Energy and Power Politics in the Cases of Azerbaijan and Turkmenistan

Rovshan IBRAHIMOV*

Abstract

Azerbaijan and Turkmenistan can be defined as Small Powers because their actions in the international arena are relatively limited. At the same time, these two countries have significant reserves of oil and natural gas that allow them to maximize opportunities and use their potential for achieving national interests. The availability of energy is an important driver that affects the formation of their foreign policies. Azerbaijan and Turkmenistan are geographically located on opposite sides of the Caspian Sea. This geographic feature affects their energy strategy and foreign policy. Although energy field exploitation and the formation of export routes appear as a common strategy; there emerge differences in terms of timing and partnership development and level of success in implementation. This article is a comparative study on the cases of Azerbaijan and Turkmenistan, in which it elaborates on how common and different conditions of the energy factor can affect the capacity of these two Small Powers.

Key Words

Azerbaijan, Turkmenistan, small power, foreign policy, energy policy, pipelines.

* Assoc. Prof. Dr., Hankuk University of Foreign Studies, Seoul, South Korea, E-mail: Rovshanibrahimov@gmail.com This work was supported by the Hankuk University of Foreign Studies Research Fund of 2017.

Introduction

The Foreign Policy of Small Powers

The current international system constitutes the order of more than 190 states, which differ in size, population, opportunities and potential. Historically, the nature of the international order is determined by the Great Powers, which shape the system according to their expectations and perceptions. However, along with the Great Powers, there are countries, known as Small Powers with limited or almost no influence. In this international system of nation-states, formed in conditions of anarchy, the realist school considers the concept of power to be of utmost significance. The main components of state power are represented as the country's geographical location, availability of natural resources, a strong economy, large population and, of course, armed forces. Thus does one of the key paradigms of international relations, classical realism, form the concept for

understanding the actions of the main international actors- national states- on the international arena. This paradigm considers the actions of national states from the position of power and explains that their main goal is to constantly increase their own capacity. However, not every state has the opportunity to achieve this task. For example, Small Powers, which, due to their lack of capacity and resources, are often unable to ensure their security, and therefore are unable fully or partially to realize their own interests, in accordance with their wishes and expectations. Since the formation of the Westphalian system in 1648 until the mid-20th century, the central task of any Small Power was therefore just to survive and protect its own existence. However, with the evolution of the international system, the formation of a new legal system and new reality, made this goal unnecessary. The new world order formed after the Second World War on the basis of collective security, meant that for the first time in world history, Small Powers were guaranteed their existence and prevented from possible absorption by the Great Powers. Thus, the primary task of Small Powers has changed, and now these countries are trying to form their foreign policies according to their expectations and national interests.

The success of such policies depends on the availability of resources and capacity, as well as the ability to use them. However, not all desires and expectations of Small Powers can be achieved. They are, somehow, dependent on the expectations and wishes of the Great Powers, especially on those that are geographically close to the Small Powers. In this case, the Small Powers will seek the protection of the Great Powers, involving them in coalitions and alliances. If the interests of the Small Powers and Great Powers are not the same, Small Powers will seek to remain neutral or to look for opportunities to balance against undesired effects from the actions of Great Powers. It is assumed, in this article, that this conceptual analysis represents the case of Azerbaijan and Turkmenistan as Small Powers in their distinct types of interactions with the Great Powers. It is however necessary to elaborate on the theoretical aspect of these concepts in order to locate similarities and dissimilarities in the cases of Azerbaijan and Turkmenistan.

If we consider the various Small Powers designation, one of them is given by David Vital. Vital noted that Small Powers compared to Great Powers are more vulnerable to possible pressure on them in the international arena, thus more often act in a tense atmosphere and have fewer opportunities to resolve such kinds of problems.[1]

Another definition for Small Powers, based on their capacities and capabilities, is offered by Dutch researcher Jaquet. According to Jaquet: "a Small Power is a state which independently is unable to realize or to protect its own national interests, through power politics."[2]

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Another researcher, Maurice A. East, defines Small Powers based on four assumptions: that a Small Power is any state that has a small territory, a small total population, small GDP, and low military potential.[3]

It is worth noting that for Small Powers, any mistake in strategic planning of medium and long-term foreign policy goals can cost a great price. In this case, Small Powers' foreign policies should be most accurately determined in accordance with the possibilities of that country. In addition to the correct calculation of their own capabilities, Small Powers have to calculate the possible actions of the Great Powers.

