

*Identifying patterns of diplomacy regarding oil trade
within the New Great Game*



Flora Keresztely

s1241370

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International Studies – Leiden University

supervisor: prof. M.W.A Gerrits

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The region of Central Asia has recently drawn international attention. The territory between the Black Sea and China has always been in neighbouring empires' sphere of interest but has largely been ignored by great international powers. (Garnett 374). Before the collapse of the Soviet Union, the five countries, namely; Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, were not of global importance. However the discovery of natural resources and as the former Soviet states developed into autonomous republics, international community became gradually more attentive towards the area (Arvanitopoulos 1; Kellogg 75 and Kurecic 1). Academics have been repeatedly emphasizing that the region seems to offer significant opportunities with little need for high investment and effort. Eurasia's resource wealth is often mismanaged and local leadership often ignore environmental needs in favour of short term economic gain. In addition to that some regimes are fairly weak given by the fact that the five republics only have gained independence 25 years ago. This makes the region a very favourable place for investment, especially for oil companies therefore many different actors are present and involved in Central Asian affairs. Great world powers are constantly competing for dominance in the region (Garnett 371; Edwards 86). Thus scholars are eager to define and explain the current 'resource rush' of Central Asia. This paper intends to examine the patterns of diplomatic communications of the four most important players; China, Russia, the West and the five local states, within the New Great Game. In order to do that, theories regarding asserting influence in the region will be explained. The established and long term interests and aims of the players will be demonstrated. Finally an analysis of the competition and cooperation for Central Asian resources will identify the style of diplomacy and communication between the participants.

The two great theories dealing with the power games of Central Asia are the Heartland Theory and the Great Game theory, which lately re-emerged as the concept of New Great Game. Even though both are original theories, the Great Game and the Heartland theory are more than a hundred years old. They are still widely used to explain current situations, even though the world and Central Asia has gone through . The perception of the Great Game comes from an English officer of the British East

India Company; Arthur Conolly, who referred to the power games of Central Asia between the British and Russian Empires as the Great Game (Kurecic 2). This concept was introduced to the public by the novelist Rudyard Kipling in his book *Kim* which tells the story of a young man recruited as a soldier to participate and fight in one of the battles of the Great Game (Edwards 84). On the other hand, The Heartland theory is invented by Halford Mackinder, a scholar. He believes that the continents of Europe, Asia and Africa are essentially one great island, the World Island. In the very centre of the World Island lays the Heartland (now Central Asia), and whoever controls that, controls the World Island thus dominates the World itself as well (Mackinder – source missing). These theories are useful when examining the current situation of Central Asia in other words, The Oil Heartland (Bin 598) especially when defining the New Great Game.

The idea of the New Great Game as an overarching concept explaining the current haste to dominate Central Asia generates from the old, original Great Game theory. It is being re-used by scholars in order to define the ongoing competition for influence and profits, mostly referring to the natural reserves and industries linked to it in Central Asia and the Caucasus. (Edwards 83.) The theory can be recycled because of certain similarities; for example, both Games are a struggle for control and security (Edwards 84.) Albeit as Edwards points out reusing an outdated concept can lead to inaccuracy. (88.) The old Great Game was an actual military conflict of the Russian and British Empires in order to maintain their influence in the region and secure their borders. On the contrary, the New Great Game has arguably not gone to the extent of an actual armed conflict and is about securing the flow of oil and other resources in addition to achieve general regional security such as prevent terrorism and radical Islam from spreading. (Edwards 84;. Blank 151; and Zabortseva 173.) The older theory is applied to a slightly different area of land; mostly Afghanistan. While the new one is concerned with the five aforementioned Central Asian republics and the Caucasus. (Edwards 88.) The two concepts differ at various points including the depth of involvement and the purpose as well. All in all the New Great Game is characterized more as a struggle for oil and gas concessions and a lot less of

international political interests and influences. (Edwards 92-93.) It is important to point out that while the Great Game theory is a zero-sum game between the two actors, hence a realist approach, the New Great Game is about preventing the rise of a single hegemon which is a characteristic of the neorealist theory. These concepts of the international relations theory are the most used when explaining Energy trade. Control over the energy flow is usually represented as a geopolitical competition for power. The control of natural resources and transportation channels is regarded as a source of power, thus the parties are engaged in a zero-sum game where the gain of one is ultimately the loss of the other (Casier 494). In the realist theory states are the primary actors (in the case of the Great Game the British and Russian empire) who possess great military facilities which makes them dangerous for each other. Their ultimate goal is to survive in their environment. (Waltz) On the other hand neorealist theory is all about balancing, just like in the New Great Game where each actor tries to contain the others in the multi polar environment. These are the concepts which will be used when introducing the patterns of diplomacy of the New Great Game. There are many aspects of this newly emerged competition. One can examine it from more of a historical and cultural point of view, using ancient ties and shared cultural background as signs of dominance in the region although regarding oil trade the most suitable approach is examining patterns in economic activity. (Tsygankov 5.)

