

# GUAM AND THE TRANS-CASPIAN GAS TRANSPORTATION CORRIDOR: IS IT ABOUT POLITICS OR ECONOMICS?

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## I. New Songs to Old Tunes

The question presupposes preliminary inventory auditing of the oil and gas resources of the Caspian shelf and identification (at least within the scope of this article) of the best routes for bringing them to the world markets and which are undoubtedly the most desirable prize of the political and economic rivalry that has been unfolding in the region over the last decade.

In the Caspian-Black Sea Region, the European Union and the United States have concentrated on setting up a reliable logistics chain to connect Central Asia with the European Union via the Central Caucasus and Turkey/Ukraine. The routes form the centerpiece of INOGATE (an integrated communication system along the routes taking hydrocarbon resources to Europe) and TRACECA (the multi-channel Europe-Caucasus-Asia corridor) projects.

The TRACECA transportation and communication routes grew out of the idea of the Great Silk Road (the traditional Eurasian communication channel of antiquity). It included Georgian and Turkish Black Sea ports (Poti, Batumi, and Ceyhan), railways of Georgia and Azerbaijan, the Baku-Tbilisi-Ceyhan oil pipeline, ferry lines that connect Turkmenistan and Kazakhstan with Azerbaijan across the Caspian Sea/Lake (Turkmenbashi-Baku; Aktau-Baku), railways and highways now being built in Turkmenistan, Uzbekistan, Kyrgyzstan, Kazakhstan, and China, as well as Chinese Pacific terminals as strategically and systemically important parts of the mega-corridor.

It was back in 1996 that the U.S. had put forward the idea of a Trans-Caspian gas pipeline, which later took the form of the transnational GUAM project (Georgia, Ukraine, Azerbaijan, and

Moldova). The leaders of Georgia (Eduard Shevardnadze) and Azerbaijan (Heydar Aliiev) at that time both claimed authorship of the project, which generated a stream of publications and many years of discussions.<sup>1</sup>

Under the initial plan, one of the routes of the new strategic gas pipeline (the construction of which was to begin in 2008) was expected to connect Kazakhstan and Turkmenistan before crossing to Azerbaijan, where it was expected to join the Baku-Tbilisi-Erzurum and Nabucco pipelines (it was expected that the latter would be completed by 2010). This means that the gas extracted in the Caspian shelf's eastern zone would have reached Europe bypassing Gazprom, dependence on which has already created fairly serious (not necessarily economic) problems for the Europeans.

Today, the energy independence of Ukraine and the European Union hinges on the new oil and gas pipelines being laid to diversify hydrocarbon supplies.<sup>2</sup> When talking to Kazakhstan Energy Minister Sauat Mynbaev, Adrian van der Meer, who represented the European Commission in Central Asia, pointed out that the Trans-Caspian pipeline would offer much better conditions than the currently used Central Asia-Center route.<sup>3</sup> Russia has already dismissed the project, not without justification, but unilaterally, as a purely political one designed (according to the Russian oil and gas traders) not so much to diversify the export of gas to Europe as to deprive Gazprom of its monopoly on moving hydrocarbons to the European markets.

According to the REGNUM Information Agency,<sup>4</sup> the main volumes of exported oil are moved from Aktau (Kazakhstan) to Baku (Azerbaijan) by sea by Azeri tankers (in recent years the republic renovated and upgraded its tanker fleet). This information was supplied by the press service of Kaspar, the Caspian Steamship Line; the same agency reports that Kazakhstani tankers are less involved in oil traffic than Azeri. The press service added that in 2007 Kazakhstan had cut down the volumes of oil and oil products delivered to Baku somewhat, mainly because of the higher harbor dues in Azerbaijan. REGNUM's analysts, however, remain optimistic: they predict that in 2008 shipping will reach the previous level of over 8 million tons a year. They proceed from the official information supplied by Chevron that in 2008 Azeri tankers would have to move another 2 million tons of crude oil from the Tengiz oil fields (Kazakhstan). Later the same company intends to increase the amount of Kazakh oil moved through Baku to 5 million tons a year.

