, 'Kazakh Foreign Minister Shifts Priorities from Superpowers to Next-Door Neighbors', *Eurasia Daily Monitor*, 30/I/2007.

⁸ One factor has been Iran's desire not to feel isolated from its northern neighbours, in the context of its conflict with the US.

30 November last year. It is also known as the Energy Roadmap.⁹ It formally agreed to prioritise four areas for cooperation in energy: market convergence, strengthening of energy security, support for the development of sustainable energy and the attraction of investment for energy projects.¹⁰

A recent project, which for some time was saluted as emblematic and in which extensive regional cooperation has materialised (although not for all the players in the Caspian Sea region) is the Baku-Tbilisi-Ceyhan oil pipeline (BTC). It was built with high hopes because it is energy from neither the OPEC nor Russia, as an example of a specific interconnection between Europe, the Southern Caucasus and part of the Caspian. As many as one million barrels per day of the 15 million which the EU consumes daily would certainly boost synergies in the region. A breakdown in supply would imply a major impact and therefore an added worry in security terms; as would a reduction to below expectations, which is an immediate likely side effect of the agreements between Russia, Turkmenistan and Kazakhstan last May.

A window of opportunity such as this would mean taking a fresh approach to the TRACECA project (Transport Corridor Europe-Caucasus-Central-Asia), which was launched in the mid-1990s, and which envisaged a series of links by rail, road and sea. This has been neglected both technically and politically, and the development of communications between the EU and the Caucasus and Central Asia (and by extension with China and even India) has been left on a back burner. The delay has affected the EU's credibility as a player in the region.¹¹

The EU Earmarks Kazakhstan as a Country of Strategic Importance

Kazakhstan is the most significant country in Central Asia as far as the EU is concerned. This was made evident by the recent high-level contacts with the EU (albeit not at the top level), which seek to bring it closer to the former Soviet country whose oil production has increased the most between 1985 and 2005, from 470,000 barrels per day to just over 1,300,000 barrels per day.¹²

In her speech on 17 October in Astana, the EU External Affairs Commissioner, Benita Ferrero-Waldner, asserted that Europe saw a 'serious strategic gap' in the bilateral relationship which must be reversed to make Kazakhstan a very close partner (at all events, in the last few years it has become closer, particularly with the EU enlargement), to build a 'truly strategic energy partnership' involving all the players in the hydrocarbons industry: producers, transit countries and consumers.

A few weeks later, the Foreign Minister of Germany, then presiding the EU, Frank-Walter Steinmeier, visited all five Central Asian countries with the declared intent of exploring the possibilities of boosting relations, especially with Astana, with which Berlin has historic ties that are unequalled within the EU.¹³

From the EU's standpoint, the relationship is one of mutual dependence and Brussels has presented itself as a stable client, willing to cooperate. At the same time, last October and December the EU

⁹ It was signed by the European Commission and the governments of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkey, Ukraine and Uzbekistan. The Russian Federation was on hand as an observer.

¹⁰ Similarly, proposals were put forward to provide a legal regulatory framework for an integrated energy market, with the undertaking of facilitating and mobilising public and private resources. In particular, it is worth highlighting the attendance of the EU and international financial institutions. See 'The EU and the Countries of the Black Sea and Caspian Sea Regions Agree on a Common Energy Strategy', *Press Releases*, Brussels, 30/XI/2006.

¹¹ See, Svante Cornell *et al.*, *The Wider Black Sea Region. An Emerging Hub in European Security*, Central Asia-Caucasus Institute, Silk Road Studies Program, Washington, December 2006, p. 91-93. Also www.traceca-org.org.

¹² In this period, Russia went from 10.90 to 9.50 (mbd). See Paul Isbell, *op. cit.*, p. 110, and *British Petroleum, Statistical Review*, 2006.

¹³ In Kazakhstan there are still 300,000 residents of German descent who arrived before and during the Second World War, while hundreds of thousands more returned to Germany following the collapse of the USSR.

insisted on the necessary political support to develop the Trans-Caspian corridor towards the Black Sea, arguing that the diversification of routes would strengthen security in supply and help secure high export prices for Kazakhstan and other producers.¹⁴

The relative urgency for improving ties with Kazakhstan became evident a few weeks later, in December, with the visit to Brussels by the Kazakh President Nursultan Nazarbayev. Both parties signed an agreement on energy cooperation and a declaration on the peaceful use of nuclear energy. The agreement covers the areas of nuclear safety, controlled nuclear fission, research and development and nuclear materials trading.¹⁵ After all, Kazakhstan has the world's second-largest uranium reserve, accounting for 17% of the total.¹⁶

The framework of the relationship between the EU and Kazakhstan falls within the latter's commitment to fit into a market economy. Furthermore, due to its geographical position, both closed in and effectively a route from East to West, and due to the prices of its resources, Kazakhstan has ambitions to stand out from among its neighbours. In 2009, Astana aspires to preside the OECD and has campaigned for the EU's backing.

At the end of March, in the most recent visit of high-level officials to Central Asia, the EU chose Astana to announce formally that between 2007 and 2013 it would channel US\$750 million towards the five Central Asian ex-Soviet countries and that among the cooperation areas envisaged were backing for the construction of a trans-Caspian gas pipeline to Europe, the EU's involvement in counter-terrorism measures and border management, in promoting democracy and in educational exchange programmes.¹⁷

The Vectors of Kazakhstan: From *Multivectorialism* to *Rapprochement* Towards Moscow

Kazakhstan is still one of the most stable countries in the former Soviet Union area.¹⁸ There has been some timid internal dissent, which has not managed to destabilise the regime.¹⁹

On the negative side, its corruption levels are high and there are major social inequalities. Furthermore, its southern borders are exposed to its relatively unstructured neighbours. Its frontiers are porous and are a haven for the traffic of opium and heroine from Afghan poppies and for a partially absorbed refugee influx, mostly from Uzbekistan. Similarly, it has scope for further infiltration in the event of crises further south, from the Fergana valley, linked with widespread fundamentalism in the region.

