EU-Central Asian Relations in Energy Sector

Dr. Renata Mantel
Kazakh-American Free University

Abstract

Energy dialogue between the European Union and Central Asia builds up the most significant and long-term cooperation sphere, with both sides being utterly interested in its further efficient development and expansion.

All conditions formed about the relations of Central Asian countries and Kazakhstan in particular with the European Union result in the striving of the Republic of Kazakhstan to enhance the relationship with EU. The reason is that this cooperation enjoys mutual benefits not only in such important sphere, as the bilateral dialogue in the energy sector between the states, but also contributes to Kazakhstan’s economic development in general. This is expressed, for example, the EU willingness to support Kazakhstan’s accession to the WTO.

The Caspian region, being one of the most significant cornerstones of energy dialogue in Central Asia, “has the third largest oil and gas deposits in the world after the Persian Gulf and Russia” (Cohen 2008, p. 11). The consequence is that the global power states and regional actors play a “‘New Great Game’ around the Caspian’s energy resources. In this new geopolitical reality, the region is drawing increasing attention” (Cohen 2008, p. 11) from the world powers.

Research in this area can provide us a better understanding and judgment of the development process and current situation of the ongoing EU-Kazakhstan cooperation. If we assume, in accordance with the economic integration theory, that the higher is the level of integration between the member countries’ economies, the more they are determined to abolish the existing trade barriers, we would be able to suppose that all these factors would lead to more intensive and mutually beneficial economic and political coordination between the participating states.

The given paper suggests a quick overview on the current situation in this sphere of the EU-Central Asian relations.
EU-Central Asian Relations in Energy Sector

Introduction

Over recent years political and economic development in the Central Asian republics have “largely been studied as a post-socialist issue” (IAAW 2010). Post-socialism “has proved to be a useful and convincing analytical framework to explain the massive shifts … as outcomes of personal and communal negotiations with transition, crisis and social change” (IAAW 2010).

Central Asia is a significant energy and natural resources producer, which is “capable of reducing the world’s dependence on oil from the Middle East … thus subject to crosscurrents of political, economic, and military interests and pressures” (Rywkin 2005, p. 1). After the disintegration of the Soviet Union the former Soviet states decline was extensively documented by such authors as Fischer and Sahay (2000), Campos and Coricelli (2002), Svejnar (2002), Lipton and Sachs (1990), and many scientists of the post-Soviet area. Many research papers have been focused on the transition process in Central and Eastern Europe, the Baltic States and Russia within the Commonwealth of Independent States. Since the collapse of the Soviet system, the region has been developing under relatively stable conditions, because of “its large population of moderate Muslims, secular governments, and (unlike the cast of mind that prevails in the Southern Caucasus) Moscow’s positive or neutral attitude toward the region” (Rywkin 2005, p. 1).

All countries of the former Soviet bloc got more or less involved in the process of transition (Lavigne 1999). The former Soviet states faced more difficult situation than their Soviet bloc fellows, as their political system, economies, social and trade relations were seriously affected by the decay of the USSR. Their relations to each other and connections to Moscow were disturbed by the breakup of the former system which had been governed by the central plan (Lavigne 1999).

When the centrally planned economies´ transition process started, there were “virtually no blueprints for such a process” (Angresano 2005). The transition economies have created a great number of approaches to promote economic and political development in order to be able to imply with the challenges and requirements of the modern world (Kolodko 2000; Braguinsky, Yavlinsky 2000; Aslund 1995). In order to understand the full relevance and significance of any transition process, it is necessary “to review empirical evidence, place each transition experience within its historical context, and account for differences in
governance and institutions” (Angresano 2005). This is an assumption to be related to the Republic of Kazakhstan as well.

At the same time, the republics of Central Asia have been scarcely studied, though these countries play a big role in the life of Eurasia, as Central Asian states occupy “a strategically important intersection between the two continents” (Council of the European Union 2007, p. 6), have rich natural resources such as oil, gas and minerals, and rapidly developing economies. They also represent the case of varied experience of policy reform over the last 20 years under political and economic conditions which have not always been advantageous as most countries of the Soviet bloc “went into a period of sharp contraction in the early 1990s” (Dowling, Wignaraja 2006, p. 114).

