

The "Game" in Central Asia (Part One)

Central Asia covers a territory of around four million square kilometers with a population of around 67 million people inhabiting the countries of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. All of these countries were former Soviet republics, but even after the disintegration of the Soviet Union almost all of them are still tightly bound to Russia and its government in Moscow. Although there is no surprise that a power such as Russia is maintaining a tight grip over its former republics there is a constant growing presence of other political actors in the region. China, India, Pakistan, Iran, EU and even the US are trying to position themselves or their companies in some of these Central Asian states. One of the main goals behind economical and political interests of these global players is the vast energy potential of the entire Central Asian region also known as the "Heartland". The other goal is the unique geographical territory which the Central Asian region occupies. Throughout history the region served as a link between East Asia, Middle East and Europe witnessing many human migrations as well as hosting many important trading routes such as the Silk Road.

Who rules East Europe commands the Heartland:

Who rules the Heartland commands the World-Island:

Who rules the World-Island commands the World.¹

The region gained global significance at the beginning of the twentieth century thanks to the geographer Halford Mackinder who described the Central Asian region as the Heartland or the Great Geographical Pivot of History. Of course the Heartland was a much broader term which included a large portion of Russia as well as the Eastern Europe. According to Mackinder the political entity which controls the Euro-Asian plane (in the past that was the Soviet Union) would have an immense amount of resources which could be used to expand and solidify the empire while also being able to attack and expand on any given side of its border except the north (of course that country would also be vulnerable to any attack from all sides). Because of the huge potential that this region could provide to a country which controls it, the area was also named as a Pivot Area.² However controlling this region is hardly feasible mainly because of its proportions and the great lack of the human population. Nevertheless during the second half of the nineteenth century the "Great Game" between Russia and the British empire was fought over territory and strategic positions in Central Asia. Today we are witnessing a similar "Game" focused on energy and resources while also being much more complicated since the number of

¹ H.J. Mackinder, *Democratic Ideals and Reality*, NDU Press, p. 106.

² H.J. Mackinder, *The Geographical Pivot of History*, *The Geographical Journal*, Vol. 23, No.4 (April, 1904) p. 434-437

players is larger than in the past. Although quiet, the rivalry over region's fuel potential is ongoing.

The macroeconomic profile of the five Central Asian states is somewhat similar. They had all suffered an economic downturn after the disintegration of the Soviet Union while still being bound to Moscow both politically and economically. Countries such as Kazakhstan and Turkmenistan are large exporters of oil and gas, while other countries are focusing economic capabilities on agriculture and mining. Despite trying to implement privatization in various economic sectors the Soviet heritage of central management is still largely present across Central Asian societies, being most evident in Turkmenistan. The countries in the region are also lacking in their product diversification. Although Kazakhstan managed to successfully exploit its enormous fossil wealth there are no other lucrative products that the country can place on the global market. This is common for other neighboring countries as well, while they exceed in some economic sectors (Uzbekistan - cotton and agriculture; Turkmenistan - gas; Kyrgyzstan - mining and agriculture; Tajikistan - aluminum and cotton) they fail in diversification of their exports, which usually leaves them vulnerable to price fluctuation on the global markets. Finally there is the issue of foreign investments. Though the region is more open to the world than before the ruling elites are still very cautious when it comes to foreign investments. The protectionist approach is most frequent in these countries. Governments are restricting consumer imports in order to boost their domestic industries, this has proven to be a key tool for Uzbekistan's economy since gaining independence.³ Furthermore investments which are coming to these countries are usually directed towards the energy sector, if not oil and gas then it's probably mining which pulls these investments. Though helping the overall development of the states this type of investments also limits their economic productivity and placement on the global market.

There are many assets and challenges which attract interest of foreign powers to the region, nevertheless oil and gas still remain the main protagonists of the region's economy. Geology of the region also plays a major role in this economical conundrum, in other words the vast energy potential of the Central Asia is located across couple of basins which include: North Caspian, Middle Caspian, South Caspian, North Ustyurt, Amu Darya and Afghan-Tajik Basin.