The country's Constitution in effect grants discretionary powers to the President, its media is tightly controlled, its electoral laws restrictive and its voting system periodically gives almost unanimous support to President Nazarbayev. His position was dramatically strengthened in May this year when

¹⁴ This provision would be made relative by Russia's announcement in early March, which undertakes to offer oil directly to Bulgaria and Greece.

¹⁵ There was already a bilateral scientific cooperation agreement in the field of controlled nuclear fusion, signed in 2000.

¹⁶ The largest reserve is in Australia. *UIC Nuclear Issues Briefing Paper*, nr 75, March 2007.

¹⁷ It was the first joint meeting of senior EU foreign policy staff with foreign ministers of the five Central Asian countries. See *Press Releases*, Brussels, 27/III/2007.

¹⁸ It was able to surrender its atomic arsenal in exchange for economic aid and international recognition and it has not become *Balkanised*, considering that more than 120 nationalities live together in the country.

¹⁹ Among the various cases of corruption is the notorious 'Kazakhgate', where there were indications of secret bank accounts among advisors and family members of president Nazarbayev in payment of commissions on contracts with foreign firms in the Caspian. In May this year Nazarbayev took the unprecedented step of issuing an arrest warrant for his own son-in-law, Rajat Aliev, Ambassador to Austria, for his involvement in a series of cases of blackmail and corruption and, first and foremost, to curtail his presidential ambitions.

the Constitution was amended to allow candidates to run for office as often as they like.²⁰ Nevertheless, despite the EU's criticisms and because of what is at stake, the relatively moderate dictatorial regime of Kazakhstan has not hampered relations with the EU.

The fact is that it is precisely in the field of energy that the regime's flexibility has been most evident for years. It has been able to achieve a diversification of partners or *multivectorialism*. Until the surprising agreement with Moscow in May this year, Kazakhstan has been integrating into a complex energy network.

The Atyrau-Samara pipeline dates back to the Soviet era, and is today in the process of expansion from its 15 million tonnes annually to 20 million tonnes annually. Post-Soviet Kazakhstan had three major options: to develop a line parallel to the existing one, to channel Kashagan's oil through the Baku-Tbilisi-Ceyhan (BTC) pipeline and/or to export to China.²¹ The first post-Soviet pipeline was built by the consortium known as Caspian Pipeline Consortium (CPC), which in 2001 linked up the Tengiz oil field, on Kazakhstan's Caspian coast, to the shores of the Black Sea in Russia. From there on production is carried by tanker to the Bosphorus. However, the amounts of oil which the Kashagan project is yielding, estimated to be some 450,000 barrels per day by 2010, with the possibility of reaching 1.5 million barrels, requires at least another pipeline for exports.²² However, this likely parallel development via pipeline and tanker vessels in the Bosphorus has not been feasible because it would mean allowing the transit of an additional 1 million barrels per day through the middle of Istanbul, giving rise to environmental risk and the ensuing security issues. In fact, a number of terrorist attacks following 9/11 have already shown how vulnerable Turkey is to terrorism. The concentration of energy flows could make Istanbul an even bigger target. In fact, Turkey is already in the terrorists' sights due to its candidacy for membership of the EU.²³

The second option, the BTC, has been assessed as crucial due to its regional dimension.²⁴ In this oil pipeline option, Kazakh oil would cross the Caspian Sea in tanker vessels. In order to be commercially viable, it would need a capacity of 1,700,000 barrels per day. Astana has refused the construction of an underwater pipeline linking the ports of Atyrau and Baku and thereby linking up with the BTC, as the West requested. And it has also refused to accept a similar demand for an underwater gas pipeline from Kazakhstan.²⁵

Kazakhstan has distinguished itself by maintaining a macroregional perspective to overcome its geographical enclosure. The most recent example, prior to May this year, was its public announcement of plans to build a refinery in Georgia, a decision with enhanced strategic benefits because it was a sign of diversification and a warning to Russia.²⁶

²⁰ This more autocratic shift, closely linked to the arrest of the president's son-in-law, is part of a broader picture of unease and concern among the president's closest allies which was unheard of for many years. For a justification of the constitutional shift, see *Kazajstanskaya Pravda*, 22/V/2007.

²¹ Another option which Astana has been pressuring for lately is the one which would allow it, via Russia, to boost the supply to Baltic countries, which is nevertheless complicated by the huge political distance between them and Moscow.

²² See Svante Cornell, *op. cit.*, pp. 88-89.

²³ Furthermore, if the oil pipeline were diverted around the capital, its construction costs would rocket.

²⁴ It is significant that the operators of the Kashagan field hold major stakes in the oil pipeline. For a number of strategic factors based on the inauguration of the BTC, see Dorian Jones, 'Pipeline Could Bring More Energy and Freedom to Europe', *Deutsche Welle*, 13/VI/2006.

²⁵ Last March the Foreign Minister of Azerbaijan visited Astana to discuss the possibility of underwater gas transportation. This possibility was set to afford Azerbaijan a frontline role as a producer and country of transit. In the wake of the Russian offers last May, discussed below, Azerbaijan, which is politically equidistant between Moscow and Astana, has obviously suffered a blow to its potential as a country of transit, a potential which would, on the other hand, be *balanced* in another strategic dimension. This might be the case if Russia managed to convince the US to remodel a Russian radar station from the Soviet era in Azeri territory as a replacement for the planned antimissile shield in the Czech Republic and Poland, in line with Putin's proposal at the last G-8 summit.

²⁶ Because the regime of Alexander Zakashvili is, after the US itself, the most anxious to distance from Moscow and approach the US.

As for the eastward prospect, in 2005 it completed the construction of the section between Atasu, in the middle of the country, and the Chinese border in Alashankou, and work is in progress on the remaining western sections from the Caspian. The construction of the often-postponed oil pipeline in that direction, at a cost of US\$3 billion and with a capacity to transport up to 400,000 barrels per day (mainly from the Kumkol storage facilities), is considered insufficient to meet total capacity requirements. Accordingly, in principle the flow would need to increase in order to attain real profitability and therefore it is thought that at least part of the Kashagan field's production will need to be integrated.

