

**ENERGY POLICY AND
ENERGY PROJECTS****CASPIAN ENERGY RESOURCES AND
THE “PIPELINE WAR” IN EUROPE
IN THE 21ST CENTURY:
ENERGY GEOPOLITICS
IN NORTHERN EURASIA****Arbakhan MAGOMEDOV**

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Introduction

In the post-9/11 world, energy resources have become the most coveted trophy, and force has become the main instrument, while national interests are prevailing over the hopes and illusions of the “democratic transit” of the 1990s.

Russia and the United States are locked in rapidly accelerating rivalry over the Caspian’s gas and gas pipelines (South Stream of Russia vs. Nabucco of the West).

While at the turn of the 21st century, Russia did not have a trump card it could successful-

ly use to oppose the Baku-Tbilisi-Ceyhan (BTC) oil pipeline,¹ later it armed itself with the South Stream to fight the “gas war.”

The two projects competed in the “dilemma of simultaneity” regime,² which describes the dy-

¹ The project undermined Russia’s position in the Greater Caspian. During Vladimir Putin’s first term as president, the Kremlin wasted its efforts on joining the “world community” by riding the American “bandwagon of freedom” within the “anti-terrorist consensus.” The West, meanwhile, won the first round: this oil route bypassed Russian territory. Moscow soon realized that it was not merely an engineering structure designed to move oil in the desired direction, but a geopolitical springboard the West had managed to snatch away from Russia.

² The term coined by Claus Offe of Germany belongs to the “post-communist transit” paradigm and reflects the dilemma of transition societies: either democracy or a market economy as the absolute priority. The powerful imagery and emotional component of this phrasing put the political strain

namics of the struggle over several alternatives for the limited resources. The resultant “diversification race”³ started the European “pipeline war” of the 21st century.

What triggered the race? Never before, even at the height of the Cold War, has the West been so vehemently determined to lower Europe’s dependence on Soviet fuel; never before has the Caspian basin attracted the clashing political and economic interests of so many countries.

of struggle for very limited energy sources in a nutshell (see: C. Offe, *Varieties of Transition: The East European and East German Experience*, MIT Press, Cambridge, Mass., 1997, p. 35).

³ For more detail, see: A. Magomedov, “The Conflict in South Ossetia and the Frontiers of Struggle for the Greater Caspian’s Energy Resources,” *Central Asia and the Caucasus*, No. 2 (56), 2009, pp. 40-42.

“Resource Accumulation” and the Crushed Hopes of Putin’s Russia: The Macropolitical Context of the European “Pipeline War”

The macropolitical context throws into bolder relief the logic of the geopolitical struggle over the Caspian pipelines and Caspian gas, which owes its intensity to three key factors.

- **The first factor:** the worldwide struggle for “resource accumulation”⁴ and geopolitical expanse. Energy has become another element of the confrontation between Russia and the West. The new century has created new priorities: control over natural, mainly hydrocarbon, resources and the globally important transport corridors, while energy has been gradually developing into a key information issue.

According to Russian academic Irina Tsurina, “never before has the Western world been as keenly aware of its energy vulnerability as it is now; for the first time in recent years, it has interpreted this dependence as a threat to its development;”⁵ its anxiety is fed even more by global energy fears, transportation threats, and political bluffs.

The resultant tension added vehemence to the sides’ political motivations, while energy became another cutting edge of their confrontation.

- **The second factor:** Vladimir Putin’s presidency. Associated with the rise of the national state, it can be described as the most significant event of the current century in Russia.

⁴ A. Magomedov and R. Nikerov studied the “resource accumulation” phenomenon in their book *Bolshoi Kaspiy. Energeticheskaya geopolitika i tranzitnye voyny na etapakh postkommunizma*, UIGU Press, Ulyanovsk, 2010, pp. 141-149.

⁵ I. Tsurina, “Imidzh energeticheskogo ‘agressora,’” *NG-Energia*, No. 242, 13 November, 2007.

It coincided with the 10-year-long energy boom caused by unprecedentedly high oil and gas prices. Slowly but surely, Putin pushed aside the legacy of Boris Yeltsin's presidency to reconfirm the primacy of Russia's national interests. The West started talking about Moscow's "imperial frenzy" and revived pride fed by petrodollars and accused it of being hot tempered and belligerent.

This, along with one other factor, accelerated the "geopolitical maturing" of Putin's Kremlin.

- **The third factor:** the crushed hopes of integration with the West nurtured by Putin's Russia. Today the Kremlin has relegated to the past the hopes of the first years of Putin's presidency when much was said about Russia as a part of Europe or a member of the "counterterrorist march" with the United States at its head.

