

Russia Pushes for Central Asian OPEC

Author: [Dosym Satpaev](#)

Russia steps up efforts to establish a Central Asian energy alliance as a counterweight to growing US influence in the region

Kazakstan and Uzbekistan have expressed an interest in a Russian plan to set up a Central Asian oil and gas producers' export association.

Russian president Vladimir Putin used a recent informal Commonwealth of Independent States, CIS, summit to push ahead with proposal. He appealed to Kazakstan, Turkmenistan and Uzbekistan to join the proposed union.

Following the March 1 meeting, Putin stressed it was "very important" for Russia and the Central Asian states to unite to protect their respective stakes in the world energy market.

Although the summit failed to come up with a formal alliance, the four states agreed to develop common energy strategy and to coordinate investment policies.

But the proposed coalition is perceived in the region as a thinly veiled attempt by Moscow to shore up its close political ties by economic means.

Laura Erekesheva, analyst with the Almaty-based Centre for Foreign Policy and Analysis, says Russia's motives in promoting the union are first and foremost political. "It is Moscow's reaction to the recent strengthening of US influence in Central Asia and Caucasus," she said.

Post-September 11, Washington has vigorously sought and found allies in Central Asia. Thousands of US troops are now stationed in Uzbekistan and Kyrgyzstan. Tajikistan and Kazakstan have expressed their willingness to provide similar support.

In return, the US is promising increased investment and financial aid. In 2002, Uzbekistan and Tajikistan are to receive 160 million and 125 million US dollars, respectively.

Moscow hopes its energy alliance might appeal to Central Asian republics, which currently need to compete with Russia for Western customers. The former Soviet countries presently find it difficult to get into the European energy market - one of the world's largest - on their own terms.

For land-locked countries in the region, Russia is the only functioning transit route for oil and gas exports to the world markets. Most Kazak oil and Turkmen gas reaches foreign consumers via Russian pipelines. Cooperation with Moscow could therefore provide better access to those markets and with it higher profits.

According to Vasily Lukianchikov, an oil expert with the magazine *Petroleum*, the increased presence of Russian petroleum and gas companies in the region is another reason for Moscow to feel optimistic about its mini-OPEC scheme.

"In Uzbekistan, Russian oil giants such as Gazprom and Lukoil have actively invested in oil fields in the north of the country," he pointed out.

Gazprom is in talks to become the sole transporter of Uzbek gas, while Lukoil is a key player in the development of Kazak oil in the northern Caspian Sea.

Lukianchikov believes Russia has strong economic reasons to push for the alliance.

"Russia will be able to boost the energy exports it offers to its Western customers with the help of Central Asian countries," he said. "Uzbekistan, Turkmenistan and Kazakstan, meanwhile, might have access to the world market at better prices."

But reaching a formal agreement could be tough. Erekesheva believes some Russian companies would object. "Not all Russian firms will support the idea of a gas and oil alliance as it would hit their profits and put their rivals from Central Asia in a better position," she said.

First indications from the summit suggest Kazakstan and Uzbekistan are quite keen on the union, but Turkmenistan's position is less clear. Ashgabat has always proven a difficult business partner for Moscow. "At the beginning of this year, despite long negotiations, Russia failed to agree with Turkmenistan on the price for deliveries of Turkmen gas," Lukianchikov pointed out.

Although the Central Asia countries may be attracted by the potential benefits of Putin's "OPEC", they realise the main beneficiary would be Russia. The union would shore up Russian control over oil and gas exports and with it the Kremlin's political leverage in the region.

Dosym Satpaev is IWPR's project editor in Almaty

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