

Can economic growth in the industrialised world, and burgeoning industrialisation in the developing world, continue without access to fossil fuels? The short answer is no, because the survival of societies, and thus states, depends on economic dynamism and technological innovation, which are impossible without access to raw materials and fossil fuels. This is why, since the disintegration of the Soviet Union, the vast gas and oil reserves of the Caspian Region have become the object of the latest phase of the 'Great Game'.

# The 'Great Game' continued: Central Eurasia and Caspian Region fossil fuels

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Post-Cold War geopolitics has been characterised by unipolar military power (America) and global economic tripolarity (North America, the European Union and East Asia). Competition over access to fossil fuels, meanwhile, has intensified owing to increased scarcity, geographic concentration, domestic demand and import dependence, forcing energy – and, indeed, foreign – policy to emphasise strategies that secure energy supplies. Thus today's major power politics revolve around access to natural resources.

Thanks to the war in Iraq, American military borders and geopolitical power now extend from southern Europe to the Middle East to a particularly resource-rich region that American strategy aims to cut off from Russia, Europe and China: the Caspian Region. A long-term American military presence could open it to American business and non-governmental organisations, which might empower America to shape the region's societies and control access to its oil and gas. This would give the lone superpower indirect control over the economic and technological development of regional contenders such as China, India and Russia. Whether or not it succeeds, the American effort is already inducing responses from both near and far.

## The object of the game

The Caspian Region (Azerbaijan, Kazakhstan, Turkmenistan, Iran and Russia) is home to 45% of the world's known gas reserves and 10% of its oil reserves. This vast yet concentrated wealth has transformed the Caspian Region and the whole of Central Eurasia into an intersection of interstate rivalry, enterprise competition, and intervention by regional state and non-state actors.

Aside from Russia and Iran, the region is not in the territorial sphere of the security institutions of any one of the major powers, hence there is no 'agreed upon', and thus 'stable', zone of influence. Extra-regional state and non-state actors compete to exercise power and influence over the politics and societies of their hosts by searching for allies among local actors. Given this complex matrix of social forces, competition and cooperation are ad hoc, complex and even ambiguous. Uncertainty and unpredictability are the rules of the game. As all major powers are involved and regime legitimacy is at stake, competition here has the potential to destabilise the entire world system.

For example, China in particular must tap these resources to secure an adequate energy supply, which brings it into competition, if not confrontation, with America. In recent decades, the Chinese economy has been growing at a rate substantially above that of the world and is becoming

more dependent on imports, especially fossil fuels. America's oil production, meanwhile, peaked way back in 1970-71; if its oil imports are interrupted, it has no spare capacity for its European and East Asian allies. Both powers want into a fossil fuel-rich region that is essentially Russia's backyard.

## Pipeline politics

America's main obstacle to expanding its role in the Caspian Region is Russian influence, particularly over the main transport routes of oil and gas to the European Union. In the late 1990s, the Americans became involved in determining the location of the Baku-Tbilisi-Ceyhan (BTC) oil pipeline. Backed by the Clinton Administration and constructed in 2002 by an international consortium in which British and American oil companies played the leading role, the BTC is an important part of the East-West energy corridor. It circumvents Iran and Russia in order to minimise both countries' influence, and is the first major oil export route connecting Caspian oil to European consumers. Oil from Azerbaijan began flowing through the BTC in May 2005 to the Turkish Mediterranean port of Ceyhan, located near the massive American military base at Incirlik.

As though in response, Russia concluded deals for gas pipelines into its territory at the May 2007 Ashgabat gas pipeline summit. These included the construction of the Caspian Littoral Gas Pipeline from eastern Turkmenistan and a parallel pipeline from Kazakhstan, and the rehabilitation and perhaps expansion of the Central Asia Centre Pipeline from Turkmenistan and Uzbekistan. These pipeline agreements have reinforced Russia's regional political influence by increasing its control over energy exports and forestalling rival routes to the West.

China, too, is contending for influence on pipeline location and construction, motivated by its overdependence on Middle Eastern oil and its own perception that it lacks control over market and strategic factors in times of emergency. China currently imports 60 percent of its oil from the Middle East, and the region's political instability coupled with the possibility of military confrontation with America over Taiwan makes China nervous, as it lacks the military capability to protect oil shipments over its long-distance marine route, especially at the chokepoints of the Hormuz and Malacca Straits. In other words, China fears an American blockade of its Middle Eastern oil imports in the event of irreconcilable conflict. Diversifying supplies by seeking overland oil transportation routes from Central Eurasia and the Caspian Region is an attractive alternative. Thus in late 2006, China and Kazakhstan agreed to build the second section of the Atasu-Alashankou oil pipeline, and gas-rich Turkmenistan agreed to a gas pipeline to China through Kazakh territory.