Putin was the first head of state to call George W. Bush, Jr. after the 9/11 terrorist attack to assure him of Russia's support (just as in the past, George W. Bush, Sr. was the first person Boris Yeltsin informed about the Soviet Union's demise). Two weeks later, when speaking at the Bundestag, he came forward with a very interesting proposition, which Alexander Rahr, a German academic and member of the Valdai Club, described as follows: "Let's look at Russia not as a resource appendage, but as part of Greater Europe. We are prepared to share our resources to build up Greater Europe; we need your technologies while you are invited to work in Russia."

Events, however, took a different course: the Kremlin did a lot to support the U.S. in its counterterrorist struggle; some of the top American officials admitted that "Putin's Kremlin did more than any NATO government to assist the U.S. war effort in Afghanistan."

In 2001-2002, Putin agreed to the highly doubtful American projects to use Central Asian airdromes and allowed the U.S. to use Russia's airspace, very much in line with the "deliberate retreat" logic of the Yeltsin-Kozyrev era and in expectation of American appreciation.

Putin, whom George W. Bush looked in the eye in 2001, imagined that Russia could become a close friend of the United States and a partner in the struggle against "international terror."

The Bush Administration, in turn, took this for granted. TV analyst Alexei Pushkov, who is well-known for his ramified contacts in political circles, offered the following comment: "Bush reciprocated with a cowboy hat and a barbecue in Crawford."

After the Cold War, the United States was deliberately dismissive of Russia, keeping contacts strictly within the bounds of its own interests. Russia lost this carefully planned and elegantly conducted geopolitical game: its elite once more proved to be politically short-sighted and gullible. The Russian political and expert communities hypnotized themselves with the mantra that Russia "doomed" to cooperation with the United States profited from everything the Americans were doing. Convinced of their infallibility, the Western "partners" expected Russia to accept everything without a murmur and go along with the West. Stephen F. Cohen, a well-known professor at New York University, wrote in his article "The New American Cold War" (*The Nation*, 10 July, 2006): "The real U.S. policy has been very different—a relentless, winner-take-all exploitation of Russia's post-1991 weakness."

The U.S. military bases in Central Asia have no precedence in the region's past; Russia's influence was gradually shrinking. The joint struggle against so-called international terror did not dissuade the Americans from acquiring domination at Russia's southern borders.

By 2005-2006, the international situation had changed, while the developments described above contributed to Vladimir Putin's "geopolitical maturity."

The failed partnership with the West caused disillusionment, which developed into suspicions strongly confirmed by the U.S. involvement in the Color Revolutions in Georgia (2003), Ukraine (2004), and Kyrgyzstan (2005).

The Western media abounded in scornful and denouncing comments on Russia and Putin; think-tanks, the Council on Foreign Relations being one of them, were not alien to this practice either. In fact, its report entitled *Russia's Wrong Direction* and its insulting tone embarrassed even Putin's numerous critics.⁶

Putin's "demonstration of testosterone" was not only fed by petrodollars, but also by the desire to wipe away the memories of two decades of humiliation and the failed attempt at integration with the West in the context of the counterterrorist struggle.

The "thirst for the West" typical of Yeltsin's time, however, is still very much alive.

Alexander Rahr, still seen as "the German in the Kremlin," has pointed out that Putin (to whom his most inveterate critics ascribe many of the repulsive sides of the Russian character) can barely keep the lid on his fury and disappointment with the failed offensive at the West.

The race for the Greater Caspian energy and transit assets as part of the global "resource accumulation" trend was unfolding amid the recently emerged confrontation between Russia and the West and the mounting Russian-American rivalry, as well as against the macropolitical background described above.

South Stream and Nabucco: Energy and Geopolitical Dimensions

The hiatus that occurred after the Tskhinvali events in the fall of 2008 was used to grasp the meaning of the August war in Georgia and its possible impact on the future of the energy supply lines in the Greater Caspian.

At first, it seemed that the five-day war had shattered investors' nerves and shown that Russia could remove the pro-Western Georgian government at any moment. The prospects for Nabucco looked vague.

With time, however, came the realization that "avoid-Russia pipelines" would disentangle the West from Russia's pipeline networks. The events which followed the Russian-Georgian war and the gas war between Russia and Ukraine early in 2009 consolidated this into a conviction.

The West, determined to find energy sources and transportation routes outside Russia, plunged into feverish activity; the battle for the Greater Caspian reached new heights, with the Nabucco project moving to the center of a newly devised strategy. This caused fundamental geopolitical shifts in the Caspian meso-region.