The suggested article examines the development and future prospects of Energy dialogue between the European Union and Central Asia with a special focus on Kazakhstan, reviews the country as “a major Caspian oil supplier” (Cohen 2008, p. 11), and studies its national economy and foreign policy, with particular attention to the energy sector, through the “prism of its uneasy but to date relatively successful independence and through an analysis of its relations with the world’s most powerful geopolitical players” (Cohen 2008, p. 11).

Thus, among all the “so-called stans… with the least repressive regimes in Central Asia” (Rywkin 2005, p. 1), Kazakhstan is the largest country in the CA region and probably the richest in the terms of energy and mineral resources, - the fact that allowed “to extend the benefits of its economy to a larger share of the population than in any other Central Asian republic” (Rywkin 2005, p. 2), including immigrant labor forces moved from neighboring Kyrgyzstan, Tajikistan and Uzbekistan.

But Kazakhstan is not a non-problem country. Corruption is still a very severe problem, and, similar to the rest of the CIS (Commonwealth of Independent States), economic development is uneven far and wide in the society. As mentioned by the former Minister of Foreign Affairs Mr. K. Tokaev, Kazakhstan is “quite vulnerable at the geopolitical level” (Tokaev 2001, p. 5). When discussing the strategic interests, the Kazakhstan official representatives assume that “their country’s national survival is dependent on the maintenance of a stable equilibrium among the great powers… The ideal would involve Kazakhstan’s assumption of a buffer position while outside powers exercise mutual restraint, permitting Kazakhstan to continue to strengthen its economic and political systems as an independent member of the international community” (Rywkin 2005, p. 3).
The country’s transition process from totalitarian government to democracy allowed establishing and successfully pursuing the bilateral relations with such important trading and cooperation partner as the European Union. The course of relations with the EU enjoyed rather stable development, which was not marked by periods of estrangement in cooperation. Kazakhstan and the EU have been partners since the country acquired independence, “sharing a dialogue which has continually expanded” (IncoNet EECA Website 2011), starting from trade and investment, “but since 2002 many important issues have been included, such as Energy, Transport, as well as Justice and Home Affairs” (IncoNet EECA Website 2011).

The study also investigates Kazakhstan’s oil and natural gas industries in detail. Special attention is paid to the sphere of strategic energy dialogue (on the basis of the Memorandum of Mutual Understanding in the Sphere of Energy).

**Overview of methods.** The research is based mainly on analytical sources.

**The European Union and Central Asia Strategy for a New Partnership**

Over the recent years political and economic development in the Central Asian republics have “largely been studied as a post-socialist issue” (IAAW 2010). Post-socialism “has proved to be a useful and convincing analytical framework to explain the massive shifts … as outcomes of personal and communal negotiations with transition, crisis and social change” (IAAW 2010).

Central Asian countries made a long journey from the planned economy with overwhelming state control to successfully developing market economies, eager to cooperate with the world. Central Asia is a region with richest stores of natural resources worldwide, and, “most probably that fact is also the main driving force of the EU's "Strategy for a New Partnership" with Central Asia, which was presented at the end of June” 2007 (Kramer 2007). The novelized and more elaborated Strategy determines the priorities of the European Union under the conditions of regional and bilateral cooperation with the republics of Central Asia. By the medium of the anticipated 750 Million Euro which would go to the expense of the period of 2007 to 2013, the EU is on a course of implementing the Strategy and establishing the EU representative delegations in the five Central Asian states.

Moreover, it intends to enhance its partnership and collaboration with international organizations, the OSCE in particular; in the sphere of the environmental protection by introducing the "Environment and Security Initiative".

The scope of activities suggested for the implication in the Strategy involve such fields, as education, economic development, democratization, fighting crime, violation of
human rights and drugs trafficking, combating common threats and challenges (Council of the European Union 2007) with a special attention given to energy and water resources. In relation to these last two issues, the EU “explicitly acknowledges the significance of energy security and regional water cooperation for regional stability and global security” (Kramer 2007). Following this decision, the EU projects the investigation of the new deposits of oil, gas and hydro-power resources, and investments with long-term view in energy infrastructure giving preferential treatment to the development of the energy market in Central Asian region and fostering the process of sustainable development in the sector of energy.

