OPTIMISTIC OUTLINES OF ENERGY SECURITY OF KAZAKHSTAN

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ABSTRACT
The world economy has been undergoing a radical transformation over the past half-century, from one based on significant government intervention in the form of regulation and planning to one based more and more on market forces. The lessons of the limits to national energy policy, bilateral diplomacy, and bilateral military assistance created a more cooperative framework on international energy matters among the countries of the Organization for Economic Cooperation and Development (OECD).

OECD experience has shown that multinational initiatives by groups of consumer nations have produced the best results, especially where stockpiling and crisis management are concerned.

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INTRODUCTION
In August 2002, Nazarbayev N., the President of the Republic of Kazakhstan used an address to mark the republic’s Constitution Day to emphasize the continued need for a strong presidency:

Kazakhstan needed, and has had now needs strong state power with a presidential form of administration... The presidential administration unites the nation, preventing it from plunging into interethnic and interreligious feud. This form of administration ensures the building and strengthening of an independent state, economic and political reform, and transition from a totalitarian regime to freedom and democracy, and guarantees official stability in the country. [2;30]

In the same speech, Nazarbayev N. clarified his view of the relationship between economics and politics thus:

If politics surges ahead, we know that there will be great delays, as we are now observing in Ukraine, Moldova and the Caucasus. Politics has moved forward, but the economy is not backing it up. And this creates an unstable situation in society. But, when the economy develops, politics should develop too. [2;31]

Optimistic outlines of energy security of Kazakhstan

The successful attraction of investors can be attributed partly to elite strategy. In 1999, Kazakhstan was the first of the Soviet Union republics to introduce a privatization programme. Occasionally, the companies were also granted the right later to purchase partial ownership of these enterprises. Astana has also successfully persuaded a multiple pipeline policy, and the government has not ruled out any options in its search for oil export routes to world markets.

As Helen Bosses Heslop points out elsewhere, there is caution in this optimism [2;31] – a product both of success and built-in policy contradictions. There revenue generated from foreign contracts and the sale of raw materials has led to complacency.

The average Kazakhstan citizen sees few benefits from massive sales, and is eager to experience tangible results in income and jobs. Critics argue that only a small percentage of the population has benefited from raw materials revenues. Inequalities are also seen to be depending at the regional level, as resource-rich regions jockey to keep revenue within their remit. Many of the provinces unofficially express either the desire to pursue their own local paths to development – or at least to have the financial means to envisage doing so. The struggle over resource revenue is likely to intensify as further oil production and transportation comes on line.

N. Nazarbayev has repeatedly justified his multivector foreign policy in terms of multilethnicity at home, portraying our country as a bridge between Europe and Asia. Unlike other Central Asian republics, Kazakhstan initially took only observer status in the Muslim-dominated Economic Cooperation Council.

Even if foreign policy is multivector in orientation, Kazakhstan’s foreign policy is still driven, in real terms, by Russia, its key ‘other’ and economic partner.

Kazakhstan shares a unique relationship with the former Soviet Union because of its geographical border, its large Russian population, and its extensive integration into the former Soviet military-industrial complex, particularly the space program. Despite being one of the most developed of the Central Asia republics, it has struggled since independence to find ways to develop its extensive natural resources and build a more diversified economic base. Over the past few years, however, there have been significant improvements to Kazakhstan’s energy sector. ‘With huge reserves of oil, and well endowed with minerals, Kazakhstan has managed to attract large amounts of foreign investment’. [2;173]

Kazakhstan possesses around 39, 8 billion barrels of proven oil reserves plus significant natural-gas reserves, estimated at three trillion cubic meters. [1;140]

In the immediate term, the reaction of Kazakhstan to security threats has been to close borders and tighten security. Despite short-term temptations to become self-reliant and self-protective, Kazakhstan has continued to cooperate with outside powers. In particular, it has participated in the cooperation between China and Russia.

The Caspian’s energy future is, of course, intimately linked with political developments, notably concerning the division of the sea or at least of its subsea resources. This issue remains unresolved in theory, but in practice Azerbaijan, Russia and Kazakhstan have concluded their own bilateral agreements which should ensure smooth developments of oil and gas fields in the north Caspian.