The Caspian countries have awoken to their new role of active energy and transit players. In October 2008, the British auditors Gaffney, Cline and Associates (GCA) caused quite a stir by stating that the optimal evaluation of the Iuzhny Iltan-Osman gas deposits was 5 times higher than the Daulatabad gas deposits (one of Turkmenistan's largest); the newly discovered deposits made Iuzhny Iltan-Osman the world's fourth or fifth largest gas field,⁷ while Turkmenistan boosted its status with Eurasian energy politicians.

The so far generally shared doubts about Turkmenistan's ability to cope with its already signed obligations were brushed aside, while the pipeline projects bypassing Russia acquired a new lease on life.

⁶ See: "Russia's Wrong Direction. What the US Can and Should Do," Council on Foreign Relations, March 2006, available at [www.cfr.org/publication/9997].

⁷ See: N. Grib, N. Skorlygina, "Turkmeniia nashla gaz v obkhod Rossii. Zavety Turkmenbashi proshli mezhdunarodny audit," *Kommersant*, 15 October, 2008.

The August war and the resultant doubts were gradually forgotten to allow the idea of a Trans-Caspian Pipeline System to be revived and pushed forward.

Important geopolitical changes in the Caspian meso-region were not excluded; meanwhile the frantic rivalry between South Stream and Nabucco became a fact.

The latter is the brainchild of a consortium of energy companies of Austria, Hungary, Bulgaria, Rumania, and Turkey with a price tag of \$11 billion attached to it.

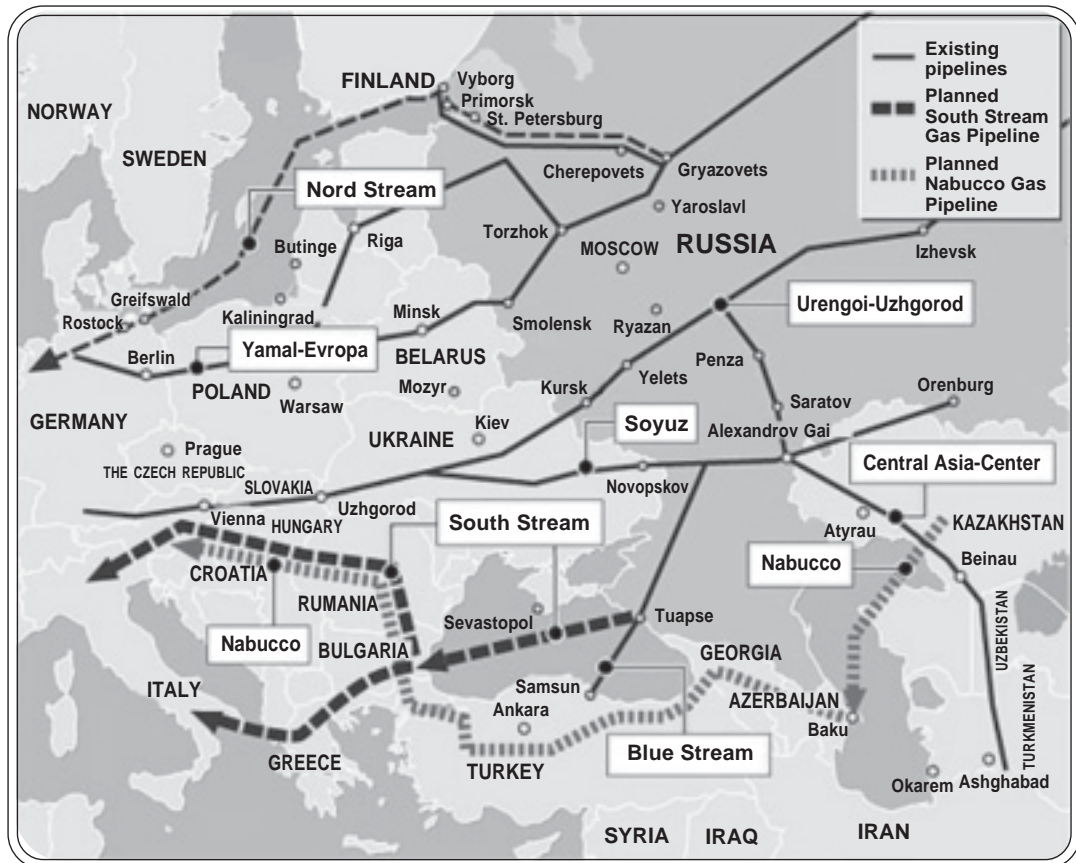
Intended as a transportation system designed to bring Mid-Eastern and Caspian oil to Europe via Turkey’s Anatolian Plateau, it was backed and partly funded by the European Union and strongly supported, politically and morally, by the United States.

