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**EUROPEAN ENERGY
SECURITY AND THE BALKANS:
A BATTLEGROUND FOR THE U.S. – RUSSIA
STRUGGLE FOR THE GEOSTRATEGIC CONTROL
OF EURASIA.**

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ABSTRACT

For reasons both of world strategy and control over natural resources, the US administration is determined to secure for itself a dominant role in Eurasia. The immediate task of the American power in 'volatile Eurasia' has been described as 'to ensure that no state or combination of states gains the ability to expel the US or even diminish its decisive role'(2).The US policy goals regarding energy resources of Eurasia include breaking Russia's monopoly over oil and gas transport routes, promoting US energy security through diversified supplies, encouraging the construction of multiple pipelines that go through US-controlled lands, and denying other potential powers dangerous leverage over the Central Asian oil and natural gas resources.

The life-and-death struggle to monopolize energy resources lies at the heart of this struggle, because oil remains the lifeblood of modern world economy. Superpower status naturally requires control of oil at every stage —discovery, pumping, refining, transporting, and marketing. At stake in this competition is far more than the fate of the resources of the Caspian Sea basin of Central Asia. US strategists want to control oil flow to the big world markets in the West and in Southeast Asia. The wider Black Sea region including the Balkans is crucial to the oil control flow, because oil destined for Western Europe must pass through them at one point or another.

Introduction

Europe's growing dependence on imported fossil fuels has emerged as an increasingly important political issue in the beginning of 21st century. The ever-tightening global oil markets have led the price of oil to rise above levels unimaginable only several years ago, with gas prices following suit. Meanwhile, Europe's growing consumption of natural gas is being met principally by Russian exports. Following the adage that energy security lies mainly in diversity, a new quest for alternative energy resources that could alleviate some of Europe's dependence on Russian energy has developed. The Wider Black Sea region plays a crucial role in this context, because it is the only area in Europe's vicinity that has the potential to serve as a key producer and transit area for new sources of European gas supplies. There is a clear match between the European strategic interest and those of the states of the Wider Black Sea region. Europe is in need of diversified access to energy, and other supply routes to Europe, and to have strategic access to the Central Eurasian inland; while the states of the region desire closer ties in the economic and security fields to Euro-Atlantic institutions.

Among the top policy priorities for EU energy development is avoidance of strategic dependence. Yet a number of EU member countries are already in a position of strategic dependence on Russian natural gas. Particularly among new members in Central and Eastern Europe, there is a close to 100 percent

dependence on Russia's monopolistic gas supplier, Gazprom. Even France and Germany are increasingly dependent on Russian gas. Meanwhile, Europe's natural gas demand is projected to increase substantially in the future. Even under conservative scenarios, the demand for importing natural gas to the EU will double from 200 billion cubic meters (bcm) per annum in 2002 to 400 bcm by 2030, with total demand rising from 400 bcm to up to 600 bcm in same period (1). The greater portion of this increase is likely to come from gas producing countries of Eurasia. Indeed, significant untapped production capacity likely to emerge in Europe's neighborhood is mainly located in Russia and the Caspian sea basin – adjoining the Wider Black Sea region.

To transport these energy resources in Europe, of course, requires the building of new transportation networks. Yet unless such alternative delivery options are constructed to bring natural gas from fields in Azerbaijan, Turkmenistan and Kazakhstan to Europe, Russia is likely to fill the vacuum by controlling the transportation of this region's gas – using its monopoly position in Central Asia to buy gas cheaply and using its monopoly of supply in Europe to sell gas at several times the price to Europe.

The Kremlin has been using Russia's recently acquired economic might, by virtue of the high price of oil and unprecedented demand for natural gas, to pursue one of its primary foreign policy goals: to become the world's primary supplier of energy resources. To this end, it keeps a tight grip on purchasing and transporting of the oil and gas resources of the former Soviet Union states.

The tragic incidents of 9/11 and the resulting fundamental reverse of the U.S. geopolitical and strategic priorities, have tremendously favored Russia's international positioning. The great rift that separated western European states and Washington due to the war against Iraq, reinforced Moscow political clout in Europe on one hand, but on the other the political turmoil in Ukraine in the aftermath of the 2004 elections pointed out the always striking importance of the nowadays so - called forgotten geopolitical boundaries of the Cold - War era.

Evidently, the fall of Communism in the 25th of December 1991 and the 'End of History' was not equally the end of the 'Great Game' for the control of the international geopolitical chessboard. Following the Kiev crisis, the sui generis politic and economic modus viventi between the newly independent states of Eastern Europe and the Russian Federation was severely chocked, the same as the relations between Moscow and Washington.

