

Appendices

Question 1: What are the primary interests of the main political actors involved in the geopolitics of the Caspian Region?

Interview with Prof. Fabienne Bossuyt

What are the primary interests of China in Central Asia?

The main interests of China are connected with the investment in infrastructure and natural resources of the Central Asian states. China has made a significant rise over the last twenty years, so it is now a leading actor in the region. China equalizes development with economic growth instigated through improved infrastructure. In contrast to the tradition aids from the Western countries, Chinese aid is followed by remarkable aid for the donor, like as easy access to energy resources and lucrative contracts for Chinese companies. Hence, the Chinese refer to cooperation rather than aid, highlighting that cooperation involves a win-win situation, as it benefits both recipients and donors.

Beijing's engagement to the region began increasing in the first half of the 2000s through financing the infrastructure projects. However, China became one of the most important political actors in Central Asia in recent years. In 2013, the announcement by Chinese president, Xi Jinping, of China's plans for a Silk Road Economic Belt during a 10-day tour through Central Asia was accompanied by an estimated US\$ 48 billion worth of investment and loan agreements, mostly related to the energy, trade and infrastructure sectors. As part of the so-called Belt and Road Initiative, the Silk Road Economic Belt is a major investment initiative aimed at expanding transport and energy corridors, connectivity and establishing new transport links between Asia and Europe. To finance the plans, China has launched the Silk Road Fund, a \$40 billion infrastructure fund, overseen by the China Development Bank, aimed at providing funding for the construction of roads, high-speed rail lines and energy pipelines in Central Asia and Western China. The heavy focus on infrastructure of the Belt and Road Initiative – and of China's development cooperation more generally – neatly reflects China's view on development. Strongly

inspired by its own development model, China adheres to the idea that construction and improvement of productive infrastructure feeds into economic growth, private enterprise and employment, and strengthens regional connectivity.

Compared to the other western political actors, the impact of China's assistance in Central Asia is more pervasive. In addition, it is also more visible. China's presence in the region appears to benefit the development of the Central Asian countries in three aspects. First, the construction of transport infrastructure, power transmission lines and hydro power plants offers direct benefits to the Central Asian countries. The new transport infrastructure provided under the Belt and Road Initiative (BRI), facilitates domestic trade and doing business and opens up new trade routes. China's assistance is perceived as more "attractive" by the local regimes, which increases their receptiveness.

The Central Asian governments are first and foremost attracted by the fact that China's assistance does not involve the sort of conditionalities that the EU and other Western donors attach to their aid delivery, concerning, for instance, human rights performance, economic management or good governance. The absence of this kind of conditionality in China's foreign aid policy stems from its strong commitment to the principles of non-interference in internal affairs and the treatment of other countries as equals. China promotes its own example of development. Beijing's lack of aid conditionality and monitoring standards, as well as its direct dealings with the authoritarian governments, reduces the transparency of its projects and exacerbates local governance problems.

Interview with Dr. Murat Lamulin

What are the primary interests of China in Central Asia?

It should be mentioned that the researchers have quite a positive attitude towards the EU. The majority of political analysts (similar to representatives of other Central Asian nations) traditionally view the EU as a positive geopolitical factor, and an example of economic success and effective regional integration. Attitudes towards the EU were unbiased: the EU did not have a burden of imperial history (as Russia), did not act aggressively and arrogantly (as the USA), and was not a source of potential threats (as China) or actual threats (as the Islamic world) threats. In short, regional activists had a very high opinion of the EU, in particular in the 1990s.

These feelings were encouraged by the EU's actions, including abundant economic assistance, and various large-scale programs like TACIS, and also by the geopolitical statements, announced by Brussels that claimed that Europe considered Central Asia and the Caspian region as areas of its strategic interests. Consequently, the EU was considered an adversary of former Soviet nations' reintegration due to its policy aimed at post-Soviet area segregation in 2000¹ (paradoxically, the

EU always advocated intensification of regional integration within Central Asia). “Double standards” in EU’s policy (though they are much milder compared to those of US’ policy) and other signs of “western solidarity” were also strongly criticized. It should be mentioned that Central Asia always recognized the difference between the motives of the West European nations and so-called New Europe.