Taking into account these aspects, Small Powers foreign policy constitutes the focus of this article based on case studies of two countries of the former Soviet Union: Azerbaijan and Turkmenistan. It should be noted that Azerbaijan and Turkmenistan have many common features that fit the above mentioned conceptual discussion of state power from the realist perspective. Azerbaijan and Turkmenistan also have their own unique characteristics, most of which stem from the status of oil and gas trade. In particular, both Azerbaijan and Turkmenistan are land-locked states. Thus, the formation of their trade relations with third countries in the global market is highly related to their geographical neighbors.

This geographic feature is very important since both countries are exporters of energy resources, the revenues of which constitute the majority of the state budgets. Turkmenistan is a major exporter of natural gas, while Azerbaijan exports both gas and oil. As these countries do not have access to the open seas, the export of energy resources to the world markets is mainly possible via pipelines. These pipelines cross the territory of neighboring countries, which form the political and economic dependence on

external oil and gas producers from these and other countries. Export pipelines which do not directly reach open seas make the dependence even more complicated. It is not however possible to talk about a liberal perspective that fosters regional and international energy trade leading to a web of interactions. The basic premises of realism pertain their validity in this case.

The complexity of the case of Azerbaijan and Turkmenistan emerges as a realist fact because most of their neighbors are also producers of oil and gas and therefore they are not in need of energy resources from these two countries. Azerbaijan is a neighbor to Russia and Iran, while Turkmenistan neighbors Kazakhstan, Iran and Uzbekistan. A relation between Azerbaijan and Georgia is an exception of this categorization. Georgia is Azerbaijan's territorial neighbor, and has no adequate energy resources, and therefore is totally dependent on their imports. Georgia's need for Azerbaijan's resources is an important factor that sustains mutual relations. However, the Georgian market is small, and the production of oil and gas in Azerbaijan is much higher than this country's needs. Therefore, the two former Soviet republics are forced to seek access to markets that are not directly their geographical neighbors. This makes Azerbaijan become interested in Western markets via Georgia, while Turkmenistan seeks for additional gas sales to China via its neighbors.

Georgia's need for Azerbaijan's resources is an important factor that sustains mutual relations.

Azerbaijan and Turkmenistan are in need of sustaining good relations with Great Powers, cooperating with neighbors and reaching markets in an environment characterized by realist premises. An important component in the formation of an external energy policy of these Small Powers is to reduce possible political and economic dependence on the transit countries.

In this case, there are two effective models for the formation of external energy relations: the creation of alternative export transport routes and the strengthening of political and economic interdependence with the neighboring transit countries. This results in the necessity of building international trade (that channels governments and firms) and constructing pipelines (mainly concerns governments and firms with a certain degree of involvement from non-governmental organizations) while

securing the energy flow. Having built the infrastructure, the main task for Azerbaijan and Turkmenistan becomes to reduce the possible geopolitical and geo-economic risks stemming from their geographical location.

Small Power Azerbaijan and Its Foreign Energy Policy

Azerbaijan is of one the oldest centers of oil production in the world. Production by industrial methods started in the time when Azerbaijan was part of the Russian Empire. Then Baku was the center of oil production of not only Russia but the whole world. Azerbaijan continued to remain a key energy producer also during the period of the Soviet Union, concentrating production offshore. Azerbaijan's energy potential gained new meaning after the collapse of the Soviet Union. The presence of rich deposits of oil and natural gas would allow for resolving geopolitical and geo-economic problems that faced Azerbaijan after gaining its independence. Azerbaijan confronted serious economic and political problems, which was the cause of instability at the time, right after the disintegration process. Politically, one of the main challenges to security and stability in the country has been the Armenian-Azerbaijani conflict inherited from the Soviet times. All of these problems required immediate solutions based on political will and economic capability; Azerbaijan tried to use its energy resources, and became engaged in the search for international energy trade.

Azerbaijan had already begun negotiations with a number of Western companies in the early 1990s. Negotiations, since then, have revolved around the development of the Azeri-Chirag-Guneshli offshore oil fields with 1 trillion tons of oil reserve. The main Great Power, Russia in this case, was against this new track, and adopted a realist geopolitical perspective to sustain its strong position. In 1993, Russia declared the post-Soviet region as its sphere of interest, within the framework of the "near abroad" doctrine. Therefore, the presence and participation of the West was not desirable in any capacity. Russia began to carry out a policy of pressure on Azerbaijan, stating that Azerbaijan had no right to start the development of offshore fields so far as the Caspian's legal status was not resolved. Russia also supported Armenia in the Nagorno-Karabakh conflict so as to create another barrier to limit the capacity of the Small Power. The political and economic pressures imposed upon Azerbaijan, the Small Power, by Russia, the Great Power, resulted in domestic political turmoil in Azerbaijan. The first

Azerbaijan President Ayaz Mutalibov had to resign because of the Khojaly Massacre, carried out by Armenian forces and supported by the Russian 366th Motor Rifle Brigade. A year later, a coup attempt was carried out against the second president, Abulfaz Elchibey, on the eve of the signing of the agreements with the energy companies. This track started to change in favor of the Small Power after political stability in Azerbaijan was consolidated by Heydar Aliyev, who accelerated international energy trade relations with new partners. Azerbaijan succeeded to sign with Western energy companies "the Contract of the Century" for the operation of the Azeri, Chirag, Guneshli oil fields, on 20 September 1994, despite many attempts to overthrow Heydar Aliyev.

