# 2. Geostrategic Implications of the Baku-Tbilisi-Ceyhan Pipeline

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The building of the Baku-Tbilisi-Ceyhan pipeline constitutes a strategic milestone in post-Soviet Eurasia. In the first place, the pipeline's construction will have major implications for the South Caucasus, especially as regards its role in European and World Politics. For everyone involved, within as well as in every direction from the South Caucasus, the building of the BTC pipeline reconfigures the mental map with which political observers and decision-makers look at the world. Azerbaijan and Georgia will see their futures in more direct relation to Europe through the umbilical cord that BTC constitutes. For Turkey, with its significant trade relations to Russia including the Blue Stream gas pipeline, BTC is a cause to revisit its eastern vocation even at a time when the Turkish government is less inclined to do so. This time, the Eastern vocation is not an alternative to its western vocation, but an enrichment of its European connection. For Iran, the completion of BTC gives greater weight to independent Azerbaijan as a true independent actor, effective in mounting and concluding truly significant projects. For Russia, BTC provides a further testimony to the fact that the states of the South Caucasus are independent and sovereign actors, where Russia has a natural right to influence, but not to dominate or dictate policy. For the United States and Europe, BTC provides further impetus for western involvement in the energy and security sectors of the wider Caspian basin – and indeed, proves that the lofty but near forgotten ambitions of building an east-west corridor linking Europe to Central Asia and beyond via the Caucasus are not only possible but are being realized.

Indeed, the completion of this project will have implications that affect a larger region than the South Caucasus, most importantly Central Asia. While the successful completion of BTC is a significant move toward the deepening of interactions between the South Caucasus and the Euro-Atlantic space, it constitutes a first step toward providing the lands East of the Caspian Sea with a direct connection to Europe that does not depend on former colonial overlords. There is

hence reason to eschew complacency and look ahead to the opportunities that the construction of BTC will generate.

## Immediate Implications of the BTC Pipeline

*The Strategic Context*

As the issue of extracting and exporting the major energy resources of the Caspian sea basin arose in the mid-1990s, there was effectively a Russian monopoly on the transportation of these resources to world markets. As various export routes were considered, three major options were under consideration as far as oil was concerned: expanding the Russian system to the north, through an existing network of pipelines and railroads; the Iranian option to the South, largely through newly built pipelines; and finally, the U.S.-supported concept of multiple pipelines, that sought to prevent any actor from a monopoly over the export of the Caspian energy resources. Aside from the low-capacity pipelines to transport so-called early oil, this strategy had two major components: the Caspian Pipeline Consortium, exporting Kazakhstan's oil through Russian territory, along with the Baku-Tbilisi-Ceyhan (BTC) Main Export Pipeline for the oil resources from the Western half of the Caspian sea.

It gradually became apparent that no single country or pipeline system could handle the volumes of oil that were to be exported from the Caspian basin. There was no technical, economic or political justification for relying entirely on either a Russian, Iranian, or Caucasian Energy Corridor system to deliver Caspian hydrocarbons to markets in a safe, timely and economically sound manner. Hence it is clear that at some point and to varying degrees, all these options may become operational, in order to meet the full-scale production plans and delivery requirements of Caspian producers. Two out of the three discussed options are already established oil transportation routes with their own advantages and disadvantages. The Iranian route was once considered as the most economically effective, and the general perception is that U.S. policy towards Iran and the sanctions regime have been the major obstacles for this option. In addition to this very real problem, any Caspian resources to be transported South to Iran will end up being exported through the Persian Gulf and the Straits of Hormuz, unless a pipeline is built to deliver oil outside these Straits. About 17 million barrels of oil are exported on a daily basis through this two-mile wide channel for inbound and outbound tanker traffic, creating by far the world's most important oil chokepoint. According to the U.S. Energy Information Administration, from the current production level of 80 million barrels per day (bpd), world demand for petroleum is expected to soar by 50 percent by 2020, or by 40 million bpd. A significant share of this growth in production will come from the Gulf States themselves, which means

that volumes exported through the Straits of Hormuz will increase even without additional flows from the Caspian. In addition to that, the way to the sea through Iran is short, but transportation facilities still need to be financed. As BP officials have stated, the combined cost of the pipeline and hauling tariffs will come close to the cost of other options.