The great game is significant to pay attention to because of the importance of oil in modernity. Oil and gas fuel every day life. They generate heat, run vehicles, aeroplanes and all kinds of machinery around the world. Moreover, electricity generation is facilitated by them. The two substances are used to produce textiles and clothing material, computers and cellphones (Wintershall and Imperial Oil). Our daily routine would be vastly different without crude oil. Additionally and more importantly for this paper it is an easy source of money. Oil is a capital intensive product, but once the machinery is bought it can be harvested from the soil and sold with a healthy, profitable margin. This is why certain countries and companies compete for it. The main, most eminent and powerful participants in the New Great Game trying to assert their influence in affairs of the Oil Heartland, are Russia, China and

sometimes coupled as “Western Powers” the United States and the European Union. (Zabortseva 169. and Kurecic 1.) Other players mentioned are neighbouring states; Afghanistan, Iran and Turkey; however, these countries are not as significant as the main three mentioned above because their source of power, namely; shared religion (Islam) or kinship (having Turkic or Persian common ancestry) is not important when it comes to the trade of oil and other natural resources. The Key factor in this case is that their economy is a lot smaller, they do not have the sufficient amount of capital to raise investment, give loans or aid and participate intensely in the New Great Game. Although, they could serve as a transit state channelling oil towards European or Indian markets. (Edwards 87. and Garnett 372.)

Since the collapse of the Soviet Union the global energy market has profoundly changed. Not only global consumption increased dramatically but booming economies have been viciously competing for the resources of oil and gas (Casier 502). This causes a fear about scarcity and put energy in a political context. Energy trade is regarded with a realist perspective; states whom are resource abundant can have leverage on those who desperately needed. Scholars, politicians and journalist invented a variety of terms in order to qualify and explain the global zero-sum game for energy such as; energy security, energy diplomacy, energy superpower, energy dependence and the geopolitics of energy (Casier 495). The race for Central Asian resources is relevant to understand trends in global trade, security and diplomacy. The oil reserves of the region are focal points of power in world politics because the resources of the Oil Heartland are potential bases of diversification of energy to China and the US. They motivate corporate interests, rekindle historical claims and imperial aspirations. (Edwards 85.) These two great powerful actors, the United States and China are both actively engaging in Central Asian affairs. The United States is considered by academics to be the sole superpower and the world’s biggest economy, although in terms of PPP China's economy is ahead, meaning that China’s purchasing power exceeds the one of the Unites States. (Bloomberg News) Moreover, recently China became the greatest oil importing country. (Financial Times) Convincingly the decisions these two states make affect the world economy.

The competitors of the game are economically interdependent so conforming to liberalism this should incline cooperation among them. According to the European Commission China and Russia are the second and third biggest trading partners of the European Union. Russia's first export partner is the EU, China comes second. Finally, the EU is China's fourth exporting and fifth importing partner (OEC). 13 % of China's and 38 % of the European Union's Crude Oil comes from Russia-Eurasia (U.S. EIA and European Commission). Even though America imports most of its oil from OPEC countries, Russia still is the fifth greatest oil exporting country to the United States (U.S. EIA). The Chinese National Petroleum Company (CNCP) had an oil equivalent production of more than 30 million tonnes in 2009 only from Central Asia, which accounted for 34% of China's total overseas output (Bin 602). Thus, these states to a certain extent, depend on each other and Central Asia energy wise. This will probably only increase in the future. It is predicted that the Newly Independent States' oil and gas exports to China in 2020 will rise to 1.1×10^8 tonnes oil equivalent and further increase to about 1.4×10^8 tonnes in 2030. In this case, the Oil Heartland would provide 24% of China's total energy (Bin 603). Due to interlinkages and dependence, when it comes to diplomacy Russia, China, the EU and the United States probably take sources of their energy or their customers into consideration and form their foreign policy accordingly. They are also eager to diversify their providers and buyers of natural resources because any disruptive force can cause a huge fall out of income or supply which consequently can harm the country's economy severely (Kellogg 76-77; Casier 500). If the oil starts to disappear from the Middle-East unexploited reserves will gain importance. Regarding how rapidly Arabs increased their oil production, (Saudi Arabia held the largest proven oil reserves in 2008 (Olcott 273) while in 2013 it decreased to second position (EIA). There might be a change in American, Chinese and European foreign policy, which will take a favourable stance towards Central Asia and Eurasia since Russia and Kazakhstan are the 8th and 12th biggest oil reserve holders (EIA).

The three most significant operators in the region (Western powers, Russia and China) are arguably content with each other's presence. Russia is relieved to see the West and China balancing

each other out and the West surely does not mind that Russia's leverage in the region has decreased to China. Furthermore, China and Russia are always willing to cooperate when it comes up to superseding the interests of the United States or the European Union (Kim 284; Bin 3-4; Kurecic 26). In other words, all players of the New Great Game wish to prevent a single force rising as the local hegemon. This is in accordance with the neorealist theory which basically explains that it can be very disadvantageous for states to possess too much or too little power. If a state is weaker than other actors it might be considered an easy target and eventually be attacked. On the other hand if a state is seen as too powerful other actors will increase their pool of arms (in the case of the New Great Game their investment) Since the ultimate goal is balance both situations are detrimental (Waltz 36).

Since all these countries have military bases in Central Asia, they can also provide and monitor regional security (Konstanyan 6; Spechler 5). As already mentioned above that is a crucial factor when discussing the New Great Game and its diplomatic trends. Both the Heartland and the Great Game theory regard Central Asia as a strategic point military wise (Bin 598). Regional peace is important for all investors, especially those who share a border with the region. It is also considered by Russia and the world to be 'Russia's backyard'; thus, losing influence or having a military conflict in the region would lead to Russia being seen as weak. As Nazarbayev would say, it is a bridge connecting Europe and Asia. The “Five Stans” are fairly new countries and some of them have unstable political regimes. (Garnett 373). In case of any unrest in Central Asia, bordering countries (and the flow of oil) would be disturbed as well hence providing and maintaining peace in the region is very important. Especially to China who shares border with Kazakhstan, Kyrgyzstan and Tajikistan, all three having ethnic kin of China's Muslim minority groups (Chow 38). Or for Russia who neighbours Kazakhstan and has a coast to the Caspian Sea (Kurecic 25-26).