Currently, the consortium includes the following companies with the relevant shares: SOCAR - 11,6461%, BP - 35,7828%, Statoil - 8,5633%, INPEX -10,9644%, TPAO -6,75%, Exxon Mobil - 8,0006%, ITOCU- 4,2986%, Chevron Texaco - 11,2729%, and Amerada Hess - 2,7213%.[4]

After the successful signing of the Contract of the Century, Azerbaijan soon signed another contract on the promising offshore Shah Deniz gas field. It should be noted that the total reserves of Shah Deniz are estimated at 1,1 trillion m^3 of natural gas and 240 million tons of gas condensate. The agreement on the Shah Deniz field was signed on June 4, 1996. At the moment, the members of the consortium on Shah Deniz are the following companies: SOCAR (16,7%), BP (28,8%), Petronas (15,5%), Iranian NIOC (10%), Russian / Italian joint company LukAgip (10%) and TPAO (19%).[5]

Azerbaijan's additional discovery of natural gas reserves brought out the possibility of further energy trade relations with a myriad of regional and global actors within this framework.

In the first stage, Azerbaijan began to supply gas to Georgia and Turkey. Georgia had the opportunity to acquire cost advantage with reference to Russian gas that had already become unaffordable after the velvet revolution of 2003. Conceptually speaking, Azerbaijan and Georgia found the opportunity to cooperate as Small Powers and engage in an international pipeline system that helped them be partners of a relation that included more than one Great Power.

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possibility of further energy trade relations with a myriad of regional and global actors within this framework. After the implementation of Shah Deniz Stage-2, gas production will increase up to 16 billion cubic meters and Azerbaijan will be able to supply an additional 6 billion cubic meters of gas to Turkey and 10 billion cubic meters - to Eastern Europe.[6] This will allow Azerbaijan to enter new markets, and expand the geographic area in favor of national interests. In addition to the Contract of the Century and the agreement on Shah Deniz, Azerbaijan has signed more than 30 agreements with foreign energy companies.[7]

Transport Routes for Oil and Gas Transportation Initiated by Azerbaijan

The characteristics of transit pipelines are extremely influential in the cases of states which have no access to the open seas, since unfavorable regional developments can result in drastic changes and losses. In addition, if the exporting country and the country of transit are in a conflict situation, no matter the level of the existing differences, the transit country is able to damage the exporter including by the suspension of the transportation of oil and gas.[8]

Azerbaijan therefore needed to form a strategy for the routes to export its oil and gas. This was also subject to technical issues. For instance Azerbaijan needed to create a transport route with the purpose of exporting "early oil" from the Chirag field. It was necessary to build a pipeline to pump 5 million tons of oil per year. At that time, two proposals were presented. The first was the oil pipeline Baku-Novorossiysk, or the Northern Route, to a Russian port on the Black Sea, with the transport capacity of up to 6 million tons of oil per year. The second was the pipeline from Baku to Supsa, or the Western Route, through Georgia to its port on the Black Sea, the total length of which is 830 km and with a capacity of 5,5-6 million tons per year.[9]

The choice of route was not an easy decision for Azerbaijan. Russia supported the Northern Route, also hoping that in the future the main oil from Azeri, Chirag, Guneshli would also be channeled in this direction. This would allow Russia, as the Great Power, to control the flow of oil from Azerbaijan, and sustain influence over the country. The Western Route was sponsored by another Great Power, the US, which wanted to support US energy companies which participated in energy projects in Azerbaijan.

After much deliberation and negotiations, Azerbaijan and the consortium agreed to build pipelines simultaneously in both directions. To this end, construction of the Baku-Supsa oil pipeline allowed the country to implement the diversification of transport routes and decreased possible dependency on one Great Power, Russia in this case. Diversification of transport routes would enable Azerbaijan to conduct more independent foreign and energy policies.

This approach would be key in determining the main transport route: the Baku-Tbilisi-Ceyhan oil pipeline. It was expected that production from the Azeri-Chirag-Guneshli field would reach more than 50 million tons per year. Construction of this pipeline, stretching more than 1,730 km, was launched in 2002 and completed in 2005.

