

Abstract

Russia is one of the biggest natural resources producers in the world. However, Russia involved in the development of Central Asian natural resources. Russia wants to maintain security and stability in Central Asia to prevent any problems that will make spillover effect in the region and harm Russia's interest. Stability in Central Asia will help with the oil import activity from Central Asian countries to Russia. Russia wants to keep Central Asia in its influence not only for energy security but also in other areas. Russia does not want the Central Asian countries to have another pipeline route to other neighboring countries

This paper will analyze how Russia maintains its hegemony in Central Asian energy through certain strategies. As former Soviet Union states, Russia and Central Asia share the same history and culture. Strategic location of Russia enables it to keep Central Asian countries dependent on Russian pipeline to transport their energy. Many multilateral and bilateral agreements on energy sector done by Russia and Central Asian countries.

Keywords

Russia; Energy; Hegemony; Central Asia; Energy Security Strategy

CHAPTER I INTRODUCTION

A. BACKGROUND

Oil and natural gas are vital energy sources of human civilization since the beginning of industrial age, the ownership of these vital sources had determined the economic strategy of a state to fulfill its energy needs. Oil and natural gas are still world primary energy use which account for 75% of total primary energy supply (BP: Statistical Review of World Energy, 2013).

Energy is a foundation stone of the modern industrial economy. Energy provides an essential material for almost all human activities: it provides services for cook and space/water heat, light, health, food production and storage, education, mineral extraction, industrial production and transportation. Modern energy services are powerful engine of economic and social development, and no country has managed to develop much beyond a subsistence economy without ensuring at least minimum access to energy services for a broad section of its population.

Russia was one of the world's biggest producers of crude oil, petroleum, and other liquid in 2014 with average production of 10.9 million barrels per day. Russia was also the second largest producer of dry natural gas in 2013 (after United States) and produced 22.1 trillion cubic feet. Oil and natural gas are main

sectors of Russian economy and its growth is also influenced by the energy exports. 50% of Russia's federal budget came from oil and natural gas revenues and 68% of total exports in 2013 (The U.S. Energy Information Administration, 2015).

Russia and Europe are interdependence in the energy sector. Europe imported oil and natural gas from Russia with 30% of European energy supply coming from Russia in 2014. As for Russia, Europe was the prominent market as 90% of Russia's natural gas exports and 70% of crude exports went to Europe in 2014 (The U.S. Energy Information Administration, 2015).

Five different countries in Central Asia, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan had 70 years of common Soviet history with Russia, and Afghanistan, that underwent a long-term period of civil war. This land-locked region remains a one way route for the transit of goods from Russia to its neighboring countries, due to lack of access and infrastructure connecting the region with countries outside the former Soviet Union.

Russia has always remained the geopolitical alternative for Central Asian states, while they seek to diversify their economic, energy, security and military co-operation with other major powers. The economic decline of Russia and discovery of huge reserves of oil and gas in Central Asia looked like great reasons for the decline of Russia's presence in Central Asia. However, for a number of reasons, Russia today is still the most significant player in Central Asia (Patnaik).

Russia slowly climbed up from the degradation of its economy by getting investment increase up to 125%, industry, agricultural, and construction were also increased (Sputnik, 2008). The Russian economy remained commodity-driven despite of its growth. The revenue from energy sector, other commodity export, taxes, and customs duties were source of the half federal revenue budget.

The rise of Russian economy, using higher energy prices and state intervention to halt the chaotic reform process, enabled it to revive many of the economic complexes linking Russia to Central Asia. As a result, not only has Russian investment in Central Asia started to grow together with interdependence within a co-operative framework. The economic policies and practices from Russia towards the regional states also created a sense of indebtedness from the energy-poor countries of Central Asia.

Russian investment has resurrected the Soviet-era abandoned projects in hydro-energy sector and military-industrial complexes of some of the states that do not have oil and gas to support their developments. Russia's strong economy is also an attraction for thousands of Central Asians as an employment destination. The labor supplying states are immensely benefiting economically from repatriation by migrants and have strived to improve relations with Russia for better access to the Russian labor market.

Russia plays an important role in the foreign trade of Central Asia countries to varying degrees. These differences concern both volumes of bilateral

trade and relative significance of trade with Russia for specific countries. Uzbekistan depended on trade with Russia to the greatest extent; Russia accounted for over 50 % in commodity exports, for almost 25 % in imports in 2010, and over the past 15 years, this dependence has increased (Sputnik, 2008). Kazakhstan also depends significantly on its trade with Russia, which makes up over 13 % of its total exports and 43 % of imports (Sputnik, 2008). However, while the proportion of Kazakh imports from Russia has been growing, the fraction of its exports to Russia decreased almost twice compared to 2000. The importance of Russian imports in Kyrgyzstan is also consistently high, over 30 % (Sputnik, 2008).

