The Priorities of Energy Policy of Kazakhstan: between Russia and Europe

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Abstract

Energy resources play a crucial role in the domestic and foreign policy of Kazakhstan. After the proclamation of independence in December 1991, Kazakhstan has conducted its policy based on multi-vector and balanced principles.

Russia and the European Union have tried to attract the attention of Kazakhstan leaders and spread their influence in Central Asia, because they both need new alternative sources of energy. Which party will be the winner in this competition? In my opinion, Russia has important advantages.

- The common energy infrastructure that was established during the Soviet period.
- The landlocked location of Kazakhstan. Consequently, it needs to rely on the territory of its neighbors for the transportation of oil and gas.
- Kazakhstan and Russia share the Caspian Sea, which has no legal status or delimitation of borders.
- The two countries are members of the same organizations – the Shanghai Cooperation Organization, the Eurasian Economic Community, and the Organization of the Treaty of Collective Security.
- There are no language barriers.

The EU also has advantages.

- Foreign Investments and programs.
- Its recognition of Kazakhstan in the different spheres. It approves of Kazakhstan’s presiding in the OSCE in 2010.
- It supports of Kazakhstan in the process of its entering the WTO on acceptable terms.

Introduction

Energy resources play a crucial role in the domestic and foreign policy of Kazakhstan. After the proclamation of independence in December 1991, Kazakhstan has conducted its policy based on multi-vector and balanced principles.

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For Kazakhstan, Russia is an important partner in the political and economic fields. Energy is a sphere which demonstrates interconnected and interdependent ties between policy and economy.
Literature Review

Many scholars study the issues of energy policy and security, because energy is an essential source of economic prosperity for many nations. The growth of energy supplies is becoming an important factor in international relations. Most authors pay attention to the United States, the European Union, and Russia due to their great political and economic capacities. However, Central Asian countries, particularly Kazakhstan and Turkmenistan, are becoming increasingly active in this sphere.

The former Minister of the Foreign Affairs of Kazakhstan, Tokayev Kassym-Jomart (2000), dedicated himself to the relationships between his country and the EU, underlining the growing role of Kazakhstan in Eurasia.

The scholars of the Kazakhstan Institute of Strategic Studies (KISI) and the Kazakhstan Institute of Management and Economy (KIMEP) Saule Lukpanova (2008) and Nargis Kassenova (2008) as well as Sultan Akimbekov (2004), Murat Laimulin (2004), Gulnur Rakhmatulina (2005) and others are investigating the contemporary relations of their country with Western states and organizations.

Among Russian professors and politicians, Kokoshin Andrei (2006), Tomberg Igor (2006), Bogucharski Mikhail (2007), Milov Vladimir (2008), and others work in the field of the external energy policy of Russia and Caspian region.


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For Kazakhstan, Russia is an important partner in the political and economic fields. Energy is a sphere which demonstrates interconnected and interdependent ties between policy and economy. For both Russia and Kazakhstan, cooperation in the energy sphere is considered the main direction of their foreign policy. When I say that Russia is more competitive in comparison to Europe, I assume that our government will take into consideration the following points:

- The common energy infrastructure that was established during Soviet period. For example, the Atyrau – Samara oil pipeline and the Central Asia - Center gas pipeline, which connected Turkmenistan, Uzbekistan, Kazakhstan, and Russia for 40 years.

- The geographical closeness of two countries that possess the longest land boundary. In addition, in Kazakhstan seven oblasts (administrative units) out of fourteen have a common
border with Russia. Citizens of the two countries do not need a visa to cross the border. Therefore, trade and cultural relations between them are strong and deep.

- The landlocked position of Kazakhstan. Consequently it needs to rely on the good will of its neighbors for transporting oil and gas. Oil is transported to Russia through land pipelines, while transportation to Europe bypasses Russian territory by going through the Caspian Sea with tankers. The first way is cheaper and more effective. Now Kazakhstan has the only natural gas export route, namely to the European part of Russia.