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The Baku-Tbilisi-Ceyhan oil pipeline passes through the territories of Georgia and Turkey, both of which had proven reliability in relations with the US and Azerbaijan, and reaches the Turkish port of Ceyhan by the Mediterranean Sea.

Natural gas projects supported this track. In principle, the Baku-Tbilisi-Erzurum gas pipeline route overlapped with the Baku-Tbilisi-Ceyhan oil pipeline route. Construction of the Baku-Tbilisi-Erzurum gas pipeline or South Caucasus gas pipeline, was started on 27 February 2003 and ended in 2007. On 13 December 2007, the first gas from the Shah Deniz field would be exported to the Georgian and Turkish markets.[10]

Successful implementation of oil and gas export routes allowed Azerbaijan to boost state revenues, consolidate national interests, and achieve essential foreign policy goals. Azerbaijan has been in search of developing gas projects and diversifying markets to sustain this original Small Power status. Development of Shah Deniz Stage-2 is a good example, since Azerbaijan plans to export natural gas to Eastern European states. Initially, Shah Deniz 2 gas is likely to be supplied to Bulgaria, Greece, and Italy, and to reach the Western Balkans in the medium term. In this regard, Azerbaijan, in 2011, proposed the construction of the Trans-Anatolian gas pipeline (TANAP) through Turkish territory. Turkey and

Azerbaijan signed a Memorandum of Understanding to establish a consortium for the construction of TANAP on 26 December 2011.[11]

According to the agreement, the TANAP pipeline would reach 1841 kms, from the Turkish border with Georgia in the east to the border with Greece in the west. The construction of the pipeline, which was started in April 2015, is planned to be completed in late 2018. The construction consortium, includes SOCAR (58%), Turkish - BOTAŞ (30%) and British BP (12%). The initial volume of the supplied gas will be 16 billion cubic meters. The pipeline capacity will be increased up to 23 billion cubic meters by 2013, and 31 billion cubic meters by 2026.[12]

Azerbaijan's plan to extend gas exports to Eastern Europe would necessitate construction of a gas pipeline originating at the Turkish-Greek border. The Trans Adriatic Pipeline (TAP) would be considered the most feasible project among proposed alternatives. Accordingly, TAP will be connected to TANAP, and then pass through the territories of Greece, Albania, on the bottom of the Adriatic Sea, and reach southern Italy as the final destination.[13] SOCAR is involved in implementation of this project with a share of 20%.

Croatia, Montenegro, Albania and Bosnia and Herzegovina have signed a memorandum on cooperation in the construction of a new Ionian-Adriatic gas pipeline, which is planned to connect to the TAP. This will enable these countries to increase their gas supply and diversify suppliers alongside Russia.[14] Romania, Hungary and Austria appear as further markets of this route, subject to availability of gas, infrastructure and agreements.

Azerbaijan's current energy strategy is aware of the opportunities arising from the energy sector, which simultaneously affect policy outcomes with geographic conditions on the one hand, and the disadvantages of Small Powers in terms of domestic and foreign policy building, on the other. Energy trade is considered to be a tool to minimize the risks of being a Small Power. This approach does not only concern Azerbaijan, but also Georgia.

Georgia, like Azerbaijan, is also a Small Power with similar concerns. However it differs from Azerbaijan since the country does not have sufficient domestic energy resources, and is totally dependent on external supplies. This turned out to be a sort of interdependence based on a mutually beneficial relationship following the foundation of the SOCAR Energy Georgia Company in 2006. Activity of

the company in Georgia includes retail and bulk selling of fuel, importing of petroleum and liquid gas, and construction of oil terminals and warehouses. Today SOCAR is the main supplier of energy in Georgia, with 72% of share in the oil market and 61% in the diesel market, distributed by its 114 oil and 1 gas station .[15]

In 2007 SOCAR acquired the Georgian Kulevi Terminal, located on the shores of the Black Sea, for storage of oil and oil products with their further loading to vessels and transportation.[16]

SOCAR is also the main distributor of natural gas in Georgia, taking part in the privatization of its gas distribution network. In addition, SOCAR has continued expansion of these networks. Today, SOCAR provides 90% of the gas market in Georgia and, with the exception of Tbilisi, manages the gas system of the country.[17] The Azerbaijani energy company became the largest taxpayer in Georgia. Today, both countries are strategic partners in many areas and the relationship between these two countries is at its highest level.