These developments urged the Kremlin to enforce the Mediterranean specter of its foreign policy, wishing a tightening of trade and business cooperation with the states of the region, and eventually an increase of Moscow's political influence in the Balkans. In particular, deepening relations with Turkey was always in the core of Moscow's intentions, due to the geopolitical importance of the Straits, through which passes the Russian Mediterranean flotilla and about 70 percent of its foreign trade. In addition, the geographic vicinity of Turkey to the Middle East attracts Russia's interest due to that region inherent instability, suitable for future economic and political 'investments' (2). Generally speaking, the geographic component plays a particularly important role in both countries political will for the tightening of their bilateral relations. Both Russia and Turkey border the Black Sea, envision the deepening of their political and cultural relationship with the Caucasus and Central Asian states, and give a priority in dealing with terrorism.

Unfortunately, this communality of interests does not provide the necessary basis for the funding of a purely strategic cooperation. Turkey's special relationship with the U.S. in nowadays sui generis international community's geopolitical situation, characterized by a U.S. unilateral political and economic preponderancy, nullifies any eventual political benefits because of the persistence of the geopolitical Cold-War terms in Moscow's relation with Washington.

Answering this New World Order equation, Russia's foreign policy in the Putin era, promotes cooperation as a new perception of balance in diplomacy. The ultimate goal lies in the so called 'Integration Russian Style', a multi-vector strategic approach of Moscow's direct vital space, i.e. that of the post-

Soviet states, both in economic and political terms (3). In the pursuit of this goal, the Kremlin aspires for a mutually beneficial cooperation with both the West and the East in the context of a well structured and long term global strategic plan aiming to regain its hegemonic role, at least in a restricted local or regional level.

Russia, realizing its diminished clout in the Balkans, worked since 2001 onwards for the revitalization of its relation with Turkey. The Kremlin's strategy also attributed a 'special' friendly relationship to Greece, resulting from the long standing historic, religious and cultural bounds of the two countries. The common declaration stipulating the tight cooperation between Russia and Greece in the fight against terrorism (2004) is the first such text signed with a Member-State of the European Union, and non-permanent member of United Nations Security Council. Equally important for Moscow's reaffirmed economic presence in the Balkans, is the signing of the contract for the Burgas - Alexandroupolis oil pipeline construction (2007). This pipeline is considered to be the most attractive bypassing project for Russia because neither Kiykev nor Ibrikhaba -the Turkey's counter proposal trajectory- currently have a port infrastructure. Except of creating an alternative southern route, this pipeline boosts and establishes the Russian influence in a region where US maintains an important political, economic, and mostly military presence.

Russia has had a clear and discernible policy regarding energy resources as relates to both Europe and the Wider Black Sea region. This policy has consisted of a number of facets, all of which have sought to capitalize on energy as the main vehicle for strengthening Russia's influence over its neighboring regions. The strategy has had several main aspects: state control over the production of gas for export; keeping a monopoly on acquiring Central Asian gas at cheap prices; achieving increasing dominance over the European consumer markets; and utilizing dominance over both the import from and export to CIS countries of gas for political purposes.

On the foreign policy front, the main purpose has been to secure Moscow's monopoly on the transit of all oil and gas from the Soviet republics to consumer markets in Europe, which is equal to securing Russian control over the energy exports of the states

of the Caspian region. With regard to non-energy producing former Soviet states, ranging from the Baltic states to Ukraine and Georgia, Moscow has used its continuing monopoly on energy deliveries for political purposes. Equally important, Moscow has sought to sustain its control over the former Soviet Union's oil and gas supplies. In trying to overcome the loss of total monopoly on Western Caspian oil with the building of the Baku-Tbilisi-Ceyhan pipeline, it prioritizes continued monopoly over Caspian gas from both the western and eastern shores. As far as Azerbaijani gas is concerned, Russia's monopoly is threatened by the project of the Baku-Erzurum pipeline, flowing in parallel to the BTC oil pipeline.

However, Moscow has tried to offset the loss of control over Azerbaijan's oil supplies by seeking to commit the Turkish market to growing volumes of Russian gas supplies. This prospect was greatly aided by the building of the Blue Stream pipeline, crossing the Black Sea, delivering an eventual 10 bcm or more to Turkey by 2010. The Turkish market is already heavily overcommitted in terms of gas, having committed to supplies from Azerbaijan, Turkmenistan, Iran and Russia, as well as LNG from Algeria and Nigeria that the Turkish market cannot absorb. Turkey's natural gas consumption, standing at over 20 bcm per year, has grown tremendously in the past decade and is set to grow even further (4). But at present, Turkey has found itself in a situation where Russia supplies ca. 65 percent of Turkey's gas.

The building of the Blue Stream pipeline – a 743 mile long, \$3.2 billion project – cemented Moscow's influence on the Turkish gas market. This entails that Turkey is in no position to buy volumes of Azerbaijani gas from Shah-Deniz beyond the phase one gas supplies from 2007 to 2011. The larger volumes to be produced from 2012 onward can simply not be consumed by the Turkish market, forcing producers to find alternative markets.