Regarding the water resources, the EU considers contributing to the trans-boundary river basin management, refining water supply and sanitation in water-related infrastructure projects, employing modern efficacious technologies and rising potential capacities.

The successful implementation of the new EU Strategy for Central Asia depends on the “follow-up measures” (Kramer 2007) taken by the governments of participating states. However, not everyone is disposed to endorse the running-on strategy reproving it of the lack of certain feasible targets and specific mile stones. Besides, there is opinion that some concepts highlighted in the EU - Central Asia strategy, like human rights, democratization and legal regulations, “drop behind the EU's security and energy interests” (Kramer 2007).

Thus, Central Asian countries made a long journey from the planned economy with overwhelming state control to successfully developing market economies, eager to cooperate with the world. A bright example of mutually beneficial cooperation is the relations between the Republic of Kazakhstan and the European Union.

**EU-Kazakhstan Cooperation Overview**

The EU and Kazakhstan have been developing their partnership “since the country’s independence, sharing a dialogue which has continually expanded” (New Europe Online 2011). During the past 20 years, the EU has gradually taken the first place among Kazakhstan’s trading partners, as almost a half of all exports from Kazakhstan are headed off to the EU.

Stage by stage the EU has also become the most significant foreign investor, “accounting for more than half of Kazakhstan’s foreign direct investment” (New Europe Online 2011). The oil industry of Kazakhstan draws the interest of large European companies, such as Italian ENI, French Total, British-Dutch Shell, British BG Group, and Rompetrol (bought by KazMunaygas, Kazakhstan national oil company, in order to create a foothold on the European petroleum markets).
At the very beginning trade was endorsed by the Partnership and Cooperation Agreement (PCA, signed in 1995, came into force in 1999), which is still the basic document corroborating the relationship between the states. After the EC-Kazakhstan textiles agreement expired in 2004 and EC-Kazakhstan steel agreement terminated in 2006, the bilateral trade was centered on autonomous measures. In 2004, the EU and Kazakhstan initiated a supplementary Protocol to the Partnership and Cooperation Agreement (PCA) “extending its provisions on trade in textiles in 2006” (EEAS Bilateral trade undated).

On 4 December 2006, another treaty was signed in Brussels (Belgium), laying the basis for enhanced networking in the energy sector: a Memorandum of Understanding on Cooperation in the Field of Energy between the European Union and Kazakhstan.

The EU encourages Kazakhstan's striving after the accession to the WTO which would be of utmost importance and contribute a lot to the process of the country’s integration to the global economic framework. International trade rules and regulations, if introduced in Kazakhstan, would promote trade and investment relations between it, EU and the rest of the world.

The Ministry of Foreign Affairs of the Republic of Kazakhstan declares that the country is eager to proceed with the cooperation with the EU to “recognize full market status of the Kazakh economy… and to see a realistic and positive approach of the EU to the conditions of joining of Kazakhstan to the WTO in the framework of the Customs Union” (Ministry of Foreign Affairs of the Republic of Kazakhstan 2010).

Besides, Kazakhstan partakes in such European programs as TACIS (Technical Assistance to the Commonwealth of Independent States programme), TEMPUS, BOMCA (the European Union's Border Management Programme in Central Asia), Erasmus, TRACECA (Transport Corridor Europe-Caucasus-Asia) and many others. Political cooperation makes its impact on “gradual democratic reforms in Kazakhstan’s political system, approved in EU. The main result of this constructive process is electing our country OSCE commissioner-in-office in 2010” (Sharipov 2010). The principal operative agency of the EU-Kazakhstan relations is the Cooperation Council, which gathers once a year on the ministerial level (departmental or deputy ministers) with the Deputy Prime Minister E. Orynbay as Kazakhstan’s representative.

