

# GEORGIAN Week **Business**

*Georgian Business Week, January 21, 2008, Issue 3 (162)*

## **US Sees Long-Term Energy Interest in Caspian Region**

### **Georgian Expert Welcomes New Initiative**

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President Bush should appoint a special representative on energy issues in the Caspian region and should not allow Russia to be “dominant in this sector”, US Senator Richard Lugar, who is famous for his outright support for the young Georgian democracy, said last week - an interesting statement which could be closely studied by the future US Administration.

The Republican Senator from Indiana, who chairs the US Senate Foreign Relations Committee, justified this move as “necessary” to ensure that the region feels it is a priority for the United States.

Visiting Baku on 13-14 January, he stated that “the appointment of a special representative for energy would be a clear statement of high-level U.S. priority for this strategically critical region.” According to him, a failure to demonstrate U.S. commitment “will jeopardize progress on trans-Caspian energy cooperation, with potentially devastating impacts on long-term U.S. security and economic interests in the region”.

The request to appoint a special representative in the Caspian region, who would protect and promote US energy interests in energy-producing countries such as Azerbaijan, Turkmenistan and Kazakhstan, was forwarded by Mr. Lugar and Chairman of the Senate Foreign Relations Committee Mr. Joseph Biden to Secretary of State Condoleeza Rice on October 4, 2007.

In the letter forwarding the request the two influential Congressmen urged the US’ chief foreign policy decision-maker to secure the country’s long-term energy-related interests in the Caspian region. They stated that “further opening of the East-West energy corridor from Central Asia through the Caucasus and on to Western markets should have the full backing of U.S. diplomacy...The Baku-Tbilisi-Ceyhan pipeline was a bold strategic initiative that today reaps tremendous benefits...”

Further, they argue that the US’ long-term interests could most likely be endangered by the “aggressive” policies of the most important player in the region – the Russian Federation.

“We must not lose sight of our long-term interest in preventing Russian domination of energy in the Southern Caucasus and Central Asia,” said the Congressmen, adding that “this is a difficult region, and regional countries undergo pressure to keep a distance in their relations with the United States.”

Lugar’s statement came after his negotiations with President Ilham Aliyev of Azerbaijan, a country which is considered to be the benchmark of US energy policies in the oil-and-gas-rich Caspian region, and as the Senator confirmed, has proved its strong strategic partnership with the United States. He thanked Azerbaijan for “using their energy resources for the benefit of global security”. According to the Senator’s web-site, Lugar has encouraged continued progress on rapprochement between the governments in Baku and Ashgabat: “I heard encouraging statements about improved relations and cooperation on energy in both Ashgabat and Baku. There is willingness for progress.”

During his talks in Central Asia, Lugar encouraged the governments of Kazakhstan and Turkmenistan to pursue trans-Caspian transportation options for oil and gas. These visits to Baku, Astana and Ashgabat, which aimed to support the development of infrastructure linking the Azerbaijan, Turkmenistan and Kazakhstan, was a follow-up to Richard Lugar’s presentation of his viewpoint on energy issues to a US think-tank last month.

In his speech at the Brookings Institute on 18 December last year, Lugar warned against the consequences of high demands for energy products, underlined the need to protect energy resources from terrorists and stressed the need to prevent concentration of energy supplies in the “hands of problematic governments” who are willing to use energy as a geopolitical weapon. He stressed his concern for US energy vulnerability, given the rising cost of energy, the increasing demand for it and the anti-American regimes (mostly OPEC countries), whose say in the production of energy products is growing. Noting that global demand for energy will increase by 50% by 2030, he urged the next US President to take a more proactive stance on energy policies.

As Lugar stated, “energy is the underlying condition that exacerbates almost every major foreign policy issue”. He expressed regret that due to the US’ energy dependence and the oil revenues of some deviant countries, United States foreign policy efforts are less effective towards countries like Sudan, Iran and Iraq. “We try to foster global respect for civil society and human rights, yet oil revenues flowing to authoritarian governments are often diverted to corrupt or repressive purposes”, said the Senator disapprovingly.

“Making progress in Central Asia and the Caucasus is another case in point”, said Lugar, referring to the importance of keeping the region’s energy supplies available to the US and curbing Russia’s dominance. He remarked with concern that President Putin of Russia sought to secure agreements with Kazakhstan and Turkmenistan to ship their energy through Russia, rather than by alternative routes that would not be dominated by the Kremlin.

The Senator promised that he would travel to the region to signal that the US holds vital interests in strengthening ties with the region’s countries. “An East-West energy corridor would help reduce Russia’s stranglehold on gas shipments to Europe. Diplomatic support for the Baku-Tbilisi-Ceyhan and South Caucasus pipelines, which have led to the development of the corridor, was a bold initiative of tremendous strategic importance. Already we have seen benefits such as greater stability in the region and closer relationships with Georgia and Azerbaijan. Those benefits can also be reaped in Central Asia”, said Lugar explaining the reason for being more assertive towards energy issues in the Caspian region, by appointing a US special representative.

Georgian economic expert Vladimer Papava, Member of Parliament and Former Minister of Economy, believes that the appointment of a US special representative in the Caspian Sea region will be of paramount importance. “Today, the question we are facing is whether the trans-Caspian pipeline project has failed or will be realized. This question has arisen because Russian President Putin visited Turkmenistan and Kazakhstan to meet the leaders of these countries, and an accord was reached to build a Caspian pipeline. This seems to be more likely than constructing the Trans-Caspian pipeline” (the pipeline to be formed by connecting the Turkmenistan and Kazakhstan gas fields to the existing South Caucasus, i.e. the Baku-Tbilisi-Erzurum pipeline, supported by the EU and the US as it obviates their dependence on Russia).

Papava says that recently the US’ positions in the Caspian region have weakened, and this could be compensated for by appointing a special representative working in an intensive format. As long as large American companies are working in Kazakhstan, they will be used as significant resources if the Caspian pipeline is operational. As for the operation of the Trans-Caspian pipeline, Papava says, it depends largely on both political will and the financial capabilities of these companies. However, Russia is trying to influence the world, and particularly its neighbourhood, through its energy resources. Russia is unlikely to give up its position, says Papava, who is also an expert at the Georgian Foundation for Strategic and International Studies.

But despite Russian dominance, he says, the Americans should not block building of the Caspian pipeline. The US should rather advance the position that two alternative pipelines must be built. In his view this will more likely ensure that harmonization of energy delivery is achieved. Therefore, for him, the initiative of Richard Lugar is welcome.

Whether the idea of sending a US special representative to this part of the world, which offers so many challenges and opportunities, will be fulfilled and whether, in more general terms, the United States will become more active on energy issues, depends on who enters the White House as the next US president.

As Mr. Lugar himself said back in December, “whoever is sworn in as President in 2009 must elevate energy security to the status of a core national goal”.