

The Oil Factor in the Foreign Policy of the Republic of Kazakhstan

Nurzhan Aitmakhanov

PhD. Student, Department of Foreign Policy Kazakh National University, Kazakhstan

Abstract

In the given report the very burning issue of today's world the problem of hydro carbonic raw material is considered. Kazakhstan's economy depends on raw materials. Kazakhstan possesses a lot of raw materials but the main one is oil. Budget of the Republic of Kazakhstan is accounted due to the oil prices. Any fluctuation of the prices for the oil may influence countries economy.

Author in his report tries to define the oil place in the foreign policy of the RK. He shows how the oil factor influences vectors of the foreign policy. Author puts an accent on that the country is situated between two great powers as China and Russia and that the USA is keenly interested in this region.

Concerning Russia author takes position that nowadays it is vitally important to cooperate in the field of oil, because today it is the only acting outlet to the world market. As for China author points out that it may become the biggest consumer of the world if the further increase of its economy continues. So that is also important to take into consideration this fact and take the appropriate measures to make favorable investing climate.

The USA is keenly interested in Kazakhstan's oil. World famous American oil companies such as Chevron, Texaco prevail in the countries oil sphere. United States considers the oil of the RK as a counterweight to the oil of the Persian Gulf. Though the US interested in the oil of Kazakhstan the main interest is countries geopolitical situation.

In conclusion author recommends the following: to make favorable investing climate; to diversify routes of transportation; and to widen cooperation with China taking into consideration its economic growth and need in oil.

Keywords: oil factor, Republic of Kazakhstan, Caspian Region

The Oil Factor in the Foreign Policy of the Republic of Kazakhstan

In fact today almost for anybody it is not a secret, that oil is one of determining factors of global development. In 20th century many events of the international life occurred because of aspiration of leading powers of the world to establish the control over the basic sources of “oil.” Even crisis of the Soviet economy and the subsequent disintegration of the USSR became in many respects result of falling the prices for oil in the world markets. In opinion of analysts, the even greater value will take place in struggle for energy resources in geopolitics of this century.

Such great powers as Russia, the USA, China, all EU and other many states today very much depend on “oil.” The state-members of OPEC became the important figures in system of world trade relations. Their decisions influence the condition of the international relations.

The 21st century again began with war because of it. The themes of Iraq become the most essential today. Almost all news agencies begin the report of news with Iraq. Almost every day, we witness fluctuations of the prices for oil. Everybody involved is in it. And those who possess it and those who buy it do not stand apart.

In this case, the author thinks that the given theme one of the burning issues of today. Because Kazakhstan possesses oil and that oil is of a great interest of great powers such as the USA, whole EU, Russia and China.

Oil production is the backbone of the economy of Kazakhstan and its most rapidly developing sector, generating a substantial portion of the gross national product and providing a large part of budget revenues and hard currency

earnings for the country. A major portion (58.5%) of investments in Kazakhstan is provided to the oil and gas sector. From 1995 to 1999 the Kazakhstan's economy has received US \$ 7,109.8 million of direct foreign investments, including US \$ 1,578.9 million - in 1999. Among the donor-countries the USA, Great Britain and Italy take the leading positions. In 2000 the amount of investments increased by 29%.

Our country entered into the investment contracts for total amount of US \$ 100 billion for the next 25 years. During the next 10-15 years the signed contracts will provide US \$ 40 billion to the national economy. The same amount should be obtained as a result of the contracts for development of the Caspian oil fields, which have been signed in the USA.

Taking into account the ever-growing world consumption of hydrocarbons, the oil and gas industry has been and will in the long run remain one of the national economy's major components. Therefore, the development of the rich natural resources shall be a major priority in the long-term strategy of the Republic of Kazakhstan till the year 2030, and shall constitute the basis of its industrial policy.

Kazakhstan ranks as the 12th nation in the world in terms of proven reserves of oil and gas. Condensate and it is rated 23rd in the listing of the worlds leading oil-producing countries. Currently, there are 214 hydrocarbon fields on the RK state balance, of which 81 are being currently developed. Oil reserves (recoverable) amount to about 3 BT of gas (over 2 trillion m³), and those of condensate exceed 300 million tons.