Beijing is taking action to secure control of both production and transport of energy. In the Caspian area, semi-State-owned and State-owned Chinese companies regularly pay the highest market prices and with little or no bargaining, effectively elbowing out competitors. Two years ago, it acquired Kazakhstan's third-largest oil producer, Petrokazakhstan, and more recently it stepped into the void left by Repsol in the Darjan area of the Caspian, now assigned to the Chinese oil company CNPC.

Finally, China is a potentially important player in the Caspian, which Europe will have to take into consideration. Beijing will continue to try to secure a better position in the broad region close to its borders, with the State undertaking hydrocarbon projects to reduce its dependence on the Persian Gulf as much as possible and thereby diversify its options.

Furthermore, landlocked more than 1,500 kilometres from seas and oceans and with half a dozen countries to transit in order to reach some potential clients, Astana must keep its options open by continually readjusting the possibilities of oil supply to achieve a balance between Russia, China and the southern Caucasus. And this will be shaped by economic, political and geo-strategic considerations, all elements which advise extreme caution. The Nazarbayev regime is aware of the country's young sovereignty and it is hard to imagine that it would dilapidate it lightly.²⁷

This is why it is necessary to make a careful evaluation of how much Moscow has won, which is no doubt a lot, in its recent agreement with Kazakhstan within the framework of the summit of 11 and 12 May in Turkmenbashi, where it secured a highly beneficial gas deal with Turkmenistan (detailed below, also involving transit via Kazakhstan), and an oil deal, which also involves Kazakhstan. In this trilateral meeting, Nazarbayev agreed on a significant increase in its oil supply to Russia, which is likely to affect the supply to Europe via the BTC.²⁸

Turkmenistan: Another Example of the Limits to EU Action

Turkmenistan is the second-largest natural gas producer in the post-Soviet region, with a production that is 10 times lower than Russia's. Although its reserves have always been clouded under Niyazov's shroud, they are estimated to total around 3 trillion cubic metres.²⁹

Recent events have made evident some changes in regard to foreign policy since the death of Saparmurat Niyazov, whose regime was internally paranoid and megalomaniacal and externally closed off to regional cooperation.³⁰ Niyazov hampered cooperation with the Eurasian Economic Community in basic matters, such as border control, he took a tougher stance on granting visas for

²⁷ In the last decade, Moscow has pressured Astana to send oil east via the Siberian oil pipeline network, an alternative which Kazakhstan declined because it would have meant repeating dependence on the western CPC link.

²⁸ Furthermore, it is worth recalling the other agreement secured by Putin in Vienna on 23 and 24 May, whereby Austria joined the commercial and transit network of Gazprom, a severe challenge for the Nabucco gas project in Central Europe. See Vladimir Socor, 'US, EU Energy Policies in Eurasia Collapse', The Jamestown Foundation, 31/V/2007.

²⁹ Gregory Gleason, 'Turkmenistan After Turkmenbashi', *Eurasianet*, 23/XII/2006.

³⁰ Just last August, Niyazov announced a further cut in his already scant cooperation in the CIS. Niyazov died suddenly from a heart attack last December. There are rumours that his death was the result of a conspiracy.

citizens of neighbouring countries and he even refused to cooperate on the vital issue of regional water management. Furthermore, his position zigzagged with regard to the status of the Caspian, veering from the lake to the inland sea theses.

In his inauguration ceremony on 14 February, after winning a controlled vote with a majority of almost 90% in elections held three days earlier with 98% turnout, the new President, Gurbanguli Berdimujammedov, stated that he would uphold international contracts.

Like the other former Soviet countries, the policy in place since 1991 has been to avoid dependence on Russia so as not to repeat the dependence of the Soviet era. But, as in the case of Kazakhstan, Moscow initially managed to impose an agreement before the independent country could consider other options, when Azerbaijan became a competitor of Turkmenistan as gas was discovered in the Shah-Deniz field, south of Baku. This earned Azerbaijan a foothold in the business, and it ceased to be hypothetically a mere transit country for Turkmenistan, something the two countries wrangled over at the end of the last decade. In the new context, Moscow persuaded Ashgabat to agree to sign a long-term agreement to export its gas via Russia. The main destination has been the Ukraine.

But in the final period of Saparmurat Niyazov's presidency there was increasing dissatisfaction in regard to the exports via Russian pipelines at prices that were well below what was being paid in the international markets. On the one hand, for years Moscow paid US\$57 for every 1,000 cubic metres, of which half was paid through the exchange of goods, whose price was even considered to be devalued. Based on this arrangement, Moscow proposed to import Turkmen gas for its internal consumption, and to export its own gas to Europe for US\$250. Just last year Moscow and Ashgabat pushed the price up to US\$100 per 1,000 cubic metres, the figure agreed for the period from 2007 to 2009.³¹

Like Kazakhstan, Ashgabat has sought various options, but the fundamental difference between them is that Ashgabat has not really cooperated with its neighbours. Nevertheless, last April speculation did not rule out that Berdimujammedov would adopt his own version of the Kazakh policy of continent-wide *multivectorialism*.³²

However, the decisive statement by Putin alongside Berdimujammedov and Nazarbayev in the Turkmen port of Turkmenbashi on 11 and 12 May of this year seems to have all but closed the door on the EU, backed by the US, which had planned to transport gas to the West under the Caspian Sea.³³

Putin managed to get Turkmenistan and Kazakhstan to promise to join a project to rebuild a gas pipeline with a capacity of 10 billion cubic metres per year, as well as another parallel pipeline. Both would border the Caspian from Turkmenistan to Russia, passing through Kazakh territory. At the meeting, they announced the signing of a formal agreement prior to 1 September for work to commence from the second half of 2008.

It is obvious that Moscow has snatched an important initiative from other players around the Caspian. But the agreement does not necessarily preclude other options for Turkmenistan, and, by extension, for the EU. After all, the real amount of the reserves is still unknown. They might prove to be large enough not to rule out various vectors (gas pipelines), which in any event would take years to be developed, beyond this decade.³⁴

³¹ The long-term contract for Turkmen gas supply to Russia expires in 2028.

³² In his inaugural address, the new President, aged 49, undertook to introduce the teaching of languages and access to Internet, which his predecessor had restricted.