According to a paper named the EU and Central Asia: Strategy for a New Partnership adopted on 31st May 2007 which covers the period from 2007 to 2013, the EU set forth the following goals for the region: 1) To ensure stability and security; 2) To maintain poverty reduction and to increase the standards of living within the Millennium Development Goals; and 3) To promote cooperation both among the Central Asian states, and between these nations and the EU, especially in energy supply, transport, higher education and environmental protection.

Primarily, the paper states that Central Asia traditionally brings Europe and Asia together and Central Asian states adhere to the OSCE (i.e. become close to the European political space). The EU and Central Asia have common goals such as maintaining stability and achieving prosperity. It is also important that the EU intends to hold constructive dialogue with regional organizations, in particular with the Eurasian Economic Community (EURASEC), SCO, the Conference on Interaction and the Confidence Building Measures in Asia (CICA), CSTO, and the Central Asian Economic Community (CAEC). Still, it is not clear to what extend the EU will exert its geopolitical influence on Kazakhstan and Central Asia given growing Chinese influence, Russia’s attempts to regain control and the possibility of the USA suspending its activities in the region.

Interview with Prof. Timothy Colton

What are the USA's primary interests in Central Asia?

The USSR’s dissolution established a soil for the USA to play an active role in some critical issues like the region’s democratization, the establishment of the rule of law and market economy, and most importantly, assisting the regional states in building a more progressive society. However, it would be inappropriate to claim that the USA achieved all its established goals, which were defined in the first years of the downfall of the SU.

The US interests in Central Asia did not begin with the 9/11 terror attack, as most political experts claim. In contrast, right after the USSR’s dissolution, the US government established diplomatic and economic relations with the regional countries. However, if we talk about the vital importance of the region in the foreign policy of the USA, we have to admit that the meaning of Central Asia increased enormously just after 9/11 when the terrorists attacked the Twins Town in New York. Since the region was “the home” for some terrorist organizations like the Taliban and al-Qaeda

that the main actors behind the terror attack in New York and were the potential threat to the world security system, the security issue in Central Asia became the core of the US policy towards this region. Due to its geographical proximity to insecure states like Afghanistan and Pakistan, Central Asia was included in the US government's foreign policy's vital areas.

As a matter of fact, the primary factor, which made this region more attractive for the USA, was the rich oil and natural gas resources and region pipelines. The abundant energy reserves of Central Asia attracted the US government even before the downfall of the SU when Kazakhstan started to negotiate with the multinational oil companies concerning the exploration and production of oil resources on the territory of the country. In contrast to the general point of view, I don't think that the role of regional oil and natural gas lost their meaning for the USA and its European allies in the background of the world energy market's recent changes.

The USA is not the only powerful actor in the region. If in the first years of the dissolution of the USSR, Russia was the only actor competing with the USA, China's influence in the region increased enormously due to the Chinese government's intense political and economic relations with the governments of Kazakhstan, Uzbekistan, and Turkmenistan. Xi Jinping government invests enormous financial resources into the energy, light, and heavy industries in the region. In fact, the significant investments make China a more attractive partner for the regional states than the USA, which policy is not intense as in the first years of 9/11.

What are the USA's primary interests in the South Caucasus?

Indeed, the USA is the biggest political actor in the South Caucasus. However, it would not be correct to define the US interests in the region as vital for the USA's policy in the world. However, the USA's presence in the South Caucasus might play an essential role in the peaceful regulation of the regional conflicts, the region's economic development, the democratization of the regional states, etc. Furthermore, the neutralization of the Kremlin's aggressive policy should be seen as another essential mission of the US government in the South Caucasus.

The US policy in the South Caucasus was quite vigorous in the first years of the 2000s during the Bush administration when Washington included the Caspian region among Central Asia in the list of vital areas for the US's foreign policy. The concept of the "Great Game" began to be used by scholars, particularly during this period. However, the region's importance started changing slightly during the Obama administration when the US government got other essential issues like the withdrawal of the US troops from Afghanistan, closing Guantánamo, and health care policy in the country.

