

probability by low vulnerability and connects acquire values to vital energy system. Therefore according to Jewell, energy security is ‘low vulnerability of vital energy system’. Second, it is not limited to particular sector, therefore it is flexible enough to be applicable to any aspects and in diverse contexts. Third, it points to areas where closer specifications of energy security can be developed, which are delineating vital energy systems, exploring their vulnerabilities and understanding the political process which leads to the prioritization of certain energy systems and vulnerabilities (Jewell, 2014).

Another statement stated that energy security can be defined as “reliable supplies at a reasonable price” (Proninska, 2007). However, it takes a little closure to the meaning of securing supplies, it becomes obvious on the complexity of this task. Thus, the three main aspects of energy that often cite are: supply security, sustainability and competitiveness. They mark the relation between the three main aspects of energy policy, but it is not sufficient as a framework for energy security. Thus, securing the energy supply according to economic understanding by means of trade and business is not enough.

Russia plays an active role in Central Asia due to its importance for Russia’s stability and energy import from Central Asia. 60% of Russia’s federal budget comes from export of oil and gas and two third of its export. In fact, Russia is rich of oil and gas resources, but it imports huge amount of oil and gas from Central Asia at low price and supply it to the European market (Bhatty,

2008).By exploiting the pipeline that is used for energy supply to Europe, Russia has signed various agreement with the Central Asia in term of energy.

Russia has the technology to build infrastructures to transport natural resources from Central Asia through Russian territory as well as to develop central Asian countries' natural resource fields and make it as beneficial points to create agreements and cooperation with Central Asia in term of energy. Currently, Central Asian countries do not have the technology and fund to create its own transportation route that is not bypassing Russian territory. Thus, Central Asian countries are depended on Russia in that matter. Conducting some agreements, especially to transfer of technology, is the way for Russia keeping hegemony in energy sector.

In 2004, two Russian giant oil companies, Gazprom and Lukoil, made investment activity in Uzbekistan. Beside them, there were some other Russian companies also operating in various less significant projects in Uzbekistan. Gazprom deal with the development in the Ustyurtsk plateau, and Lukoil dealt with new field in the Bukhara-Khivin region (Paramonov, 2010).

In December 2007, Russia and Uzbekistan signed cooperation in the gas industry that provided long term procurement of Uzbek gas between 2003 and 2012. The cooperation was called The Agreement of Strategic Cooperation, which includes Gazprom. As for Uzbekistan, this cooperation aimed to develop Central Asian gas transmission through Uzbekistan (Gazprom, 2012).

Kazakhstan and Russia agreed to set up joint venture on gas condensate processing between Gazprom and KazMunayGas and will be supplied from Karachaganak field on October 2006 during presidents' meeting Oral. The agreement signed on May 7, 2007 in Astana, Kazakhstan (Sputnik News, 2007).

On May 12, 2007 President of Russia, Vladimir Putin, President of Kazakhstan, NursultanNazarbayev and President of Turkmenistan, GurbangulyBerdimuhamedow, signed an agreement to provide Central Asian gas to be exported to Europe via western branch of Central Asian gas pipeline (Konyrova, New Europe, 2007).Russia use this strategy as an effort to secure its energy supply and act as main distributor of Central Asia energy export to the European countries.

E. HYPOTHESES

Because of strategic position of Central Asia countries as important part of Russian energy security, Russia will maintain its energy hegemony in Central Asia by conducting the following strategy:

1. Russia actively conducts agreement in energy sector with several Central Asia countries such as Kazakhstan, Uzbekistan, and Turkmenistan via its energy corporations, such as Transneft.

2. Russia uses its strategic location as a transit country for Central Asian oil export route to Europe as deterrence to keep Central Asia in its influence.

F. PURPOSE OF RESEARCH THESIS

1. As a requirements of the writing thesis to achieve the Bachelor degree of International Relations from Universitas Muhammadiyah Yogyakarta.
2. As an attempt to explain how Russia use energy policy to maintain its dominance in Central Asia.