The position and interests of Central Asia - Kazakhstan

Central Asian states will have to get used to this multinational wrestling for the resources with internal and external competition (Bin 602). Academics consider it very important to point out that the three most resource rich countries in Central Asia are considered land-locked, even though they lay on the shore of the Caspian sea (Arvanitopoulos 1, Olcott 270 and Fishelson 1). This means that they have no access to outer ports to the south or to the Mediterranean sea. Both would be strategically beneficial because via those ports they could ship their resources to European and Asian markets without using a transit state such as Turkey, Russia, Iran, Afghanistan for that by this was they could avoid paying transit fees. Therefore, whoever controls and owns the pipelines and transport fees has a certain leverage and power over oil trade in Central Asia (Fishelson 2). The whole Oil Heartland is nowadays and to a certain extent will be depending on transit states. If the transit state is more powerful it might try to take advantage of the oil producer republics and/or dominate the transit market place, but scholars suspect that none of these countries will be strong enough to have full monopoly on the pipelines (Olcott 269; Allison 290).

Scholars and International organizations debate on Kazakhstan's role in the world. Some believe that the country is a major energy producer (EIA) some say it is only a medium oil producer in the world economy (Olcott 269; Palazuelos 30). For Kazakhstan, it is crucial to have a stable and friendly relationship with China, since the People's Republic is its primary exporting partner. In 2013, the value of total exports to China was 14567.16 million USD. It is almost equivalent to what the three following biggest Kazakh product importers (France, Germany and the Russian Federation) purchase. China is also the second greatest importer to Kazakhstan. Among the top five export partners of Kazakhstan, China is the only non-European partner. (IMF data base) The country's three most important trading partners are; China, the EU and Russia. The GDP of the republic was 231.9 billion USD and since

more than a third (38%) of the whole GDP is made up of exports. (World Bank data) This gives a legitimate reason for Kazakhstan's all-round based foreign policy.

Central Asian countries use an all-round based pragmatic approach when it comes to diplomacy and foreign policy (Kim 281; Zabortseva 170; Marketos 5). This means that they deal with every one of their consumers differently and try to 'suckle on three cows' at the same time, in other words trying to get the best out of Russian, Western and Chinese deals (Palazuelos 30). According to Nazarbayev, this is caused by all of these countries' geopolitical location. (Zabortseva 170). His 2014 speech outlines this political approach. The speech is addressed to the people of Kazakhstan where he emphasizes that Russia and the Central Asian community should not necessarily be the primary trading partners to Kazakhstan. Moreover the leadership of the country wishes to maintain and strengthen relationships with China and the West as well via various cooperative initiations and projects.

(Nazarbaev) Central Asian states rely on other states military-wise, additionally the government relies on foreign actors to keep their status. The Five Stans outsource their military and have bases from all three great participants of the New Great Game (Kim 284). The leadership first relied on Russia military-wise (during the colour revolutions) but nowadays relies on Chinese revenues and rents to maintain their positions (O'Neill 147). Almost 80% of Kazakhstan's exports are from mineral and metal products, from that 60% is oil and gas. In addition, 10% of its GDP is from oil and gas revenues. Dependence on natural resources or Chinese rents and revenues can harm the economy and the republic could easily become dependent. Thus Kazakhstan among all resource abundant Central Asian states needs to diversify its economy (Horton 31).

A great example to examine the multi-vector approach Kazakhstan follows is to look at its official foreign policy plan where Kazakh leadership declares that Kazakhstan will continue to contribute to regional and global energy security and will protect the balance of interests among producers, transit countries and consumers of energy. The republic will also promote the creation of diversified, stable and secure export routes (Kazakhstan Foreign Policy Concept 2014). This ensures

that Russia stay pleased, since Kazakhstan is aiming to protect the interests of transit countries. China will also be content because it has a surface to negotiate new export routes. Finally, this statement is promising to the West because they are both consumers of Kazakh energy and potential pipeline builders.

Recently Kazakh leaders have carved out more and more from the country's oil market for national companies (Olcott 270). The country gradually changing laws and transforms from privatization to nationalization and has reformed its investment policy in order to reinforce national stakes in the oil reserves, moreover to channel the revenues into developmental projects (Zabortseva 171; Bin 604). This trend is also represented in the same speech of Nazarbayev I have mentioned above. The president explains how he has already done and planning on channelling revenues into a reserve called National Funds, which will serve to enhance economic progress, infrastructural developments, and housing moreover to establish new jobs for the unemployed by supporting small local businesses (Nazarbayev "The Address"). Although as the interviews done by O'Neill show only the ones in good positions of oil and gas companies benefit from the New Great Game, namely the family of Nursultan Nazarbayev. It is in China's interest to keep the leadership unchanged. At the moment, the People's Republic has a stable and friendly relationship with Kazakhstan, any interruption in the leadership might cause a change in Kazakh foreign policy and could harm Chinese investment (149). Kazakhstan is remarkably corrupt, officials expect bribes and favour their kin over other professionals (Kaiser 1312).