A purely business venture with no political undertones, it was a chance to acquire more gas from the Caspian and Middle East with lucrative transit fees as an additional perk.

The pipeline intended to liberate Europe from “Russia’s gas slavery” was aptly named after the main protagonist of a rarely performed Verdi opera which recounted the hard plight of Jews under King Nebuchadnezzar who then liberated them. It all started one evening in Vienna in 2002 when the Turkish, Hungarian, Bulgarian, and Rumanian colleagues of a group of Austrian executives were invited to see Verdi’s opera. “The officials had spent the day sketching out a plan for a

Map 1

The Rivaling South Stream and Nabucco Gas Pipelines



2,050-mile pipeline that could transport up to 1.1 trillion cubic feet of natural gas every year across their countries to the European markets. The sources of this gas would not be Russia, but Azerbaijan⁸ and the Middle East.

After a while, the pipeline acquired political overtones, its business rationale being pushed to the backburner. Nabucco became another political weapon to be used against Russia and its influence in Central and Eastern Europe. The ideologists of New Europe recognized their chance not only to build a new vitally important supply lines with the West, but also to undermine Russia's position.

Even before the war in the Caucasus, Nabucco was seen as a way to defeat Russia and form a counterbalance to its so far dominant position on the European gas markets.

Oil and gas pipelines developed into an instrument of Europe's geopolitical defenses against Russia, the "barbarian at the gates," and were mentioned in the same breath as military terms.

"Intended as a defense against Russian dominance over the EU's natural gas supplies, the Nabucco pipeline is beginning to look like a modern-day Maginot Line," wrote Kyle Wingfield, editor of the Business Europe section of the *Wall Street Journal* in its 16 April, 2008 issue.

Washington was extremely vexed by the European leaders' dithering over the pipeline: "Nabucco is exposed to the EU's inability to put up a united front on energy security. Although EU leaders say that it's the Union's highest priority project, the European capitals are failing miserably to rally around it," writes Kyle Wingfield.

This was part of the problem; the Turks, who ruined Europe's energy game, created more complications.

Quite unexpectedly they decided to use the transit pipeline as a political weapon: Prime Minister Erdoğan declared that the future of Nabucco depended on resumed talks about EU membership for his country. Washington dismissed the attempt as "Putin-ization of Turkey's foreign policy."

Turkey went even further by demanding 15 percent of the gas moved along the pipeline; a compromise, however, allowed the sides to sign an inter-governmental agreement.

The West remained convinced that "the Turkish government might act as a sort of southern Ukraine—receiving gas from several sources, mixing it together, siphoning off a portion, and then selling the rest to Europe in a non-transparent way while collecting transit fees." This cast doubt on the project future, invalidated it and jeopardized the sources of fuel, potential markets, and trust of potential users.

The war in Georgia and the Russian-Ukrainian gas conflict of January 2009 not merely dramatically changed the course of energy debates but also inspired those who rallied behind Nabucco to scare Europe with Russia's "gas tyranny."

A discussion was held at the Heritage Foundation on the gas conflict and its impact; on the whole, this think-tank tends toward extreme ideologization of the problems discussed and very straightforward interpretations. The American analysts decided that Russia's gas monopoly should be discontinued and that (even more important) the trans-Atlantic community's energy and security issues should be interconnected.

Speaking at the "U.S. Policy toward the South Caucasus: Challenges of Energy and Geopolitics" conference, Frederic Starr, Chairman of the Central Asia-Caucasus Institute at J. Hopkins University, said that Nabucco was a geopolitical issue since Russia had treated it as such.

He went on to say that the economic dimension just as important, but, at least for a while, geopolitics would come before economics: the Nord Stream carried a price tag of \$12 billion, while a pipeline across Belarus would have cost \$3 billion.

⁸ D. Freifeld, "The Great Pipeline Opera," *Foreign Policy*, 24 August, 2009.

Neil Brown, special advisor to Senator R. Lugar, is convinced that energy plays an important role in Central Asia and the Caucasus when it comes to Transatlantic security. He deemed it necessary to warn that in the absence of a consolidated energy policy in the European Union NATO might be endangered.⁹

Ariel Cohen, a leading expert at the Heritage Foundation, fanned the passions in an effort to present them as prevailing European opinions: it is commonly believed in Eastern and Central Europe, he asserted, that Russian oil and gas came to replace the Cossack squadrons of the 19th century and tank divisions of the 20th century as instruments of political control over Europe. The pipelines fetter Europe, say the Poles, Czechs, and Hungarians; they are afraid that these new chains might destroy NATO.¹⁰

The gas crisis of January 2009 added urgency to Nabucco and made it highly popular across Europe. European consumers and politicians concluded that they needed alternative routes and alternative fuel sources.