All these programs give an overview of the development process of the EU-Kazakhstan relations and cooperation. Now let’s proceed with the analysis of the political environment of the EU-Kazakhstan relations. Its comprehension enables the understanding and proper evaluating of the role of the influence of not only of the common-borders countries
(providing a glance into the region), but also of such global power states as the Russian Federation and the USA. Correct estimation of the Russian and American influence in the Central Asian region is important for the assessment of their impact on the EU-Kazakhstan cooperation process, and the positive and negative factors of this impact.

**Energy dialogue between the EU and Kazakhstan**

Energy dialogue (on the basis of the Memorandum of Mutual Understanding in the Sphere of Energy) is the most developed sphere of the integration process of the economies of the Republic of Kazakhstan and the EU. Right after the fall of the Soviet Union and Kazakhstan’s independence, the country started its politics of engaging large European energy companies into the process of investigation and extraction at the Caspian oil resources.

“In 2012 Kazakhstan produced a total of 79.211 million tons, including condensed gas, 1.1% down as compared to 2011” (Tengry News 2013) Kazakhstan’s main “geo-economic value and role is that of a major oil and gas producing economy. Exports are projected to rise from 1 million barrels /day (mbd) in 2005 to an anticipated 3 mbd in 2015 (from 50 million tons/year to 150 million tons), putting Kazakhstan in the same category of oil exporters as Kuwait, Iran, and Iraq” (Cohen 2008, p. 115). Table 1 gives an overview on the oil production in Kazakhstan from 2001 to 2011.

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<tbody>
<tr>
<td>Kazakhstan</td>
<td>798,200</td>
<td>1,200,000</td>
<td>1,300,000</td>
<td>1,445,000</td>
<td>1,540,000</td>
<td>1,608,000</td>
</tr>
</tbody>
</table>

The statistics information provided by Table 1 serves as a proof of the high rates of oil production and consumption in Kazakhstan, which, subsequently, imply that this sphere of energy sector represents its most significant part, and Kazakhstan would be eager to develop it by means of intensive cooperation with Western countries.

In the early and late 1990s, oil sector had low prices, and so were the profits from the oil and gas fields. With minimal crude prices of about $10/barrel “in the wake of the Asian economic crisis, the landlocked republic’s energy industry remained on the edge of self-sufficiency” (Morse, Richard 2002). Changing its energy policy in favor of foreign direct investment and capital inflow, “Kazakhstan was becoming one of the few oil-rich countries that are open to foreign companies” (Medvedev 2007). In a relatively short period time,
Kazakhstan “undertook a series of legislative initiatives… and became … the most attractive CIS country for foreign investment” (Shiells 2003).

However, European investors appeared on the Kazakhstan energy market only after the US. Still, “the EU’s oil giants, especially Agip/Eni, Shell Development B.V., British Petroleum, and TotalFinaElf, managed to join the prospective projects, including the development of the Karachaganak and Kashagan fields” (Cohen 2008, p. 98). Table 4 gives more detailed information on major oil and gas ports, fields, pipelines and the involvement of foreign investors.

Table 2. Oil and Gas Industry (U.S. Energy Information Administration 2010)

<table>
<thead>
<tr>
<th>Major Oil/Gas Ports</th>
<th>Aktau, Atyrau, Kuryk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Company Involvement</td>
<td>Chevron, Total, CNPC, BG Group, Lukoil, ExxonMobil, Shell, ENI</td>
</tr>
<tr>
<td>Major Oil and Gas Fields</td>
<td>Tengiz, Karachaganak, Aktobe, Mangistau, Kumkol, Uzen, Kashagan</td>
</tr>
<tr>
<td>Major Pipelines</td>
<td>Central Asia-Center oil and gas pipelines (CAC), Baku-Tbilisi-Ceyhan oil pipeline (BTC), Caspian Pipeline Consortium oil pipeline (CPC), Atyrau-Samara oil pipeline, Tashkent-Almaty gas pipeline, Bukhara-Urals gas pipeline, Kazakhstan-China oil pipeline, Central Asia Gas Pipeline (CAGP)</td>
</tr>
<tr>
<td>Major Refineries</td>
<td>Pavlodar (162,666 bbl/d), Shymkent (78,000 bbl/d), Atyrau</td>
</tr>
</tbody>
</table>