Today, Kazakhstan exports about 57 million tons of the total amount of 68 million tons of crude oil produced in the country to Russia (along the Atyrau-Samara oil pipeline), Europe, across Russia (the CPC pipeline system), and China, along the Atasu-Alashankou oil pipeline.<sup>5</sup> During the first nine months of 2007, Kazakhstan and Turkmenistan moved nearly 2.4 million tons of oil and oil products across Azerbaijan to Poti and Batumi.

When talking about linking the Central Asian countries to the transit routes leading to Europe (through Azeri terminals), Azeri expert Chinghiz Valiev pointed out: "In actual fact, Central Asia has

<sup>1</sup> For more detail, see: R.N. Jangoja, V.P. Kuz'menko, "Transportno-kommunikatsionnye koridory v Ukraine i perspektivy mezhdunarodnogo sotrudnichestva." The paper appeared in the collection of materials of the international conference *Kaspiisko-Chernomorskiy region: uslovia i perspektivy razvitiia*, Kiev, 1998, pp. 33-40.

<sup>2</sup> Ibidem.

<sup>3</sup> [www.newsazerbaijan.az/analytics/20071126/42037039.html — 21k -].

<sup>4</sup> REGNUM, 9 December, 2007.

<sup>5</sup> It should be specified here that most experts demonstrate different approaches. Malik Isabekov, who represented the NGO Coalition "The Public should Control Oil Incomes" of the Republic of Kazakhstan (a structure that is part of the Extractive Industries Transparency Initiative [EITI]), pointed out in his paper "The Role of Energy and Transport Infrastructure" delivered at the conference "Integration of Central Asia into World Economy" on 12 December, 2007 that: "Well-known international experts Milov and Christoff have said several times today that Kazakhstan sends its oil here and intends to send it there (for example, to the Baku-Tbilisi-Ceyhan pipeline). This is not entirely true: in actual fact it is TengizChevroil (in which Chevron Overseas Company owns 50 percent; ExxonMobil, 25 percent, KazMunaiGaz, 20 percent, and LukArko, 5 percent) that supplies most of the oil under the PSA" (for more detail, see: [http://www.press=uz.info/index.php?title=analitik&nid=16858&my=122007].)

been part of Azerbaijan's transit routes for a long time. We are talking here about the TRACECA transportation corridor initiated by the countries that signed a multilateral agreement in Baku in 1998. The European Union was the project's main donor, which was expected to create a land transportation route for all sorts of goods from the Far Eastern countries via Central Asia and the Central Caucasus to Europe and back. From the very beginning, the route was regarded as an alternative to the Trans-Siberian Mainline of Russia, the only trans-Eurasian transportation corridor. Today, the new route moves larger volumes, but hydrocarbon resources are still moved from Central Asia to Europe by routes totally controlled by Russia. Azerbaijan is one of the key countries that use the corridor across Russia; in 2006, its contribution to goods transportation by all types of transport reached 145 million tons (an increase of 16 percent over 2005), while in the same year TRACECA moved about 45 million tons (an increase of 5.3 percent over 2005). For many years now we have been unable to change the structure of goods transportation: the share of oil and oil products has remained at the 70 percent level. For TRACECA members the tariffs will be cut by 50 percent, something that Kazakhstan finds hard to accept; until recently Turkmenistan merely ignored the talks. So far, the Aktau-Baku route remains the key element of the Trans-Caspian transportation corridor. Turkmenistan plans (and is actually increasing its involvement) to move its oil products along this corridor.<sup>6</sup>

## II. Negotiations: Those Who Know Don't Talk, Those Who Talk Don't Know

In March 2007, when summing up his meeting with the EU representatives and foreign ministers of Germany, Uzbekistan, Tajikistan, Kyrgyzstan, and Turkmenistan, Foreign Minister of Kazakhstan Marat Tajin said: "The expediency of the Trans-Caspian gas pipeline intended to move gas from Central Asia to Europe without Russia's involvement has not been convincingly proven."<sup>7</sup> Immediately after this, the European Union dispatched its representative to Astana to lobby a new route that would bypass Russia.