Even though Kazakhstan is the most 'liberal' and 'democratic' from the "Five Stans" one should always keep in mind that for western standards its still extremely corrupt and anti-democratic (Fishelson 2). The multi-party system is more a formality than real politics, the function of the parliament is limited (Bin 603; O'Neill 145). These Factors severely weaken foundations for Western investment in the region because there are no proper rules and regulations to protect the investor and its company, moreover even if there were, rule of law is extremely weak in Kazakhstan (O'Neill 145). This

makes it difficult to do business in the country because any legal issue is unlikely to be solved effectively. Despite the fact that Nazarbayev's position is secure at the moment, the ruling elite of Kazakhstan relies heavily on revenues from bribes in the oil sector in order to keep their regime up. This will later be elaborated on in the China section. Thus investors have to bribe and constantly seek devious ways to protect their business which is very costly and time consuming furthermore both locals and the investor's fellow citizens at home (especially in the West) could be outraged and dissatisfied with fraudulent deals (O'Neill 146; Palazuelos 28).

The theories used describing the geopolitics of energy in Central Asia do not specifically point out how the Central Asian states position themselves and what type of diplomacy to they follow in their international relations. Since theory is used to describe a situation from a certain point of view one can say that the Central Asian states and their interests are not included in the approaches the New Great Game, the Great Game and the Heartland theory take (Edwards 96; Kuracic 2).

Established and long term interests an aims of Russia

Mostly mass media but also some scholars use the argument that whenever Russia tries to reassert political influence it means a politico-military hegemony meaning that Russia perceives everything as a zero-sum game (Casier 493-494 ; Olikier 34-35). and it is expected by the international community from Central Asian leaders to either favour or oppose Russia. (Edwards 85.) Russia has ruled over Central Asia for more than 150 years, firstly as the Russian Empire, later as the Soviet Union (Garnett 372). Because of this long historical relationship even though the “Five Stans” are now independent, Russia has remained an important actor in the region and expressed its interests in the so-called “Near Abroad” ever since (Blank 147; Edwards 86-87; Eder 36-37 and 45). The Central Asian States fear their independence, especially since Russian politicians are eager to claim their interest in

the region (Nygren 8). Russian military conflicts of the 21th century make the country seem like a threat to the Newly Independent States. The war in South Ossetia, Abkhazia and the recent Ukraine crisis line out what can possibly happen when one turns again Russia (Spechler 2. and Allison 280). Supposedly because of this, leaders of Central Asia many times prefer China when it comes to investment. Since the military conflicts are the results of Georgia and Ukraine favouring the West over Russia, choosing the West cannot be an option (Kazantsev 3).

It is important to note that Russia is not only competing in the New Great Game for the resources of Central Asia but has itself resources to provide. Russia also wants to supply East Asia's growing energy needs (Eder 36). Due to the networks and connections established during the last one and a half century up until the present day, Russia has dominated the region energy trade-wise and it still has certain leverage on the countries which will later be explained in detail. The reasoning behind Russia claiming interest in the region of Central Asia is to have a zone of security area on the southern borders of the Russian Federation, moreover contain terrorism and the trade of narcotics (Allison 279; Olikier 36; Kazantsev 5). In addition to this Russian administrators are eager to point out that Russian dependence on energy resources from the Oil Heartland is increasing and it is an issue of 'vital interest' to have access to the mineral rich areas of the southern neighbours. In stating this, they claim rightful access to the resources (Edwards 86). Russia needs these resources because they are cheaper to extract than the oil and gas found in the territory of the Russian federation in addition to that without the inflow of resources from the Oil Heartland, Russia could not sustain the cheap domestic prices of oil and gas (Eder 45-46 Orttung 78).

It is important to mention that many still existing and used pipelines which channel Central Asian gas and oil to customers are owned by Russia (Kim 31). The infrastructure of pipelines is built by soviets thus nowadays is possessed by Russian companies who exploit the benefits of the pipes. Central Asian states, especially Kazakhstan, has relied on Russian pipelines for their energy export and import up until recently because it is extremely expensive to build new ones (Kellogg 77; Stulberg

808). This was advantageous for Russia because it could charge transit fees for the pipeline usage and benefit from cheap Kazakh oil (Fishelson 6-7). Since Russia has long lost its great army which allowed the bipolar world order of the Cold War Russian power is no more measured in ballistic missiles but in how many oil barrels are exported per day and in the length of pipelines owned and constructed (Casier 495). Therefore, it is in Russia's interest to keep Central Asian states using its pipelines and to have an access to resources of the Oil Heartland. On many occasions Russians shut down pipelines or decreased the flow as a way of asserting influence in the former Soviet Republics (Fishelson 5; Stulberg 825). According to Eder Central Asian states turn to China because Russia abuses its control over the channels of oil and gas in the region (45). Local states prefer a partner who does not fiddle with the pipelines. Arguably energy is the most important factor in Russian economy, oil, gas and coal exports make up net 66.1% of the total exports and in 2013 counted for 68% of total export revenues (European Commission ; US EIA). Hence energy is perceived as the most powerful tool by the Russian leadership when it comes to international relations. Shutting off pipelines, subsidizing oil and gas prices and constructing new ways of energy transport are key features of Russian foreign policy (Orttung 76; Casier 496). In Central Asia however it is very hard to use these tools because most States have their own or Chinese owned pipelines, moreover they do not depend on Russian energy. Therefore China's growing presence is a challenge to Russian domination in the region (Spechler 2-3).