It is in this context that one should see Moscow's ambitions to have Russian gas flow through the Blue Stream pipeline and from there onward to Central European markets. In principle, Moscow's strategy is to shut out alternative transit routes from the Caspian region by committing Russian gas to Europe from a variety of transit routes that will fill up

capacity that could be utilized by Caspian producers. It is exactly in this context that the North European Gas Pipeline should be seen. This pipeline, to stretch from Russia's short coast on the Baltic sea across the seabed to Germany, will cost approximately \$10,5 billion. This exorbitant cost makes the pipeline much more expensive than a line crossing Ukraine or Belarus, for the very purpose of achieving an export pipeline that does not cross former Soviet countries on its ways to European markets. In other words, Gazprom will be able to cut gas supplies to Ukraine without European customers having to be affected. By the same token, an expanded version of the Blue Stream pipeline would allow Gazprom to commit volumes of gas, probably taken from Central Asia, to European markets – mainly Germany – through Turkey, thereby hindering Caspian gas suppliers from selling gas to European markets independently (5).

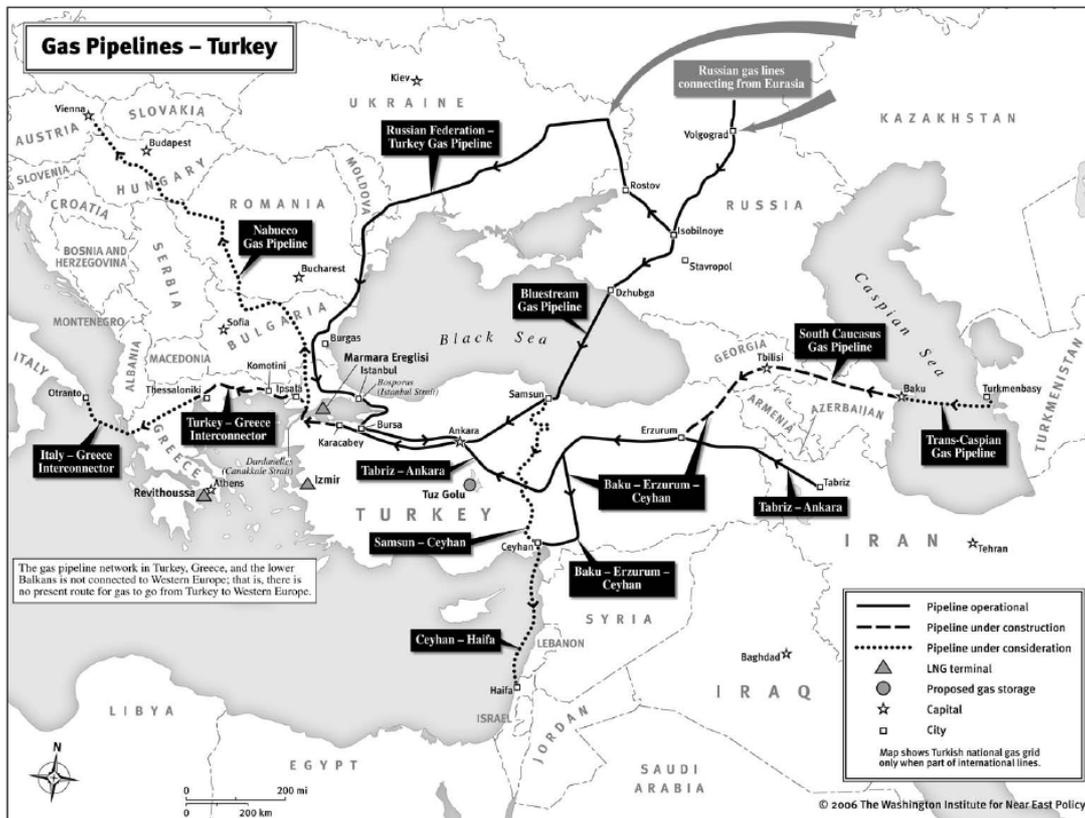
Yet Moscow's energy strategy does not stop at this. Beyond seeking to sustain a monopoly on European gas supplies from the East, it is also seeking a greater influence over other alternative supplies to Europe, primarily from Northern Africa. Indeed, Moscow has aggressively pushed for influence over Algerian and Libyan exports to Europe. As Vladimir Socor observes, 'In Algeria's case [the third largest gas supplier to Europe], Russia has successfully offered multibillion-dollar arms deliveries as well as debt write-offs in return for starting joint extraction projects in Algeria and joint marketing of the fuel in Europe' (6). This and similar Gazprom activity in Libya has led to growing worries that Moscow is seeking to build a gas cartel to control prices to Europe. Indeed, a NATO report leaked in November 2006 indicated that these concerns are taken seriously by western leaders (7).

a. Natural gas transport routs propositions.

The Caspian alternative to increasing dependence on Russia was implicitly acknowledged by the EU through the realization of the INOGATE project, implying the construction of pipelines that will connect Europe to the gas producers of the Caspian region. This process is already in course – through the integration of European gas transportation networks on the one hand, and the building of a new energy transport infrastructure connecting

Azerbaijan to Turkey, on the other hand. As such, there are two major priorities for the realization of the US sponsored East-West corridor: linking the Turkish gas network to the European one; and linking the West Caspian to the East Caspian by Trans-Caspian pipelines. This project, called by its American sponsors 'White Stream', will create a virtual South Caucasian corridor to Europe, and can be complemented – if found economically viable – by a connection linking the South Caucasus to Ukraine across the Black Sea (8).