The European countries and the West as a whole were very concerned about the tripartite meeting of the presidents of Turkmenistan, Kazakhstan, and Russia in May 2007, at which they discussed the idea of the Caspian pipeline. This somewhat dampened the optimism the EU felt about practical implementation of the Trans-Caspian project: their expectations proved to be built on sand—the Central Asian partners had offered no firm guarantees. Indeed, the uncertainty was caused by the fact that the post-Soviet republics do not always act as reliable partners: they have the bad habit of regarding any agreements not as an obligation, but rather as the private property of one of the sides. The examples are numerous, they are registered in protocols and agreements signed by heads of state and directors of all types of departments of the phantom structure called the Commonwealth of Independent States.

The same applies to the Caspian gas pipeline project: contrary to the protocol of intentions, the relevant documents were not ready by the appointed date (1 September, 2007), while President Putin's trip to Ashghabad planned for 12 September, 2007 (intended to discuss the Caspian pipeline project and modernization of the old Central Asia-Center pipeline) did not take place for several reasons.

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<sup>6</sup> [<http://www.newsazerbaijan.ru/oilgas/20070901/41914586.html>].

<sup>7</sup> [[www.ng.ru/cis/2007-04-03/1\\_america.html](http://www.ng.ru/cis/2007-04-03/1_america.html) — 40k].

The events that predated the meeting of the three presidents greatly affected the tactics and strategy of the talks and explain, in the final analysis, the events described above.

- First, the United States was actively lobbying the Trans-Caspian project to deliver its European allies from their energy dependence on Russia.
- Second, President Kaczyński's failed trip to Kazakhstan where he was forced to discuss things outside his competence instead of signing a big agreement between KazMunaiGaz and PKN Orlen of Poland and the way the visit was interpreted in the media. Lithuania, which contrary to the preliminary agreement with Kazakhstan on renting it the Mažeikių Nafta oil refinery, preferred to rent it to Poland, can be described the third, albeit absent, side of the failed visit.
- Third, China's active interference in the discussions of a gas pipeline from Turkmenistan to China across Kazakhstan forced Moscow to claim a share in the project seen as an alternative to the Westward shift discernible in the offices in Astana and Ashgabad.

In this situation, it became necessary to modernize the Central Asia-Center pipeline to bring up its carrying capacity from 4.2 billion cu m to 10.5 billion cu m a year.

Kazakhstan is already working on its stretch, but the new carrying capacity will unlikely be able to cope with the increased volumes anticipated. Both Kazakhstan and Turkmenistan plan to export much larger amounts of energy resources than those Gazprom is offering in exchange for the two countries' promise "not to make friends with the West."

According to the *Novoe russkoe slovo* weekly,<sup>8</sup> in 2008 Uzbekistan will continue developing the Ustiurt plateau in its northwestern corner. Its Uzbek part in the Aral Sea area borders on the Caspian shelf where Kazakhstan and Turkmenistan are neighbors. The area's extreme climate (in the summer the temperature reaches +52°C, while in the winter it drops to -40°C) is responsible for its economically and socially depressed state. Today, the climate and the absence of an adequate socio-economic and transport-communication infrastructure (its area is equal to the territories of the Netherlands, Switzerland, and Slovakia combined) leave no choice but to work in shifts.

In 1999, the British-Dutch consortium Royal Dutch Shell, working under a contract with the Uzbek government, carried out preliminary investigation of the plateau's geological-physical resources. They assessed the supplies at 1.7 trillion cu m of gas and 1.7 billion tons of oil and gas condensate: today the republic produces no more than 7.5-8 million tons of crude oil.

Rivalry over the right to develop the Ustiurt fields went on until 2004 when Gazprom was selected as the main partner. It started working in February 2004 at the Shakhpakhty local gas condensate field with estimated reserves of 8 billion cu m. By 2007, 274 million cu m had been extracted—not bad for starters; the site is the first of twelve large gas fields on the plateau.