G. SCOPE OF RESEARCH

In order to maintain the specification of the problem, researcher will limit the research data, and use sources in range from 2000 until 2014. In representing Central Asia regions, this undergraduate thesis will choose Kazakhstan, Uzbekistan, and Turkmenistan as the samples and the main source of energy cooperation analysis with Russia.

Scope of the research will cover the energy relations of Russia with Kazakhstan, Uzbekistan, and Turkmenistan. It will provide the cooperation and agreements done by those countries in term of energy.

H. ORGANIZATION OF CONTENTS

To ensure this research organized academically and easy to be understood, researcher will present the analysis in several chapters with specific content:

- Chapter one contain introduction to the issue and explanation regarding to the structure of this thesis. The chapter will include: backgrounds, research question, theoretical framework, and hypotheses. It is purposed to introduce and give general explanation about what will be analyzed in this thesis.
- Chapter two discuss about how Kazakhstan, Uzbekistan, and Turkmenistan become important countries in relation with Russia's energy security. This chapter is purposed to explain about agreement and cooperation between Russia and these countries in terms of energy sector.
- Chapter three discuss about Russian agreement with Central Asian countries and its relation toward Russian hegemony and its energy security strategy as well as to analyze the first hypothesis using theoretical frameworks that has been chosen.
- Chapter four of this paper analyze the strategic location of Russia as an important transit country for Central Asian's energy. This chapter will

examine the second hypothesis and analyze it using the theoretical frameworks that have been chosen.

- Chapter five is the conclusion. It is purposed to summarize all the data and analysis of the research.

CHAPTER II RUSSIA AND CENTRAL ASIAN COUNTRIES

Central Asia is a strategic region that is located in the middle of the super power countries such as Russia, China, and Europe. It is a region that produces one of the biggest natural resources in the world including oil, natural gas, and coal. These sectors are the main basis for Central Asian economic growth. Central Asia is also a gas producing region with 6.6 trillion cubic meters gas reserves which is located in several countries; Turkmenistan that has 2.9 trillion cubic meters, Uzbekistan that has 1.9 trillion cubic meters, and Kazakhstan that has 1.8 trillion cubic meters (Christensen E. K., 2002).

Figure 1: Map of Russia and Central Asian Countries



Source: http://www.lib.utexas.edu/maps/commonwealth/cis_central_asia_pol_95.jpg

Central Asia had been one of the centers of attention since nineteenth century, and being disputable region by Great Britain and Russia. However, the collapse of Soviet Union changed geopolitical realities and world politics in the region as five Central Asian states, Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, and Kyrgyzstan emerged. There were three factors that made Central Asia significant to the international politics. The first is the geographical factor of the region. Central Asia is a landlocked region with no access to the oceans. Thus it needs well developed land routes to access other countries. The second is about close location to two important world powers, which are Russia and China. The third is about its natural energy resources. Central Asian states are rich in energy resources such as natural gas and oil (Fatima, 2014).

Oil and gas are major products of Kazakhstan, while Uzbekistan and Turkmenistan are major producers of natural gas in the region. In 2000, Kazakhstan produced 35.3 million metric tons or 745,000 barrels daily which made it the main producer of oil in the region and had 8 million barrels reserves. Uzbekistan was the second largest oil producer, it had 0.6 billion reserves and produced 7.5 million metric tons each year (Christensen E. K., 2002).

One of the example of the relations between Russia and Central Asia as the whole region is the Commonwealth of Independent States Free Trade Zone (CIS FTZ). On October 18, 2011 CIS FTZ was signed by Russia, Belarus, Kazakhstan, Armenia, Ukraine, Kyrgyzstan, Moldova and Tajikistan and ratified by Russia, Belarus, and Ukraine in August 2012. CIS FTZ was approved by Armenian

Parliament on September 2012. The CIS FTZ provides for free good's movement within the CIS territory, non-application of import customs duties, non-discrimination, gradual decrease of export customs duties and eliminate quantitative restrictions in mutual trade between the CIS FTZ member states (McKenz, 2012).

The CIS FTZ will apply World Trade Organization (WTO) rules to government procurement, customs transit of goods, application of special safeguard, anti-dumping and countervailing measures, technical barriers to trade, also provision of subsidies and other measures that applied in trade between its members (McKenz, 2012).