In Central Asia, Kazakhstan has the first position in term volume of commodity trade with Russia, due to the production, transport and processing of hydrocarbons, and the electric power industry. Uzbekistan is in the second place, due to its growing natural gas exports and the reduction of Russian gas purchases from Turkmenistan (which accounts for over 90 % of Turkmen exports to Russia). (Sputnik, 2008).

Despite a reduction in commodity exchange between Russia and several Central Asia countries, Russia still remains an important trading partner due to its leading role as a sales market for goods produced by Central Asia extracting and manufacturing industries, as well as their agricultural sectors, which are significant employers (Sputnik, 2008). This implies a sustainable interest in

retaining and continuing cooperation with Russia on the part of Central Asia businesses and entrepreneurs.

Beside Russia, other state that has interest in Central Asia is China. China could be a long term problem to Russia in terms of Central Asia. Russia was still in two minds whether China represented opportunity, risk, or even a threat for Russia. In the Central Asia context, both states have managed to do a good job in achieving their interest in Central Asia without any clash, but this situation is tentative and unstable particularly because of the competition to control Central Asian subsoil becomes acute (Oliphant, 2013).

China already established its influence in the region by participating in Shanghai Cooperation initiative which is a form of intergration between China's silk road economy belt and Russia's eurasian economy belt. This initiative allowed china to participate in the central asia and construct economic relation which follow their interest.

Thus, the cooperation between Russia and China in Central Asia have been implemented since China has interest in keeping Central Asia Under Russia's political and security umbrella. However if Chinese leadership for any reason considered changing their activities to get involve in Central Asian political issues, military, culture, and not only in economic aspect, then Chinese interest could be in conflict with Russia (Oliphant, 2013).

Central Asia has a great geopolitical importance because of its energy aspect. It's well known due to its abundant and valuable natural resources including oil, natural gas, and coal. Oil and coal is major product of Kazakhstan, while Turkmenistan and Uzbekistan have huge amount of gas.

All of these energy resources are the bases for economic growth in the region. Central Asia was poised to become one of the major supplier energy in the world, especially in the oil and gas sectors. In 2000, Kazakhstan produced 35.3 million metric tons or 745,000 barrels daily made it the main producer of oil in the region and have 8 million barrels reserves. Uzbekistan is the second largest oil producer, it has 0.6 billion reserves and produces 7.5 million metric tons each year (Christensen E. K., 2002).

Central Asia is also a gas producing region with 6.6 trillion cubic meters gas reserves which located in Turkmenistan that has 2.9 trillion cubic meters, Uzbekistan has 1.9 trillion cubic meters, and Kazakhstan has 1.8 cubic meters (Christensen E. K., 2002).

The two major producers of gas are Uzbekistan and Turkmenistan. Turkmenistan produced 80 billion cubic meters of gas a year until 1991, but because of the difficulties in paying for Turkmen gas in Ukraine and mean action by Russian gas company—Gazprom, Turkmenistan's gas output has fallen significantly and only produce 52.2 billion cubic meters in 2000 (Christensen E. K., 2002).

Russia wants to maintain security and stability in Central Asia to prevent any problems that will make spillover effect in the region and harm Russia's interest. Stability in Central Asia will help with the oil import activity from Central Asian countries to Russia. Russia wants to keep Central Asia in its influence not only for energy security but also in other areas. Russia does not want the Central Asian countries to have another pipeline route to other neighboring countries such as Turkey, Pakistan, and Iran because it can harm Russia's long term plan of economy.

Inside of Central Asia region, three countries have close energy relation with Russia; Kazakhstan, Uzbekistan, and Turkmenistan. Kazakhstan is regarded as a key partner of Russia interest in Central Asia (Council, 2013).Kazakhstan is one of the most consistently pro-Russian post-Soviet countries who isworthy of special respect and attention from Vladimir Putin. In addition, Kazakhstan is the closest energy partner ofRussia, it can be seen by the Russian influence in seven oil and gas onshore projects and three offshore exploration projects in the Kazakhstan area of the Caspian shelf, and controlling the main pipeline for Kazakhstani oil (Oliphant, 2013).

B. RESEARCH QUESTION

How does Russia maintain its energy hegemony in Central Asia?

C. RESEARCH METHOD

This thesis will produce qualitative kind of data, and the research will use secondary data by the method of library research, articles and also other sources of information to find the facts about Russian energy dominance in Central Asia. By using library research, the data collected by this research are secondary data. With this type of data, researcher expects to collect as many information as possible and not limited in formal sources only.

D. THEORETICAL FRAMEWORK

1. Concept of Hegemony

Hegemony comes from Greek verb “hegemonia” which means leadership. In international relations term, a hegemon state is leader that controls a group of states. The states which form the group of states automatically construct primary states which later become a leader state. So the term hegemony is related to interstate system because hegemony does not exist by itself but constructed within a given interstate system by a unique political and specific historical phenomenon (Martin Griffiths, 2002).