Geologists are convinced that the territory bordering on the Aral Sea is equally promising. In August 2006, Uzbekistan and Russia set up a joint consortium to develop the local fields. Large-scale seismic exploration is scheduled for 2008.

Thanks to its considerable hydrocarbon reserves the Uzbek part of Ustiurt is acquiring special importance for the republic and the region as a whole. The plateau has already received the first stretch of an eight-lane transcontinental highway that begins in Beyneu on the Uzbek-Kazakh border (known in the past as a market of smuggled goods). In the mid-term, the highway will become part of the revived Great Silk Road that will connect Europe and China.

The varied and rapidly changing vectors and interests will undoubtedly stir up economic and political problems in this part of the world. Europe and the United States have already joined forces

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<sup>8</sup> See: R. Khabiev, "Uzbeki sidiat na meshkakh s zolotom ... zarytykh v Ustiurte," *Novoe russkoe slovo*, 30 December, 2007.

to lobby the Trans-Caspian gas pipeline; China badly wants a gas pipeline from Turkmenistan. In this highly competitive context, Russia has to put forward varied and increasingly attractive alternatives to persuade the Central Asian countries to use the routes it finds preferable.

In this situation the Caspian pipeline, even if only a partial solution to the problem, looks convincing; it may block the Trans-Caspian project and even slow down the implementation of the Chinese alternative.

Russia has preserved its fairly stable position in the region in the highly competitive context, even though this was not easy.

Until recently Moscow paid little (\$100 per 1 thousand cu m) for the Turkmenian, Uzbek, and Kazakhstani gas moved along the old Central Asia-Center pipeline. Judging by what the gas producers are saying, the price will grow along with world prices. Moscow will have no choice but to pay the price demanded.

Indeed, we can hardly expect the countries that send their gas to Europe at prices lower than the market is prepared to pay to accept Russia's monopoly. Gas sold for \$100 per cu m in Russia fetches at least \$250-260 on the EU markets.

The fact that there are Chinese and European consumers suggests that the leaders of the three countries should ponder on export diversification. They have acquired the very tempting prospect of selling their hydrocarbons on the world markets for the right prices bypassing Gazprom and other Russian traders.

This alternative is not free of problems that defy simple solutions. The Trans-Caspian pipeline as a logical extension of Nabucco has its share of fairly challenging engineering problems, mainly because part of it will be laid along the Caspian seabed.

Even if the technical problems are resolved, the legal problems created by the still unregulated international legal status of the Caspian Sea might block the project. The five Caspian states have so far failed to agree on the issue, and there is no constructive decision acceptable to all the littoral states in sight.

The same can be said of possible gas transportation routes to China: arguments in their favor are vaguer than a casual observer might think. China is prepared to pay \$90 per 1000 cu m of Turkmenian gas; we can expect the exporter to compare this price with world prices.

The eastward route, however, can be used as a serious alternative to both the Caspian and Trans-Caspian pipelines. If the three capitals—Astana, Tashkent, and Ashghabad—gain access to the Chinese energy market, they will acquire a lever of pressure on Gazprom (and on European customers if the Trans-Caspian project is realized at all).

The situation has supplied the leaders of Kazakhstan and Turkmenistan with fairly weighty arguments and good prospects. The strained relations between Uzbekistan, on the one side, and Washington and Brussels, on the other, make the former much more dependent on Moscow and Beijing. Tashkent cannot pursue an independent energy policy, at least while President Karimov, who will turn 70 in 2008, remains in power.

Despite the May 2007 agreements on the Caspian project, the nature of the relations between Turkmenistan and Kazakhstan, on the one side, and Russia, on the other, testifies that the rate of its implementation will depend on numerous factors outside the present format of their economic relations.

Kazakhstan's OSCE chairmanship in 2010 is one such factor: it will force the republic to become more responsive to Western suggestions and probably even accept the West's invitation to join the ODED—GUAM transnational project to leave the door open for Turkmenistan and Uzbekistan, two very desirable partners.