Information on the foreign companies’ involvement in Kazakhstan’s oil and gas industry presented in Table 2 allows allotting the American and European companies partaking in the energy business of the country and their location there. This data serves also as the evidence of the interest of foreign (mainly Russian, West European and American) investors in energy dialogue with Kazakhstan, as the volume of their participation is rather high. Besides, Kazakhstan occupies the first place on the list of the EU largest Central Asian trading partners. In 2007 the total amount of exports of goods to Kazakhstan from the EU reached the amount of € 6.04 billion; and imports from Kazakhstan made up € 13.35 billion
The legal foundation of the trade relations is provided by bilateral and autonomous agreements, as Kazakhstan is not a WTO member yet.

Looking back it can be deduced that the financial crisis in Asia in 1997-1998 took the effect of economic stagnation. The economic growth of Kazakhstan was fueled by the development of its energy sector under the motto of “Openness to Western best practices” (Cohen 2008, p. 69). This was expressed through the cooperation with such international oil companies, as Total, Chevron, ENI and ExxonMobil, which afforded state-of-the-art technologies to Kazakhstan, and contributed to the reconstruction and optimization of Kazakhstan’s coal, hydrocarbon, non-ferrous metal, and other mineral production industries.

In 2002 “the EU overtook the U.S. in the amount of foreign direct investment in Kazakhstan” (Cohen 2008, p. 98). Nowadays, when energy prices are tending to grow very quickly, more and more attention is given to the natural oil and gas sources outside “the unstable Middle East” (Cohen 2008, p. 11). The Caspian region “has the third largest oil and gas deposits in the world after the Persian Gulf and Russia. In contrast to the Gulf, it demonstrates relative political stability and a lower level of terrorist threats and religious strife” (Cohen 2008, p. 11).

The consequence is that the global power states and regional actors play a ““New Great Game” around the Caspian’s energy resources. In this new geopolitical reality, the region is drawing increasing attention from the U.S., Russia and China as well as Iran, India and other regional players… attracting multibillion-dollar investments and becoming the subject of international intrigues” (Cohen 2008, p. 11).

All these facts make Kazakhstan an area of great significance not only to Central Asia, but also EU and other Western countries. It has appeared as a leading state in the region, which presents “an example of successful economic development for the rest of Eurasia’s New Independent States (NIS). Taking into consideration the fact that there are rich and abundant supplies of natural resources at Kazakhstan’s disposal, it can be asserted further energy dialogue would be of mutual benefit for both participating sides.

Table 3 provides an overview of the statistics on Kazakhstan’s richest natural resources (Orsu Metals Corp. Website 2011) and gives an evidence that with estimated oil reserves of 39.8 billion barrels, proven natural gas reserves of 105.9 trillion cubic feet (3 trillion cubic meters), and other natural resources, such as uranium, coal, and metals, and a fast-growing services sector, Kazakhstan’s future looks promising to its people and attractive to foreign investors” (Cohen 2008, p. 11).
<table>
<thead>
<tr>
<th>Natural resources</th>
<th>Million tonnes</th>
<th>% of world resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chrome</td>
<td>470</td>
<td>26.1</td>
</tr>
<tr>
<td>Gold</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Uranium</td>
<td>1</td>
<td>16.8</td>
</tr>
<tr>
<td>Zinc</td>
<td>35</td>
<td>7.6</td>
</tr>
<tr>
<td>Manganese</td>
<td>357</td>
<td>7</td>
</tr>
<tr>
<td>Iron Ore</td>
<td>7000</td>
<td>4.1</td>
</tr>
<tr>
<td>Coal</td>
<td>34000</td>
<td>3.5</td>
</tr>
<tr>
<td>Copper</td>
<td>20</td>
<td>2.1</td>
</tr>
<tr>
<td>Bauxite</td>
<td>660</td>
<td>2</td>
</tr>
<tr>
<td>Oil</td>
<td>26 billion bbl</td>
<td>3.6</td>
</tr>
<tr>
<td>Gas</td>
<td>0.5 trillion cubic feet</td>
<td>3</td>
</tr>
</tbody>
</table>

The data depicted in the table above proves that the volume of Kazakhstan’s natural resources is very high, which is an attractive factor from the point of view of present and potential foreign investors.