The US policy during the Trump administration was entirely passive. However, Turkey's active participation in the regional processes as a political ally could in-

directly mean the USA's representation in the South Caucasus. Also, the US government's balance between Azerbaijan and Armenia shifted involuntarily towards Azerbaijan since Turkey is an open ally and supported by the USA. On the other hand, Russia acquired what it wanted to have from the beginning. The Russian "peacekeepers" were stationed in Azerbaijani territory, so Russian troops are now in Azerbaijan after Georgia and Armenia. The Russian "peacekeepers" are tended to stay there for a long time. It is a small contingent, but it cannot be attacked. Mikheil Saakashvili tried to pull them out from Georgia, and we know the Kremlin's reaction to this act.

The Trump government's passivity founded an excellent chance for the Putin government to pursue a more active South Caucasus policy. However, the USA is such a massive political player whose role cannot be ignored entirely. Since the Biden administration is altogether new in the government, it isn't easy to foresee its foreign policy towards the South Caucasus and the regional states. However, it is clear that Georgia is the main ally of the US in the South Caucasus. Georgia is a potential NATO member, and it was promised a NATO membership to Georgia after the so-called "5 days of war" in 2008 when Russia attacked Georgia. However, it seems challenging to grant Georgia a NATO membership taking into account the situation in South Ossetia and Abkhazia. In fact, the Putin government is extremely worried about the NATO troops' potential presence in its proximity. For this reason, it is not difficult to guess that Russia will do everything possible to prevent Georgia from becoming a member of NATO.

Interview mit Dr. Uwe Halbach

What are the primary interests of Russia in Central Asia?

In the first post-Soviet decade, there was talk of a "new Great Game". This referred to geopolitical competition between Russia and Western actors, but also to the policies of Turkey and Iran and their influence on Muslim countries in Central Asia and the Caspian region. Above all, however, the influence of the USA in Eurasia was considered a geopolitical challenge for Russia, as the former Soviet area had become a foreign policy priority for Moscow since 1993.

Under Putin this priority was even more strongly emphasized. For example, the protection of "Russian compatriots" in former Soviet republics was emphasized – and this applied to Kazakhstan in Central Asia, for example. After September 11, 2001, the United States expanded its strategic presence in Central Asia and maintained military bases and airports in Uzbekistan (Karshi-Khanabad) and Kyrgyzstan (Manas). On the one hand, Russia cooperated with Western actors on security policy challenges related to the precarious situation in Afghanistan, such as the fight against Islamist terrorism and drug trafficking. On the other hand, it felt challenged by the US military presence in the region. The US military bases in Uzbekistan were

closed in 2005 and in Kyrgyzstan in 2014. Russia expanded its own military presence, especially in Tajikistan.

After 2014, the geopolitical situation in and around Central Asia changed with the end of the International Security Assistance Force (ISAF) mission in Afghanistan and the downsized international military mission in the Hindu Kush Mountain range. The US presence in the region decreased significantly, the EU presence was hardly worth mentioning. In return, China was now increasingly acting as a key player in Eurasia through its “Belt and Road” initiative. While Russia sees Western influence in the region as competition, it emphasizes cooperation with China as an essential component of its policy for a “post-Western” world order. However, the question is when this cooperation will turn into competition, since China, with its economic presence in Central Asian states, has already made Russia its “junior partner”. In its Central Asia policy, Russia emphasizes above all the security policy aspect – as in its National Security Strategy of 2015 and its Foreign Policy Concept of 2016. In Tajikistan, its military presence is the largest in any foreign country. Its security policy levers of influence are regional organizations such as the Collective Security Treaty Organization (CSTO) and the Shanghai Cooperation Organization (SCO), in which it cooperates with China. However, this influence is limited by the fact that Turkmenistan considers itself a neutral state and Uzbekistan is also reticent about regional organizations in which major powers claim geopolitical dominance.