Kazakhgate is another, less prominent factor, of Kazakhstan's flexibility in its relations with the West: an investigation is being postponed of the corruption in the top circles of power, the results of

which will push Astana to one or the other side of the economic front. It would be wrong to say that Kazakhstan and Turkmenistan are deliberately slowing down the modernization of the Caspian pipeline for the reasons described above. They are merely taking time to weigh the “pros” and “cons”—correct tactics in the rapidly changing context.

### III. Problems of Political Linguistics: What is “Caspian” and What is “Trans-Caspian?”

An EU representative started talking about another round of negotiations on the Trans-Caspian pipeline after the United States, the main ideological lever behind the project, began taking practical steps in August 2007. The U.S. State Department paid for the feasibility studies of the stretch between Turkmenistan and Azerbaijan. A grant agreement for \$1.7 million was signed in Baku; Assistant U.S. State Secretary Daniel Sullivan, who attended the ceremony, announced that there was money for feasibility studies of two more projects: the Trans-Caspian gas pipeline that will move gas from Central Asia to Europe and the underwater pipeline that will link Kazakhstan with the Baku-Tbilisi-Ceyhan pipeline.

Two days before, President of Turkmenistan Berdymukhammedov assured Mr. Sullivan that he would stick to diverse routes for transporting energy resources to the world markets,<sup>9</sup> which, translated from the “new Turkmenian,” meant that his republic was prepared to load the Trans-Caspian pipeline. Moscow was very concerned about the fact that it was the United States rather than the European Union (which should have demonstrated more readiness to pay for diversification of gas supplies) that paid for the feasibility studies. Late in August, Russia’s *Kommersant* daily quoted Gazprom spokesman Sergey Kuprianov as saying: “The very fact that the money comes from the United States’ budget says that the Trans-Caspian pipeline is a purely political project.”<sup>10</sup>

He went on to say: “They are accusing Russia of using Gazprom as a political tool while openly paying for the feasibility studies,” and added that the Trans-Caspian main pipeline would not affect his company’s plans. The newspaper, however, doubted that a pipeline bypassing Russia that would carry at least part of the Turkmenian and Kazakhstani gas would not affect Gazprom and its future possibilities.

Russian analysts point out that in 2009 the Turkmenistan-China pipeline will be commissioned to carry about 30 billion cu m of Turkmenian gas across Kazakhstan. Nabucco (expected to be commissioned in 2011), which will connect the Trans-Caspian pipeline and Europe, will carry more or less similar loads. According to *Kommersant*, the agreement under which Gazprom buys gas from Turkmenistan expires in 2011.

“In 2011-2015 Russia will need a new resource base, probably on the Yamal Peninsula (the Polar fields) and in Eastern Siberia (Kovykta fields), because by that time the West Siberian fields will be depleted. To extend the EU contracts, Gazprom will need Central Asian resources. Even if gas production in Central Asia increases, Gazprom will probably need more: after 2011, 60 billion cu m a year may go to the West and the East bypassing Russia.”

The events suggest that the Trans-Caspian pipeline will present Kazakhstan with a choice: either it will become Gazprom’s rival, or it will at least become a strong irritant. In view of the fact

<sup>9</sup> See: [<http://www.kommersant.ua/doc.html?DocID=756269&IssueId=41277>].

<sup>10</sup> [[http://www.ukrnews.info/lenta/news\\_full.php?id=126491](http://www.ukrnews.info/lenta/news_full.php?id=126491)].

that the Russian state holds the controlling interest in the company, any project that bypasses Russia (and any ensuing consequences) will create not only economic, but also political problems for the country.