³³ The visit's alternatives in *Kommersant*, 12/V/2007.

³⁴ This is the bullish view within the EU in these weeks of confusion. See Andrew Rettman, 'EU Clings to Hopes of Trans-Caspian Gas Pipeline', *EUobserver*, 2/VI/2007.

For now, the EU still has some aces to play, and it must play them cleverly considering the new strategic set-up. In fact, in June the EU is set to release more specific details of its new policy with aid and incentives for Central Asia.³⁵

Turkmenistan Towards the South and East; and the EU

Turkmenistan could continue to maintain the additional option of sending gas towards southern Asia. If it does, this would imply reopening the TAP project (Trans-Afghan Pipeline, through Turkmenistan-Afghanistan-Pakistan) for Turkmen gas to cross Afghanistan towards Pakistan and India, an option supported by Washington. In 2005 the Asian Development Bank showed an interest in the project in light of its potential for providing significant funds for a real alternative to the flourishing drug business in Afghanistan and affording it something of a sense of country.³⁶ Indian, Chinese and Russian firms (Gazprom included) also expressed their interest. Although, naturally, it faces huge obstacles, if the project does go ahead it could help cooperation between the Afghan 'warlords' and therefore contribute to structuring the country's management, as was thought in the middle of the last decade, when this business rationale was the basis for an approach to the Taliban from oil companies like Bidas and Unocal.³⁷

In short, some observers see sufficient Turkmen resources to satisfy two sizeable alternatives for Europe: the Trans-Caspian option and the option towards India. The first directly concerns the EU, and, to no small extent, although with a different focus, so does the second. This may be the case due to NATO's presence in Afghanistan, where it is apparently destined to risk its credibility in a mission whose length is undefined and where there might be additional spin-off missions.³⁸

Furthermore, the Turkmen President, Berdimujammedov, might consider a closer relationship with Iran as plausible; this was already becoming noticeable with Niyazov, when strong bilateral rail links were established.³⁹ Indeed, the two countries have in common their dissatisfaction in regard to the division of the Caspian. However, at the same time, the crisis between Teheran and the West is currently centre-stage, making any planning relative,⁴⁰ even the cheapest and most attractive option which was Iran's hypothesis of becoming the transit country for Turkmen gas production and much of Central Asia's hydrocarbons.

For its part, Beijing had secured promises of an unlimited gas supply and the signing of a contract with Ashgabat, in April 2006, establishing the construction of a gas pipeline to China via Uzbekistan, a promise which perhaps should not now be relativised in light of Russia's energy offensive in the Caspian based on the fact that a few days previously Kazakhstan offered its territory for the transit of Turkmen gas to the East, prior to the famous Nazarbayev-Putin-Berdimujammedov meeting.⁴¹ In 2005, Uzbekistan, so far a less weighty player on the energy stage, with sizeable gas reserves (part of which it sells to Russia), signed a broad-reaching agreement for

³⁵ These will probably include the announcement of the opening of new European embassies in Central Asia. Meanwhile, in April 2007 Brussels still lacked any permanent representation in Ashgabat.

³⁶ See Svante Cornell, *op. cit.*, p. 91. This is a route covering 1,680 kilometres from Turkmenistan to Fazilka, on the Pakistan-India border, which would cost 3.3 billion dollars, with a capacity of 33 trillion cubic metres.

³⁷ Among the obstacles are the relationship of distrust between India and Pakistan, the complexity of the construction due to the mountainous terrain and the Afghan war.

³⁸ Furthermore, coincidentally, Central Asian States are partners in NATO cooperation projects.

³⁹ Complementarily, Turkmenistan currently sells some 5 billion cubic metres of gas to Iran and the rest goes to Russia. See Antonio Sánchez Andrés, 'Russia and Europe: Mutual Dependence in the Energy Sector', WP 25/2007, Elcano Royal Institute, 8/VI/2007.

⁴⁰ Crisis which in turn in the last two years has led Teheran to take the trouble to strengthen its commercial and political ties with Central Asian countries and with Russia so as to protect its back yard in a more direct stand-off with Washington. Teheran might even be considering establishing contacts with Kazakhstan and Tajikistan to bargain for uranium via intermediaries. See Stephen Blank, 'Iran's Equities in the Turkmen Succession', *The Central Asia-Caucasus Analyst*, 7/III/2007.

⁴¹ Jean-Christophe Peuch, 'Turkmenistan: New President Modifying Niyazov's Neutrality Policy', RFERL, 11/V/2007.

gas and oil prospecting with Chinese company Sinopec.⁴² The situation is ever-changing because two months ago Sinopec announced its withdrawal from the project due to the high level of taxation, in view of which Uzbekistan announced that it would seek the cooperation of another Chinese company, namely CNPC.

Accordingly, the current situation was unthinkable ten years ago, with converging energy and security interests in the Caspian among the EU, Russia, China, Southern Asia and the US.

Towards Macroregional Cooperation?

The task remains to analyse the options and willingness of Central Asian countries to cooperate in triangular arrangements that include the EU and Russia, encompassing both the political and energy spheres. This is posed despite the strategic triangulation in gas and oil, which is the cooperation agreement announced last May between Russia, Turkmenistan and Kazakhstan, which does not exclude intermediate combinations.

In various cases, in the Caspian region translational energy companies are one step ahead of the diplomatic endeavours of their governments. In the Kazakh case there has been the political will to cooperate in triangular projects or initiatives involving more members that help investment schemes via transnational energy consortia. This shows how much Astana is aware of its territorial limitations, being hemmed in and surrounded by powers.

The most recent triangular precedent was the signing, last November, of an agreement whereby Repsol is involved in a consortium in the Zhambay area, in the Caspian, in which it acquired a 25% stake, as did the Russian company Lukoil, while the Kazakh firm Kazmunaigaz acquired the remaining 50%. There are other examples of triangular agreements (practically the most important projects underway in the Kazakh Caspian) that have no equivalent in Russia, which is notably more restrictive when it comes to foreign investment.

