



Integration in Energy and Transport



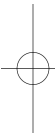


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Integration in Energy and Transport

Azerbaijan, Georgia, and Turkey

Alexandros Petersen
Foreword by Roy Allison

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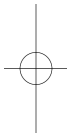
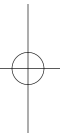
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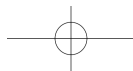
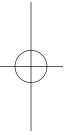
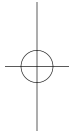
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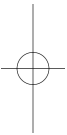
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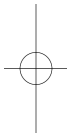




Foreword

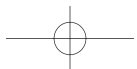


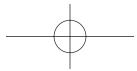
This book offers an original exploration of integration, in the energy and transport sectors, between Azerbaijan, Georgia and Turkey and the capacity of this to change the relations between these countries. Alexandros Petersen studies in particular the way transnational extra-regional actors promote such integration. These actors include European Union and World Bank projects designed to improve transparency and governance in the energy sector and to promote transport through the South Caucasus and Turkey. He finds intriguing complementarities in aspects of relations between these three countries, which are often described as forming a common and strategically significant energy and transport “corridor” westwards. International institutions, he argues, appear to be catalysing processes of integration. But in the period studied, mid-1990s to 2008, such integration significantly did not “spill over” into economic, security or foreign policy more generally. Petersen sets his analysis in a theoretical framework, drawing on theories of integration, but he also grounds it in the detailed, empirical knowledge that is the measure of true expertise.



Petersen developed a reputation in the late 2000s as a young, even precocious analyst and scholar, displaying wide-ranging interests and building up a growing portfolio of policy-related publications and affiliations with research projects. He was increasingly prominent as an articulate commentator for a wide variety of research bodies and think tanks as well as the media in Western Europe, the United States, the South Caucasus and Central Asia. The positions he held speak to his interests. To list a few: Senior Fellow with the Eurasia Centre and Fellow for Transatlantic Energy Security at the Atlantic Council; Southeast Europe Policy Scholar and, later, Advisor to the European Energy Security Initiative at the Woodrow Wilson Centre, Washington D.C.; Adjunct Fellow with the Russia and Eurasia Program at the Center for Strategic and International Studies, Washington D.C.; Program Director of the Caspian Europe Centre in Brussels; Associate Professor at the American University of Central Asia. His work was focused on “Eurasia”, defined as the geographic space centred on the vast region from the Black Sea to Chinese Central Asia. He developed a passionate commitment to study and explain to various audiences the tectonic shifts underway in Eurasian geoeconomics and geostrategy and to explore their implications for Western states.

However, Petersen’s determination to do so through direct knowledge, through the friendships he cultivated and field work, undaunted



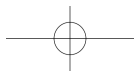


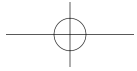
by the rigours of travel, brought him to Kabul in early 2014. Here by awful chance his career and short intrepid life was cut down in a shocking attack by the Taliban, just days after he began a new academic attachment as an Assistant Professor in Political Science at the American University of Afghanistan. He was 29 years old. When we exchanged messages earlier that week I congratulated him on his new post, while he looked forward to hosting me in his new academic setting: “if you find yourself travelling through Kabul”. It was not to be and a dynamic and original voice was stilled. However, Petersen’s publications will continue to influence those drawn to understanding the big picture of the region where he died, the interplay of energy, security and politics, as well as the meshing and conflicting interests of major powers and small vulnerable states.

This volume was originally written by Petersen as a doctoral thesis for the London School of Economics, at a time when the South Caucasus had established itself as a corridor for energy, trade and associated infrastructure from Azerbaijan, via Georgia to Turkey and on to Europe, symbolized by the Baku-Tbilisi-Ceyhan oil pipeline. The new infrastructure being developed was creating an east-west “Eurasian bridge”. Competing schemes promoted by Russia for north-south energy transportation via the Caspian Sea remained unpromising, even if Russia had locked in its own energy routes from the north of the Caspian Sea, via the North Caucasus and the Black Sea.

Petersen saw energy and transit as facilitators of an organic process of integration, but also was keenly aware from the outset that the states of the western-oriented corridor were diverse in their political systems, foreign and security policies; they lacked common attitudes to their neighbours, cultural commonalities or clearly complementary goals in security policy. There had been some attempts at trilateral cooperation in limited fields of soft security, such as pipeline security, but broader institutionalized regional cooperation did not seem in prospect. His research confirms that political, security and sociocultural integration between Azerbaijan, Georgia and Turkey have lagged far behind energy and transport integration in the region, indeed the extent to which this constitutes a separate “region” in any broader sense is questionable.


For Petersen the key to understanding the particular interactions in energy and trade between the three states is first that energy and transport are both highly regulated sectors which lend themselves to standardisation across borders. Secondly and crucially these sectors have engaged multinational corporations and supranational institutions. What emerges as the central explanatory variable, which accounts for the integration observed, is the contribution of *transnational extra-regional actors*, especially the prompting of the European Union and international financial institutions. These bodies have provided technical assistance and financial support to integrative projects. They have pursued broad agen-






das beyond simple profit, such as encouraging governments to ensure transparency of finances and to respect contracts with private partners.