- North Caspian Basin stretches across 500,000 square kilometers and occupies a large plain located north of the Caspian Sea. The basin is rich with oil, condensate and gas which makes up to 45.8 billion barrels of oil equivalent.⁴

³ World Energy Council, *Electricity in Central Asia - Market and Investment Opportunity Report*, July 2007, p. 6-18 (https://www.worldenergy.org/wp-content/uploads/2012/10/PUB_Asia_Regional_Report_Electricity_Market_And_Investment_Opportunity_2007_WEC.pdf)

⁴ Gregory F. Ulmishek, *Petroleum Geology and Resources of the North Caspian Basin, Kazakhstan and Russia*, U.S. Geological Survey Bulletin 2201-B, p. 2,9 (<https://pubs.usgs.gov/bul/2201/B/b2201-b.pdf>)

- The first oil production in the Middle Caspian Basin began at the end of the nineteenth century near Grozny in Russia. Today it is estimated that the basin has around 14.4 billion barrels of oil equivalent and is ranked twenty-seventh among 102 provinces designated for appraisal of undiscovered oil and gas resources by the US Geological Survey.⁵
- South Caspian Basin is mostly covered with water and is located between Azerbaijan, Iran and Turkmenistan. The basin or the southern part of the Caspian Sea is well known for its abundant oil reserves. First drilling began in the nineteenth century and today there are more than 105 oil wells drilled in the region (most of them are in Azerbaijan). Research made in the nineties estimated around 23.9 billion barrels of oil equivalent concentrated mostly in the shallow waters while medium or deep-water areas remain untested. Although rich in oil reserves the isolated geographical nature of the South Caspian Basin often creates development problems for the nearby countries.⁶
- North Ustyurt basin occupies the space between Caspian Sea, Aral Lake and Uzbekistan expanding both to the east and to the west covering an area of around 250,000 square kilometers. Discoveries made in the nineties estimate a 2.8 billion barrels of oil equivalent located mostly in the western part of the basin. Compared to other basins in the region the North Ustyurt basin is ranked relatively low in oil reserves.⁷
- Amu Darya is mostly located in Turkmenistan and Uzbekistan while smaller portions of the basin reach out to Afghanistan and Iran. The basin has vast amounts of resources estimated 40.3 billion barrels of oil equivalent. The first drillings were made in the fifties and were focused on natural gas extraction.⁸
- Afghan-Tajik Basin is located in northern and northeastern part of Afghanistan with reserves of very heavy oil with densities of 0.94 to 0.97 per cubic centimeter.⁹ Estimated volumes of undiscovered oil and gas resources in the basin are 946 million barrels of crude oil, 7,072 billion cubic feet of natural gas and 85 million barrels of natural gas liquids.¹⁰

⁵ Gregory F. Ulmishek, *Petroleum Geology and Resources of the Middle Caspian Basin, Former Soviet Union*, U.S. Geological Survey Bulletin 2201-A, p. 3 (<https://pubs.usgs.gov/bul/2201/A/b2201-a.pdf>)

⁶ Lynda S. Smith-Rouch, *Oligocene–Miocene Maykop/Diatom Total Petroleum System of the South Caspian Basin Province, Azerbaijan, Iran, and Turkmenistan*, USGS Bulletin 2201-I p.1-3(https://pubs.usgs.gov/bul/2201/I/pdf/B-2201-I_508.pdf)

⁷ Gregory F. Ulmishek, *Petroleum Geology and Resources of the North Ustyurt Basin, Kazakhstan and Uzbekistan*, U.S. Geological Survey Bulletin 2201-D, p. 1-3 (<https://pubs.usgs.gov/bul/2201/D/b2201-d.pdf>)

⁸ Gregory F. Ulmishek, *Petroleum Geology and Resources of the Amu-Darya Basin, Turkmenistan, Uzbekistan, Afghanistan, and Iran*, U.S. Geological Survey Bulletin 2201-H, p. 1-3 (https://pubs.usgs.gov/bul/2201/H/pdf/B2201H_508.pdf)

⁹ T.R. Klett, G.F. Ulmishek, C.J. Wandrey, Warren F. Agena, and the U.S. Geological Survey-Afghanistan Ministry of Mines and Industry Joint Oil and Gas Resource Assessment Team, *Assessment of Undiscovered Technically Recoverable Conventional Petroleum Resources of Northern Afghanistan*, U.S. Geological Survey Open-File Report 2006-1253, p. 16 (<https://pubs.usgs.gov/of/2006/1253/of2006-1253.pdf>)