Russia's energy overture in May 2007 did not imply the end to transnational projects in the Caspian. The Central Asian countries will receive incentives from the West to not remain closed off. If they accept them, the projects will continue, and, as before, this effort will continue to demand unprecedented, historic and widespread cooperation, due to the combined factors in play. First, because of the volumes of energy. Secondly, due to the number of players involved (States and companies), which in all investment, operation and transit options are no less than half a dozen and which include the most powerful countries in the world. Thirdly, because of the distance to the main markets: at least 1,200 km to the main initial offload points. Fourthly, due to the proximity, indeed sometimes almost the overlap, between the energy factor and the main focal points of threats to world security.

Of course, it must be accepted that Russia is still the number one factor and prospects of a strictly political understanding are not promising ahead of the final stretch of Putin's term of office.⁴³ From Moscow's standpoint, in mid-2007 a triangular policy with the EU and Central Asian powers (at the same time) is not called for because, on the one hand, of the perception of being surrounded which Moscow is feeling once more from the Baltic European States and particularly from Hungary and the Czech Republic with the prospect of the location there of Washington's antimissile shield. To

⁴² Three months after this agreement Moscow announced that it would supply gas to China in 2011. The Russian offer will probably not cover all of China's demand. Additionally, Tashkent is in one of the most unpredictable situations. Opening up to the international community by the regime of Islam Karimov contrasts with that of Kazakhstan. Furthermore, Islamic fundamentalism has dealt hard blows to Tashkent and even the moderate opposition has made life difficult for it. There has been considerable repression in response, most notably the Andijan massacre in 2005, after which the EU imposed an arms embargo and visa restrictions on Tashkent.

⁴³ A term which could be extended if the Constitution were to be amended.

this should be added the cooling of relations with much of the historically friendly Ukraine and the Caucasus.

Furthermore, Moscow is juggling various degrees of integration within the former Soviet block which are still possible to rearrange. It is true that the best attempt at integration failed. This was the Community of Independent States (CIS), which was plagued by internal divisions and fragmentation. But if we look carefully at the last five years, there are increasing signs of sub-regional cooperation. One example is the Eurasian Economic Community (EURASEC), comprising Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan, whose declared objectives are similar to those of the European Economic Community.⁴⁴ Also in the last five years, there has been increasing activity by the Organisation for the Collective Security Treaty of the CIS (CST), which comprises Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. Another political success in the region was Russia's entry into the Organisation for Central Asian Cooperation, in October 2004. So far, the Organisation's members include Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan. When Russia joined, Moscow made a series of announcements regarding investments in the area which have yet to materialise.⁴⁵ A recent example of cooperation is the agreement to maintain a common denuclearised zone, which was signed in September 2006 by Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan and Turkmenistan.⁴⁶

Russia's energy strategy includes its decision to defend its preferential position as a transit bridge towards Europe, linking Central Asia with the exploitation of resources on its own territory (as it coordinates notably with gas from Turkmenistan). It also includes the direct export of its own future production (like the highly interesting prospects of supply from western and eastern Siberia, towards both the West and Japan and China) as part of its bid to strengthen the monopolistic focus of the energy business, which is also a resource in its international policy.⁴⁷

Energy triangulation has added integration requirements. Water is a critical resource. According to current projections, within a decade Central Asia will suffer from the effects of rapid population growth and water shortages due to the likely reduction in reserves from the mountain ranges of the Pamir and Tianshan, upon which Afghanistan, China, Kazakhstan and Uzbekistan all depend to varying degrees. This dependence is unique in the world, due to the strategic magnitude of the region, with some similarities with the dependence on energy supply (including electricity) as a legacy from the Soviet era. The problem could be compounded with the additional factor of China insisting upon developing its West Plan, designed to exploit its hitherto very sparsely populated western half.⁴⁸

It is estimated that Central Asia's population of 60 million people will double before the current generation of new-borns reaches adulthood. Accordingly, water, rather than hydrocarbons, will become the most critical and immediately sought-after resource for the region's development. Kyrgyzstan and Tajikistan, which control the river sources, could be tempted to charge for this resource, since they do not have abundant oil and gas reserves like some of their neighbours. Poor

⁴⁴ In 2006, Uzbekistan joined the Community, which at the same time announced the constitution of the Eurasian Development Bank.

⁴⁵ Putin has even offered to invest in China's West Plan, which now encompasses eight of China's provinces closest to Central Asia.

⁴⁶ Furthermore, the latest informal CIS meeting, held on 10 June in St. Petersburg, yielded disappointing results once more (see last section).

⁴⁷ Professor Vladimir Ivanovich Voloshin, director of the Centre for Industrial Policy at the Russian Academy for Science in Moscow, suggested during the international conference held on 5 February in CIDOB, Barcelona, and entitled *Dilemas de seguridad y geopolítica de los recursos energéticos* (Geopolitical and Security Dilemmas of Energy Resources), that monopoly is a natural force which drives all States as they enjoy an evident benefit.

⁴⁸ Augusto Soto, 'Reflections on Central Asia and the World Economy. Threats and Opportunities', *Security, Diplomacy and International Law*, Diplomatic Academy of Kazakhstan, Astana, 2001, p. 109-111.

water management could tense the atmosphere of increasing cooperation with Central Asian States as a prelude to cooperation with the EU and even Russia.

For its part, paradoxically, the UE is in the midst of a crisis which coincides with its eastward enlargement. Furthermore, until now, outside of Europe, European companies have not upheld and shared European and pan-European interests precisely, but have sought to maximise their own possibilities.⁴⁹

It is not realistic to imagine that a few geopolitical carrots on sticks will sway the Kremlin's viewpoint. As things stand, we can only hope that potential reserves of hydrocarbons are shown to be sufficient for a multivectorial solution towards various markets, that Europe has a *soft power* capacity and that an intelligent new EU policy is implemented towards Central Asia.