The first project, envisions the construction of the Aktau-Baku Trans-Caspian oil pipeline, and of the Turkmenistan – Azerbaijan natural gas pipeline, are two major projects likely to instigate geopolitical competition not only among Russia and the United States, but also China. China's growing dependency on foreign oil and gas and its policy to diversify its energy supply routes by using the Caspian region deposits, will eventually come up to tension between Washington and Beijing over their respective interests in the Caspian region.



(MAP OF GAS PIPELINES TURKEY – WASHINGTON-NEAR-EAST INSTITUTE) www.washingtoninstitute.org

The Aktau-Baku oil pipeline will allow Kazakhstan to transfer its oil using the existing Baku-Tbilisi-Ceyhan pipeline. As far as the Turkmenistan – Azerbaijan natural gas pipeline is concerned, it will be linked to the Baku-Tbilisi-Erzurum pipeline with its extension to Ceyhan. This project's successful realization though, depends on the settlement of political disputes between Turkmenistan and Azerbaijan, and the agreement between all five littoral states on the legal status of the Caspian Sea. In particular, Iran and China will be a primary challenge with respect to the Turkmenistan – Azerbaijan gas pipeline, while Russia's attitude will be crucial as far as the Aktau-Baku sub-sea oil pipeline is concerned.

The Kazakh natural gas will then join the Baku-Erzurum pipeline and from there the 'Nabucco' pipeline project, which proposes to link Turkey's borders with Iran and Georgia to the Austrian terminal of Baumgarten, crossing Bulgarian, Romanian and Hungarian territory. The pipeline, approved in June 2006, will have an eventual capacity of 25-30 bcm. A feasibility study for this €4, 6 billion, and 3,300 km pipeline has been completed, and construction for the first phase is set to take place in 2008-2010. At this point, it will be capable of transporting 4.5-13 bcm, with larger capacity expected to follow in 2020.

The Second is the Turkey- Greece- Italy Interconnector (TGI), with a capacity of 12 bcm in 2012 delivered to the Italian Otranto terminal. In 2007, a small capacity of less than 1 bcm will be available, though large volumes would have to wait.

White Stream supporters argue that with more than one trillion cubic meters in reserves in Shah Deniz field, Azerbaijan has ample potential to support the existing Baku-Tbilisi-Erzurum pipeline (BTE) and its planned continuations –Turkey-Greece-Italy (TGI) and first stage of Nabucco- as well as the first string of White Stream. Thus, White Stream project does not compete with BTE or Nabucco for upstream resources in the first stages of these projects. Of course, in the second phases, the availability of all these pipeline outlets to Europe should, they admit, major volumes of Central Asian gas.

This pipeline project would branch off from BTE, run approximately 100 kilometers to Georgia's Black Sea coast near Supsa, and from there follow either of the two options below: the first one would run 650

kilometers to Ukraine's shore, cross the Crimea from east to west for 250 kilometers, with possible connection to Ukraine's mainland pipeline system, and continue under sea for 300 kilometers to the Romanian coast. The second option, envisages laying a seabed pipeline from near Supsa in Georgia, running 1.100 kilometers to a point near Constanta in Romania. This long version may require construction of an intermediate floating compressor station in the open sea, of course running high risk both from the messy weather conditions in winter, and from earthquake tormented Black Sea subsoil.

Gazprom from its part, tries to derail the Nabucco pipeline. It announced a deal with Hungary, just as Nabucco was approved in June 2006, envisaging to expand the capacity of the Blue Stream pipeline and to extend it via Turkey and the Balkans into Central Europe (Hungary) – apparently in parallel to the Nabucco Pipeline (9). Simply put, Gazprom seeks to pre-empt the building of interconnectors between Turkey and Europe for Caspian energy, by creating a parallel line to transport the exact same reserves – directly or indirectly – but via Russia and under Gazprom ownership.

Gasprom has also signed a memorandum of understanding with the Italian ENI and the Bulgarian Bulgargas to build a gas pipeline from Russia to Italy, labeled 'South Stream' (2007). Starting from Russia's Black Sea coast at Beregovaya, the South Stream would run some 900 kilometers on the seabed of the Black Sea, reaching a maximum water depth of more than 2.000 meters, to Bulgaria. Two options are considered from there: the south-western would continue through Greece and the Adriatic seabed in the Otranto Strait to southern Italy. The northwestern option would run from Bulgaria through Romania, Hungary, and Slovenia to northern Italy. Gasprom is holding out all options, including that of building both.