Moreover, this attractiveness is also testified by the fact that the largest countries investing to the economy of Kazakhstan are the members of the EU.

Regarding the mutual benefits it was announced that “the EU has a vital role to play from Astana’s perspective as a balancer between the rival energy and geopolitical interests that Russia, China and the U.S. have in Kazakhstan and the surrounding sub-region… From the European Union’s perspective, Kazakhstan represents not only an important source of energy outside of the Middle East, but equally a guarantor of stability in Central Asia, and a potentially long-term strategic partner in the region” (European Commission 2008). In return Astana “will advance its role within the European region” (Cohen 2008, p. 99).

The feasibility of this decision can easily be proved as real if we have a look at the short overview on the high rates of the Kazakhstan recent energy issues (see Table 4).
Table 4. Energy Overview (U.S. Energy Information Administration 2010, p. 8)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proven Oil Reserves (January 1, 2010)</td>
<td>30 billion barrels</td>
</tr>
<tr>
<td>Oil Production (2009E)</td>
<td>1.54 million barrels per day, of which 94% was crude oil.</td>
</tr>
<tr>
<td>Oil Consumption (2009E)</td>
<td>241 thousand barrels per day</td>
</tr>
<tr>
<td>Crude Oil Distillation Capacity (2010E)</td>
<td>345.1 thousand barrels per day</td>
</tr>
<tr>
<td>Proven Natural Gas Reserves (January 1, 2010)</td>
<td>85 trillion cubic feet</td>
</tr>
<tr>
<td>Natural Gas Production (2009E)</td>
<td>387 billion cubic feet</td>
</tr>
<tr>
<td>Natural Gas Consumption (2009E)</td>
<td>303 billion cubic feet</td>
</tr>
<tr>
<td>Recoverable Coal Reserves (January 1, 2010)</td>
<td>34.5 billion short tons</td>
</tr>
<tr>
<td>Coal Production (2009E)</td>
<td>109.5 million short tons</td>
</tr>
<tr>
<td>Coal Consumption (2009E)</td>
<td>88.7 million short tons</td>
</tr>
<tr>
<td>Electricity Installed Capacity (2010E)</td>
<td>20 gigawatts</td>
</tr>
<tr>
<td>Electricity Production (2008E)</td>
<td>74.6 billion kilowatt hours</td>
</tr>
<tr>
<td>Electricity Consumption (2008E)</td>
<td>66 billion kilowatt hours</td>
</tr>
<tr>
<td>Total Energy Consumption (2007E)</td>
<td>2.3 quadrillion Btus (the total energy consumption statistic includes petroleum, dry natural gas, coal, net hydro, nuclear, geothermal, solar, wind, wood and waste electric power), of which coal (57%), natural gas (20%), oil (19%), hydroelectricity (3%)</td>
</tr>
<tr>
<td>Total Per Capita Energy Consumption (2007E)</td>
<td>148.1 million Btus</td>
</tr>
<tr>
<td>Energy Intensity (2007E)</td>
<td>14,244 Btu per $2005-PPP (GDP figures from Global Insight estimates based on purchasing power parity (PPP) exchange rate)</td>
</tr>
</tbody>
</table>

All aforesaid allows to state that Kazakhstan is quickly turning into “a key energy producer - behind the Gulf States and Russia but on par with North Sea producers” (Rywkin
Its reserves are abundant, and production rates are growing, contributing to the increase of the country’s role in the energy market. Kazakhstan is concerned about the diversification of its pipeline routes with the objective of diminishing its dependence on the Russian pipelines (which usually call for high transit charges) necessary for the country’s exports to Europe. At the present time Kazakhstan is on the third place in the list of the EU non-OPEC largest energy suppliers after the Russian Federation and Norway. Still, it is impossible to disregard also the negative parts of such development of Kazakhstan. All these issues have a direct influence on the environment in Kazakhstan. Table 5 presented below gives information on energy-related carbon dioxide emissions (on the whole and pro person) and its intensity.