What are the primary interests of Russia in the South Caucasus?

Russia's claim to geopolitical influence on its “near abroad” in the South Caucasus is linked to its security policy challenges in its own Caucasian periphery, i.e. in the North Caucasus, where some of its constituent republics such as Dagestan or Chechnya have become its “domestic abroad”. While international research on the Caucasus often draws an analytical dividing line between the South Caucasus as a scene of international politics and the North Caucasus as Russia's “internal affair”, Russia is more interested in critical interfaces between the two halves of a “Wider Caucasus”. Such interfaces include, for example, the Ossetian settlement areas in North and South Ossetia, the Pankisi Valley in Georgia with its Chechen population of Chechen origin, and the Lezgin settlement areas along the border between Dagestan and Azerbaijan.

In the first post-Soviet decade, Russia felt challenged by Western actors in the South Caucasus, which together with Azerbaijan planned and promoted new pipeline routes from the Caspian Sea to Europe. One of these projects, the BTC oil pipeline from Azerbaijan via Georgia to the Turkish Mediterranean coast at Ceyhan, went into operation in 2006. This was followed by new projects for natural gas routes on this southern corridor, which bypasses Russia.

The unresolved ethno-territorial conflicts in this region are a significant factor in Russia's South Caucasus policy. On the one hand, they are compared in Russia with similar conflicts in the North Caucasus, such as the conflict in and around Chechnya, and are seen as a challenge to security policy. On the other hand, the unresolved conflicts represent relevant levers of influence for Russia on geopolitical developments in the South Caucasus. Moscow's conflict policy, especially towards Georgia, has been subject to change. In the first post-Soviet decade, Russia acted as a mediator with other international actors in the conflicts over Abkhazia and South Ossetia. It supported CIS boycott measures against Abkhazia and voted for Georgia's territorial integrity. To the extent that Georgia increasingly oriented itself westwards and aspired to membership in NATO and the EU, Moscow then used the "frozen conflicts" to exert pressure on Tbilisi. It mutated from a conflict mediator to a party to the conflict that sided with the secessionist governments in Sukhumi and Tskhinvali – for example through "pasportizacija", i.e. the granting of Russian citizenship to large parts of the population in the secession territories, by expanding its military presence in the two territories, by participating in their government. After the brief war with Georgia in August 2008, Moscow recognized the two territories as independent states, but increasingly increased their dependence on Russia. Georgia speaks of "occupation" and "creeping annexation" of its breakaway territories by Russia.

In the conflict between Armenia and Azerbaijan over Nagorno-Karabakh, Russia is playing a somewhat more detached role. However, it is endeavoring to act as the main mediator here and is supplying weapons to both sides of the conflict. It maintains a strategic partnership with Armenia, but at the same time is a main supplier of weapons to Azerbaijan.

Its main interest in the South Caucasus is to block Georgia's rapprochement with NATO and the EU, to maintain the "strategic partnership" with Armenia even under the new government after the "Velvet Revolution" of 2018, and at the same time to intensify its relations with Azerbaijan.

Question 2: Could Azerbaijan be considered as an alternative energy source for the world energy market?

Interview with Ilham Shaban

Could Azerbaijan be considered as an alternative oil source for the world energy market?

It is not a secret that Azerbaijan is accepted as one of the traditional oil countries in the world because the first time in history the oil was explored in the territory of Azerbaijan. Azerbaijan returned its "oil identity" after the fall of the USSR by singing

some essential oil contracts with the international energy companies. The most significant energy deal became so-called the “Contract of the Century”. Therefore, the signing of these essential energy deals served to the appearance of unreal expectations that the country is one of the oil richest countries on Earth. There were some unreal expectations that Azerbaijan could be an alternative oil source to some significant energy exporters of the world oil market like Russia, the countries of the Persian Gulf. The first years right after the fall of the USSR, the prognoses concerning the giant oil reserves of Azerbaijan did not reflect reality because of the lack of significant researches on the bottom of the Caspian Sea. The situation escalated even more by unreal prognoses of the local experts claiming that there is a tremendous amount of oil reserves in Azerbaijan.