During his meeting with van der Meer, Kazakhstani Energy Minister Sauat Mynbaev demonstrated a lot of caution when touching upon this sensitive issue.<sup>11</sup> According to the Kazakh minister, his country was guided by economic rather than political considerations; he also hinted that Kazakhstan had at all times remained devoted to the idea of diversification. Translated from “the Kazakh,” this means that if transportation by the Trans-Caspian pipeline proves cheaper (nothing was said about the cost of modernization), it will answer the country’s “economic considerations.” The caution the minister demonstrated when treading on the thin ice of political parlance will make it harder for Moscow to accuse Kazakhstan of supporting the U.S.’s “political interests.” Russia’s refusal to sell gas to Belarus and Ukraine at a price below the market level may serve as an additional argument in favor of the cheaper Trans-Caspian project.

The local experts believe that Kazakhstan needs partners experienced in off-shore production technologies. Money is no problem: the republic can count on a loan from any of the world’s largest banks under its proven and extracted resources. It is not merely necessary to invite a large foreign company—Kazakhstan needs a partner with adequate experience in off-shore production prepared to coordinate its spending with the republic’s government (especially those costs related to the guarantee of the technical and ecological conditions stipulated by the agreement on joint exploitation of the fields). In the final analysis, Kazakhstan alone has the right to settle all the practical issues and select partners from among the members of the international consortium prepared to work together with the national company in the far from easy climate of the Caspian shelf and the far from simple political situation.

#### IV. Ukraine: GUAM, How Much is in that Word...<sup>12</sup>

Its highly advantageous geopolitical position is turning Ukraine into one of the most important and active members of the collective project for developing the Caspian off-shore oil and gas fields, as well as the transportation of energy resources to Europe. This predetermines Kiev’s strategic cooperation with all the states involved in the project and means that Kiev needs a climate conducive to the development of the economic infrastructure in the oil and gas fields and transit zones.

Social and political stability is an indispensable condition of sustainable economic growth, in the same way as a balanced and smoothly functioning economy (which ensures social and legal guarantees and adequate living standards) is a *sine qua non* of civil peace and public accord.

We have already seen that assessment of the political climate and public accord varies from country to country according to the local traditions. This is a very subjective process. There are national and state interests that do not always coincide with those of the other members of any interstate structure. National imperatives come to the fore when the dividends of collective efforts in the sphere of exploitation and transportation of energy resources to foreign markets start yielding a rapid finan-

<sup>11</sup> See: [[http://www.ukrnews.info/lenta/news\\_full.php?id=126491](http://www.ukrnews.info/lenta/news_full.php?id=126491)].

<sup>12</sup> The main points in this section appeared in my articles: R. Djangujin, GUUAM: kak mnogo v etom slove...,” *Informatsionno-analiticheskiy byulleten “Novosti Tsentral’noy Azii i Kavkaza,”* No. 31 [<http://ames.kiev.ua/31/>]; idem, “GUUAM—shag za shagom,” *Informatsionno-analiticheskiy byulleten “Novosti Tsentral’noy Azii i Kavkaza,”* No. 36, available at [<http://ames.kiev.ua/36/>].

cial return. This creates the temptation (at times very strong) to violate the collective obligations to promote one's own interests—even if corporate ethics will suffer. This explains why a certain supra-national system of protocol obligations is needed: the countries involved in a collective project and united into an international economic alliance (GUAM in our case) should coordinate their legislations with the demands of such a system. This system of supra-natural regulatory legal framework obligatory for execution by all the entities of the interstate alliance implies not only the effective and smooth functioning of unified and mutually acceptable objective criteria applied to the legal analysis of all sorts of controversial issues but also arbitration court awards in the resolution of contradictions.

The members of any interstate alliance should unify their customs and tax policies, as well as environmental protection regulations of areas adjacent to transport-communication corridors. All the members of joint project should treat the set of technologically reliable protection measures as an absolute priority: fuel transportation corridors attract terrorists of all hues, both domestic and foreign, while any terrorist act on any part of the transportation system may cause large-scale technogenic disasters.

The above means that the members of any alliance will sooner or later conclude that they need a much more rigidly organized supra-national institution with a reliable and balanced collective security system operating across the region. This function could be transferred to the ministries for emergencies, which should acquire wider powers.