**Table 5. Environmental Overview (U.S. Energy Information Administration 2010, p. 8 - 9)**

| Energy-Related Carbon Dioxide Emissions (2008E) | 199 million metric tons, of which coal (71%), oil (17%), natural gas (11%) |
| Per-Capita, Energy Related Carbon Dioxide Emissions (2008E) | 13 metric tons |
| Carbon Intensity (2008E) | 1.2 Metric tons per thousand $2005-PPP (GDP figures from Global Insight estimates based on purchasing power parity (PPP) exchange rate) |

In this way, although Kazakhstan’s turning into one of the important actors in the sphere of global energy dialogue ensure a better economic and political development of the country, at the same time this process brings along its unfavourable consequences. Thus, the country has to meet a serious challenge – whether its positives gains outweigh the negatives factors coming along. At the same time, though it has been stated by the Ministry of Foreign Affairs of the Republic of Kazakhstan, that the country is going to strengthen the cooperation with the EU in order to “recognize full market status of the Kazakh economy… and to see a realistic and positive approach of the EU to the conditions of joining of Kazakhstan to the WTO in the framework of the Customs Union” (Ministry of Foreign Affairs of the Republic of Kazakhstan 2010), there still occur barriers, which can hinder effective trade in the energy sector.
Let us singularize the main types of barriers, which hinder energy sector cooperation between the European Union and Kazakhstan.

First, high costs for transportation and logistics services costs, which, combined with longtime shipment, result in higher whole transaction price.

Second problem is the frequent and unpredictable tariffs´ change with a would-be tariffs escalation.

Insufficient development of transport framework, expensive transportation and logistics services for international shipments are probably the main reason why the former USSR countries barely reoriented their trade after independence. Consequently, they maintain their old Soviet bloc routes in the CIS framework, rather than tend to trade with the non-FSU (former Soviet Union) West European countries.

The list of the suggested measures that should be taken by Kazakhstan for introducing more effective trade relations with the EU includes following:
- Enlargement of joint business projects and intensified technological cooperation with Europe;
- Further promotion of energy dialogue and general market principles;
- Tariffs and taxation reforms;
- Simplification of visa regime;
- Export structure alteration according to the European Generalized System Preferences (GSP+);
- Simplification of customs transit procedures for European partners.

Conclusion

Foreign observers have different comprehension of the current position in the Central Asian and Caspian area. On the one hand, the growing influence of Russia and its presence in the region can be regarded as a factor of stabilization. That is, energy resources availability issues are reshaping the map of influence in Eurasia. Eventual geopolitical control of the “development of oil deposits as well as the eventual pipeline routings will determine the political and economic future of Russia, Turkey and the Central Asian states; it will determine Iran's position in the region and its relations with the West; it will determine the realignment of the strategic triangle among the US, Russia and China; and it will have strategic consequences by lessening dependence on Persian Gulf oil” (Arvanitopoulos 2002, p. 8).

On the other hand, all these factors can act as some kind of contemporary casus belli and “serve as a catalyst to the reconceptualization of the relationship as a non-zero sum game”
(Arvanitopoulos 2002, p. 8). Such development of events might lead to the increased hostile attitude towards foreign investors and foreign shareholders in national energy companies, which would provide aggravating effect on their cooperative relationship with local governments of CARs. That is why all states of the CA region are interested in securing their interests concerning the energy resources and the related European and American investments in the Caspian basin.

At the same time, although the discussions in the EU about “the opportunities for importing Central Asian energy opinion and policymakers can be divided in two groups. Those that are gloomy and sceptic on the prospects of Central Asia as an interesting energy market for the EU and those that are less gloomy (though not optimistic)” (Boonstra 2009, p. 1), it has to be admitted, that energy issues represent one of the seven priorities of the EU Strategy for Central Asia, and “the EU states to be interested in Central Asian gas while it also offers assistance to Central Asia in developing exploitation of energy resources” (Boonstra 2009, p. 1), as “forging a closer energy linkage with the countries of Central Asia will bring the EU into a substantially different relationship with the states and societies of the region, notably in regard to Kazakhstan” (Boonstra 2009, p. 1).