A. Russia and Kazakhstan energy relations

Kazakhstan is the largest and economically very fast developing post-Soviet country. Due to its significant oil and gas reserves it gains an importance on the international scene. The discovery of the Russian oil and gas in the Central Asia region dates back in the early twentieth century. Central Asia reserves are 20% of the size of Siberian fields combined, it shows the strategic importance of the new development opportunities for Russia (Energy Information Agency, 2009).

Kazakhstan is one of the closest energy partner of Russia, proved by the Russian influence in seven oil and gas onshore projects and three offshore explorations in Kazakhstan area of the Caspian shelf. In addition, Russia takes control in maintaining the main pipeline of Kazakhstani oil. Because of that,

Kazakhstan is the most consistently pro-Russia that worthy of special respect and attention from Putin, the president of Russia (Oliphant, 2013).

In the beginning of 2000s, Russia-Kazakhstan relations began to change as Putin became president. Putin brought new strategy on the Central Asia according to national interest. He also started to support the Russian oil companies participating in the Kazakh oil projects. The Russian Federation was the main importpartner for Kazakhstan followed by China which had (28,5%) of Kazakhstan's total imports and EuropeanUnion²⁷ which had (19,9%) of Kazakhstan's total imports. Russia covered almost 33,7% of Kazakhstan total imports(DG Trade Statistics).

Table 1: Kazakhstan's major imports partners (2010)

Ranking	Partners	Mio Euro	%
	World (All Countries)	27.088,8	100,0%
1.	Russia	9.134,8	33,7%
2.	China	7.724,3	28,5%
3.	EU27	5.384,1	19,9%
4.	Ukraine	1.022,5	3,8%
5.	Turkey	683,4	2,5%
6.	United States	612,8	2,3%
7.	Belarus	366,7	1,4%
8.	Uzbekistan	310,0	1,1%
9.	South Korea	240,0	0,9%
10.	Japan	185,0	0,7%

Source: DG Trade (2011) Kazakhstan- EU bilateral trade and trade with the world.

In 2000, Russia, Kazakhstan, Belarus, Tajikistan and Kyrgyzstan established Eurasian Economic Community purposed to promote the process of formation of Custom Union and Single Economic Space. In other words the free

trade regime had to be introduced with the unified system of custom regulations and tariffs. Another objective was to create a common energy market with the equal rights for foreign investment (Ivascenkova, 2011).

Gas and oil cooperations have been the main core of Russia and Kazakhstan relationship. The problems that were faced by Kazakhstan were mostly related to oil and gas export via Russia, the exploitation, and exploration of its natural resources. In 2000, Kazakhstan opened up for exporting gas to Turkey via Russia and Azerbaijan. At the same time Kazakhstan also gave the opportunity to Russia to manage its gas distribution network and then to joint venture on gas exploration. Moreover, the transportation was set up and the agreement to increase Kazakhstan oil export via Russian pipeline was signed. In 2001 they signed an agreement on development of gas deposits and exports (Nygren, 2007).

In June 2002, they signed a draft agreement on increasing oil export via Russia over 15 years. Later on 2004, there was an agreement signed by President Putin and Nazarbayev of Kazakhstan regarding three sectors. The first sector was the development of oil fields in the northern of Caspian sea in Kazakhstan. The second sector was the transportation of Kazakh oil and gas to the world market via Russia. The third sector was the development of the electric power industry. Russia and Kazakhstan also agreed on 55 year production sharing agreement in 2005 for the development of Kurmangazy oil field. Russian company, Rosneft, owned 25% and Kazakh company owned 50%. In 2006, Russia developed the

Kumangazy and Khvalynskoye three oil fields and also at the same year, they agreed on the construction of joint gas processing plant in Russia (Nygren, 2007).

Kazakhstan and Russia agreed to set up joint venture on gas condensate processing between Gazprom and KazMunayGas and would be supplied from Karachaganak field on October 2006 during presidents' meeting. The agreement signed on May 7, 2007 in Astana, Kazakhstan (Sputnik News, 2007).