In the winter of 2009, unheated homes¹¹ proved the best argument in favor of Nabucco, earlier dismissed as an empty dream; its commercial future, however, and the sources of adequate volumes of gas remained as vague as ever.

Russia was no longer seen as a reliable gas supplier: the Europeans became convinced that Russia was an aggressive “petrostate” with political biases stronger than its commercial commitments.

It should be said, however, that many people in Europe looked at “orange” Ukraine as a corrupt and unreliable transit country responsible for the “sporadic” gas supplies from Russia; such people refused to think of Nabucco as anything else but an opera.

No matter what, the European capitals were slowly and gradually moving toward the opinion that the latest gas war put the EU’s integrity, strength, and independence at risk and that the next conflicts would widen the split. People willingly lent an ear to those who said that Russia had built the pipelines to sabotage European unity and argued that for the sake of stability Europe should find new fuel sources in Central Asia.

This created another twist in the struggle for the Greater Caspian in the form of consistently promoted “avoid-Russia” initiatives. On 1 September, 2008, a special EU summit that met to discuss the Caucasian war passed a resolution which said that Europe should address the problem of its excessive gas dependence on Russia; the EU launched negotiations on Nabucco.

In November 2008, European Energy Commissioner Andris Piebalgs visited Turkey, Azerbaijan, and Turkmenistan (the countries involved in the project) to identify the still pending problems and to arrive at a common draft decision on Nabucco.¹²

This opened a season of fierce battles between those who supported South Stream and those who sided with Nabucco over the agreements on gas deliveries needed to make the projects feasible and over political and financial support.

Pipeline policy rests on strategic rather than economic arguments; many in the West are convinced that geopolitical arguments should be treated as a priority; gas supplies and profitability come second.

Jonathan Stern of the Oxford Institute for Energy Studies believes that the European Union has enough political will to make Nabucco a success: the governments of the European countries should persuade their energy companies to support Nabucco, emphasizing that this is a test of viability of Europe’s unified energy policy and European solidarity and that they (i.e. policy and solidarity) should be up to snuff.

⁹ See: “Gaz podkliuchili k sfere interesov SShA,” *Kommersant*, 30 January, 2009.

¹⁰ “Rossiiskie truboprovody ugrozhaiut Evrope?” *community.livejournal*, 25 October, 2009.

¹¹ The Kremlin lost the propaganda campaign: Europe remained convinced that it was blackmailed by Putin.

¹² See: [<http://www.newsazerbaijan.az/analytics/20081107/42569096.html>].

This pushes politics ahead of economic considerations, which makes the future of Nabucco even more vague than it is now.

In the summer of 2009, the struggle reached its height with Russia fighting fiercely to bury Nabucco; it bought shares in European energy companies to prevent a Nabucco coalition; it bought natural gas in Central Asia and Azerbaijan (sometimes at highly inflated prices) to deprive Nabucco of gas.

Some people call this vehement rivalry a war over Europe's energy future; it split the continent into "old" and "new" Europe and intensified the doubts of the "old" European elites.

"In many ways, Schröder and Fischer personify the intense struggle—some call it a war—over Europe's energy future." The veterans of German policy and former colleagues in the Schröder Cabinet, in which Fischer was foreign minister, found themselves on the opposite sides of the "energy barricades"—the most dramatic confirmation of the split.

While in office, Schröder was reliably pro-Russian on German and European energy issues. Less than one month before leaving the chancellorship, Schröder used his office to guarantee a \$1.4 billion loan (later declined by Russia) for a Kremlin-backed natural gas pipeline that would connect Russia to Germany via the Baltic seabed. Just days after stepping down, he accepted a senior post with the pipeline consortium run by Gazprom. The deal caused a huge scandal inside Germany.

"In the summer of 2009, Fischer made the breach with Schröder official": he signed up with a rival consortium—energy companies that have joined to build the Nabucco natural gas pipeline as a "political communications advisor."

As distinct from the former chancellor, the former foreign minister was a pure-bred Atlanticist openly skeptical about Russia. David Freifeld quotes him as saying in an interview to the *Wall Street Journal* that Schröder's idea about Putin as democrat "was never my position." When asked what he found "most objectionable" about Schröder's tenure, he replied succinctly: "His position on Russia."¹³

The two men who led Germany together for eight years became opponents in a fierce and highly politicized energy war.