¹⁰ World Petroleum Resource Project, *Assessment of Undiscovered Oil and Gas Resources of the Amu Darya Basin and Afghan–Tajik Basin Provinces, Afghanistan, Iran, Tajikistan, Turkmenistan, and Uzbekistan, 2011*, USGS, p.3

World's biggest oil producers are still situated in the Middle East, Iran 158,400 m b (million barrels); Iraq 142,503 m b; Kuwait 101,500 m b; Saudi Arabia 266,455 m b.¹¹ These are massive oil reserves and certainly these OPEC members can sufficiently supply most countries demands for oil. However all of them are located in the Middle East and in the recent years the region has been suffering from a chronic turmoil, insurgency and terrorism. The security situation in the Middle East is leading certain countries to seek for new suppliers of this commodity thus lowering their dependency on the Middle Eastern states. China and the EU are probably the main global players who are trying to diversify their oil supply. EU is actively trying to reduce its dependency on Russian energy exports, although any further rapprochement towards the Middle East oil/gas supply faces potential obstacles with Turkey and the refugee issue. One of the main Chinese supplier for oil and gas is also Russia. Sino-Russian gas deal in 2014 where Gazprom agreed to supply 38 bcm/y of gas to China for 30 years and the Rosneft agreement in 2013 to export 1 million barrels of oil per day demonstrates the Chinese need for these commodities.¹² Chinese pivot to Russian energy exports instead of Middle Eastern is mostly due to the lack of oil infrastructure (pipelines) from the Arab countries and difficult oil transport which is relatively limited by the Malacca strait and the heavy US presence in the South China Sea. However Chinese growing presence in Africa and the industry needs for coal is pushing Beijing to search for fresh suppliers which leads us to a following question: Is Russia able to sufficiently meet the demands of the Chinese energy market? On the other side of the Pacific the US as a global superpower is constantly propelled to search for the new sources of oil in order to satisfy its domestic demands for this commodity. Though US gets large amounts of oil from the Middle East in the past couple of years Washington, similarly to other governments, is trying to expand its base of oil suppliers (one of the reasons why US wants to position themselves in North Africa). Besides searching for fresh energy providers these global players also have one more thing in common, they all perceive Central Asia as a future region for oil and gas exploitation and a potential untapped market. Though China and Russia have the best geographical position (China shares border with Kazakhstan, Kyrgyzstan and Tajikistan) the US still has its military presence in Afghanistan and the EU is politically reaching out to some Caucasus countries like Georgia and Azerbaijan in order to get closer to the Caspian Basin and the region of Central Asia. Finally Pakistan and Iran, although economically limited, do share borders, culture and religion (to some extent) with the region; furthermore they also have economic interests and motivation to actively participate in the politics of Central Asia. Besides these new players we shouldn't forget Russia, the everlasting hegemon of the steppes, who won't easily concede its power over this region and its immense energy potential.

¹¹ Organization of the Petroleum Exporting Countries, *OPEC Annual Statistical Bulletin*, 2016, p. 22 (http://www.opec.org/opec_web/static_files_project/media/downloads/publications/ASB2016.pdf)

¹² Keun-Wook Paik, *Sino-Russian Gas and Oil Cooperation: Entering into a New Era of Strategic Partnership?*, OIES PAPER: WPM 59 April 2015 p. 4-7 (<https://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/04/WPM-59.pdf>)

In his book *"The Grand Chessboard: American Primacy and Its Geostrategic Imperatives"* Zbigniew Brzezinski also touches the problems and possibilities of Central Asia. According to Brzezinski the region and its states are very heterogeneous in terms of ethnicity and religion while none of them are politically stable. Furthermore the whole region is dappled with hatred while being surrounded by powerful countries which all prey on its resources. The interior factors, like culture and language, were probably the main propellants of national/ethnic hatred and instability in the Central Asian region. In case the US or other Western powers don't intervene Brzezinski predicted a similar fate of the region to that of the Balkans and the disintegration of the former Yugoslavia.¹³ However the chessboard of Central Asia, though involving major international players, also has its five independent countries which didn't go through a "Balkanization" process (as it was predicted) that have their own political and economic programs and shouldn't be swept aside and treated as passive pawns in this great game. In the following articles I'll try to explain interests and motivations of both regional and global powers and why they push their agenda over the Heartland.

Part two coming soon...

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¹³ Z. Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, CID Podgorica 1999, p. 53, 54, 123