## Rising China

China's recent engagements with Central Eurasian and Caspian countries, namely Kazakhstan, Turkmenistan and Uzbekistan, have unsettled the Americans. The region's political turbulence, and the geopolitical energy rivalry instigated by the Americans, have propelled Russia and China to build regional strategic partnerships, the most important of which is the Shanghai Cooperation Organisation (SCO). Led by China and Russia, its members include Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Kyrgyzstan and four observer states, Mongolia, Iran, Pakistan and India. Under the SCO framework, bilateral and multilateral energy cooperation will play a significant role in counteracting American ambitions. Meanwhile, America's plans to deploy a missile defence system in East European countries and Japan may spur closer military cooperation between Russia and China within the SCO.

A politically stable and economically developing Central Eurasia and Caspian Region is in China's interest, as it shares a 3,000 km border with Kazakhstan, Kyrgyzstan, and Tajikistan and a 4,300 km border with Russia. China once had disputed borders with all four countries, which could have fuelled a separatist movement in China's Xinjiang Uighur Autonomous Region and damaged China's national security interests. By signing the Agreement on Deepening Military Trust in Border Regions in 1996, the first multilateral security agreement between them, and bilateral and multilateral border agreements later that decade, the disputes have been resolved. Moreover, since establishing diplomatic ties in the 1990s, China's trade relationship with the region's countries has been growing sharply. From 1992 to 2005, total bilateral trade between China and the five Central Asian countries has increased 190 percent from a mere \$459 million to \$8.73 billion.

Meanwhile, multilateral energy cooperation has been active since the 2006 SCO summit meeting in Shanghai, where Russian President Vladimir Putin spurred the creation of an energy club to expand transportation and communication cooperation. Whether bilaterally or multilaterally, China's energy involvement in Central Eurasia and the Caspian Region is deepening, and this deeply concerns Washington.

## An oil-lovers' triangle: Russia and the future of Sino-American relations

China's strategic demand for supply security and its active energy engagement policy alarm Washington. Four factors will fundamentally determine the nature of Sino-American relationship with respect to Central Eurasia and the Caspian Region.

(1) China's role in SCO over the next ten years. China owes its deepening relations in the region to the increased

military, political and economic cooperation among SCO members. Whether SCO exists as regional balancer or global balancer, China will be a great power to be reckoned with in the region, but the uncertainty of SCO cohesion in the face of American challenges could undermine China's geopolitical influence.

(2) China's energy cooperation with Central Eurasian and Caspian states. If China's bilateral and multilateral energy cooperation moves forward too rapidly, an already wary America might respond more aggressively.

(3) How Russia defends its backyard against penetration by other great powers, particularly America and China. Russia's current defence policy in the region, like the Soviet Union's during the Cold War, uses China as a balancing power to counter the strategic offensive of America's war on terror. The uncertainty of such triangular relations not only affects the long-term strategic partnership between China and Russia, but also future geopolitics between China and America.

(4) The American regional military presence and its ongoing geopolitical consequences. While unilateral American military penetration has resulted in turbulence and instability, China bilaterally and multilaterally seeks to promote multi-polarisation and to balance powers by working with SCO countries. So far, American power projection has induced geopolitical backlashes from Russia, China and the region, such as calling for the withdrawal of American troops and closer military cooperation within SCO.

## A new Cold War?

Oil and gas are sources of energy, and thus sources of wealth and power, including the capacity to project military power into the world's energy-rich areas. Existing resources are decreasing rapidly while newly discovered ones disappoint. Major oil consumers will have to implement more active policies in order to satisfy their oil needs and intervene militarily to safeguard oil production. Export will become more intense. This will have enormous implications for global peace and security.

In this new 'Great Game', each of the main powers – America, Russia and China – is backing a different pipeline project and seeking to draw the region's governments into its respective orbit. Many fear a new Cold War, as it is not yet clear whether the main powers will see each other as rivals, allies or as combinations of the two. America could use political, economic and perhaps military pressure to expand its influence and remove any obstacles to the safe flow of oil. Unable to compete with the Americans militarily, China will try

to avoid confronting Washington head-on and ally with local powers to defend its regional interests. Russia, meanwhile, might continue to work with China politically and militarily to defend its backyard from American geopolitical challenges. Each main power's nightmare is finding itself alone against an alliance of the other two. The world's nightmare is direct confrontation among any of them. ■

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