One of the “important geopolitical consequences of the demise of the Soviet Union was the rise of an intense political and commercial competition for control of the vast energy resources of the newly independent and vulnerable states of the Caucasus and Central Asia” (Arvanitopoulos 2002, p. 1). The rich energy resources and, “in particular, the oil and natural gas deposits have now become the apple of discord in Central Asia introducing, according to analysts, a new chapter in the "Great Game" of control over Eurasia” (Arvanitopoulos 2002, p. 1).

After the disintegration of the Soviet Union, “Kazakhstan has been conducting its own independent foreign policy, guided heavily by energy issues” (Yesdauletova 2009, p. 31), as its hydrocarbon reserves are estimated to reach up to “around 30 billion barrels (4.8×10⁹ m³) of crude oil reserves, which places it the eleventh in the world… ranks at the second place after Russia on this parameter among all former soviet republics (Yesdauletova 2009, p. 31).

Development and investigation of natural gas resources have been slower, than oil “due to the lack of domestic gas pipeline infrastructure linking the western producing region with the eastern industrial region as well as insufficiency in export pipelines. However, the Kazakhstan-China gas pipeline will enable the transport of gas to Kazakhstan's industrial region as well as increased gas exports when it comes online in 2014” (U.S. Energy Information Administration 2010, p. 1).
The very restricted access to sea ports “makes the country dependent mainly on pipelines to transport its hydrocarbons to world markets. It is also a transit state for pipeline exports from Turkmenistan and Uzbekistan… neighbors China and Russia are key economic partners, providing sources of export demand and government project financing” (U.S. Energy Information Administration 2010, p. 1).

Thus, the “essence of this ”new geopolitical game” in Central Asia is twofold: first, control of production of the oil and gas, and second, control of the pipelines that will transfer the oil to the western markets” (Arvanitopoulos 2002, p. 1).

To proceed, it is necessary to mention, that geopolitical map in Eurasia is being constantly reshaped, and energy resources represent one of the most powerful means in this process. It is obvious, that “eventual control of the development of oil deposits as well as the eventual pipeline routings will determine the political and economic future of Russia, Turkey and the Central Asian states… it will determine the realignment of the strategic triangle among the US, Russia and China; and it will have strategic consequences by lessening dependence on Persian Gulf oil” (Arvanitopoulos 2002, p. 8). The meaning of the “eventual pipeline routings” (Arvanitopoulos 2002, p. 8) is that great, that “the struggle for future routings of oil from CIS countries to the world market is entering a decisive stage” (Arvanitopoulos 2002, p. 8). The current situation on the world markets imply the idea, that the control over energy resources and pipelines is going to turn into the most significant geopolitical influence factor in the Transcaucasia and in the Central Asian region.

The changes in the geopolitical structure of the world that appeared as an expected consequence of the Soviet Union disintegration and its complete loss of any political or economic influence, in their turn, acted as a source, or a kind of a starting point for a new wave of inevitable changes and transformations. All these formations and reforms brought significant changes not only in the geopolitical situation of all world states, but in particular converted the conditions about of the FSU energy resources located in Central Asia, in the Caspian Sea basin.

The new territorial distribution and subsequently the structure of the global map resulting from the appearance and gaining independence of new Central Asian countries meant that “in some places Russia's southeastern frontier had been pushed back northward more than one thousand miles” (Arvanitopoulos 2002, p. 7). The new states meant not only new actors on the world political scene, but also suggested that they would claim their control over richest energy and mineral deposits in the region. These were the factors that could not fail to attract the interests of possible foreign partners.
Enhanced cooperation between the Central Asian countries and the EU in the sector of energy and consequently in many related spheres, such as politics, economy, possibly education and culture, can lead not only to the increase of well-being of the citizens of participating states resulting from the more active economic efficiency and bigger output, but could also contribute to a better mutual understanding between the countries. This would result in the exchange in different spheres of experience and, correspondingly, would also perform as an endowment to the augmentation of the level of cooperation between the states. These factors are closely interrelated between each other, so the increase of one of them makes a positive impact on the others.

That is why it is very important for the cooperation participants to strengthen and enlarge their relationship, as its positive consequences considerably outweigh its negative parts.

References


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