It has been said that if the EU reached a better consensus on internal questions, it would have more of a chance of influencing Central Asia. Otherwise, its projection will be lesser.⁵⁰ One excellent and credible technical option is to foment TRACECA, which is substantially linked to INOGATE (Interstate Oil and GAS Transport to Europe). The broad guidelines for this have been generically called 'the Silk Road'. If the EU progresses in its relations with Central Asia, it will encounter the idea of Eurasia. And it will likely need to extend its approach to the East to include a much broader perspective, as far as China itself.⁵¹

The Sphere of Understanding Created by the SCO in Eurasia

The Shanghai Cooperation Organisation (SCO) has not so far been able to give a precise solution to the technical aspects of energy issues. So far, it has distinguished itself as a notable framework for political entente for all six of its members (Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan), which together comprise the largest Eurasian organisation. Last year it celebrated its fifth anniversary.

The SCO has two branches, one in charge of security, encompassing predominately military and, to a considerably lesser degree, intelligence aspects, focusing on extremism, separatism and terrorism, with an antiterrorist office in Tashkent. It has been superficially described as the 'NATO of the East' or compared to the Warsaw Pact, but it does not have the infrastructure, resources and history to justify this kind of comparison. Nevertheless, its decisions are not without impact. A recent example of this was the SCO declaration, which in 2005 requested the US's withdrawal from Central Asian States.

At political level, so far it has not envisaged a doctrine towards the West beyond the Caspian, only as regards the national unity and stability of the States in the post-Soviet region and China. For example, there is periodical support from the organisation to Russia in regard to Chechen separatism and similar support to China in respect of sovereignty claims by Taiwan.

⁴⁹ Berlin is the best situated capital because of the East German knowledge of the former Soviet region and the fact that many German companies have human resources from there and added synergies with, for example, Czech firms, which are equally experienced in the former Soviet block.

⁵⁰ Luis Martínez Montes, 'España, Eurasia y el nuevo teatro del mundo', *Documentos CIDOB, Asia*, nr 15, February 2007.

⁵¹ As part of their specialist dialogues, ASEM has already broached the matter in the Trans Eurasia Information Network, to which is added the Trans-Eurasian Railway project (also called the 'Iron Silk Road'). See <http://www.transeurasia.org> and <http://www.iias.nl/asem>. For a recent view on the key issue of western China see David Gosset, 'The Xinjiang Factor in the New Silk Road', *Asia Times*, 22/V/2007.

A question of long-term importance is the interoperability of Chinese and Russian troops within the broader framework of action of greater Central Asia, a harmonisation which could reach a central-southern dimension as in the future the Organisation moves closer to observers such as Iran, India and Pakistan.⁵²

The other area of significance of the SCO are the commercial ties, for which purpose it has an office in Beijing, with a budget and personnel so far scant in light of the dimension of the players involved. In the last year, the SCO has begun to orient itself towards a more decidedly commercial system based on the dynamism of the Chinese economy. It has declared that it is considering investment and operating involvement in the hydrocarbon, transport and communications sectors, including e-commerce, which China has been fomenting with Kazakhstan for the last three years.⁵³ Specifically, at the ministerial meeting last September in Dushanbe, Tajikistan, the members explicitly expressed their desire to expand the commercial infrastructure and develop energy export routes.

At their last heads-of-State summit in June 2006, the pivotal issue was Ahmadinejad's Iran, a matter which is likely to return to the table at this year's summit, always as a priority issue because members will not rule out the possibility that Teheran might become a fully-fledged member of the SCO in the future. This is a possibility the magnitude of which is hard to imagine, because it would significantly alienate the US from Central Eurasia.

Returning to the Caspian, Iran supports its own version of an alternative pipeline to the TAP (Trans-Afghan Pipeline, or Turkmenistan-Afghanistan-Pakistan), which in this case would transport gas from Turkmenistan to India via Iran and Afghanistan.⁵⁴ Iran also poses a greater challenge within the context of Central Asia towards the East. China's interests are well-advanced in Iran. China receives from there close to 13% of its oil imports and projections point to an extraordinary expansion in these interests. In November 2004, the two countries signed a preliminary agreement in Beijing worth over US\$100 billion for Chinese State-owned company Sinopec to acquire 250 million tonnes of liquid natural gas for a period of over 25 years and to prospect in the Yadavaran oil field, in the southern Caspian, from where it envisages exports to China totalling 150,000 barrels of crude oil per day.⁵⁵

If these projects materialise, there will be possibilities in the future for Iranian oil pipelines connecting towards China through inland Eurasia. All of this is not in the least conducive to projecting triangular or quadrilateral agreements including Europe. Yet it is a relation which cannot be ignored because it makes the Caspian a fundamental focal point in Eurasia.

Similarly, it is worth considering the insecurity which stems from the Fergana Valley and its immediate surroundings, one of the origins of internal conflict and exportable militant fundamentalism, especially because of the macroregional ties between a number of local groups.⁵⁶ This must be factored in. It is worth recalling the series of unprecedented attacks with tens of victims, some caused by suicide bombers, in the centre of Uzbekistan.⁵⁷

⁵² Mongolia also has observer status.

⁵³ See the SCO commemorative address, on 15 June, at <http://www.sectSCO.org/502.html>.

⁵⁴ To offset these Iranian ambitions, and the higher penetration at energy level by India, in 2006 Washington signed a bilateral nuclear agreement with New Delhi.

⁵⁵ This preliminary agreement, signed as a memorandum of understanding, envisages annual sales of 10 million tonnes of liquid natural gas and implies a major investment in enlarging the Iranian oil fleet. Furthermore, it involves China in projects such as the routing of oil pipelines and the gas and petrochemical industry, and it encompasses the supply of materials for the electricity industry in the city of Arak, south west of Teheran, as well as involvement in the services sector. It also includes construction of some underground train lines in the capital, the second of which has been commissioned to Norinco, China's military and industrial star player.

⁵⁶ These include the Islamic Movement of Uzbekistan (IMU) and Hizb ut-Tahrir.

⁵⁷ Some aimed at the Israeli and US embassies in the country, as well as a ministerial office.