- Kazakhstan and Russia share the Caspian Sea, which has no legal status or delimitation of borders. Up to 1991, the Sea had belonged to only two states, now its waters wash the coastlines of five sovereign states – Russia, Iran, Azerbaijan, Kazakhstan and Turkmenistan. As of today, Kazakhstan’s sector of the Caspian Sea is regulated by the following agreements: 1. July 6, 1998. Kazakhstan and Russia signed an agreement on delimitations of the Caspian seabed, with a Protocol to the Agreement signed in Moscow May 13, 2002. 2. November 29, 2001. Kazakhstan and Azerbaijan signed an agreement on the delimitation of the Caspian seabed, with a Protocol to the Agreement signed in Baku February 27, 2003. 3. May 14, 2003. Kazakhstan, Azerbaijan and Russia signed an agreement on the junction point of lines delimiting adjacent zones of the seabed and subsoil of the Caspian Sea, which finalized the process of legal registration of the national sea bottom sectors of the three states (Tokayev, 2000).

- The two countries are members of the same organizations – Shanghai Cooperation Organization (SCO), Eurasian Economic Community (EAEC), and the Collective Security Treaty Organization (CSTO). The most effective organization in the energy field is the Eurasian Economic Community whose members, Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan have committed themselves to adopting common policies on trade, migration, currency exchange, and infrastructure development. Gradually the EAEC members began to expand the overall mandate to forming a single energy area, a single transport area, a gas alliance, a single securities stock market and a new Ruble zone (Gleason, 2008). The Shanghai Cooperation Organization plans to create the Energy Club. The main aim of this Club will be to coordinate efforts and exchange information for integrating countries into the common energy market connecting six states – the members of the SCO.

- There are no language barriers. Jos Boonstra writes that maybe the most powerful mechanism of Russian influence in Central Asia is culture, because it reaches beyond the elites; something that the EU, American and Chinese cooperation schemes largely lack. Through its cultural influence, Russia can positively advance its economic and security interests (Boonstra, 2008). In addition, the Eurasian idea is very popular in both countries. In general, this idea assumes that the Russian and Nomad people have the same roots in their deep history. They believe that Russia, in spite of European borrowings, first of all means Asia (Paradowski, 1999).

However, the EU has its own strong attractive positions. After winter 2006, the EU has been conducting an active external energy policy. In this regard, some features may demonstrate the advantages of Europe which Russia can not match.

- Foreign Investments and programs.
The activity of both TRACECA and INOGATE are related to a final area of EU activity – the strong promotion of accession to and implementation of the Energy Charter, an international agreement designed to create a regime regulating global energy-sector investment and trade that would ensure fair access and smooth transactions in the critical sector of the world-wide
The development of the Caspian Basin’s energy reserves serves European interests.

While the decline in Russia’s oil production has leveled off, the oil sector remains in need of significant capital injection and changes to its regulatory environment. If these do not occur, the output decline could resume. Investment capital is needed both for maintaining and increasing output from existing fields and for developing new ones (International Energy Agency, 1998).

The European Union invested 1.3 billion euros from 1991 through 2006. The New Strategy declared that in order to reflect greater EU engagement in the region, the EC assistance budget to Central Asia will be significantly increased under the new financial perspectives 2007-2013 to a total of 750 million euros, with the average annual allocation to the region under the development cooperation instrument increasing from 58 million euros in 2007 to 139 million euros in 2013 (Council of the European Union, 2007). Significant energy resources in Central Asia and the region’s aim to diversify trade partners and supply routes can help meet the EU’s energy security and supply needs.

- The recognition of Kazakhstan in the different spheres, especially politically. The approval of Kazakhstan’s presidency of the OSCE in 2010.

Kazakhstan, due to sets of objective and subjective factors, became the first state chairing the OSCE among the CIS countries and among the Asian member countries of OSCE. On one hand, world political vector is inevitably shifted to Asia, where there are big stocks of hydrocarbon raw materials and where two third population of the planet live and whence roots of the European security grow. On the other hand, Kazakhstan, taking account a geopolitical situation on the length of the borders and universal tendencies, more actively joins the process of formation of regional and world politics (Lukpanova, 2008).

- The support of Kazakhstan in the process of its entering the WTO on acceptable terms.

The head of the European Commission Delegation to Kazakhstan, Kyrgyzstan, and Tajikistan, Ambassador Adriaan van der Meer, said that the perspective for doing business in Kazakhstan is the energy sector. Direct and highest investments will be done there. But there is also the development of high quality modern and competitive technologies. At the moment the members of the WTO expect that Kazakhstan opportunities will correspond with the requirements needed for their access. In spite of accession negotiations they also offer assistance, for instance, in the legislative sphere. And their main task is to inform Kazakhstani business circles about all preferences and results which the WTO accession will bring to them (Chekanova, 2007).