The new pipeline is planned to carry 30 billion cubic meters of Siberian and Central Asian gas annually, and marks along with North Stream project, Russia's policy to reduce overland transit through neighboring countries, relying increasingly on maritime transportation for its energy exports to Europe (10). Blue Stream extension and South Stream, are intended to circumvent Ukraine and Turkey, both transit countries.

South Stream can partly change the original destination of Blue Stream extension, with the throughput volume rerouted southward across Anatolia for shipment to Israel (11). Either project is rival to the EU and US-backed Nabucco and Baku-Tbilisi-Erzurum gas pipeline through Turkey, which is planned to either be integrated with Nabucco or run from Turkey to Greece and Italy.

The South Stream project, along with the interstate gas pipeline TGI (Turkey-Greece-Italy Interconnector) –more precisely the Greco-Italian sub-sea junction called ‘Poseidon project’- and the private gas pipeline TAP (Trans-Adriatic-Pipeline), which will follow the same route as TGI till the Central Macedonia region in Greece to continue to Albania and Italy through the port of Vlore, make Greece the crucial junction country for two gas pipelines not controlled by Russian interests.

The US arguments against South Stream project that it increases Europe’s dependence on Russian imports, and that it diminishes the availability of alternative natural gas resources from Central Asia (Turkmenistan, Kazakhstan) which could be channeled to the Nabucco or TGI projects, can be easily overruled for the following reasons: a. the Azerbaijani gas resources controlled geopolitically by the US, do not suffice for, let’s say, reassuring whatever European imports, b. Washington, while aiming to overrun Russian soil for the transport of the energy resources, is totally negative towards Iran which is the only natural gas producing country capable to threaten the Russian exports predominant position, c. Washington interference in the Ukraine political crisis destabilizes European gas imports because it accelerates inter-Ukrainian and Russian-Ukrainian tensions. The possibility of a major crisis in the Russia – EU energy relations, is most probable to be produced by a sabotage in the Ukrainian gas distributing system in case of an open dispute between the conflicting camps in the country, than by a Russian embargo in natural gas imports (12). c. Washington argument that Russian hydrocarbons imports pose an eventual political risk for Europe is not proved by history, for the simple reason that Russia always valued the source of its exchange deposit (estimated today equaling to 25 per cent of

the Russian GNP and 50 per cent of its budget income).

Jonathan Stern of the Oxford Institute for Energy Studies explains that 'The two North European Gas Pipelines will diminish Russia's dependence on Ukrainian export routes, at least till the point that the whole of Russian exports will demand the use of all disposed export network. However, if the Russia - Ukraine relations do not ameliorate scientifically, these pipelines may replace in part the Russian export dependence through Ukraine. This same logic seem to apply also to the South European Gas Pipeline, which is considered (June 2006) to be a Western extension of the operating Blue Stream' (13). Indeed, South Stream, a pipeline estimated to cost 10 billion Euros, is going to be a pipeline made by Russia, which will transport almost exclusively Russian and possibly in inferior amounts Central Asian -Turkmen, Kazakh and eventually Uzbek- gas. Most importantly, this pipeline project is not going to be dependent on Azerbaijani, Iranian, Iraqi or Egyptian gas, or from any other potential source necessary for feeding Nabucco or TAP or TGI projects' operation.

South Stream project bypasses Turkey, and thus Ankara loses the role of the central commuting station in the way of the Russian and Central Asian natural gas to Southern and Central Europe, a very desired role and one that was generously sponsored by Washington. In other words, Russia will possess double route for exporting its gas: through Turkey and Greece, and through Bulgaria and Greece. Evidently, the gravity centre of the safe energy provisionement of Europe is moving toward Greece, a state-member of the EU, enjoying both political and economic stability. For that reason, Moscow seems to have moved its dices facing Athens as a strategic partner. The Kremlin counts on Greece's stable political and economic system, political and most importantly economic hold-outs in the Balkans which could play the role of Russian business investments supporting network in the 65 million consumer's Balkan market. Moscow focuses also at Greece's possibility to develop into an energy and trade transit road and railway centre, which could permit binding Russian Black Sea ports to Thessaloniki and the wider Mediterranean region.

On the other hand, South Stream also overruns Ukraine and the other East European countries that are leaning toward Washington in their foreign relations (the Baltic countries and Poland). This evolution is estimated to be mostly beneficial for the Russian – EU relations.

In another most serious event, Russia seems to have gained Kazakhstan's support in Moscow's energy strategy in Central Asia, giving it a powerful hold over this region's energy resources. In a two-phased summit in Astana and Turkmenbashi (May 12, 2007), Russia, Kazakhstan and Turkmenistan agreed to modernize and expand the capacity of the Central Asia gas transport system (the Prikaspiiski natural gas pipeline) with its two components: the truck line along the Caspian coast, Turkmenistan-Kazakhstan-Russia; and the other, larger truck line, detouring from Turkmenistan to Uzbekistan. Astana also agreed to supplying 8 billion cubic meters annually to Gazprom processing plant at Orenburg in Russia, turning it into a Gazprom-operated joint venture, which will process growing volumes of gas from Kazakhstan for delivery to Europe through Russian soil. Finally, the three states, along with Uzbekistan, agreed to refurbish two additional natural gas pipelines.