The accelerating "diversification race" unfolding within the framework of the "dilemma of simultaneity" adds to the continental antagonism. The rivaling transit policy of the European Union and Russia added vigor to the geopolitical competition in the Caspian-Black Sea area and raised the degree of general mistrust. This policy multiplied ineffective and commercially unappealing projects for the simple reason that commercial and industrial rationale was sacrificed to political considerations.

The above changed the train of thought in some of the minds of the European political community: Why indeed should Russia be excluded from our energy future?

Decline of Nabucco and the Eastern Horizons of Caspian Energy Policy

Late in 2009, Nabucco suffered a crippling blow: burdened with innumerable and irresolvable problems, it lost the exhausting round against South Stream. Russia, on the other hand, somewhat consolidated its position as the main transit country between Central Asia and Europe.

¹³ D. Freifeld, op. cit.

The old disagreement between Turkmenistan and Azerbaijan over the gas deposits along the median Caspian line suddenly flared up again to send Nabucco into a tailspin. In fact, for the last ten years this problem has been and remains the main stumbling block on the road towards the two countries' better relations.

The statement President of Turkmenistan Berdymukhammedov made late in August 2009 set the ball rolling. It turned out that his country was planning to build a naval base on its stretch of the Caspian coast. The message was clear: Turkmenia was resolved to fight for its interests. As could be predicted, Baku voiced its displeasure to Ashgabad.

It was not South Stream which delivered the final blow to Nabucco: its demise was speeded up by a chain of events that unfolded within the space of several weeks between December 2009 and January 2010.

First, on 14 December, 2009, a new gas pipeline linking Turkmenistan and the northwest of China was commissioned. Designed by China's state-owned giant CNPC, it can carry 40 billion cu m (bcm) of gas every year along its 1,250-mile stretch across the territories of Kazakhstan, Uzbekistan, Turkmenistan, and China. The newly commissioned pipeline supplemented the Atasu-Alashankow oil pipeline built in 2006 that linked Kazakhstan and China.

The new gas pipeline and the agreement under which Turkmenistan pledged to supply China with 30 bcm of gas every year for the next 30 years bonded the two countries. More than that: Turkmenistan borrowed heavily from China—it is developing Iuzhny Ilotan's large gas deposits using China's tied loan of \$4 billion.

Second, Russia meanwhile restored its gas relations with Turkmenistan disrupted by the blast at the Central Asia-Center gas pipeline in April 2009.

On 22 December, 2009, at a meeting in Ashgabad attended by the top figures of Gazprom and Turkmengaz, the presidents of the two countries buried the gas conflict. The sides agreed to resume export of Turkmenian gas across Russia's territory; they also signed several important documents related to strategic cooperation in the energy sphere which envisaged, among other things, extending the 2003 bilateral agreement signed for 25 years.

Moscow's agreement to pay European prices for Turkmenian gas was even more important: "Russia was resolved not to leave gas to be used in alternative pipelines."

Russia and Turkmenistan reiterated their commitment to the Caspian Coastal Pipeline (along the Caspian east coast toward Russia via Kazakhstan) with a capacity of 30 bcm. "Evidently, Russia hopes to cluster additional Central Asian gas from Turkmenistan and Kazakhstan."

No matter how impressive, the above leaves pending the answer to the question: Will Russia rush to emulate China, which built a new gas pipeline in three years?

Third, on 6 January, 2010, the 182-km long Dauletabad-Sarakhs-Khangiran pipeline was inaugurated. With an annual capacity of 20 bcm, it connected Iran's northern Caspian region with Turkmenistan's vast gas field.

These events send strong messages with respect to energy geopolitics. Within the space of three weeks, Turkmenistan committed its entire gas exports to China, Russia, and Iran. It has no urgent need for the fairly risky pipeline projects advanced by the United States and European Union.

The West failed to repeat its triumph with the BTC oil pipeline on the Caspian gas front; in the short-term perspective, it has lost the battle for control over the Caspian pipelines.