The notable successes of building the Caspian Pipeline Consortium (CPC) oil pipeline from Kazakhstan to the Black Sea and increasing oil production might lead people into thinking that political risk in the area has reduced significantly. While the nature of the political risk has
undoubtedly changed it will certainly continue to exist for oil companies over the next few decades. Major western oil companies were drawn to the Caspian region at first by the potential to develop supergiant oil fields discovered in the Soviet era in Kazakhstan to explore for new super giant oil fields – predominantly offshore Azerbaijan. Enormous reserve sizes within individual projects were seen as a necessary condition for accepting the political risks of contracts with news states and incurring the costs and risk of transporting oil from landlocked countries to open markets outside the FSU and eastern Europe. Within Central Asia there are three components of the political risk system that warrant special attention: access to markets, obsolescing bargains and reputational risk.

In 2000 President Nazarbayev made comments about reviews of existing contracts with foreign investors, concerns over transfer pricing and the need for more stringent regulation which indicated that contract renegotiation had become an active subject of political debate in the Kazakh government.

Once western producers in Kazakhstan are generating significant cash flows from increased production, pressure is likely to increase on them to help build pipelines linking oil and gas fields in the west to refineries and industrial areas in the north-east and south. This would reduce Kazakhstan’s oil and gas imports from neighboring states and help its balance of payments. In recent years, oil producers in Kazakhstan have periodically been required to supply (at very low prices) a proportion of their production to the domestic market, in order to keep the refineries operating or supply fuel for the farmers’ harvest.

The lack of well-developed institutions, frequent changes to the structure of government and ministerial appointments and the lack of clear decision making and accountability within government provide ample opportunity for frustration and delay in obtaining regulatory consents for activities covered by existing contracts. This problem is more apparent in Kazakhstan on account of its more decentralized political structures.

After so many years of independence in the former Soviet Caspian states, the political risk system for multinational western oil companies remains complex and difficult. Although the key areas of concern for political risk are clear, the range of possible, future, adverse, politically driven events that could affect major oil companies’ investments in the region are difficult to predict. Oil companies’ commercial success in the Caspian region will probably depend on their technical and operating knowledge and more on their ability to manage the evolution of political environments in both the long and short term. This ability will be determined by a number of factors: the growth of understanding of the region’s cultures and economies; the ability to monitor and interpret the signals of changes in the political risk system; the development of appropriate local and political relationships and the understanding of stakeholders expectations about ethical and environmental responsibility.

A decade of independence permits us to perceive a number of new tendencies. In conditions of rivalry between Russia, China and the USA in Central Asia, countries in that region are still continuing to finesse the directions of their foreign policy.

One particularly important aspect of the national security of states in the region relates to the common management of water resources, although this is not something that always heads the public or regional security agenda. It cannot be excluded that we might become witnesses to growing disputes and even conflicts over land and to the worsening of the problem of water and energy supplies. Over the last few years the water resources of the region have been evolving into a new bone on contention.

As the Uzbek researcher Takhir Mazhidova told: “The problems of water resources, provided that the Central Asia peoples show the desire and make the effort, can very easily be transformed from a political question to an economic and technical one, from an apple of discord to a factor of integration.”[2;247]

The states of Central Asia have found themselves in an area of struggle between the interests of various “power centres” – Russia, the USA, China and also of regional powers such Iran and Turkey.

**Conclusion**

In order to understand the geopolitical peculiarities of Central Asia today one first of all has to know something about the special features of the historical and political geography of this vast area, as well as about the way the geopolitical space has been structured over the centuries. The study of any geopolitical situation presupposes its modeling, i.e., the building of a dynamic model which adequately describes its (the geopolitical situation’s) main features and characteristics. A significant role in the deformation of the traditional geopolitical space was played by the way in which the frontiers in Central Asia were established. A significant role in the deformation of the traditional geopolitical space was the formation of borders.

The twentieth century Central Asia became more open to the west (Russian and Europe) so far as the acquisition of culture and civilized values are concerned.

Broadly speaking, the states of Central Asia may be divided, in energy terms, among the “have’s” and the “have-nots”. The former group are comprised of Uzbekistan, Turkmenistan, and Kazakhstan, the latter of Kyrgyzstan and Tajikistan. An accurate understanding of their economic, political, and strategic options requires a brief survey of each country’s endowment of natural resources, which in some cases extend beyond natural gas, and oil, to include precious and semi-precious minerals and water (itself a potential energy resource, albeit one that is still largely under-developed in the region).[1;138]

**REFERENCES**