Before the pipeline constructions the Newly Independent States sold most of their oil and gas to Russia, however it has changed (Eder 37). As a result of the newly built oil and gas channels Russia has less access to the easy profit of transport fees and wealth slips away from Gazprom (Spechler 2-3). Russian leadership perceives this as a direct threat (Stulberg 812). Which shows that for Moscow energy trade is a zero sum game (Blank 150). To deal with this problem Russia has on many occasions lobbied against the construction of new pipelines which would surpass it, especially in the American-European joint constructions under the Caspian Sea (Eder 45; Marketos 6).

Russia does not always admit that it is losing its once mighty position in Central Asia. In an

article from the Izvestia (Russian daily newspaper), President Vladimir Putin states that he is positive about the future cooperation of Russia and Central Asia. He explains that he believes the region can be united via shared post-soviet identity and the system of connections what Russia has to offer could be beneficial for the economies of each state. The president also mentions how common organisations such as the Commonwealth of Independent States or the Eurasian Economic Union were working effectively on solving the global financial crises in the region. (Putin Izvestia) Even though Russia does not necessarily admit that it has less influence on Central Asia than before it certainly recognizes the other players;

Its natural resources, capital, and potent reserve of human resources will combine to put the Eurasian Union in a strong competitive position in the industry and technology race, in the struggle for investors, for the creation of new jobs and the establishment of cutting-edge facilities. Alongside other key players and regional structures, such as the European Union, the United States, China and APEC, the Eurasian Union will help ensure global sustainable development (Putin – Izvestia).

Russia uses its already existing ties and networks to assert influence in and communicate with Central Asian States (Eder 37). When that fails Russia turns to international organisations and institutions to have leverage in the region and monitor the influence of other powers (Blank 157). For this reason, it promotes actively the Commonwealth of Independent States (CIS), the Collective Security Treaty Organization (CSTO) the Eurasian Economic Union (EEU), and is a member of the Shanghai Cooperation Organisation (SCO)(Bin 598; Kazantsev 8). These all serve as a way to assert influence and regulate trade in Central Asia. (Kazantsev 3). However in most of these institutions Russia is the dominant member who sometimes does not take Central Asian leaders' will into consideration (Allison 286 ; Tsygankov 5). Being member of the Shanghai Cooperation Union allows Russia to monitor Chinese moves and business. Already in the 90's Russian elite pushed for “Eurasianism” in foreign

policy (Eder 36; Nygren 13; Allison 293). By creating this common Eurasian identity Russia tried to invite all the states of the Oil Heartland to become members and engage in the work of the international organizations of the region led by Russia. However since most of the other countries in the region have smaller and less advanced economies they do not actually benefit from these organizations because an open economic space allows Russian products to flood the Central Asian markets. Therefore they are not a good strategy to reintegrate the 'Five Stans' (Kim 282; Spechler 4).

Altogether the Russian Federation's weakened position generates from the fact that it is not as wealthy as the other players. The Russian economy is a lot smaller than the Chinese, American or European markets (Casier 500; Blank 157). While the People's Republic develops the region via investment and loans, Russia has been recently pulling out of or delaying developmental projects (Spechler 7). Russia is unable to offer such 'packages' as China, moreover does not want to share the profit with the local leadership as mentioned above like the People's Republic does. It is important to note that Russia has a position of both a seller and a buyer of energy products; to maximize profit and political and re-establish power in the Oil Heartland (Orttung 75). Accordingly the most ideal situation for Russia is to buy cheap Central Asian oil for domestic consumption and to sell its own resources in the East or the West.

China's already established interests and foreign policy in the region

China's growing energy needs pressure the People's Republic to be involved in the Oilheartland. It is extremely beneficial to have Central Asian partners supplying oil and gas to China's because of their geographical proximity (no transit fee) even though the region is not an ideal environment for investment. (O'Neill 145-146.) China possesses the financial privilege no other player has in the New Great Game, which explains China's recent success in Eurasia. The People's Republic has increased its

economic activity with Central Asia 25 times more than before. Trade grew from \$1 billion in 2000 to \$25 billion in 2008. (Olcott 266. Tsygankov 5.) Moreover, according to IMF data trade volumes with the region surpassed \$50 billion. (IMF) The People's Republic of China has taken the first step to increase its power in Central Asia in 1997 by signing a pact forming the SinoKazakh Oil Pipeline Co. With this pact signed, planning of a pipeline towards China began. (Fishelson 3.) Since all the pipelines in the region were owned by Russia or the West before, this was a radical step. Although China's presence dates from a year earlier, when the Chinese National Petroleum Company (CNCP) purchased 60.3% share from the Aktobe MunaiGas complex. (Olcott 265.) This is characterized by Bin as the first stage of Chinese involvement in the Oilheartland, which aimed at bringing technological improvement and progress into the region and targeted economically beneficial opportunities (599). By this, China gained development rights to certain oilfields in Kazakhstan. Since then China has emerged as the biggest investor in the region. Companies from the People's Republic dominate Kazakhstan's onshore projects (Olcott 265). Nowadays, the CNCP produces one fifth of Kazakhstan's total oil output. (Spechler 7). The Chinese market is vast enough itself for Kazakh exports meaning that China is an important customer because of the size of its energy needs (O'Neill 146). Additionally the People's Republic can also serve as a transit state to other Asian markets such as Japan or Korea (Olcott 272).