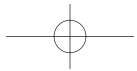
Petersen studies two main case studies. First, the EU sponsored projects Transport Corridor Europe-Caucasus-Asia (TRACECA) and Interstate Oil and Gas Transport to Europe (INOGATE). Secondly, the World Bank's efforts at promoting harmonization and transparency in the energy sector. These detailed studies provide the empirical core of his argument. However, to confirm the claim that transnational extra-regional actors have acted as the key variable promoting integration, another counterfactual case study is offered, that of the natural gas pipeline network from Turkmenistan to China – a project that received no technical or financial assistance from transnational extra-regional actors. Petersen duly finds that there is little evidence of integration among the transit countries, Kazakhstan, Turkmenistan and Uzbekistan, and that this grand pipeline system has not been accompanied by greater integration in the energy sector or other sectors in these states.

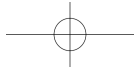


However, the particular and restricted integration in the energy sector among the South Caucasus corridor states also reflects the political systems in place. Azerbaijan, the producer and exporter of energy, has exerted especially strong influence on regional energy policy. Energy integration has taken the form of a top down process in Azerbaijan's highly centralized political system and has had little impact on other realms of policy making in Baku. This state-driven process is quite far from the bottom-up regionalism, sometimes referred to as soft regionalism, found in other world regions, which has been driven by civil society, NGOs and small businesses. On the other hand Petersen shows how integration in transport infrastructure, has been a much more decentralized and public affair, as it affects various other fields such as immigration, customs, tariffs and trade policy.

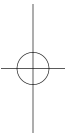


Overall, Petersen is cautious with his conclusion that the integration so far between Azerbaijan, Georgia and Turkey in the fields of energy and transport is “not necessarily a unidirectional or progressive process”, but it has helped to forge a limited bond that unites the three countries to the exclusion of their neighbours. It is an emerging if limited community of states that have little previous history of collaboration, but have found mutual benefit in cooperative arrangements. This conclusion continues to be borne out even as the geopolitical headwinds of the Russian annexation of Crimea and military intervention in east Ukraine push and pull the states between the Caspian and Black seas. Indeed in some sense the technical cooperation over energy and transport between Azerbaijan, Georgia and Turkey is even more important as the glue of regional interstate cooperation at a time when taking firm positions on security policy, or political partnerships with the EU, NATO or the United States could draw these states into the wider confrontation between Russia and Western states. At the same time many developments have reinforced the





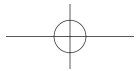
significance of the east-west energy and transport corridor: these include the collapse of Russia's plans for an alternative "South Stream" pipeline route, which would have competed with oil and gas pipelines through the South Caucasus; the emergence of China's grand "Silk Road" transport and infrastructure scheme, which will construct railway and freight transport connections all the way from China's western provinces, through Kazakhstan, Turkmenistan, over the Caspian Sea and via Azerbaijan westwards to Turkey; and the prospect of Iranian energy re-entering the market, among other routes possibly westwards across the Caspian Sea. However, geopolitical vulnerabilities remain: Azerbaijan continues to precariously balance its external relations between Russia and Western states; Georgia, the critical transit state, still absorbing the effects of the August 2008 war with Russia, fears another more fundamental Russian intervention; while Turkey's volatile domestic politics could result in unexpected reorientations in its external relations.



Petersen would have relished continuing his analyses of the shifting tectonic plates of contemporary Eurasia, despite the evidence of increasing polarisation in regional politics and the entrenchment of authoritarian rule. He set out his stall in his previous book, *The World Island: Eurasian Geopolitics and the Fate of the West*, published in 2011. This volume explores grand strategy through the visions of 20th Century Eurasian geopolitical thinkers and proposes a new synthesis of ideas to re-establish Western strategic objectives. It studies the potential for Western engagement with China, Afghanistan, Turkey, Russia and other Eurasian states. To promote Western values Petersen presented a strategy for the development of trade and energy links, coupled with the promotion of good governance, integration and Western-orientations among the Eurasian nations.

It is far too early to conclude whether such a strategic vision can gain traction, as Western states struggle with Islamist threats in the Middle East and North Africa, and with concomitant refugee flows into the European Union, while Russia continues to flaunt the use of hard military power in Ukraine. However, Petersen was prescient in seeking to focus attention on the growing strength of China as a Eurasian land power and trading giant. Indeed at the time of his death he was underway with another book, on China and Central Asia, with his co-author Rafaello Pantucci.

For Petersen the Azerbaijan-Georgia-Turkey energy and transport corridor was indispensable in advancing any wider Western strategy of engagement with Eurasia. He recognised the need for the carefully researched and documented study that follows. He filled the gap and it forms a central part of his intellectual and scholarly legacy. However, his contributions to the analysis and understanding of Eurasian states and regions would certainly have won still greater acclaim if his life had not





been taken so pointlessly by those who understood nothing of his fascination with and commitment to the people and places he studied.

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September 2015