The basic stock of petroleum in Kazakhstan (over 90 %) is concentrated in 15 largest deposits, i.e., in the Tengiz, Kashagan, Karachaganak, Uzen, Zhetybai, Zhanazhol, Kalamkas, Kenkiyak, Karazhanbas, Kumkol, North Buzachi, Alibekmola, Central and East Prorvas, Kenbai, and Korolevskoye

Fields whereas a half of all petroleum reserves is concentrated in two huge hydrocarbon fields of Kashagan and Tengiz.

The majority of all free gas (about 60%) and condensate (almost 80%) reserves is contained in the Karachaganak Field. The License and Contract System currently in effect in Kazakhstan, as well as the policy of privatising that has been carried out during these recent years, have ensured fairly large investment into the previously developed hydrocarbon deposits.

Total investment into the development of hydrocarbons has amounted to over \$5,300 million, or 78% of the total amount of investment into the Mineral and Raw Materials Industrial Complex of the Republic of Kazakhstan. At all that, 82% (over \$4,400 million) have been invested into the development and 18% (over \$0.9 million) were invested into exploration operations.

Ten major producing companies' account for 90% of total investment (TengizChevroil LLP, Karachaganak Integrated Organisation, MangistauMunai Gas OJSC, UzenMunaiGas OJSC, PetroKazakhstan Inc. OJSC etc.). Nine companies are the most active companies to pursue exploratory geological surveying operations, their share of investment amounts to 89% of total investment (Agip KCO, TengizChevroil LLP, Maersk Oil Kazakhstan GmbH, etc.).

The amount of exploratory geological surveying operations financing from the Republican Budget is currently about 2% of the total budget funding allocated to geological surveying operations. The main perspectives of extending and strengthening the raw material base of the Republic of Kazakhstan's oil and gas industry are connected with the Kazakhstan sector of the Caspian. The high rate of prognostication of the Caspian resources was confirmed by the discovery in 2000 of the unique Kashagan Field, and of the Kalamkas-Sea Field in 2002. Today, Agip KCO and KazMunaiGas National Company are continuing their geological surveying operations on the Kashagan,

Kalamkas-Sea, Aktoty, and Kairan structures.

The perspectives of surveying for oil and gas are also connected with the unstudied deep abyssal structures within the Caspian Depression, with the perspective objects in the Aral Sea Region, as well as with the objects identified by the results of the regional seismic surveying in the North, Central, and South Kazakhstan, where following previous surveys a number of promising areas were prepared for deep drilling within the boundaries of the Zaisan and Tengiz basins.

In 2003, in terms of annual oil and condensate production Kazakhstan reached the level of 58.5 million tons. The Republic of Kazakhstan's resources provide for attaining the level of production of 100 million tons of oil and about 30 billion m³ of gas by 2010. Implementation of perspective production plans apart from the Kashagan Field is supported by the currently developed gigantic on-shore Tengiz and Karachaganak Fields.

The planned significant oil and gas production increment will necessitate a corresponding infrastructure development. The main currently operating trunk oil pipelines are the Kalamkas-Uzen-Atyrau, Atyrau-Samara, Tengiz-Novorossiysk (CPC export line), Zhanazhol-Kenkiyak-Orsk, Pavlodar-Shymkent, and Karakoyin-Kumkol; trunk gas pipelines are the Central Asia-Centre, Bukhara-Ural, Orenburg-Western border (the Soyuz export pipeline), the Bukhara Gas Area (Gazly), Shymkent-Taraz-Almaty, Makat-Atyrau-North Caucasus, Uzen-Aktau, Okarem-Beineu, Zhanazhol-Aktyubinsk, and Amangeldy-Taraz.

From among the number of future pipeline routs the following can be highlighted: the Aktau-Baku-Ceyhan, Atyrau-Kenkiyak-Kumkol, and West Kazakhstan-West China pipelines. Three refineries are operating in the Republic, i.e., Pavlodar (annual capacity of 7.5 million tons), Shymkent

(ShNOS, annual capacity of 6.5 million tons), and Atyrau (annual capacity of 4.5 million tons), and three gas processing plants: Kazakh (annual capacity of 1.5 billion m³), Tengiz (annual capacity of 1.2 billion m³), and Zhanazhol (annual capacity of 1.2 billion m³).