All hegemonic states share one characteristic, they have structural power. This structural power that lets the states gets the central position in the system and become its leader. The ability to shape other states’ preferences and interest are important as well as the ability to exercise power resources. Thus, a state that rich

of human and natural resources is most likely to become a hegemon (Martin Griffiths, 2002).

Hegemony or a form the dominance of one group over another is often supported by legitimating norms and ideas. The term hegemony is often used as shorthand to describe the relatively dominant position of a certain set of ideas and their related tendency to become commonsensical and intuitive, thus avoid the spread or even the articulation of alternative ideas. Hegemon is also used to identify the actor, group, class, or state that exercises hegemonic power or responsible for the spread of hegemonic ideas (Rosamond).

The use hegemony in political analysis was somewhat limited until it was intensively discussed by the Italian politician and philosopher Antonio Gramsci. Gramsci was attempt to understand the survival of capitalist country in the western hemisphere, thus he discussed a lot about hegemony. As a follower of Karl Marx, Gramsci understood the main mode of rule is class rule and was interested in explaining the ways in which basic institutional forms and material relations of production came to lead. The superiority of a class and thereby its associated mode of production's reproduction could be obtained by brute domination or coercion (Rosamond).

Gramsci's conception of hegemony has been most-extensively implicated to the analysis of international relations and international political economy, via transnational historical materialism. Scholars in this tradition have been careful to

differ their project from the way hegemony that used within orthodox realist international relations. In state-centered international relations analysis, hegemony shows the existence of a dominant state or group of states within the international system. In the branch of realist analysis known as hegemonic stability theory, the existence of a hegemon, for example Britain in the 19th century and the United States after 1945, create patterns of stability within the international system. The hegemon state has self-interest in the preservation of the system and prepared to uphold the system's security with its military power. The hegemon state is also responsible for the formulation of the rules that govern interaction within the international system (Rosamond).

The transnational historical materialist school sees a state as important elements of hegemonic orders, but associates hegemony with the economic, political, and social structures that facilitate certain patterns of production within the world economy. These world orders function through the spread of rules and norms, many of which are given legitimacy through international organizations and institutions and the most crucial one tend to govern the conduct of trade relations and monetary. International institutions are seen as either connector for certain regimes of capitalist accumulation's legitimation or as a device to absorb potential counter-hegemonic ideas and social forces. Thereby, for example, the hegemonic order in 19th century was uphold by institutions such as norms—free trade, and the gold standard, as well as by British military power and the British imperium (Rosamond).

“Hegemony on the international level is not, then, merely an order among States. It is an order within a world economy with a dominant mode of production which penetrates into all countries and links other subordinate modes of production. It is also a complex of social relations that connects international social classes of different countries (Luiz Augusto, 2013).”

Russia together with Kazakhstan, Uzbekistan, Turkmenistan, and other Central Asian countries were former Soviet Republic regions. After the collapse of Soviet Republic, they formed an organization to promote cooperation in trade, security, cross border crime prevention, and so on. Russia emerged as a primary power in the interstate system as Russia has great human and natural resources, and also can influence the other members of the community. For instance, Russia influenced other Central Asian members using its huge energy industry to exercise major pipeline project across the region via its major company, Gazprom.

Russia was stronger in economic sector than any other domestic sector, as the second largest producer of dry natural gas in 2013 after United States, it produced 22.1 trillion cubic feet and 50% of its federal budget comes from oil and natural gas revenues. Most of Central Asian natural gas and oil need to pass Russian territory to be exported, as for example Kazakhstan export is dominated by oil and crude with 80% from its total export, and it is mainly exported to Europe which is needed to pass Russian territory. Russia and Kazakhstan created Caspian Pipeline Consortium to transport Caspian oil from Kazakhstan to export route in the Black Sea, which was mainly used by Kazakhstan to export its oil to

Europe. So, this pipeline has become deterrence for Russia to control Kazakhstan's main export commodity.

2. Concept of Energy Security

The definition of energy security has changed from time to time. In the period post 1970s oil shocks, definition of energy security was related to the effort to avoid the risk related to oil supplies, as the result from potential disruptions of crude oil supply from the Middle East. Nowadays, other factors have been added to the previous energy security definition that affect the stability of fuel supply and increase energy price. These factors include political conflicts, unexpected natural disasters, concern on terrorism, and energy-related environmental challenges (The U.S. Energy Information Administration, 2015).

According to Jewell, energy security can be defined as 'low vulnerability of vital energy system' (Jewell, 2014). Vital energy systems mean energy resources, infrastructures, and use that linked together by energy flows. These can be connected by sectorial and geographical boundaries. While vulnerabilities mean combinations of exposure to risk and resilience capacities, on another word, energy security is keeping the energy resources and its infrastructures away from any threat that could harm it.

Jewell uses this definition due to its several advantages. First, it connected to Balwin's definition of energy security that stated energy security is a low probability of damage to acquire values. Jewell substitutes the term low