When all the works are completed, Russia stands to almost double its imports of Central Asian gas to roughly 90 billion cubic meters, up from the present level of about 50 bcm (14). To demonstrate their commitment to the project, both Turkmenistan and Kazakhstan agreed to finance construction of their respective portions of the pipeline without Russian assistance.

Under the Prikaspiiski pacts, a coup de grace is delivered against the Trans-Caspian pipeline (TCP) project, blocking the efforts of Russia's antagonists to create alternative energy-supply routs that the Kremlin cannot control. The deals have also dashed several formerly Communist countries in Central Europe wishes of breaking their energy dependence on Russia.

Some hope for the rescuing of the Nabucco project could come from the memorandum of understanding (MOU) on gas deliveries from Turkmenistan, Iran to Turkey and from there to Europe, signed by the Turkish Energy and Natural Resources Minister and

his Turkmen and Iranian counterparts (Ankara, 13.07.2007). This deal, if finalized, could a. open the last available gas corridor to Europe ('fourth corridor'), b. give Turkmenistan an overland outlet to Turkey and further afield, circumventing the Caspian Sea instead of crossing it, c. provide direct access for Iranian gas westward, diversifying the EU supplies away from dependence on the Russian Gazprom, and d. put some counter-leverage into European hands ahead of 2010, when some major supply agreements with Gazprom will be up for renegotiation.

Under the MOU, 30 million cubic meters of gas would enter Turkey annually from Iran and from Turkmenistan via Iran, giving Turkey a chance to become a gas-trading country, rather than a gas-transiting one, at least for a part of the volumes involved. It maintains also the opportunity to integrate the Baku-Tbilisi-Erzurum pipeline for Azerbaijani gas with the Nabucco project.

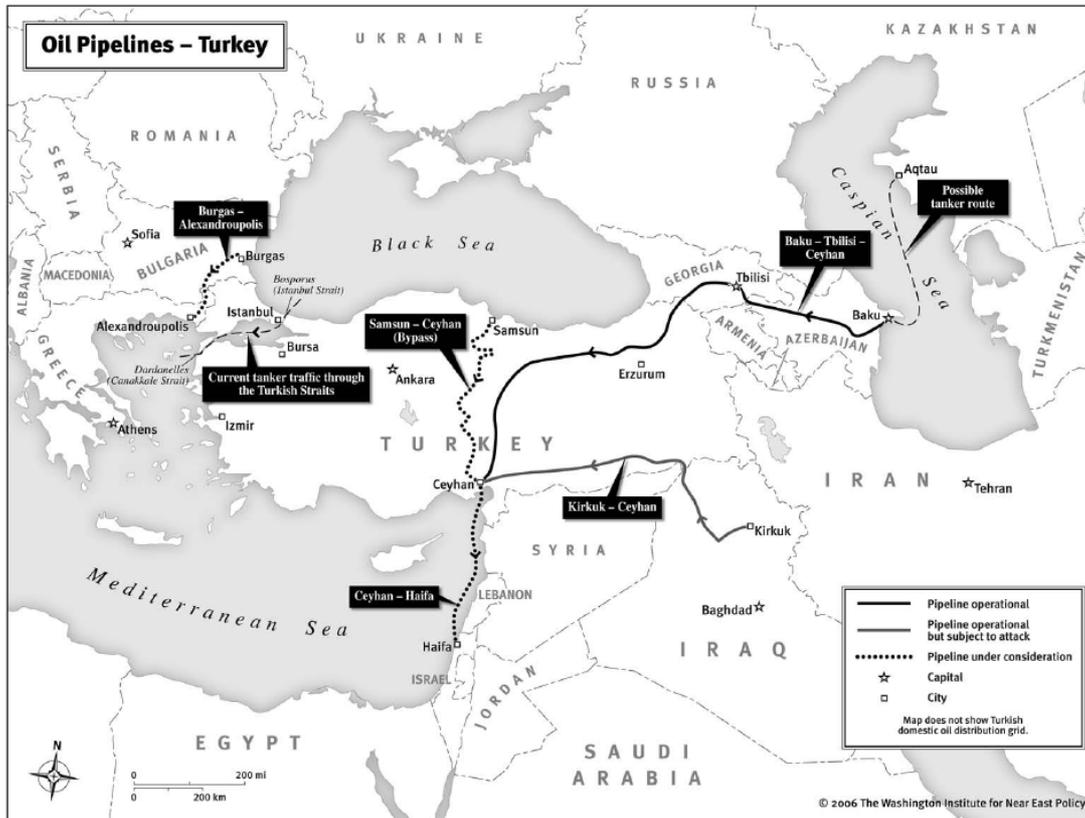
In addition, as both Turkey and Greece signed separate agreements with Teheran for the purchase of large amounts of natural gas from Iran, Turkey has conveyed to Greece Iran's interest for the interconnection of both countries' networks with the Iranian one. Washington itself, is conveying to both countries its refusal to accept an Iranian intervention, while Moscow seems to work on this issue closely with Teheran (15).

b. Oil transportation routes propositions.