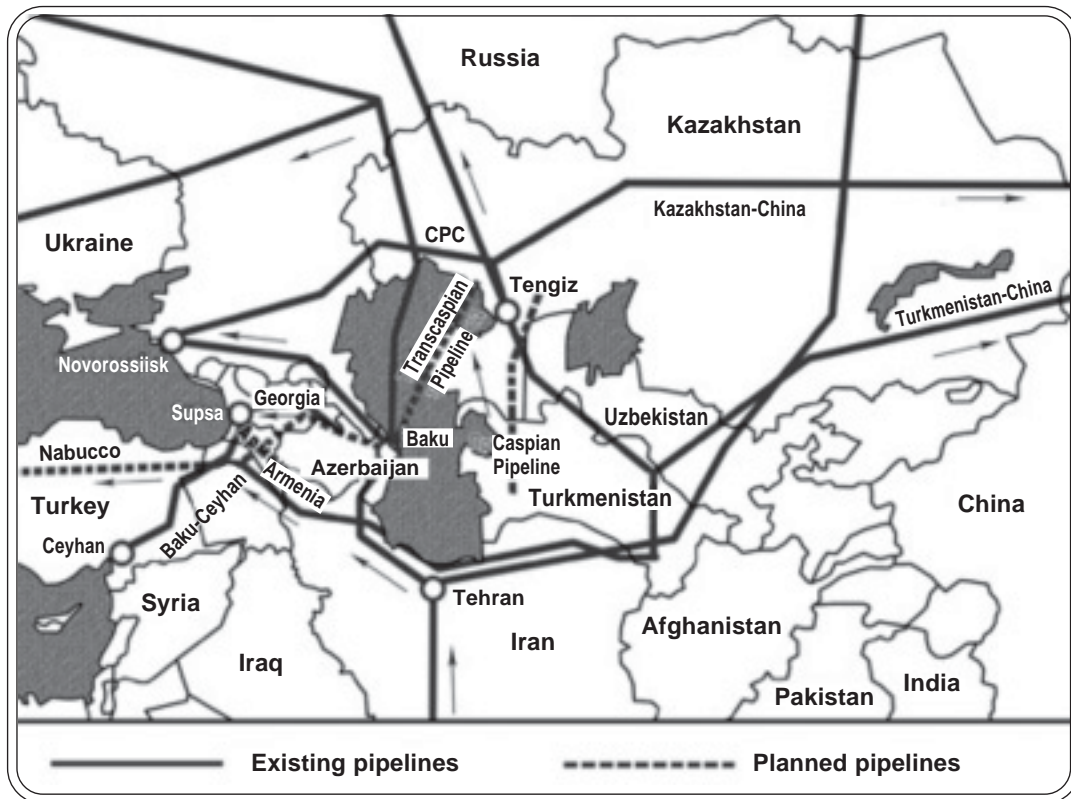
The Greater Caspian meso-region has obviously acquired a new pattern of energy cooperation. Russia, Iran, and Turkmenistan, which hold the world's largest, second largest, and fourth largest gas reserves, respectively, along with China, "consumer par excellence this century," upturned the scenario the West has been writing in the persistent transit and diplomatic wars of recent years. M.K. Bhadrakumar, Indian career diplomat and analyst, offered a comment: "The Turkmen-Iranian pipeline mocks the U.S.'s Iranian policy" and further: "The U.S. is threatening Iran with

new sanctions and claims Tehran is 'increasingly isolated.' But Mahmud Ahmadinejad's presidential jet winds its way through a Central Asian tour and lands in Ashgabad."

This visit created a new economic Ashgabad-Tehran axis. Iran is currently engaged in negotiations with Turkey on pumping its gas via the existing 2,577 km-long pipeline connecting Tabriz with Ankara, which means that the West is probably "losing the battle for establishing direct access to the Caspian."¹⁴

Map 2

Pipelines of the Greater Caspian



Western analysts, engrossed in contemplating the prospects of the European projects, were caught unawares. Michael Richardson, former Asia editor of *The International Herald Tribune*, showed his irritation in the title of his article which appeared in *The National* newspaper: "China versus Russia and the Battle of 'Pipelinestan,'"¹⁵ a broad hint at the rivaling oil and gas pipelines which crisscross the region.

Mr. Richardson and many of his colleagues went out of their way to present China's victory as Russia's defeat in Central Asia: "By opening a pipeline through Central Asia, China has broken Russia's long-standing dominance over the natural gas export from the region and underlined the rapid rise of Beijing in the energy-rich zone."

¹⁴ M.K. Bhadrakumar, "Russia, China, Iran Redraw Energy Map," *Asia Times*, 8 January, 2010.

¹⁵ M. Richardson, "China versus Russia and the Battle of 'Pipelinestan,'" *The National*, 28 December, 2009.

He went as far as saying: “Beijing’s gains in Central Asia—at Russia’s expense—were underscored the day after the pipeline across Central Asia to China was inaugurated in Turkmenistan.” This is in line with the old Atlanticist position: China’s breakthroughs in North Eurasian energy projects spell Russia’s defeat and doom it to cooperation with the West and Europe.