To secure differentiated gas supply to the customers, there are three subsurface gas storage facilities in the territory of the Republic of Kazakhstan, i.e. Bozoi (3.5 billion m³), Poltoratsk (0.4 billion m³), and Akyr-Toby (0.2 billion m³), with total useful capacity of 4.1 billion m³.¹

States which are a great concern about oil

USA. The analysis of world political processes at the present moment allows speaking about an opportunity of a fast change of global power balance. The largest states are on the threshold of change or, at least, corrections of the policy in this determining direction of the world policy. In this connection obvious there is a return of the center of geopolitical and geo-economical processes from Afghanistan towards Middle East and the post-Soviet space.

In foreign political strategy of USA forward comes the problem of the control over the basic strategic stocks of energy carriers. Representatives of the White House have officially proclaimed a policy on creation of new opportunities for reception of power resources from different areas of the world and with this purpose to stimulate the conclusion of new trading agreements and development of new resources. These efforts include the further integration of the North American power market, new investments, and also the development of new sources of power resources in Russia and the Central Asia.

¹ RK Ministry of Energy and Mineral Resources Committee for Geology and Subsurface Protection.

The oil factor traditionally occupies one of priority places in foreign policy of United States. Only for last 10 years consumption of oil in USA has increased by 14 % according to the increase of internal extraction at 2 %. This implies, that demand for raw material becomes covered due to increase of import deliveries. For the similar period import of hydrocarbons has increased on 30 %. These data with all evidence shows the increase of dependence and vulnerability of United States from external deliveries of oil.

The purposes and priorities of external power policy of USA follow from National power strategy of 1991, which was updated in 1998, and in 2001 was supplied by several new positions. As the basic purpose of an external power policy, the increase of power safety of USA alongside with strengthening and development of the system of global power security is declared.

Real “petroleum” presence of United States at Kazakhstan began in April, 1993 when after four years of negotiations, company “Chevron” and state company “Kazakhstanmunaigaz” have created joint venture “Tengizchevroil” for development of two petroleum deposits, Tengiz and Royal (total taken stocks - 1-1,4 billion т petroleum). Further in republic began to work and other American petroleum companies.

USA basically supports the approach of Kazakhstan under the decision of problems of demarcation of a bottom and bowels of Caspian Sea about what in particular it was declared during visit to republic of the ambassador of United States under special assignments on questions of the new independent states of Stephen Sestanovich which was held practically right after announcements of detection in the Kazakhstan sector of Caspian sea of a large oil field, Cashagan.²

However the American policy concerning Kazakhstan strongly is

² Санников К. На дележ Кашаганского “пирога” прибывают заморские гости. // Деловая Неделя, №27, 2000, 21 июля. С.3.

complicated presence of its traditional close relations with Russia and presence at last the powerful lever of pressure - networks of the pipelines which are taking place through its territory.

In opinion of experts, strategic plans of USA in relation to Kazakhstan are reduced organizing the geo politic zone connecting Caspian Sea with Turkish coast of Black sea, and this zone should be not under inspection neither Russia, nor Iran. This zone will be created by means of construction of a pipe of Baku-Tbilisi-Jeihan, which will provide a conclusion of the Caspian-Black Sea zone from influence of Russia.

And for this reason the American government puts a condition according to which the choice of transport routes republic should answer interests of USA in front of Kazakhstan. There is mentioned oil pipeline Aktau-Baku-Jeihan, connecting North of Caspian Sea with Turkey. For attraction of republic to the given project a lot of tools, including MASS-MEDIA is actively used. So, in the western press a series of the publications accusing the top management of the country in corruption has appeared. The so-called "Business of Griffine" is actively untwisted. An ultimate goal of all it was rendering pressure upon the Kazakhstan management for connection of the last to lobbied project by Washington. Thus, from the Kazakhstan diplomacy maximal use of interests of United States for promotion of interests of Kazakhstan "is required."