In another event of major importance, Russia, Greece and Bulgaria signed an international agreement to build the Trans-Balkan oil pipeline, Burgas-Alexandroupolis. The pipeline's rationale is to provide a second outlet from the Black Sea, circumventing the overcrowded Bosphorus, for Russian oil and Russian-loaded Caspian oil en route to the open seas. Transneft, GazpromNeft, and Rosneft hold a combined 51 per cent stake, with Transneft as project operator. The Greek and Bulgarian governments hold the remaining 49 per cent, with the right to sell portions of their stakes to international or Russian oil companies that would use this transit pipeline.

As this 35 million tons annual capacity pipeline - with expansion to 50 million tons in a second phase - will in effect become a prolongation of the Caspian Pipeline Consortium's (CPC) line from Kazakhstan to

Russia's Black Sea port of Novorosiysk, is direct rivalry to the US backed Trans-Caspian oil transport projects from Kazakhstan westward, such as the Baku-Tbilisi-Ceyhan (BTC), the Odessa-Brody pipeline in Ukraine and its possible extension into Poland, as well as the pipeline running from Turkey's Samson port to Ceyhan, this alternative is no more attracting Russian interest and funding.



(MAP OF OIL PIPELINES - TURKEY / THE WASHINGTON INSTITUTE FOR NEAR EAST POLICY) www.washingtoninstitute.org

Proceeding with Burgas-Alexandroupolis and a commitment to its use by Western companies working on Kazakh oil fields, are preconditions to the planned enlargement of the CPC pipeline from Kazakhstan. The US, European, and Kazakh oil companies faced production delays and financial losses due to Moscow's blocking of that pipeline capacity expansion for the last three years. Russia demanded these companies to commit themselves that the exported oil routes through Russia, in stead of exporting it across the Caspian and the South Caucasus using the Washington sponsored White Stream project to Europe.

Finally, in the context of the Prikaspiysky Pacts (Astana / Turkmenbashi, 12.05.2007), Russia and

Kazakhstan have announced their intention to expand the CPC pipeline, up from its present capacity of 23 million tons annually to 40 million tons. Kazakhstan also agreed to supply up to 17 million tons of oil per year for the first-ever Russian state controlled 280 kilometer pipeline project of Burgas-Alexandroupolis operating on EU territory (16).

The Burgas-Alexandroupolis project will also affect the Baku-Ceyhan system, since the latter requires significant additional volumes of Kazakh oil even in a short-to-medium term perspective, within less than a decade time. The same to the Odessa-Brody-Plock (Poland) project, since it ensures long-term use by Russian companies north-south, instead of the originally intended south-north use for Caspian oil to Europe. In addition, future users of the Burgas-Alexandroupolis pipeline will have to negotiate with Russia's state pipeline monopoly Transneft regarding the oil volumes and schedules for using this pipeline. This means that the US and European companies will depend on the Russian state for accessing EU territory to transport oil extracted by Western companies.

The reasons behind Moscow's advocacy are connected to Kazakhstan's increasing attraction to the American and European sponsored BTC feeding project that was scheduled to bypass Russian territory one the one hand and the linkages between Kazakhstan and Central Asia on the other. An other motive is that Russia is concerned about becoming too dependent upon Turkey as a passage way or middleman for the export of its energy products to Europe. Suffice to remember that one third of Russian exports go through the Bosphorus and a large amount of gas goes through the Blue Stream pipeline and Turkish soil to Europe. Evidently, Turkey's ability to close the Bosphorus could cripple Russian exports in general, or force Moscow to accept the BTC exporting system.

The American administration, in order to avoid the implementation of the Burgas-Alexandroupolis pipeline project (AMBO), proposed a trans-Balkan pipeline that crossing Bulgaria (Burgas), former Yugoslav Republic of Macedonia (FYROM), the area of Kosovo and ending in the Albanian port of Vlore is also being discussed in parallel to these projects. In December 2004, under American guidance and financial support Bulgaria, Albania and FYROM

signed a memorandum of understanding for AMBO pipeline construction. This project, 912 kilometers long will cost 1,3 billion US dollars, but is proposed in parallel to a wider infrastructure works program, including a trans-Balkan highway, a natural gas pipeline and a fiber optics network running in the same direction as AMBO. By this scheme, Washington wishes include the above mentioned countries in its influence exerting network, in addition to the US military bases, facilities for its military personnel stationing there and other facilities.

Of course, any practical move on this project is conditioned on the outcome of the Kosovo interethnic conflict, which has become a major issue of dispute between the United States and the Russian Federation, which used to be a quite influential country in the Balkans.

