



Volume :2, Issue :4, 698-701
April 2015
www.allsubjectjournal.com
e-ISSN: 2349-4182
p-ISSN: 2349-5979
Impact Factor: 3.762

Asadova Khanum Rabil
Ganja State University,
Azerbaijan

The influence of energy resources of the Caucasus on the development of regional integration

Asadova Khanum Rabil

Abstract

The Caucasus region had historically been a center of many historical events and ultimately become a problematic region that was rich with contradictions. Integration had never taken place in that region at the same level. Many factors affected it. They were economic, political and cultural factors. Existing conflicts among the regional states hindered integration too. The article generally deals with these and other issues.

Keywords: The Caucasus region - natural resources - regional conflicts

1. Introduction

Positive and negative results – regional integration

To understand the current competition created by regional and non - regional countries on Caspian oil, first of all it is necessary to determine the importance of this vast area in international relations system.

The region is not a single geopolitical space, that's why exploring this area's geopolitics is complicated. In fact, the Caspian Sea divides it into two independent subsystems – west and east, the coastal sub region of Central Asia and the Caucasus region, which is close to the sea. The relative integrity of the region is provided by continental mass of Russian the North and by geopolitical axis centered in Moscow on both sides of the sea and by coastal provinces of Iran in the South. The north - south axis is the cut-off line of its geopolitical space along the Caspian Sea. (1, 66)

Geopolitical situation in the Caucasus and Central Asia are not the same. The Caucasus is not an entire geopolitical entity. It is limited to the Black and Aral seas in the west and to the Caspian Sea in the east. In fact, slopes of the Greater Caucasus divide its territory into the sub - regions. It was accepted to include sub – regions which are near the Caspian Sea to the Caspian Sea region and which are near the Black Sea to the Black Sea region. Territorial division was reflected in the term The Black Sea and Caspian region. (2, 72)

The Caspian Sea is the natural boundary of the Caucasus to the east and of central Asia to the west. Coastal regions have the status of inner peripheral areas. This is explained by the fact that access of the Central Asian countries to global communication highways is only provided by land transport seas around the Caspian Sea. Caucasian countries achieve such access via the Black Sea. The lack of sophisticated marine fleet and modern coastal infrastructure hinder the integration of countries which are located on the opposite shores of the Caspian Sea.

It is necessary to review participation of the Central Asia and Caucasus countries in the various transport and communication projects which include construction of transcontinental highways and rail lines connecting the Caspian coasts and of marine corridors as an attempt to overcome their isolation. The implementation of such projects allows these countries to compensate for the unfavorable geopolitical situation and to be active in the world economy. The leading geopolitical centers that wish to gain access to the region and control of the transcontinental transport streams support their desire for integration. Thus, the European Union worked on the TRACECA project aimed at the development of the transport network connecting Central Asia, the Caucasus and Europe. The USA demonstrates interest in the re-establishment of the Great Silk Road. Russia, Iran, India and Kazakhstan collaborate on the North Sea project which provides access of the states located on the perimeter of the Caspian Sea to the Indian Ocean. Development of the highway connecting the Silk Road region and Japan was intended as part of a new European concept proposed by Ryutaro Hashimoto's power in 1997. China that was continental and planning to go to the Persian Gulf was also interested in such highway. The directions of transport streams have strategic character

Correspondence:

Asadova Khanum Rabil
Ganja State University,
Azerbaijan

expressed clearly and they have only been limited to transport and economic problems. (2, 72-73)

The newly independent states of Caspian littoral Central Asia and of the Caucasus and China are strategically important for the security of Turkey, Iran and the countries of South Asia. All of them have politically unstable and ethnically and religiously diverse place, and an unstable geopolitical orientation. Gaining authority of Russia's traditional competitors in the region is a threat to the interests of Russia. Along with Russia, it is a threat to China, Iran and India. However, in contrast to Russia, for various reasons, they are not interested in its full insulation and they refrain from trying to get it. So, they currently do not have the resources to establish a unified control and can't rule out other geopolitical centers. They prefer open door and equal opportunity policies to dictatorship of Moscow. But the USA is ready to cooperate with Russia in order to prevent the strengthening of the leading European countries, as well as Pakistan and Turkey in the region. It seems plausible to build temporary coalitions made up of regional and non-regional states in order to achieve short-term and medium-term assignments of powerful countries in the region. The composition of coalitions may change. Their future firstly depends on the role that the region will play in the competition of the leading geopolitical centers.

From the global security point of view, the region has an important geopolitical situation. Land and naval forces worked together in the coastal sectors of Eurasia during the cold war. But after the collapse of the USSR, the cooperating zone approached the southern borders of Russian. After that the leading geopolitical centers don't compete for the belt of the coastal zones, they compete for the control over the strategically important interior spaces of mainland Eurasia. The importance of the region as a space for the major Western countries is strategic. The Caspian axis plays the role of the southern border of areal and separates continental interior space of Eurasia from its southern coastal sectors, and the north-south axis hinders meridional expansion. Against the background of confrontation between land and naval forces its geopolitical orientation has vital strategic importance.