This is hardly correct. According to M.K. Bhadrakumar, “Russia does not seem perturbed by China tapping into Central Asian energy.” Russia is quite satisfied with the fact that Turkmenian gas will not go to Europe to compete with Russia’s exports.

On 3 December, 2009, Prime Minister of Russia Putin said that Moscow does not object to gas exports to China; First Vice-Premier of Russia Igor Shuvalov was quoted as saying that Russia approved the gas pipeline between Turkmenistan and China via Uzbekistan and Kazakhstan and supported its commissioning.

They confirmed the extreme importance of Chinese-Russian energy cooperation as an important factor behind the new energy geopolitics in Central Asia and elsewhere in Northern Eurasia.

Under an agreement of 13 October, 2009, the sides pledged to set up a firm foundation for their long-term cooperation in geological surveying in Russia and third countries. China was prepared to supply easy loans to the Russian energy sector, although the price-related issues are still being discussed.

In the early half of 2008, China looked into the energy potential of the Russian-Georgian war and, while remaining absolutely neutral, displayed a great interest in the August events in South Ossetia.

Soon after the Russian Blitzkrieg in Georgia, on 8 September, a delegation of the CC of the Communist Party of China led by Wang Jiarui, head of the CC International Department, arrived in Moscow on an invitation of the United Russia Party with the obvious intention of finding out how the South Ossetian conflict had affected China’s position in the battle for Central Asian energy resources.

In the last 10 years, China, already actively involved in resource accumulation, has been figuring prominently on the Caspian scene. Very much like Moscow, Beijing is concerned about the planned trans-Caspian pipelines designed to move Central Asian fuel to the West via Azerbaijan and Georgia. This explains its interest in the five-day war.

After gathering as much information as they could, the Chinese went to Baku to find out what the Azerbaijani top figures thought about the war and about the future of Nabucco.¹⁶

Russia does not intend to compete with China over the Central Asian resources. “What matters most to Russia,” writes M.K. Bhadrakumar, “is that its dominant role as Europe’s No. 1 energy provider is not eroded.” In this context, the Russian pipelines (Nord Stream and South Stream) tolerate no alternatives.¹⁷

Contrary to what the Atlanticists assert and thanks to Russia’s price policy established in December 2009, Ashgabad does not see the Chinese pipeline as a substitute for Gazprom, which is still viewed as an important partner. The Chinese price (its discussion began early in 2010) can hardly match the Russian offer.

Conclusion

“To be sure,” writes M.K. Bhadrakumar, “2009 proved to be a momentous year for the ‘energy war’” in the Greater Caspian. The Chinese pipeline inaugurated on 14 December and the Iranian pipeline inaugurated on 6 January changed the energy map of Eurasia. Another event wedged in between

¹⁶ See: A. Gabuev, “Delegatsiia KPK posetila Moskvu i Baku,” *Kommersant*, 15 September, 2008.

¹⁷ Construction of the first line of the Nord Stream system began on 9 April, 2010.

these two dates confirmed Russia's victory in the East Asian energy sector. On 27 December, Prime Minister Putin inaugurated an oil terminal near the Far Eastern port of Nakhodka to be served by the mammoth \$22-billion oil pipeline Eastern Siberia-the Pacific: East Siberian oil went to the Pacific markets.

On 14-15 January, 2010, the Nabucco project, recently the symbol of European energy freedom, suffered another defeat in Batumi. The presidents of Azerbaijan, Poland, Lithuania, Latvia, and Ukraine, who were expected to attend the energy summit, preferred to ignore it, while the president of Georgia, the host country, likewise failed to appear to open the conference; representatives of Turkmenistan and Kazakhstan were also invited.

This summit, very much as its five predecessors, was convened to discuss how to diminish dependence on Moscow and move Caspian gas to Europe by circumventing Russia. Planned as a summit of ten heads of state and government, it became a conference of experts.

The 21st century changed the energy rivalry in the Caspian beyond recognition. The euphoria of the 1990s caused by the victory in the Cold War and the hopes of unlimited growth and prosperity evaporated. The new millennium and 9/11 returned the world to simple and clear geopolitical principles: "we—them" and "who will win?" Very much as before, national interests, the use of force, and pragmatism prevailed over the hopes and illusions of the early post-communist period of the 1990s.

The events of 9/11 marked the end of the geopolitical hiatus of the 1990s; the "teleology of the transition period" discredited by the failure of the "democratic transit" in Russia collapsed along with the Twin Towers.