The official position of Kazakhstan on this subject has been repeatedly expressed recently and this is clear: that the republic joining the World Trade Organization will demand a number of conditions in order to defend its own interests. In particular, Galym Orazbakov, Vice Minister of Economy and Trade, recently stated that the country will join the WTO on "just terms" with all other members. According to him, Kazakhstan will insist on a right for a transition period of five to seven years, during which time it will be able to bring its obligations in compliance with the WTO requirements. Besides, because the republic is a developing country, when it joins the WTO it will need support in agriculture, which has to be agreed upon in the future (Antsipherov, 2002).

- The support of small and medium businesses in Kazakhstan. It is especially significant in the context of the financial crisis, when the entrepreneurs in the various spheres (services, trade, and manufacturing) which have credits from the banks, suffer most of all.
Further, as Nargis Kassenova wrote, taking into account the pro-European sentiments in Kazakhstan and given the country’s advanced economic development, it offers itself as among the most promising in the region, not only for cooperation with the EU, but also as a possible candidate for the European Neighbourhood Policy (Kassenova, 2008).

In the West, scholars’ perceptions of Kazakhstan have resisted an embrace of EU regulatory and market norms while it has no prospect of a place in the ENP. President Nazerbayev’s ‘multi-vector’ foreign policy has recently led him into new strategic, long-term bilateral deals with Russia (Youngs, 2007).

In conclusion, considering the different aspects concerning the energy policy of Kazakhstan it is possible to make the statement that Russia has more advantages than the European Union. Russia is an old and traditional partner. Kazakhstan depends upon the Russian economy. The two countries have signed many long term agreements in various spheres, including energy. In addition, Russia has been involved in these current key projects.

1. Construction of the first nuclear plant in Atyrau on the coast of the Caspian Sea, aided/assisted by the scholars and technical experts of the Russian constructional bureau.

2. Enrichment of Kazakhstani uranium in Orenburg.
   On 7 December 2006, Kazakhstan's Minister of Energy and Mineral Resources, Baktykozha Izmukhamedov and the chief of the Russian Federal Atomic Energy, Sergey Kirienko, signed an agreement in which Russia pledged to assist Kazakhstan in its nuclear program in return for shipments of uranium from Kazakhstan to Russia, where the uranium will be enriched. In addition, the president of Kazatomprom, Moukhtar Dzhakishev, and the director of the Russian uranium trader Techsnabexport, Vladimit Smirnov, signed a deal in which Tekhsnabexport will provide information regarding construction, transportation and logistics to help Kazakhstan develop its nuclear program (Wikipedia, 2008).

   Kazakhstan and Russia have cooperated closely on energy issues. On 3 October 2006 during the presidents' meeting in Oral, Kazakhstan and Russia agreed to set up a gas-condensate-processing joint venture between Gazprom and KazMunayGas in Orenburg, which will be supplied from the Karachaganak field. The gas supply agreement was signed on 10 May 2007 in Astana.

The European Union has only future plans; projects are only now being implemented. The grandiose Trans-Caspian and Nabucco gas pipelines are far from realization. Several parties have proposed constructing an oil pipeline under the Caspian Sea from Kazakhstan or Turkmenistan to Azerbaijan and onward to western markets. Such a route may be an alternative to pipelines sending Central Asian oil westward via either Russia or Iran. However, construction of trans-Caspian pipelines could be complicated by environmental concerns and the uncertainty of territorial boundaries in the Caspian Sea.

However relations between Kazakhstan and Russia lie only at the regional level. Partnership with the EU as well as with the United States reaches for a higher level, the world level. Measures such as the approval of presiding in the Organization for Cooperation and Security in Europe and the entrance into the WTO on convenient terms increases the role and geopolitical significance of Kazakhstan, not only in the region of Central Asia but beyond it, in the whole international arena.
The President of Kazakhstan, Nursultan Nazarbayev (2006), assigned the strategic goal for the state to be among the top 50 most competitive world countries. Therefore, relations between Kazakhstan and the EU will be promoted in order to reach this ambitious goal.

References