The region has vital cultural significance. It is a buffer zone, so the world's religions and cultures collide here. Undoubtedly religious and ethnic factors make it more accessible in the face of foreign influence. It was considered that Russia's southern borders had a great potential for conflict. So Islam and Orthodoxy collide in the North Caucasus and Orthodoxy, Islam and Confucianism collide along the border of Russia and Central Asia with China. And the southern borders of the region reach the Middle Eastern countries located in the Islamic world. We can assume that the problem of conflict in the region is associated with religious conflict in a lower degree. It emerged when each ethnos attempted to maintain their lifestyle. Culturally diverse people don't want to live in one area together and it leads to a confrontation. In such cases, they are ready to oppress and remove an alien culture even by hard means. Many researchers consider that the political situation in the region is determined by the Turkic factor. Indeed, Azerbaijanis living along the perimeter of the Caspian Sea, Turkmen in Azerbaijan and Iran, Kazakhs in Turkmenistan and Iran, Kumyks and Nogais in Kazakhstan and Russia's Caspian provinces regard themselves Turkic ethnoses. This is undoubtedly an important factor. But that it should also be accepted that regarding itself as Turkic ethnos is not enough

for political unity. It should be noted that the issue of political cooperation of the Turks touches upon the problem of separatism. Separatism of Turkic ethnic groups in the southern regions of Russia worries the Kremlin which considers preventing the unification of the Turkic political associations in proatlant and proturk alliance as its strategic position. Appropriate problem of separatism is the key in China's relations with the countries of Central Asia. Turkmen and Azerbaijani national movements are potential destabilizers of the situation (1, 67).

Space is an important factor in the competition of the leading countries. A lot of financial resources are needed to appropriate large oil and gas reserves. Attraction of foreign investment strengthens the role of international oil companies and countries which have not only economic but also political purposes in the region. In the early 1990s, a group of analytical people compared Caspian oil reserves with reserves of the Persian Gulf. It was expected that though Caspian oil reserves might not remove reserves of the Persian Gulf, but it would be a serious competitor of it.

Strategic importance of Caspian oil is associated with four factors: the first group includes totally economic issues that involve income of its getting, sale and transportation; the second group refers to the intended political dividends. The third group includes military- strategic advantage and the fourth group includes geo-economic factors. (2, 73)

Russia had taken some steps towards the reconstruction of the Soviet political and economic system. But the system that was not subject to conversion and reforms practically existed - the military industrial complex.

Russia's military -industrial complex inherited from the USSR was one of the main factors hindering its integration into the European countries that live in a market economy. Another legacy of the past is its imperial ambitions and desire to become a regional superpower. The concept of the foreign policy declared openly Russia's desire to keep the newly independent states of the former Soviet Union under its control: Russia become reconciled to the loss of the Baltic countries was not going to compromise in the South Caucasus and Central Asia region.

In addition to Russia's ambitions of the gigantic military structure and of maintaining its reputation (created conflicts for it artificially), Russian military- industrial complex achieved two main goals:

- 1) With the help of the direct participation of the Russian army on sides of the both fighting countries, Russian military- industrial complex achieved the presence of the army in the region. As a result, with the help of arms trafficking and military services Russia became a self-sufficient structure;
- 2) First of all, it didn't allow Western countries that were interested in energy resources of the Caspian Sea to be in the region.

In practice, it declared clearly that it was not possible to maintain stability in the South Caucasus region without Russia (4, 55).

According to its politics of radical independence, Azerbaijan lost a lot of things. Forcing Azerbaijan and Georgia into joining the CIS could not stop the processes of rapprochement with the West started in the South Caucasus and it didn't reduce attempts of pressure by Russia. A sufficient target was not achieved. Russia required much more things from Azerbaijan:

- 1) Establishment of military base;
- 2) The joint protection of borders;

- 3) According to resolving the conflict with Armenia, entering of Russian peacekeeping troops and Russian monopoly into Azerbaijan;
- 4) The status of the Russian military base for Gabala radar station.

But none of those demands was accepted. In contrast, they inclined Azerbaijan to Europe-orientated activities.

Azerbaijan signed a contract with major western oil companies and during the settlement of the conflict between Armenia and Azerbaijan at the OSCE summit held in Budapest, there were made decisions that prevented Russia from formation of monopoly of peacekeeping forces.

Both Iran and Russia had doubts about Turkey and its Western allies and they would probably want to change West-oriented regime in Tbilisi and Baku in the future. But there may be competition between Iran and Russia for the export of energy resources from the Caspian Sea basin. Turkey, in its turn, is an important consumer of Russian energy resources and is its economic partner. Trade turnover between these countries is approximately \$ 10 billion per year. Powerful political and business lobby of Turkey supports the close relationship between Moscow and Ankara (5, 11).

In the early 1990s, a big social function was entrusted to electric power sector in Georgia during the most severe political and economic crisis, when only agriculture and power engineering functioned among all sectors of the economy. Symbolic tariff (for electricity) that didn't correspond to actual costs was determined. As a result of it, domestic debt accumulated and gradually, the situation became tense.