In addition to Georgia, SOCAR has also been very active in Turkey, whose support was considered to be very important for Azerbaijan's oil and gas transit projects. In 2007, SOCAR established an alliance with a Turkish company, Turcas, and on 30 May 2008 acquired 51% of Turkey's largest petrochemicals company, Petkim. SOCAR also consolidates the activities of the petrochemical industry in Azerbaijan, which is fully concentrated in the Azerikimya Production Union. This company includes enterprises that produce different petrochemical products. SOCAR hopes to establish a common production chain between Azerikimya and Petkim. In addition, given that Turkey has access to the open seas, it will allow Azerbaijani petrochemical products to be sold not only in Turkey but also on world markets. Right after acquisition, Petkim's production was covering about 25% of the market in Turkey.[18] With support from counterparts in Azerbaijan and Turkey, SOCAR's share in Turkey`s chemical industry would increase from 25% to 40% in 2018.[19] Other SOCAR investments included the construction of the largest container port in Turkey, Petlim in Aliaga, (where Petkim is also located) and the new Star oil refinery, again in Aliaga, with a projected capacity of production up to 10 million tons of oil per year. The total cost of this refinery will be more than five billion dollars. This refinery, to be completed in 2018,

will supply both the needs of Petkim and the Turkish domestic market. It is worth noting that this will be the first refinery built in Turkey since 1975.[20]

SOCAR has been interested in further investmenğs, such as the case of acquiring the gas station network of the Austrian oil group OMV.[21] Despite the fact that this transaction failed, OMV agreed to sell to SOCAR its Aliağa Oil Terminal, with a capacity of 200,000 cbm of fuel storage and 45,000 cbm of LPG storage.[22]

SOCAR's investments in Turkey exceed 18 billion dollars, thus this company became the largest investor in the country.[23] Thus, it is possible to conclude that Azerbaijan has managed to establish an inter-dependent energy trade relationship with Georgia and Turkey, which has enabled the country to secure oil and gas exports and to overcome the difficulties of being a Small Power without access to the open seas.

The Development of the Energy Sector in Turkmenistan

Turkmenistan, another Small Power with similarities to Azerbaijan, differs from the latter because of its being a Central Asian country. Turkmenistan's being a post-Soviet country without access to the open seas and with rich energy resources constitute the most important similarities with Azerbaijan. The country inherited from the Soviet time GDP contraction, hyperinflation, and mass unemployment. It was also necessary to adopt new forms of governance, to start the construction of a market economy, and to create trade relations with neighboring countries.

Like Azerbaijan, Turkmenistan realized that to solve all the problems the main trump card was the availability of energy resources. The oil and gas industry in Turkmenistan began to develop during the period of its presence in the Russian Empire. At the end of the 19th century, the company of well-known oilman Nobel, whose activities were mainly focused in Baku, drilled the first wells in the Cheleken, thus proving the presence of oil on the eastern shore of the Caspian Sea. By the beginning of the 20th century there were extracting small amounts of oil.

The discovery of the Nebit Dag oil field in 1933 led to a peak of activity, with its historical maximum of 15.5 million tons in 1975.[24]

Gradual oil production decline made Turkmenistan increase gas production starting in the 1960s. In 1966, a major

"Odzhakskoe" field was discovered. In 1989, it produced 85.5 billion cubic meters of natural gas.[25] However, along with the general economic crisis in the USSR, the partial loss of traditional partners of the former Soviet Union, and the depletion of deposits, natural gas production in Turkmenistan decreased.

The geographic spread of oil and gas reserves affected the way Turkmenistan engaged in energy trade with other countries. There are two oil and gas provinces in Turkmenistan. The first province, Turan, is located within the territory of three Central Asian countries: Kazakhstan, Uzbekistan and Turkmenistan. Turan province accounts for the vast territory in the eastern and central parts of Turkmenistan.

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The second oil and gas province, the South Caspian, covers the western part of Turkmenistan, including the Caspian Sea. In total, Turkmenistan has 162 oil and gas fields. There are also more than 1,000 areas promising for oil and natural gas.

With support from the national company Turkmenoil, Turkmenistan began increasing exploration activities. In 2002, the Magtymguly field, a promising reservoir with vast potential, was discovered in the Caspian Sea, and in 2006, the country opened another, relatively larger oil field, Diyarbekir. At the moment, oil is extracted from these fields by the Malaysian oil company Petronas. It is noteworthy that Petronas has become the second foreign company to extract oil in the Caspian sector of Turkmenistan. Previously, the only marine oil producer was the Anglo-Arabian Company Dragon Oil.[26] Since 1999, this company, in the framework of the PSA, has developed the offshore block Cheleken, with proven reserves of 147 mln barrels of oil and 90 billion cubic meters of gas.[27]

According to the "Programme for the development of the oil and gas industry of Turkmenistan until 2030", Turkmenistan plans to increase oil production to 110 mln tons per year.