Lastly, both the EU and the SCO include Japan in their plans, a player which has leapt straight to the energy heartland of Eurasia with a very direct approach, with economic and security implications. Last June Tokyo hosted the Central Asia Plus Japan Dialogue at foreign affairs ministerial level and as a preamble to the visit by Junichiro Koizumi to Kazakhstan and Uzbekistan three months later.⁵⁸

Japan is planning to exploit the uranium mines of Kazakhstan, which have the world's second-largest reserves, and those of Uzbekistan, the tenth-largest. The declared objective is to make Kazakhstan the world's leading uranium producer. Obviously, Japan sees that 'the significance of Japan's entry in earnest in the heartland of Eurasia, where American, European, Chinese and Russian interests and concerns are focused on the abundant resources there, [and] is not limited to checking China and Russia; it is indispensable from the viewpoint of energy security at a time when the Middle East oil supply is increasingly destabilised'.⁵⁹

After all, after the SCO's first few years focusing on security came a more recent period of greater interest in energy. This is why the EU has noticeably changed its approach to the SCO in recent months.⁶⁰

From the Economic Forum in St. Petersburg to *Harmonisation* between the SCO and the CST

The most recent indications to better appreciate the relationship between Russia, Central Asia, the EU and the West in general again point to greater levels of interaction and confrontation of strategies in Eurasia.

First, we should mention the St Petersburg International Economic Forum, held from 8 to 10 June, where outlooks were updated.

There are five new factors here. The first is that influential global personalities from the business and political world converged on St Petersburg, rather than London, within the context of the well-known Economic Forum of Russia, as they used to.⁶¹ This change will be permanent, and sends a clear nationalistic message from the Kremlin: to appreciate the possibilities of the Russian economy and to speed up the signing of possible contracts, a Russian city prevails over an antagonistic global city.⁶²

Secondly, Putin addressed an audience of Westerners, Russians and Central and East Asians concerning the possibilities of 'mutually beneficial integration' appealing to the trust between the parties and highlighting the importance of Russia's geo-strategic location, reasserting the desire to make it a preferential transit route for hydrocarbons for Central Asian countries. He asserted that

⁵⁸ The visit, the first by a Japanese Prime Minister to Central Asia, is probably the decisive step towards an idea launched nine years ago by former Primer Minister Ryutaro Hashimoto, who, as some will remember, coined the term 'silk road diplomacy'.

⁵⁹ *Japan Brief*, 31/VIII/2006.

⁶⁰ Pierre Morel, EU representative for Central Asia, sees possibilities of cooperating with the SCO in fighting terrorism and the production and trafficking of drugs. As for energy, he notes that despite the interest in tackling this issue, the SCO still does so from a far-off perspective of heads of State, unconnected to the integral focus for the region sought by the EU. In view of this approach, the senior representative highlights Europe's aspiration to contribute to remodelling Central Asia's parliamentary and legal systems as a way to attract international investment in the energy sector. See *The International Institute for Strategic Studies*, 8/V/2007, but it is worth recalling that the personal involvement of a Head of State like Putin is what eventually tipped the balance in Russia's favour at the recent summit with Turkmenistan and Kazakhstan.

⁶¹ Held periodically, but this year it was a watered-down event due to the Kremlin's advice to its business and political classes not to attend, with the clear intention of holding a highly successful meeting in Russia.

⁶² The move is not explained only by the current friction deriving from the Litvinenko case which has distanced London and Moscow. See the St. Petersburg Forum's renewed website, <http://rus.forumspb.com>.

foreign investment is not always seen as an advantage, especially in the sectors of infrastructure, energy and communications.⁶³

Third, as a corollary to the above, the Kremlin confirmed its message: entry into the post-Soviet zone is via an enlarged Russia. In fact, during the meeting a series of interventions by Russian speakers repeatedly alluded to the concepts of Eurasia and the Eurasian zone.⁶⁴ These references fit in neatly with the presence at the meeting of the 12 CIS countries, founding members of the Forum –under whose parliamentary assembly it was created in 1997– but used to participating in a smaller event. It remains to be seen precisely whether Putin’s more recent remarks about Eurasia are a geo-strategic affirmation or the prelude to greater ambitions.⁶⁵

Fourth, nevertheless, the Kazakh President Nursultan Nazarbayev, who is currently President of the CIS, again gave indications that he will not withdraw from his policy of *multivectorialism* when he highlighted that the CIS’s fragmentation had proved to be more relevant than its supposed integrating force, insisting on the difficulties in pursuing further progress content-wise.⁶⁶ This would indicate that the EU still has some options open in relation to Central Asia, or at least in connection with Kazakhstan.

Fifth, the event was political, and it was in a political tone that the host President proposed a ‘new architecture for international relations’, at the same time discrediting the role of international organisations. At the same time, the EU Trade Commissioner Peter Mandelson, present at the St Petersburg meeting, insisted that the transit of energy required clear rules and that ‘globalisation does not respect spheres of influence’, in quite a direct reference to the Kremlin’s ambitions for hegemony in Central Asia.⁶⁷

Another event, apart from the St Petersburg Forum, is also important because it affects security in Central Asia. This is a series of military exercises which for the first time will be performed by the SCO in partnership with the CST as an observer in August this year. The CST is headed by Russia and, coincidentally, various members of the CST also participate in the SCO.⁶⁸

It is estimated that the main manoeuvres in the series of 11 exercises this year, called ‘2007 Peace Mission’, will focus on simulating a nuclear terrorism situation in a military district of the Urals, on the very edges of Europe, neighbouring Central Asia. From the East, the manoeuvres will involve Chinese troops, in return for a previous invitation from China to Russia in the East.⁶⁹

It is interesting that the new exercises are a far cry from the struggle against drug trafficking, organised crime and ethnic separatism, which were the founding objectives of the SCO six years

⁶³ Yekaterina Dranitsyna, ‘Hospitality Beyond the Means of the Economy’, *The St. Petersburg Times*, 13/VI/2007.

⁶⁴ See Pilar Bonet, ‘Rusia propone un nuevo orden económico’, *El País*, 11/VI/2007. Furthermore, it is no coincidence that two days after the Forum, on Russia Day, Putin awarded the State Prize to Nobel laureate Alexander Solzhenitsyn, in recent years a defender of certain freedoms (for which he has been widely recognised), but also a holder of strict nationalistic positions and in favour of recovering part of former Soviet Central Asia for Russia.