Turkey's geographical location is a great advantage for this country. Turkey knew that it could be an alternative to Russia between producers and consumers and tried to become a country that offered the most secure energy transport. Turkey is the biggest consumer of the Azerbaijani natural gas. In recent years, Turkey is based on the possibilities of using alternative pipelines and tries to implement a wide-ranging external energy policy. This is not easy for a transit country. That situation forced Turkey to pursue specific energy policy which differed from the European Union's policy towards the region. Turkey preferred TANAP to Nabucco.

Relations between Turkey and Russia came to the fore in the context of Turkey's relations with the European Union.

Relations between Turkey and Russia in the field of power engineering justify Russia's expectations for the present. Although this situation is a heavy financial burden on Turkey's shoulders, it is a necessity. In 2011, 23% of Turkey's total imports were energy imports. In other words, the energy sector accounted for 1/5 of the Turkey's costs and a large part of it was presented by Russia. So, cooperation in the field of power engineering was generally the basis of Turkish-Russian relations. Another problem affecting Russia (most probably affecting Turkey too) was the relations between Russia and The European Union.

The creation of a single power base has always been a priority for the European Union's energy policy. In 2009, The European Union created an organization that was responsible for that –European regulatory body adopted Third Energy Package for electric power and gas markets. That package included: distinguishing production and delivery from transmission networks, the international energy trade cooperation, inclusion of more effective national regulators, international cooperation and the

development of investment, operation of networks, increasing market transparency for carriers and developing relations among the countries of the European Union.

In 2011, the European Union decided speed up that process for establishing fully integrated power base until 2014. In order to speed up the process, one of the substantial methods used by The European Union was harmonization and coordination of regulations through the agency re-established for the cooperation of energy regulators (ACER).

That step had a strong influence on the activities of the companies such as "Gazprom", in other words on Russia. The Ministry of Energy of the Russian Federation proposed an intergovernmental agreement on the creation of a special regime for major international infrastructure projects, but the European Union did not accept it.

New influential participants of the energy wars such as Azerbaijan try to increase their growing strength. For example, Azerbaijan may require more active and definitive position from the European Union on the Nagorno-Karabakh conflict in exchange for the energy agreements. The response of the European Union to these issues remains uncertain. The situation gives Russia and individual member countries of the EU the opportunity to strengthen their positions by strengthening bilateral relations.

The sharp increase in energy demand makes The Black Sea region depend on the other source – the rich countries and causes regional problems in Turkey.

Political problems and international events don't make Iran a reliable player on the new ways. In addition, including The Caspian sea region, the uncertainty of future Iran increases the importance of the enlargement of the Black Sea region for Turkey.

Ukraine is one of the main factors that can impact the preservation of regional energy balance. Problems between Ukraine and Russia generally affect the situation in the region.

Relations were practically strained after the collapse of the Soviet Union and Gazprom stopped gas supplies to Ukraine several times. Russia is heavily dependent on Ukraine in gas transference. Approximately 80% of Russian gas exports to Europe pass through Ukraine and it accounted for 75% of profits of Russian energy companies. In 2009, after the changes in the Ukrainian government there was expected that relations between Ukraine and Russia would be improved. But it didn't happen as it was expected and the processes deteriorated further. Energy agreements with Russia created tensions in the bilateral relations.

In order to reduce its dependence on Russian gas, Ukraine was trying to reduce gas imports from Russia by half. Ukraine concentrated its efforts directly on the implementation of agreements that were about joint actions for building plants of compressed natural gas to import natural gas from Azerbaijan.

The other relevant plan that made The Black Sea a new transit region was the Azerbaijan - Georgia project– the pipeline (AGRI) which was capable to transport 8 billion cubic meters of Azerbaijani gas in DNG form for Georgia to Ukraine and other Eastern European countries through The Black Sea. So, technology and economic and political constraints can convert DNG to the alternate source (in the region) and it can reduce impact of Russia on the region.

As well as events that occur either within the region or outside of it, technological process creates problems for Russia's dominant position. This situation provides new opportunities for Europe. Establishment of relations among

Russia, Ukraine and The European Union and construction of the pipeline create another opportunity.

All these events change competition into cooperation and so they identify more accurately regional perspective.

Growing differences among various states in the region can create difficulties for stability and trustworthiness in the Black Sea region; Crimean issue, Russian navy in The Black Sea and its presence on the Georgian-Abkhaz coasts cause many problems and it is necessary to solve them.

The Black Sea region occupies a strategic position. It covers all the participants and combines them. In this regard, the Black Sea Economic Cooperation Organization can play a new leading role. The Black Sea Economic Cooperation Organization that doesn't direct its attention to regional security issues and is not always successful at bilateral and regional levels and which is not successful at improving trade and economic cooperation can become an institutional structure creating and developing a network of regional cooperation, realizing and moving forward new projects and proposals (6, 74).

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