Gas Sector Development in Turkmenistan

As regards to natural gas reserves, Turkmenistan ranks fourth in the world after Russia, Iran and Qatar. The largest field is concentrated in the Mary region, in eastern Turkmenistan.

Many gas fields were discovered after independence. Among them, Bagtyyarlyk deserves a closer look. On 17 July 2017, a PSA was signed between Turkmenistan and China National Petroleum Corporation (CNPC) for a period of 30 years.

The project includes important fields such as Samandepe, which consists of 100 billion cubic meters of gas and 5 million tons of gas condensate. Chinese companies have been put into operation at "Samandepe", with dozens of old wells and drilling of new production wells, with a good flow rate of natural gas. In 2010, the Agayry gas field was discovered with estimated reserves at 73 billion cubic meters. In addition, gas fields are being explored in other areas.[28] To this day, the CNPC Corporation has invested about US$ 4 billion in the project.

One of the largest gas fields in Turkmenistan, Dowletabat, was opened in 1982 and is located in the Mary area. This field is located near the border with Iran, and its continuation is one of the largest gas fields of Iran-Khangiran. Proposed reserves are about 1.3 trillion cubic meters. It is worth noting that in the first years after independence, Dowletabat became the main source of natural gas production in the country, and accounted for 80% of total production.

The most important supergiant field, considered as the jewel of the Turkmenistan gas sector, is Galkynysh, which was discovered in 2006. It contains the second largest reserve in the world, with 21.2 trillion cubic meters of gas. The discovery of gas in the Yashlar field in 2008 increased this amount up to 26.2 trillion cubic meters of gas and 300 million tons of oil. In December 2009 the Turkmen government signed an agreement with China's CNPC, South Korea's Hyundai Engineering and a company from the United Arab Emirates, Petrofac, in order to develop the Galkynysh field. Turkmenistan's success at channeling new fields by engaging in partnerships with China did not only boost production but also made China the main export route at a time when Russian demand of Turkmen gas started to decrease.

Gas production in Turkmenistan exceeded 76 billion cubic meters in 2014, of which 45 billion cubic meters was exported.[29] Turkmenistan plans to increase gas production and exports. The government adopted the "Programme for the development of the oil and gas industry of Turkmenistan until 2030", to reach the target of 250 billion cubic meters a year of gas production by 2030.

Gas Export Diversification Policy

Turkmenistan's being a country without access to the open seas deeply affects the availability of export routes, which are overall very limited. This leads to a number of difficulties that exacerbate the negative features of being a Small Power. Turkmenistan's neighbors (including neighbors via the Caspian Sea--Russia, Iran and Azerbaijan) are producers of oil and gas. Russia, as the biggest gas reserve holder and exporter, aims to sustain its control over the markets, while Iran, which ranks second after Russia in terms of reserve, is keen to enter the markets, some of which are promising for Turkmenistan as well.

Turkmenistan's main foreign policy objective is highly characterized by its being a post-Soviet Small Power in search of new gas markets and partners in the energy sector. Historically, in Soviet times, the Soviet republics were the main markets for Turkmen gas. The main transport corridor for the export of Turkmen gas (and gas from the neighboring Central Asian republics of Kazakhstan and Uzbekistan) emerged through the Central Asia Center pipeline, which was built in 1967. In 1985, the volume of gas pumping through the pipeline was brought up to 80 billion cubic meters, and its length was extended from 3000 km to 5000 km. Most of the pipeline falls within the territory of Turkmenistan - 3940 km.

Following its independence, Turkmenistan had a quota from Russia on exports to the European market, which amounted to 11 billion cubic meters. However, in 1994, Russia abolished the quota, forcing Turkmenistan to export gas only to Ukraine and some former Soviet republics. Although Ukraine was a good market for Turkmenistan, gas transport to this country would necessitate transportation through Kazakhstan and Russia. This new gas structure negatively affected Turkmenistan's balance of payments, since most of the post-Soviet countries were unable to pay their debts at the time. Thereby, Turkmenistan was forced to reduce, and eventually halted deliveries to these countries. Turkmenistan exported only 6.5 billion cubic meters in 1997 and only 1.8 billion in 1998, to Iran.

Reduced exports also led to a sharp reduction in gas production, down by 80% in 1998 from the previous year. Given the high dependence of Turkmenistan on the Central Asia-Center pipeline, the issue of exports diversifying its export routes was the most important task for this Small

Power. In 1997, Turkmenistan, for the first time, put into operation an alternative to the Central Asia-Center pipeline, the Korpeje Kurt-Kui pipeline, with a length of 200 km and a capacity of 8 billion cubic meters (expandable to 14 billion),[30] which linked the country with Iran. The construction of this pipeline was financed by Iran in order to supply gas to the northern part of Iran, which was weakly connected with the gas fields in the south.