⁶⁵ Putin is well-known to have a fondness for ambitious geopolitical considerations, including the concept of Eurasianism, a long-standing current of thought in Russia which has recently evolved new tangents, like the ultranationalistic one put forward by Alexander Dugin.

⁶⁶ The clearest evidence of the CIS’s inability to operate was the decision at St. Petersburg to resolve just one issue per year in order to avoid the disenchantment of an unfulfilled agenda, according to Nazarbayev. Consequently, instead of energy, this year’s chosen theme will be immigration, which is no less important, but which is elementary considering that the countries are former neighbours with a common past which need common projects.

⁶⁷ Andrew E. Kramer, ‘Putin wants new economic “architecture”’, *International Herald Tribune*, 10/VI/2007.

⁶⁸ The exercises will be overseen by the presidents of Russia and China.

⁶⁹ In bilateral military exercises, in 2006, Russian air-naval forces moved as far as the Chinese coastal province of Shandong. In other words, they returned to the Sea of China more than half a century later. This is interesting background data, because in the future Moscow or the SCO itself might consider it appropriate to invite China to participate in military exercises, let’s say, around St. Petersburg.

ago and which require the coordination of noticeably smaller units and less sophisticated equipment.⁷⁰

It might be either worrying or reassuring for investors and operators in mineral resources and hydrocarbons, but the high degree of political understanding between the two regional blocks led by Russia and China is evident.⁷¹

Furthermore, for a year, Afghanistan, where the security interests of EU countries are at stake under NATO's umbrella, was the first State to participate in the SCO's bilateral partnership talks. Accordingly, this summer a delegation from Kabul might also participate as an observer in the military exercises to be held on Europe's doorstep.⁷²

Military exercises and interaction imply continuous harmonisation and operational integration by the armed forces of member countries in both organisations. This may achieve some regional significance insofar as its members develop technology which might otherwise be offered by Europe.⁷³

Clearly then, the geo-strategic situation for the EU in Central Asia is more dynamic than ever. It corresponds to the reality of the situation in Eurasia which encompasses the economy, energy and its real and possible routes, as well as the notion of enlarged trade prospects. It therefore implies a coherent concept of megacontinental policy and security.

Conclusions

The EU-27 are faced with the challenge of acting together in the nearby and strategically significant Central Asia precisely when this is most difficult. However, if they do not act with unity of purpose, obviously European countries and energy companies will continue to operate based on their national and business interests, without waiting to hear from Brussels.

This does not mean that block politics has little to contribute. Quite the contrary. But to focus solely on supply and energy networks requires an integral network of infrastructure and added prestige for maintaining those same interests which can be achieved only through a visible long-term commitment. This is why it is so crucial to re-dimension and reactivate the neglected TRACECA project.

It is also important to contribute more intensely to developing the region. Post-Soviet Central Asia is recovering from a sharp material decline that is unprecedented in the world in peacetime and that is a hotbed for a variety of dramatic internal and marginal, though threatening, opposition movements by fundamentalist groups. This need for an integral focus will be the challenge facing the aid plan for Central Asia which the EU unveiled in March and the details of which are due to be released soon.

Since May, Moscow has managed to take the initiative in the Caspian, with traditional personal and historic ties in Central Asia which the currently perplexed EU lacks, and with the EU unable to deploy in the region, at least so far, the top level political contacts necessary to balance the other presidential ties, which have eventually tipped the balance in Russia's favour.

⁷⁰ See Erica Marat, 'Russia and China Unite Forces in Peace Mission', *Cacianalyst*, 4/IV/2007.

⁷¹ It should be considered that today the SCO has yet to officially portray itself as a military alliance. See the most recent declarations by officials from both countries in this regard in RIA Novosti, 22/V/2007, and Xinhua, 26/IV/2007.

⁷² In addition, Afghanistan has just asked Kazakhstan for cooperation to develop its hydrocarbons sector, *Kazakhstan Today*, 14/VI/2007.

⁷³ Which for now has arms embargos on China and Uzbekistan.

The increasing oil and gas wealth within the context of energy nationalism in the post-Soviet era is a new phenomenon. But there are differences from one nation to the next. Kazakhstan allows in its territory investments by transnational energy consortia and Russia restricts them as part of a larger security strategy in the context of a major rift with the West. Accordingly, the hypothesis of whether Russia will allow the countries of Central Asia and the Caucasus autonomy or leave them to establish triangulation of energy interests with it and the EU no longer seems valid in this decade.

However, when the EU manages to position itself in accordance with the current circumstances, it will likely see the need for an even broader continental strategy. Because it might be worth enriching a security concept based on energy supply within a framework that includes an appreciation of the most evident geo-strategic and technical security aspects, as well as other new ones that have not yet been fully uncovered, such as drug trafficking to finance terrorism, perhaps partly reversible by a gas business understood as shared national wealth, which is the potential that a gas pipeline in Afghanistan from Turkmenistan (the TAP) would represent.

Consequently, it is equally urgent to understand the Afghan issue from the point of view of its hypothetical impact on the trans-Caspian energy networks. NATO is operating in Afghanistan and, nevertheless, at the same time threats are emerging from there and from the surrounding States towards western Eurasia. Accordingly, concern for Afghan issues is also a matter of immediate security for the EU. This dimension is currently contemplated by the UE in the horizon of its forthcoming talks with the SCO, but an integral vision of Eurasia is sorely needed.

In evaluating the activity of transnational energy companies it is important to consider the particular action of Chinese firms, competitors with formidable offers in their projection to the West when they manage to position themselves. It will be necessary to evaluate with them, indeed one might say directly with Beijing, feasible synergies in the sphere of infrastructure. This is one possible area for talks between the EU and the SCO which could indirectly impact on a renewed dialogue with Russia.

Meanwhile, in terms of both hydrocarbons and nuclear supply there remains the interesting partnership potential of Kazakhstan as a uranium producer, in a long-term vision which might also include Uzbekistan, although Japan has engineered an unbeatable position for itself as a partner for these two countries.

Due to the significance which the EU's ties with the former USSR is acquiring (and in particular with Central Asia, where China and Japan also operate) there is a possibility of fomenting areas of analysis aimed specifically at Eurasia.

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