One of the main pipeline routes ever created was Caspian Pipeline Consortium (CPC), it was proposed in 1992 by Russia, Kazakhstan, and Oman to transfer mainly Kazakh's oil. The development began year later and few foreign oil companies joined in the project. In 2007, Russia transferred its share to Transneft, Russian national oil company and became the biggest stake holder in CPC that owned 31% of share, while Kazakhstan owned 20.75% (Ivascenkova, 2011).

According to Chevron, CPC has transported 597,000 bbl/d of Kazakh oil, mainly from the Tengiz and Karachaganak fields, and 146,000 bbl/d of Russian crude in 2009 (Ivascenkova, 2011). As shown in the figure below, Russia own the biggest share in the CPC with 24% of the total shares.

B. Russia and Uzbekistan

During Yeltsin presidency, Russia and Uzbekistan started to discuss about cooperation in the term of oil and natural gas extraction in Uzbekistan. Later on summer 2002, further discussion was held on Russian investment in developing Uzbek oil and gas deposits. Then, they signed a 10 years contract to supply

Uzbekistan's natural gas to Russia. A year later on 2003, Uzbekistan government planned to create a new pipeline route in order to avoid Turkmenistan, and Russia promised to cooperate.

In 2004, two Russian giant oil companies—Gazprom and Lukoil made investment activity in Uzbekistan. Beside them, there were some other Russian companies also operating in various less significant projects in Uzbekistan. Gazprom dealt with the development in the Ustyurtsk plateau to provide \$200 million for the development of Uzbekistan's natural gas reserves, and Lukoil signed a \$1 billion Production Sharing Agreement (PSA) with Uzbekistan to develop Uzbekistan's natural gas deposit for 35 years and dealt with new field in the Bukhara-Khivin region (Vladimir Paramonov, 2010).

Russia's Gazprom and Uzbekistan's Uzbekneftegaz signed started \$1 billion project to explore and develop oil and gas deposits in Ustyurtsk. Within the deal, Uzbekneftegaz bounded to supply 3.5 million cubic meters of gas to southern Kazakhstan and shipped the same amount to Russia via Kazakhstan's company—Kazmunaigaz (Bhatty, 2008).

On February 2007 Uzbekistan and Russia announced a PSA. Soyuzneftegaz Vostok Ltd. From Russia and agreed on 5 year joint exploration plan and 36 years of development program in central Utsyurt south-western Guisar hydrocarbon deposits (Bhatty, 2008).

On December 2007, Russia and Uzbekistan signed cooperation in the gas industry that provides long term procurement of Uzbek gas between 2003 and 2012. The cooperation was called The Agreement of Strategic Cooperation, which includes Gazprom—a Russian company participated in the production of Uzbekistan's gas. As for Uzbekistan, this cooperation aimed to develop Central Asian gas transmission through Uzbekistan (Gazprom, 2012).

C. Russia and Turkmenistan

Russia and Turkmenistan relations in term of energy were more complicated than with the other Central Asian countries. President Niyazov made the type of Turkmenistan state sultanate with a personality cult and Russia had to accept the situation. Turkmenistan is quite independent of Russia in term of economy. Therefore, Russia had difficulty in dealing with Turkmenistan. Another reason was that Turkmenistan was trying to find another gas route that was not bypassing Russian area triggered by the price policies. However, after Niyazov died, the new political leadership might yield some changes to the Russia-Turkmenistan relations (Nygren, 2007).

Turkmenistan's gas has been exported to Russia and to other countries via Russia. As Putin's visited Turkmenistan in 2000, an agreement was created and resulted with Russia purchasing additional amount of Tukmen gas by ten billion cubic meters annuall, and a year later in 2001 Gazprom bought another 30 billion cubic meters of gas (Nygren, 2007).

Russia-Turkmenistan relations is not only happen in a good term but also covered in some issues and negotiations. In January 2001, Turkmen gas deliveries was suspended for three days due to disagreement between Gazprom and Turkmenistan on the price. In respond to that case, Putin had a call with Niyazov—President of Turkemnistan to solve the issue and in Febuary they signed an agreement to sell the same amount of gas but in a higher price (Nygren, 2007).