USA actively supports multifactor policy of the RK concerning transportation of hydrocarbons and projects of a lining new and operation of working pipeline arteries. However thus is let precisely know about unacceptability of the Iranian route. The opposition between Washington and Teheran does not give an opportunity to consider this direction as perspective, at least, the nearest years. According to the Kazakhstan Ministry of Foreign Affairs, at the present moment Iran is ready to accept 2 million tons of the

Kazakhstan petroleum on Tebriz ORF (Iran) and simultaneously to export through Persian Gulf similar quantity of petroleum to clients of Kazakhstan. Thus, United States includes Kazakhstan in declaring a “zone of the vital interests” and puts powerful pressure upon a management of republic with the purpose of observance of the interests.

China. Last years the big attention to the Caspian region shows China that will quite be coordinated to the traditions of the Chinese policy ascending still to times of dynasty Han (II in. Up to AD) when territories of the Central Asia down to Caspian sea in official Chinese political terminology began to be called “Distant western edge (territory)” by analogy with really including then in a zone of influence of empire “the Western edge” (present Tibet and Tsin-Tsyan).

Now the official line of the Chinese policy in relation to Central Asian neighbors represents close similarity of a policy of USA, in the most constrained and civilized variant. The Beijing leaders thus are guided, first of all, by interests of economy, where the main thing for them, access to resources of raw material available in the Caspian region (first of all, energy carriers), and also expansion of commodity markets of production. For this purpose already now to the western boundaries of China the various transport infrastructure which then should be continued on the various routes of the Great silk way conducting to pools of the Caspian, Black and Mediterranean seas is tightened. China as though is ready and on serious capital investments in the countries of the Caspian region, in a measure of the financial opportunities and according to process of formation of adequate investment projects.

Economic interests, main, but not unique incentive motive of China in mutual relation with the Caspian countries. Having on the territory the not settled problems with radical peoples of Tsin-tsyen-Uigur independent area

(ethnically relatives to the Turcick population of the Central Asia), Peking is sincerely interested in maintenance of stability on border with the western neighbors that is why is ready to solve with them the common problems of struggle against the international terrorism, forming the appropriate arrangements on equal in rights conditions in a mode of mutual relations, and also in a format of “the Shanghai five.”

For creation in region “constrain” and “counterweight” USA will be compelled to suffer penetration of China into this region. China has carried out two technical and economic inspections for the pipeline, which begins in Kazakhstan and comes to an end at the Chinese coast of sea of Japan, with possible prolongation of the pipeline up to Japan. Cost of its construction and operation much more exceeds profit expected from it. Taking into account this fact, and also knowing the proved resources of Caspian Sea, it is possible to assume, that the purpose of this project creation faster a strategic barrier, instead of reception of currency proceeds. It is an unprecedented opportunity for USA and the American corporations to assist China, receiving thus profit for USA, providing deeper American introduction to China and creation of ample opportunities for cooperation between these countries.

Routes of transportation of Kazakhstan Oil

The project of Baku-Dzheijhan. The initial purpose of the project was construction of the pipeline from capital of the Azerbaijan Republic, Baku, through territory of Georgia up to port on Mediterranean Sea Dzhejhan. Delivery to the world market of the petroleum extracted by international consortium AMOC on Caspian deposits Azeri, Chirag, Guneshli thus should be carried out. However not proven initial forecasts concerning volumes of the

Azerbaijan petroleum actively has forced to involve initiators of the project in it and Kazakhstan. So, in October 1999 the special representative of the president and the state secretary of USA on questions of development of power resources of Caspian Sea John Vul'f has made short-term visit to Kazakhstan for a meeting with President of the RK N. Nazarbaev. During the meeting the official representative of USA has offered Kazakhstan to act also in a role of "consumer" of the pipeline of Baku-Jeiha. Differently, from official Astana wait for guarantees on pumping the certain volumes of the Kazakh petroleum on OET.