In April 2009, an explosion occurred on the Central Asia-Center pipeline, which completely stopped the export of gas from Turkmenistan to the north for several months. The explosion took place when the negotiations between Turkmenistan and Russia were tense over the price for Turkmen gas. Turkmenistan and Russia had signed an agreement in 2003. Accordingly, Turkmenistan would produce 80 billion cubic meters of gas per year to Russia at better terms. Between 2006-2008, almost all Turkmen gas was exported (about 41-42 billion cubic meters per year) to Russia.

In 2010, Russia began to produce gas from the Bovanenkovo field on the Yamal Peninsula and significantly reduced the volume of purchases of Turkmen gas, reducing them to 11 billion cubic meters[31] and later, to 4 billion cubic meters. Turkmenistan confronted a monthly loss of about 1 billion dollars. This incident happened to be one of the reasons which obscured the implementation of the Caspian gas pipeline project agreement, signed in 2007, to be constructed through Russia, Kazakhstan and Turkmenistan.

This picture made Turkmenistan consider China as a promising partner who was in need of gas and could overcome Turkmenistan's limited capacity arising from its being a Small Power. A new gas pipeline project from Turkmenistan to China, passing through the territory of Turkmenistan, Uzbekistan, Kazakhstan (1,900 km), and most of China (4500 km) was introduced in December 2009. The capacity of the first two lines of the gas pipeline would be 30 billion cubic meters of gas in a year. Construction of the third line, with a capacity of 25 billion cubic meters of gas per year, was completed in late 2014. The capacity of the pipeline from Turkmenistan to China amounted to 55 billion cubic meters of gas per year in 2015. In September 2013, Turkmenistan and China had already signed an agreement on the construction of a fourth gas pipeline, with a capacity of 25 billion cubic meters of gas per year. This branch would take place along the route of Turkmenistan-Uzbekistan-Tajikistan-Kyrgyzstan-China.

Thus, the total capacity of the pipeline to the east of the system would reach 80 billion cubic meters of gas per year. According to the agreements between the two countries, Turkmenistan pledged to supply China with up to 65 billion cubic meters of gas annually by the end of 2021.

Given past experience of being extremely dependent on one actor, Turkmenistan intended to diversify its export routes, which, as noted above, are highly restricted by geographic conditions.

In 2010, another pipeline to Iran, Dovletabad - Sarahs – Hangeran, was built with the length of 30.5 km, and a capacity of 12 billion cubic meters of natural gas per year. The pipeline increased Turkmenistan's capacity to export gas to or via Iran up to 20 billion cubic meters per year.[32] This route was considered to be strategic since it could allow Turkmenistan to sell gas in Turkey and Europe. Turkmenistan has been committed to achieving this route since the very establishment of an international consortium to construct a Turkmenistan-Iran-Turkey-Europe pipeline in April 1994. This project was shelved in 1995 for several reasons, among which, Iran's long-term projection on becoming a major supplier to European markets might have played a role.

The Turkmenistan-Afghanistan-Pakistan-India pipeline (TAPI) is an important alternative project supported by the Turkmen government, and yet obscured by geopolitical uncertainty in the region as in the case of the Taliban and Kashmir problems. The planned length of the pipeline will be 1735 km, including 200 km in the territory of Turkmenistan, 773 km of Afghanistan, and 827 km in Pakistan to the village Fazilka on the border with India. It is expected that the annual capacity of the pipeline will be 33 billion cubic meters.[33]

The Trans-Caspian pipeline can be stated as another massive investment project that could drastically change supply and market side features in the Caspian. This would run 300 km under the Caspian Sea to reach Azerbaijan, and then connect to the Baku-Tbilisi-Erzurum gas pipeline, with the possibility of being integrated with the forthcoming TANAP and TAP. To this end, Turkmenistan has already completed the construction of an East-West gas pipeline with the length of about one thousand kilometers, which will connect the Dowletabat and South Yolotan to the Caspian coast.[34]

The uncertainty over the legal status of the Caspian and some geopolitical issues are not only postponing this project also making Russia and Iran express

counter arguments by benefitting from environmental concerns.[35]

Despite the strenuous efforts of Turkmenistan to achieve a satisfactory level of diversification, this issue will again be important for this Small Power in the future.