The above and an effective corps of international quasi-military structures will cost money and require considerable material and technical resources—something that the GUAM members do not have. This calls for a corporate banking system to accumulate the resources intended to ensure smooth functioning of the emerging security system and modernization of their joint infrastructure. Part of the accumulated resources should be allocated to the reserve funds to cushion the risks inevitable in all large-scale projects.

GUAM has already announced that it will set up an inter-bank coordination committee. According to MOLDPRESS, the suggestion came from Eldar Ismailov, president of the Banking Association of Azerbaijan, during his meeting with Prime Minister of Moldova Vasile Tarlev held within the framework of the bilateral meetings of the Banking Associations of Moldova and Azerbaijan on 12 December, 2007 in Chisinau.<sup>13</sup> This should not be overestimated, however, when Ukraine and Georgia leave their election campaigns behind, the issue raised in Chisinau will come to the fore.

Today, the former skepticism about GUAM is gradually being replaced with more balanced assessments, while the future looks optimistic. In the recent past, it was an informal interstate alliance with vague aims; today the situation is improving. During this period GUAM saw several transformations of organizational nature. All of a sudden Uzbekistan, with no outlets to the emerging routes, joined the alliance only to leave in an atmosphere of mutual disillusionment. Later the members began building up cooperation with the West. Today, they are moving closer to Poland and the Baltic states (which looks promising) and are engaged in a highly complimentary dialog with Kazakhstan, which is confirmed by the Year of Kazakhstan in Ukraine (2007) and the Year of Ukraine in Kazakhstan (2008). Both events could invigorate mutual trade and attract more investments. Ambassador of Kazakhstan to Ukraine Amangeldy Zhumabaev said: "In 2007, Kazakh investments in Ukraine will reach \$500 million, while the mutual trade turnover will exceed \$3 billion." He added that Kazakhstan looked at Ukraine as a very reliable partner as far as trade turnover is concerned and said that he was convinced the trade turnover would increase still more: "Kazakhstan will become Ukraine's main partner in Asia," said he when answering the question of whether his country

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<sup>13</sup> See: *Vlast i pravo* weekly (Ukraine) of 12 December, 2007, as well as [[www.infomarket.md/ru/analytics/?Page=1—41k](http://www.infomarket.md/ru/analytics/?Page=1—41k)].



was prepared to take an active part in the modernization of the Odessa-Brody oil pipeline and extending it to Plock- Gdansk.<sup>14</sup>

In the context of closer and deeper economic relations of GUAM member states with Kazakhstan and Russia, their joint involvement in the construction project of the Eurasia navigation canal between the Caspian and the Black Sea suggested by Kazakhstan in 2007, as well as Russia's initiative of a new Caspian gas pipeline (that will involve Kazakhstan and Turkmenistan), will be seen as a positive signal. This will also add vigor to cooperation within GUAM.

Today, the members have to execute the decisions of the 2007 Vilnius summit on setting up the Sarmatia consortium for the Odessa-Brody-Plock-Gdansk project. It will not only increase the energy security of the GUAM members and Europe but also strengthen the alliance's international position, especially in Europe where the GUAM members will be directly cooperating with the EU members.

The GUAM members believe that the "frozen conflicts" in the Caspian-Black Sea zone (Nagorno-Karabakh, Abkhazia, South Ossetia, and Transnistria), which are interfering with the region's political and economic activities, should be promptly settled. In fact, they regard this as one of their priorities.

To sum up, we can say that ODED/GUAM is following the road that resembles that covered by Europe. It is leading to equal, mutually advantageous, and confidential relations based on the incorporation and harmonization of national interests. In the wider political sense, ODED/GUAM is the best possible model of regional cooperation for the countries of Eastern and Southeastern Europe, the Caucasus, and Central Asia, which is opening up the road to a civilized future.

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<sup>14</sup> See: [e-news.com.ua] 28 December, 2007, as well [http://www.centrasia.ru/newsA.php4?st=1199049720].