Extent of a route of the pipeline is - 2170 kms. The volume of investments in realization of the project by various estimations varies from 2.4 up to 4 billion dollars. On the various data, throughput of Baku-Jeiha can make from 45 up to 60 million tons of petroleum per one year.

It is planned, that the line of the pipeline will pass from Azerbaijan up to Hashuri (Georgia), further, on a valley of the Hen to Turkish border, then, through Posof, Erzurum, Erzincan with a terminal point in Jeiha.

The basic advantage of the pipeline of Baku-Jeiha named also Basic export pipeline (OET), detour of the overloaded Turkish passages Bosphorus and Dardanelles and maintenance of direct access to the ports accepting large-tonnage tankers.

Jeiha-tanker port is the terminal of the double export pipeline going to Turkey from Iraq. The pipeline was entered into operation in 70th years. Tanker port Jeiha is a 2-kilometer pier and 2 bulk moorings, which simultaneously allow loading 4 tankers (carrying capacity from 15 up to 300 thousand tons). In 1991 operation of the Iraq pipeline was suspended in connection with known military actions in Persian Gulf.

In connection with the delayed negotiations on realization of the project,

there are various terms of commissioning of the pipeline of Baku-Jeiha- from 2001 till 2006. The given route satisfies to all American conditions. It passes only through the friendly USA countries, Azerbaijan, Georgia and Turkey - and goes round Russia and Iran.

It is possible to tell with the certain share of confidence, that United States considers the project of Baku – Jeihan as the basic tool of the Caspian policy.

Caspian Pipeline Consortium (CPC). From all variety of offered routes only this project is realized in practice. Concerning the given project on the part of USA it is possible to observe a little bit politics of dual nature.

On the one hand, the United States are interested in its prompt realization. The American companies finance about 50 % of all expenses. Shares of shareholders of CPC in the project are distributed as follows: the Russian Federation (24%), Republic of Kazakhstans (19%), Sultanate Oman (7%), Chevron Caspian Pipeline Consortium Companies (15%), LUKARKO. é. (12.5%), Rosneft- Shell Caspian Ventures Limited (7.5%), Mobile Caspian Pipeline Company (7.5%), Adzhip International (N.A). N.V. (2%), BG Overseas Hoildings Limited (2%), Kazakhstan Pipeline Ventures L.L.S. (1.75%) and Orics Caspian Pipeline L.L.S. (1.75%).

On the other hand, CPC is considered somewhat as threat to the American interests in region as passes through territory of Russia that considerably strengthens positions of last. With commissioning of CPC Moscow receives in the hands one more additional lever of pressure on the Caspian states, mainly Kazakhstan.



Figure: The Circuit Construction Project of Tengiz - Novorossisk³

The given thesis proves to be true also last actions of the main strategically of Washington- Turkey, which is not excluding opportunities of quoting export of energy carriers from Kazakhstan through the sea passages. Minister of Turkey on sea affairs Ramazan Mirzaoglu has declared that the increase of volumes of transportation of the Kazakhstan petroleum (within the framework of project CPC) can result in occurrence of dangerous situations in the Black Sea passages.

The position of Turkey can be considered as reaction to successful end of construction of an export oil pipeline of Tengiz-Novorossisk. According to the international convention of Montreal working since 1936, Turkey has no right to adjust movement of courts and commodity tankers through Bosphorus and Dardanelles. However in the last some years Ankara, declaring principles of ecological safety, has achieved introduction of some new technical

³ The Caspian petroleum on the Euroasian crossroads referred to "The preliminary analysis economic перспектив" (<http://www.enippf.ru/publicat/books/b34/map4.jpg>).

requirements to courts and the tankers crossing the Black Sea passages. Successful manipulation with these rules gives Turkey many opportunities for regulation of freight traffic through Bosphorus. Thus the Turkish party refers to statistics. Toughening of the rules of navigation by the Black sea, according to the government of Turkey, has resulted in decrease of failures in passages almost on 70 percents.