In 2003, Turkmenistan agreed to sign an exclusive long term agreement with Gazprom to export gas via Russia to Ukraine an Europe for 25 years, but the agreement was just lasted until 2004 due to Turkmenistan's demand to rise the price of the gas deliveries (Nygren, 2007).

In December 2004, Turkmenistan warned Russia that it would cut gas supply to Russia unless the price agreement was reached. Russia, was followed by unproductive round of negotiations done by both countries in 2005. After that, Turkmenistan cut off the gas supply during the negotiation period for about a week. In response to the issue. Gazprom's head—Aleksey Miller had met with Niyazov for few times but only reached agreement 2 months later. Both of them agreed to keep the prices as the same but had to be paid in cash and no barter trade. In October 2005, Niyazov asked for higher price again for the 25 years agreement that both signed in 2004 since the gas prices in Russia had tripled. Negotiations ended in impasse (Nygren, 2007). Later in 2006, Gazprom agreed to

Turkmenistan's demand and rise up the price by 50% from \$65/1000 cubic meters to \$100 per 1000 cubic meters gas deliveries. In exchange, Gazprom acquired access to natural gas field in Yolotan, Turkmenistan, and also control Turkmenistan's export routes and surplus potential by de facto until 2009 (Bhatty, 2008).

In November 2007, Gazprom changed the price of gas deliveries by increased it to \$130/1000 cubic meters for Turkmen and Uzbek gas. Turkmenistan export for about 50 billion cubic gas per year to Russia, and the export of Turkmen natural gas dominated by gas export which is 85% of total export. Russia sold it to Ukraine with higher prices. In 2009, Turkmenistan gas delivery to Russia will range from 60-70 billion cubic per meters, and most of it will be transferred to Ukraine (Bhatty, 2008).

CHAPTER III

RUSSIA AND CENTRAL ASIA ENERGY COOPERATIONS

Russia's energy and economic policy toward Central Asia contain a desire to bring back integration between on the mutually agreed bases through coercion and Central Asia's dependency upon Russia. However, this coercion does not mean to bring back the integration, which Russia currently cannot afford directly and totally but rather than in a slow pace. Rather, the purpose of it is to create a situation for the integration to happen based on what Russia can afford and more importantly, control. Energy sector is the prominent factor of what Russia could control due to its ownership of the existing pipeline routes and refinery capabilities. Thus, Russia has the power to shut off in and out of the states it chooses (Blank).

Even though back then there were many analysts that said Russia and Central Asian countries would collapse after the fall of Soviet Union, Russia showed offensive policy to reintegrate Soviet's economic sphere despite of it domestic crisis. Energy shutoff or threat to do so was begun to be used in 1990 by Mikhail Gorbachev to force the Baltic states into Moscow's authority. Nowadays, energy sector has become both a stake and weapon in a numerous economic warfare policy which is mostly in Russia's larger strategy. Russia's effort to control oil production and shipment has led the country into three kind, the oil producers, the international oil companies, and states that would be energy consumers but resist Russia's demand (LeVine, 1994).

The security matter which were faced by Russia were fuel and raw material distributions from Central Asia to other countries and the involvement against Russian troops in the former Soviet border conflict. That made Central Asia dependent on restoring the international trade with Russia and other countries, more importantly in energy sector. The formation of sovereign states in the former Soviet Union territory has undermined Russia's potential as an energy distributor and exporter because Russia has subsidized their energy for years since 1993 and has received almost nothing from it. This caused huge losses for Russia and redirected vital foreign trade from foreign consumers who would pay market price. Thus, world market prices and ending subsidies are vital interests (LeVine, 1994).

Central Asian countries also had to overcome goods and refined energy products subsidies from Russia at price below world market because the subsidies were running out and they could not pay for them. Subsidy also encouraged dependency on Russia, extended misunderstanding of domestic energy policy, encouraged inflation, triggered Russia's anger, and encouraged energy shutoff threat. Huge energy reserves in Kazakhstan and Turkmenistan underground or in Caspian sea are a way of dependency. However, the problem is, these countries are landlocked and far away from world's main trade route. In their own international trade, they have to invest enormous amount of capital in transportation and infrastructure. Those sums are beyond them and the existing