The oil production of the country increased in the ooth dramatically, so if the oil production in 2004 around 300.000 b/d, the production potential of Azerbaijan reached its highest point, 1 b/d in 2010. The oil production of Azerbaijan increased thanks to crude oil production from the ACG fields, which are the most fertile oil fields of the modern oil history of Azerbaijan. The ACG oil fields have already reached their highest point in 2010. For instance, the output of the crude oil declined to 760 (BBL/D/1K) in March 2020, while one month ago, this indicator was 758 BBL/D/1K in February, according to Trading economic’s statistical information.

If we take into consideration the statistics of some significant energy agencies like BP, US EIA, and other significant energy agencies, we can see that the oil extraction of Azerbaijan has started slightly decreasing since 2010. For this reason, it would not be real to claim that Azerbaijan can increase its oil production through existing oil fields. Moreover, there are no other, new explored oil fields that might increase the oil production of Azerbaijan essentially.

Since oil production has already reached its highest point, the output declines consistently and there are no real expectations that the country might increase its oil output significantly through exploring new oil fields, it would not be a realistic approach to claim that the country can compete with gigantic oil exporters like Russia and the countries of the Persian Gulf in the world energy market. However, Azerbaijan can provide some essential amount of its oil resources to Georgia, Turkey, and some European energy countries.

Could Azerbaijan be considered as an alternative natural gas source for the world natural gas market?

If Azerbaijan is accepted as one of the traditional oil countries, the natural gas resources of the country have never been estimated as enormous. Until the exploration of the giant SD and Bahar natural gas fields, Azerbaijan was meeting its energy demand by importing natural gas resources from Russia. However, the natural gas potential of Azerbaijan started rising essentially after the discovering of the SD natural

gas field in 2006. The Oil & Gas Journal estimated the natural gas potential of the country as 35 Tcf.

In the last years, Azerbaijan invested \$3.5 bn. to explore new natural gas fields. The fields like Babek, Absheron, Nakhchivan, Zafar, Mashal, Karabakh, Ashrafi were explored after this significant investment. Azerbaijan became a net gas exporter after discovering these natural gas fields.

In 2007, Azerbaijan started its oil export to Georgia and Turkey through the BTE gas pipeline. Even though the export of natural gas was not significant, however, it should be accepted as a tremendous achievement for the country, which became a net gas exporter. Today Azerbaijan exports 1.6 bcm/a to Georgia and 6.6 bcm/a of natural gas to Turkey.

SGC project is a grandiose natural gas project of four projects. Azerbaijan exports its natural gas resources through Georgia and Turkey to Europe for the first time in its history. It is believed that the project will have its highest export potential by 2022. Therefore, the export capacity from the second stage of the SD field reaches 16 bcm/a. According to SOCAR, Azerbaijan will export 10 bcm/a in the first stage of the export. The second stage of the export is going to reach 20 bcm/a.

Since the prices on the oil resources in the world market are not high as it used to be, Azerbaijan pays significant attention to the development of the natural gas industry in the last years, so it plans to take some noticeable financial profit from exporting of its natural gas resources. Nevertheless, we should not forget that the natural gas capacity of the country is not so rich that it might take place in the oil industry that has always been a leading industry for the Azerbaijani economy.

It would be realistic to claim that Azerbaijan can export the amount of natural gas that would make the European countries completely independent from the Russian gas. However, we should underline that Azerbaijan gas export is a new and alternative gas source that will have a very positive influence on the energy security of the European gas market and its diversification. Another factor that should be also taken into consideration is the fact the Azerbaijani gas might help the European energy market to keep the natural gas prices relatively stable. Given the fact that the Azerbaijani gas is the only new alternative gas source, this project is supported by not only the EU but also by the US government as well.

Taking into account these factors, even though Azerbaijan is not able to replace Russian gas, but it can definitely play the role of the alternative gas source.

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