Taking into account similarity of interests of Washington and Ankara it is possible to assume, that the given actions by last in common will be coordinated to plans of USA. It proves to be true reaction of the special adviser of the President of USA on Caspian sea E. Dzhons's who has declared questions, that it is necessary to find alternative routes to exclude ecological accident, possible at pass of tankers through Bosphorus, where rather intense traffic. The Government of Turkey is true to the obligations following from Contract of Monterey, about maintenance of unobstructed movement of courts through Bosphorus and Dardanelles, but Turks is better, than somebody that was, known, as far as occurrence of additional tankers about petroleum is dangerous. So it is necessary to find alternative to movement of courts through passages.

Thus, United States have risen before an original choice concerning two projects of transportation of the Caspian petroleum, Baku-Jeihan and Tengiz-Novorossisk, the American companies participate in each of which. In this case, similar, political interests have got the best above economic, and the preference, most soon; will be given to the variant excluding participation of the main competitor of USA in region, Russia. As it was already marked, the administration of USA led by George Bush has let know, that will continue a policy of the predecessors concerning the Caspian region.

However it is necessary to note some nuances. So, the recently declared policy of the country on reduction of dependence of United States from external

sources of hydro carbonic raw material, first of all Near East, can concern and to the Caspian states.

So, reduction of activity of USA in region is appreciable. The share of the American companies in Azerbaijan consortium AMOC is reduced, any of them did not apply seriously for a share in a consortium the Check-Deniz. It is possible to note reduction of interest of the American corporations to participation in the Caspian Pipeline Consortium. Besides on the first positions in project OCIOK developing petroliferous structure Kashagan, the European companies leave.

All this allows speaking that USA considers the Caspian petroleum as a perspective, additional source of raw material, which comprehensive development can be begun further when in the world sharp shortage of power resources will be observed again. For today's day there is none of consumers of the Caspian petroleum testing in it sharp need. In this connection, the task of the American government can be defined as follows: fastening in Caspian region, creation here strong positions which can be used further for prevention of possible recurrence of energy crises.

Proceeding from above-stated it is possible to draw the following conclusions:

1. Recognizing that Kazakhstan is one of the largest suppliers of hydrocarbons to the world market we may definitely say that The Oil Factor takes a significant place in the Foreign Policy of the Republic of Kazakhstan.
2. The multifactor policy of Kazakhstan concerning routes of transportation of extracted petroleum on the today's moment is quite justified and answers realities of the situation which have usually in the Caspian region. It is necessary to develop all possible variants of an output of the

Kazakhstan petroleum on the world market of power resources.

3. Considering political and economic rivalry of United States and Russia in the Caspian region, observance of balance in relations with both powers is obviously important.
4. Taking into consideration that such great powers as the USA and China are the largest consumers of oil Kazakhstan must create a favorable condition in order to attract more investments into the oil sector of the country.

薩克共和國外交政策的石油因素

Nurzhan Aitmakhanov

國立哈薩克大學國際關係學系博士研究生

摘 要

在本報告中認為碳氫化合物原料的問題是今日世界最火熱的題目。哈薩克的經濟依賴於原料。哈薩克擁有許多原料，但主要以石油為主。哈薩克共和國的預算取決於石油價格。石油價格的任何波動都會影響國家預算。作者在其報告中嘗試定義石油在哈薩克外交政策中的地位，並顯示石油因素如何影響外交政策的方向。作者強調該國除位於兩大強權中國及俄羅斯之間外，美國亦對此區域倍感興趣。

對於俄羅斯作者認為當今最重要是石油合作，因為它是當今供應世界市場僅有的替代出口。至於中國作者認為如果中國經濟進一步繼續發展將成為世界最大的消費國。所以也必須考慮這種重要事實並採取適當措施創造有利的投資環境。

美國對哈薩克的石油很有興趣。世界出名美國石油公司如 Chevron, Texaco 在石油國家中佔據優勢。美國認為哈薩克的石油能作為平衡波斯灣石油的力量。雖然美國對哈薩克石油有興趣，但主要利益還是國家地緣政治情勢。

作者提出下列各點作為結論：創造有利的投資環境；分散運輸途徑；將與中國的擴大合作列入其經濟成長之考量及石油需求。

關鍵字：石油因素、哈薩克共和國、裏海區域