The financial ability it has enables the People's Republic of China to acquire energy related assets extremely rapidly throughout Central Asia. In Kazakhstan the figures of are the following; in 2005 China finished the Kazakhstan oil pipeline and gain rights to the Amu Darya Right Bank Project, in 2008 the Mangistau project was completed and in 2009 constructed the China - Kazakhstan, China - Turkmenistan and China - Uzbekistan pipelines (Tsygankov 5; Bin 603)- Additionally in the year of 2008 investment from the People's Republic was almost \$700 million even though the global economic crisis caused a drop in foreign direct investment flows world-wide. In three years, accumulated Chinese FDI surpassed \$9 billion. (O'Neill 146.) It is interesting to see that all of China's success was achieved during the last one and a half decade.

In Kazakhstan, the investors face high corruption, weak rule of law and great political risk. (Kaiser 1313.) However, this obstacle usually could be surpassed by bribing. In the beginning, China simply bribed officials but nowadays their policy has evolved into using loans and sharing ownership of oil companies in order to gain access to Kazakh oil. The People's Republic of China loans to and invests generously in Central Asia. (O'Neill 145.) Perfect examples for this are that China has reduced Kazakh dependency on Uzbek gas, donated to ease the Kazakh financial crisis, and loaned to the Development Bank of Kazakhstan. (Olcott 266.) These 'good deeds' of the People's Republic are not acts of mere charity. Every loan and investment has a purpose. This approach of using economic power (loans and aid) secures ongoing and future projects and protects Chinese business in Kazakhstan because whenever China invests into a company, develops an oil field or establishes a new energy entity it makes key members of the Kazakh government stakeholders in the project. (O'Neill 145.) The case of the KazMunai Gas perfectly portrays this. When purchasing the Western owned PetroKazakhstan Inc. part of the deal included handing over assets from the KazMunai Gas company. (Fishelson 3.) This also creates a friendly atmosphere among the leadership. Kazakh elites welcome Chinese investment at any time because they directly benefit from it while the Chinese government is willing to bribe, loan and give out aid in order to have a guaranteed flow of oil and gas. Hence, energy collaboration of China and Central Asia is not just purely economic. It facilitates bilateral political relations because such enormous oil and gas deals need vigorous governmental promotion. (Bin 604. and O'Neill 148.)

Olcott and Bin both claim that obtaining a win-win situation with Central Asian states and geopolitical equity in the Oilheartland is what China seeks. (Bin 596. Olcott 272.) The aforementioned characteristics of Chinese investment in Kazakhstan support this statement because China invested in Central Asia infrastructure and raised oil production; however, it is questionable to whom is it exactly beneficial. O'Neill adds that these loans and aid could generate a dependence and Kazakhstan will eventually have to rely on China to keep its economy going. (146.) certainly the elites of both country

profit from the deals but not necessarily the population. As Spechler points out, China establishes factories and refineries all around Central Asia. This does not ultimately generate a profitable situation. These factories are run by Chinese workers and sell goods outside Central Asia. (7.) In other words China is using these countries to produce goods with its own labour. Therefore, no job creation is taking place for the receptive country but resources will be exploited and the environment harmed. A Kazakh company; Caspiy works together with China (for example the Mangistau project mentioned above) identifies as Социально-предпринимательская корпорация, which basically means socially responsible. However, none of their projects created more than 63 jobs. (Caspiy web)

Chinese investment and technology has increased Kazakh oil output enormously. Firstly, from only 263×10^4 tonnes in 1997 to $2,423 \times 10^4$ tonnes in 2011 up nearly 10 times what it has produced earlier. (Bin 600) This is a help for Kazakhstan; the country can sell more; however, it is even more favourable for China, who by increasing the output has access to greater amounts of oil. Bin argues that China uses local engineers and technical support combined with the newest Chinese technology in order to modernize the Central Asian oil production. Mixed groups of scientists try to find innovations and try to improve output. (599-600.) This might be beneficial for the Oilheartland later when selling the ideas and machines they have invented. Even though these improvements could also lead to a brain-drain if China is the beneficiary of the information and the products, moreover better jobs provide an incentive for skilled and knowledgeable personnel to leave the region.

The CNCP has also constantly worked on its approach towards Central Asian business in order to become more successful in the Oilheartland. It formulated a speciality multinational business mode called the Central Asian oil and gas cooperation mode. Within this practice, they retain some unique political advantages, which differ from other international oil companies' approaches. (Bin 602.) Bin does not elaborate on what are these advantages or approaches that are not possessed by Western or Russian companies. Albeit O'Neill explains that the difference is that while in the West and, even in Russia, businessmen are tied to rules and regulations and besides that they seek profit, most Chinese

companies are owned by the state of China and the state has different interest and assets than businessmen. (148.) China's most important interest is to keep the oil flow; therefore, sometimes price does not matter in order to accomplish this. (Fishelson 4.) The People's Republic is enabled by its financial means to offer 'full packages' to Central Asia, meaning that it can build pipelines, invest into local infrastructure, build refineries and supply workers all at once. (O'Neill 147.) This is extremely beneficial for the five republics in the region because their infrastructure is underdeveloped and they have a scattered population. Western, Russian and even private Chinese firms are unable to provide such great deals. (O'Neill 147.)