Given the limited opportunities for the diversification of exports, Turkmenistan has taken the initiative by preparing a resolution on "Reliable and Stable Transit of Energy and Its Role in Ensuring Sustainable Development and International Cooperation", which was adopted by the 67th Session of the UN General Assembly.[36] Turkmenistan hopes that in this way it will form the basis for a partnership in the energy sector, which will take into account the interests of all participants in the process - the producers, transporters and consumers of energy resources. Turkmenistan is trying on a legal basis to minimize the country's dependence on the transit countries.

At the same time, Turkmenistan offers to potential buyers of its gas to choose an export route, offering the sale of its natural gas at the border. Thus, Turkmenistan seeks to diversify its energy exports in several ways: through the creation of transport corridors in new directions, producing a wide range of finished products, as well as the formation of an international legal framework. Despite the strenuous efforts of Turkmenistan to achieve a satisfactory level of diversification, this issue will again be important for this Small Power in the future. At the moment, Turkmenistan uses gas as a leverage to foster relations with China, Iran and Turkey with the aim of overcoming extreme dependence on one actor, and easing some of the disadvantages of being a Small Power in search of further energy trade.

Conclusion

Azerbaijan and Turkmenistan are two Small Powers without access to the open seas but with vast oil and gas reserves. This appeared to be a key factor in determining their foreign policies based on national energy strategies looking for secured phases of exploration and field development while diversifying export routes. In general, the main task of these two Small Powers was to reduce the undesired consequences of extreme dependence on one or few actors concerning production and transportation phases. Azerbaijan and Turkmenistan differed from each other in terms of the ways they channeled

new partners, increased production, and diversified export routes.

This differentiation had objective and subjective reasons. Firstly, and above all, geography played the most decisive role. Azerbaijan had a relatively more favorable position of being able to create alternative transportation corridors in the western direction by simultaneously cooperating with Russia on the one hand, and Georgia and Turkey on the other. Both directions are widely used for oil exports. As for Turkmenistan, the options for alternatives were few. In order to diversify export routes, the only alternative to Russia emerged as China, apart from the gas pipelines to Iran.

Azerbaijan found the opportunity to invest in the energy sectors of Georgia and Turkey, which in turn supported inter-dependence on mutually beneficiary terms.

Another important reason appears in terms of the end user of the gas. Gas transport pipelines from Turkmenistan reached Iran, Russia and China, of which Iran and Russia considered Turkmen gas as a competitor to their own gas and tried to benefit from re-export or transit fee opportunities rather than helping Turkmen gas reach new markets. China, therefore, appeared as the main option concerning gas exports, with a risk of extreme reliance on one actor.

Partners and energy export routes led to further differentiation between these two Small Powers. Azerbaijan found the opportunity to invest in the energy sectors of Georgia and Turkey, which in turn supported inter-dependence on mutually beneficiary terms. SOCAR's investments and affiliations played a remarkably important role in this process. Even Turkmenistan and Turkmen state companies had the potential, technical ability, financial capacity and willingness to engage in international energy investments; this was limited by the converging priorities of Russia and Iran.

As to conclude: what is the most decisive factor that creates the divergence between Azerbaijan and Turkmenistan? Does it emerge from state strategy, firm behavior or geography? The differences between Azerbaijan and Turkmenistan are outcomes of objective and subjective reasons, as mentioned above. And yet, geography plays the most determinant role. Azerbaijan has a relatively more favorable position of being able to create alternative transportation corridors in the western direction.

Thus were created the pipelines passing through the territory of Russia and Georgia, and Turkey. Both directions are being widely used for oil and gas exports. As for Turkmenistan, the options for alternatives were few. In order to diversify export routes, the only alternative to Russia appeared as China. The contingency of a new pipeline system between Turkmenistan and Iran towards Turkey, or other destinations, remained underdeveloped much more because of Iran's will of increasing gas exports in the mid-term. In fact, except for small shipments to Iran, Turkmenistan's exports are not diversified. On the contrary, Turkmenistan's extreme dependence on Russia has now been replaced by extreme dependence on China. Turkmenistan seems to attribute priority to securing energy revenues, rather than consolidating demand security through diversification. Azerbaijan also attributes significance to energy revenues, and yet has proven to be capable of diversifying routes and investments not only by the virtue of geographic location but also by the help of the state strategy and SOCAR's business approach that prioritized international trade with diverse parties on mutual benefits. However, even if Turkmenistan would have the political leverage as of SOCAR, it would not be easy to consolidate liberal trade terms in between Great Powers, namely Russia and China. It is therefore possible to conclude that geography proves to be overwhelmingly effective in case of Turkmenistan, and emerges as a positive asset supporting the state strategy and firm behavior in case of Azerbaijan.

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