B. NEEDED: ENERGY SECURITY STRATEGY IN THE BLACK SEA REGION.

Energy supplies for Europe affects the Black Sea region given the Euro-Atlantic community's concern with (a) the threat of terrorism in the Middle East, (b) increasing competition for energy resources from rapidly growing economies in China and India, and (c) recent interruptions in the delivery of Russian energy supplies to Europe, Western countries are urgently seeking to diversify their supplies of energy. As a result, the Black Sea region is set to become a pivotal conduit for non-OPEC, and non-Persian Gulf oil and natural gas flowing from the Caspian Sea and Central Asia to western markets.

While the United States has long been involved in projects to secure energy via the Black Sea region, the EU is now beginning to realize the importance of developing an external energy strategy that incorporates a stronger focus on transport corridors involving Black Sea states: an EU Green Paper on Energy was issued on 8 March 2006 that contained statements confirming this objective.

The growing importance of the Black Sea region as an energy supply route has numerous ramifications. First, revenues that accrue from pipeline projects, if managed in a transparent and accountable manner, can spur economic development and cooperation in the Caucasus and throughout the Black Sea region.

Second, if certain pipelines under consideration ultimately involve transport via the Balkans, Black Sea energy projects may promote economic cooperation and much-needed foreign investments in the Balkans as well. Third, given their objective of achieving diversified and reliable energy supplies, the United States and the European Union have every interest in promoting stable, democratic governments in both regions. Finally, due to Russia's central role as a supplier of energy to Black Sea and EU states, it will be of critical importance for the Euro-Atlantic community to develop energy strategies that maximize cooperation with Russia.

These domestic, regional, and international challenges – of state consolidation, conflict resolution, democratic and market-oriented reforms, and the need for secure energy supplies – are common to both the Balkans and Black Sea region. Achieving durable security and development in these regions will require sustained engagement by not only domestic but also international actors.

Russia as a regional actor, did not play a clear cut role. The 'rainbow revolutions' in Russia's 'near abroad' demonstrated Russian President Vladimir Putin's inability to determine political developments in the post-Soviet space of the Black Sea region. However, Russia remains an important actor in Europe as a whole. For the first time, Russia and the EU face the challenge of shaping overlapping areas of integration. In order to meet this challenge and to achieve its long-term interests, Russia must develop cooperative strategies that are attractive to its Western partners and that uphold democratic principles.

United States from their part, has drafted a new security strategy for the Black Sea region, focusing on getting the individual countries around the Black Sea to develop a regional approach to security issues. This plan figures also the establishment of a military presence in the Black Sea region and other areas of the wider South-Eastern Europe where oil and natural gas pipelines pass. Allegedly, NATO is envisaging three ways of the Alliance's involvement in energy security issues: political deliberations, military responding to all kinds of threats, and institutionalized cooperation with third parties, like

the European Union and other international organizations.

Although this strategy represents a concerted effort by Washington to get involved in a region traditionally dominated by Russia and Turkey, the US Department of Defense wants to get these countries also involved. The policy indorsed wants to show to the Russians that it does not treat them as adversaries and also allay Turkish concerns about American intentions. The US is actively encouraging countries around the Black Sea and others in the wider region, like Greece, to take part in the Turkey-led Black Sea Harmony maritime security program, through which intelligence on sea traffic is shared among all the coastal states.

NATO itself, has tried to expand 'Active Endeavor', maritime security operation in the Mediterranean Sea, into the Black Sea. Turkey, however, is worried that the Atlantic Alliance's incursion into the Black Sea would diminish Ankara's influence there, even that could erode the 1923 Montreux Convention, by which the Turkish state maintains control over the Bosphorus Straits (17).

Russia is also active from this perspective. The Kremlin has unveiled a comprehensive modernization program for Russian Black Sea ports, in view that its Black Sea ports currently handle more than one third of Russia's sea-borne exports in terms of tonnage (18). The port development program envisages doubling the current 160 million tones capacity (2006), which are strained to the limit and distributed very unevenly along the Russian coast. The port of Novorossiysk alone, handles more than one half of that overall export tonnage, a reported 88 million tons in 2006, including an estimated 60 million tons of oil, half of this originating in Kazakhstan. Oil loading will increase as the Caspian Pipeline Consortium (CPC) boosts the volume of oil pumped from Kazakhstan to Novorossiysk. The Russian government is ordering three tanker ships to carry that additional volume of oil from Novorossiysk to the port of Burgas in Bulgaria, for feeding into the planned Trans-Balkan pipeline to Alexandroupolis on the Greek Aegean coast.

Conclusion

Better to understand that ‘From the collapse of the former Yugoslavia and various post-Yugoslav wars, to American/NATO responses to numerous political and economic crises in the post-Soviet space, and more recently to America’s ‘war on terrorism’ in Afghanistan, there is an important underlying thread. Although these various wars and conflicts have/had certain regional dimensions, they are primarily the US response to the opportunities and challenges opened by the demise of the Soviet Union. All have been connected to one big central course of action: the manoeuvres of the US, and its allies in Europe, over the division of resources and political/military control of Eurasia....This is the key to understanding the development of global politics since the end of the cold war’ (19).

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