All in all, if we look at the big picture of the China-Kazakhstan dialogue of the New Great Game, it seems like a win-win situation. China gets a new and stable source of oil while Kazakhstan gets paid for the oil it produces, local firms and oil fields are modernized and the country even benefits from Chinese loans. However when going into the details one can find facts (for example labour) which undermine the belief that the People's Republic seeks geopolitical equity and not just simply exploiting the opportunity Central Asia offers.

Western interest and foreign policy in Central Asia

There is growing interest in the Oil Heartland from the United States and Europe (Olcott 267). The United States presence dates back to the 1990's when America offered aid in order to develop the Newly Independent States. However, later on the relationship between the United States and the region deepened because America wished to establish and maintain military bases' throughout Central Asia to facilitate operations in Afghanistan (Oliker 32). Thus the first step the United States made to enhance its influence in the region had little economic importance and did not concern local energy-affairs. However, nowadays American oil companies are very much involved in the Central Asian region.

American reports already under the Clinton administration stressed the importance of Central Asian oil to the United States. The Bush administration indicated that they wish to remain the greatest oil importer 20 years from 2001 (Edwards 86). As pointed out before, just like China and the European Union, America needs diversification of its oil producers (Marketos 4). The oil crisis in the 1970s showed that it is very dangerous to rely on a sole source of energy supply (Kellogg 76). According to Kellogg, oil is crucial to the United States because it is the greatest consumer and importer of oil (76). The US position however, has changed because ever since April 2015 China has become the new greatest importer of oil. The People's Republic imports “7.4m barrels a day in April, equivalent to roughly one in every 13 barrels consumed globally and topping US imports of 7.2m b/d. The US routinely exports about 500,000 b/d.” (Sheppard -Financial Times).

The EU's main goal is to break Russian monopoly as a transit state (Bin 598). Aside from keeping the energy flow uninterrupted from Central Asia to their own markets, European and American strategies and objectives regarding the New Great Game are very different from Chinese and Russian ones (Kurecic 14). Unlike Russia, who has no intention to and has pulled out of developmental projects, the West is actively engaged in improving local infrastructure (Spechler 7). In addition to this it is beneficial to construct pipelines that circumvent Russia and open up local energy reserves to the world markets. This would reduce the possibility of Russian pipeline shut offs and reduce the price of oil since it would go directly from the producer to the consumer (Fishelson 2). The United States and the European Union also perceive Moscow's influence and presence in the region as an attempt to establish hegemony (Tsygankov 6; Olikier 34-35). Therefore they both try to prevent Chinese or Russian hegemony in the region and maintain the balance of powers (Kuracic 14). For the United States it is crucial to keep Chinese influence low in the region if it wants to maintain global stability (Olikier 50). America is also trying to curb the 'Five Stans' to work together with the rest of the Muslim world (Marketos6). Moreover, as a great advocate of anti-terrorism one of America's interest is to fight terrorism, radical Islam, drug trafficking and the proliferation of weapons of mass destruction; in other

words keep regional security (Kuracic 14; Oliker 35).

Regarding oil trade Turkmenistan is seemingly the only country which prefers western investment instead of Chinese or Russian. This is probably because Western companies offer a lot more for Turkmen energy than Russia does (Olcott 268). Through the New Silk Road or Great Central Asia plan the United States also tries to encourage American companies to invest and develop the oil sector in Central Asia. This is a tactic which will be useful in the long run because the United States wants to achieve a partnership so that later on it is easier to buy oil and gas from the region (O'Neill 147).

Another purpose of this program is to weaken both Chinese and Russian influence in the region. The European Union has a similar focus, it founded the Strategy for a New Partnership program and has given 750 million aid to the Central Asian states. Part of this money should be channelled into transforming Central Asia's human rights and modernize the transportation infrastructure (Bin 589). In the case of the EU and the US it is important to distinguish between political and economic goals. Since American and European oil companies are not directly linked to their governments their interests differ. The European Union and the United States are a lot more interested in securing their military bases', having efficiently working developmental programmes and improving human rights in the region (Oliker 56; Blank 150). What they are less concerned about is the American and European oil companies.

General Patterns and observations of diplomacy in the New Great Game

The New Great Game is a multidimensional security geopolitical and economic game. Despite the fact that Central Asia is far from a perfect investment environment it is full of resources. In addition to that there are undiscovered reserves which attract foreign companies (O'Neill 148). The players of the New Great Game have to make sure the region remains peaceful while they harvest its natural

resources. To curb Russian power in the Oil Heartland and stop Moscow from bottlenecking the flow of oil seems to be the greatest goal of all players excluding Russia (Bin 598). This could only be achieved if the source of power in this case the pipelines, are owned by other players of the New Great Game. (Casier 494) The West is extremely concerned about this issue because of its energy needs. China has been more effective solving this problem; as pointed out before, the People's Republic has built several pipes throughout Central Asia and has gained access to the energy of the Oil Heartland without having to rely on Russian pipelines. All players constantly wish to prohibit the hegemony of one nation or entity in the region of Central Asia and block interests of others (Edwards 85; Bin 603). Although it seems that both the USA and the EU can only operate peacefully and successfully in Central Asia when they include Russia in the discussions. The West usually has a weaker position and impact in the region's affairs because it demands the republics to follow certain values and norms they are not familiar with (Kurecic 13; Blank 151).

On the other hand, China offers subsidies without any political commitment. What the People's Republic asks in return is to approve and protect Chinese investment in the present and in the future. (O'Neill 148; Kim 284). While Central Asia's corrupt business environment is a challenge for Western investors Chinese turned it into their own advantage. The United States, the E.U. and Russia all have so-called energy ambassadors in Central Asia in order to coordinate affairs specifically in the region. The Chinese do business differently in the region; they allow (or even fund) Kazakh oil companies a share in Chinese investments. The People's Republic uses its seemingly unlimited funds to give aids and loans, buy up assets and to break the infrastructure dependence of Central Asian states (Eder 37). This enhances the constant flow of revenues to the Kazakh government which reinforces political stability. What they eventually achieve is a more secure ground for their investment and the approval of the government (O'Neill 150). Chinese companies are always welcome in Kazakhstan because they provide the country with rents. This is because the lack of transparency enables the Nazarbayev family to use these aids and loans for whatever and however they wish (Palazuelos 33). This relationship

became especially strong during the 2008 Global Financial Crisis, when Chinese loans and aid kept the Kazakh leadership in power (O'Neill 147-148). In other words, revenues from China were put into the Kazakh Development Funds and were later channelled into the economy keeping the country going even during the crisis thus the population did not experience the crisis as harshly as without these financial assets.

Pipeline ownership is viewed through a realist view; whoever controls them has leverage on the supplier and the customer of energy (Casier 496). Since pipeline ownership is Russia's greatest power in the region, Central Asian states try to maximise their freedom of action by trying to construct alternative ways to channel their fuel to Western and Eastern markets (Kim 281). It is demonstrated above that while Russia used to easily assert influence in the region those times have passed. Central Asian leaders wish to gain as much profit on their resources as possible and Moscow does not offer that. Politically and culturally they might be closely tied, however regarding oil-trade Russia has lost its position.

It is important to note that none of the actors involved in the oil-discussions of Central Asia take the impact on nature into consideration. Academic literature on the issue only considers water scarcity and pollution yet they barely mention the mining industry and how it would contribute to the deterioration and contamination of the environment. It is known that China has been drilling for oil and gas on the shores of the Amu Darya and Syr Darya the two main rivers of Central Asia. In addition to this the People's Republic is part of the Aral Sea Waters Joint Exploration (Bin 599). Although it has not been linked together with the above mentioned Chinese projects there is evidence that both rivers are highly polluted and their water cannot be used for agricultural purposes (Lillis - Kazakhstan), there are no articles drawing a connection between the two facts. It might be the case that there is no connection between drilling and the environmental pollution, however the system the CNPC uses in Central Asia is very dangerous to nature. The CNPC extracts oil via water-injection. For this method a great quantities of good quality water is required. After the usage this substance cannot be released

back to nature anymore because it is full of hazardous chemicals (Fakhru'l-Razi). Because Central Asia suffers from water scarcity this option is definitely not a safe and environmentally friendly one.

The theory of Central Asia having an all-round based pragmatic approach has a flaw. Despite the fact that many Russian and Western politicians are involved in some way in their country's oil or gas companies they are not necessarily included in energy-business. When Central Asian states conclude deals with Western or Russian firms it is an economic decision and the leadership of the countries are not involved in the discussions. As one could have seen regarding the data provided above usually energy-trade agreements are purely economic and no politics are involved. (O'Neill 148). Central Asian states can be members of the Russian lead CSTO but conclude a deal with Exxon Mobil, and American oil and gas corporation. A multi-vector foreign policy might be what Central Asian states follow but arguably not regarding oil trade. China has on many occasions outbid Russia when purchasing resources investing or buying shares of oil companies. As already pointed out in the introduction, the most important factor in the trade of oil and diplomacy in the New Great Game is economic gains and profits. Central Asian states clearly chose whoever offers more for their resources regardless of the old Soviet ties and shared history (Eder 48-49).

Academics point out that there is no significant initiative for regional cooperation (Horton 31; Tsygankov 5 and Baizakova 60). This would be very useful because there are many different type of actors present in Central Asia. Besides the fact that the players of the New Great Game are from different national, cultural and historical backgrounds there are various ways they operate in the region. There are for example, great oil companies, state governments, transnational organisation and the governmental security sector (Edwards 87). If these actors' interests and actions would be more harmonized, problems within the region could be more effectively tackled. Despite the fact that numerous diverse international and regional organisations and institutions exist, most of them are not pulling the region significantly closer and do not increase cooperation between the 'Five Stans'. Moreover, none of them involves all the players of the New Great Game. These initiations are facilitated

by either Russia or China and there are none which would link only the newly independent states of Central Asia (Baizakova 60; Tsygankov 7-8). Regional cooperation would be crucial because if the Five Stans worked together on their international relations, establish a shared energy policy and military and additionally trade among themselves more effectively they could avoid having to rely on and being exploited by China, Russia or the West (Kim 281).

Energy relations are too much understood from within the framework realism. The economic dimension of the New Great Game is often undervalued. Resources are globally viewed as a source of power and as a scarcity therefore resource abundance is perceived as dominance (Casier 494). Many fear that the aggressive competition for the resources of the Oil Heartland and the lack of strong cooperation will create a zero-sum game, and because of the competition and tension between the parties the New Great Game will be devastating for Central Asia. Zabortseva refers back to the “old” Great Game, and Kipling's novel pointing out that nowhere else on this planet do Russian, Chinese and Western interests clash so directly (168-169). This is a reason why actually all players are content to an extent with the other powers' presence because all three; Russia, China and the West, are globally significant, they counterbalance each other (Bin 599). Hence, there is no real winner in the New Great Game.

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