Likewise, any additional volumes transported through the Russian pipeline system will increase pressure on the Russian system itself and most importantly, on the Turkish Straits. 3 million bpd is already passing through these only half a mile wide, hard-navigated waterways. The Turkish minister for maritime affairs Ramazan Mirzaoglu told a news conference in March 2005 that the Turkish straits are already at their limits, and that the shipments of Kazakh oil from Novorossiysk by tanker could deadlock traffic in the Turkish waterways. Furthermore, while Russia seems to perceive any oil that does not end up in a pipeline system to Novorossiysk as a policy failure, this option has numerous drawbacks. Firstly, transit fees are relatively high, while oil quality suffers. For example, Azerbaijan feeds high-quality oil into the Baku-Novorossiysk pipeline, but what is exported on its behalf at Novorossiysk is lower-grade crude, costing Azerbaijan large sums in lost income. This is likely the reason that the Baku-Novorossiysk pipeline has not operated at its full capacity of 100,000 barrels per day or 5 million tons per year. While Russia has desired an expansion of the capacity to 300,000 bpd or 15 million tons per year, the pipeline has operated at less than full capacity. Finally, with a current capacity of ca. 40 million tons per year, Novorossiysk is already developing into a dangerous bottleneck, given its proximity to the unruly North Caucasus. As an easy terrorist target, any further large quantities brought to Novorossiysk can be construed as a security risk given that supply security rests in diversity of supply.

In this regard, BTC has great advantages in comparison with the other options. It will ship oil to a deep-water port in the Mediterranean, avoiding major chokepoints in transportation such as Hormuz or the Turkish straits. Exactly this advantage makes BTC a very reliable option for delivering Caspian oil to markets in a safe, timely and economically sound manner.

*The Status of the Caspian Sea*

A major obstacle in the development of Caspian oil resources is the status of the Caspian Sea and the division of its resources, including hydrocarbons, among literal countries. Iran is demanding that the Caspian be divided equally among the sea's five littoral states – Iran, Russia, Kazakhstan, Turkmenistan and Azerbaijan. However, in demanding that the sea be split into 20-percent shares, Tehran is unclear as to whether that means 20 percent of reserves under the sea or 20 percent of the sea's area. Russia, on the other hand, has agreed to the principle of apportioning shares based on the length of each country's coastline, an idea which

the remaining countries basically support and which Azerbaijan and Kazakhstan have supported since independence. Under Russia's proposal, Kazakhstan would end up with 29 percent, while Iran would receive about 14 percent. Russia would secure about 19 percent of the sea's area. Although dividing the sea into national sectors – as opposed to sharing resources equally – would mean Russia would not be able to profit from the larger deposits off the coast of Azerbaijan or Kazakhstan, it still has deposits in the northern Caspian. At the same time, Russia counts on profiting by transporting and processing oil from other states. In practice, Azerbaijan, Kazakhstan and Russia have bilaterally settled their maritime boundaries, implying that the northern Caspian is basically demarcated and the principle of division of the seabed of the Caspian into national sectors is basically accepted. The major obstacle to a final agreement is Iran.

The major outstanding territorial disputes exist along the Azerbaijani-Iranian and Azerbaijani-Turkmen borders of the sea. The perhaps most significant dispute is between Iran and Azerbaijan. Following its claim to 20% of the Caspian sea, Iran has claimed the Araz-Sharg-Alov field in the Southwestern Caspian, to the extent of threatening to use of force in 2001 to evict BP-owned exploration vessels, de facto killing prospects of beginning work on the field in the foreseeable future. Indeed, this Iranian action prevented Azerbaijan from beginning explorations in a field that by every standard of division of territorial waters known in international law would be clearly within the Azerbaijani zone. In addition, several fields lying between Turkmenistan and Azerbaijan, such as the Kyapaz/Serdar field, are another point of contention. The unresolved nature of the territorial delimitation of the southern Caspian is an important impediment to the development of additional Caspian resources in the longer term. However, it should be noted that Caspian development continued throughout the 1990s in spite of a high level of uncertainty regarding the eventual division of the sea, and it is likely to continue with the current, though evolving, de-facto status of the sea's division.

*BTC and the East-West Superhighway*

Just a brief look at the map of the broader Central Eurasian region shows how important the corridor of BTC is for this mostly landlocked region. This pipeline is an integral part and the most important pillar of the larger Transportation network – also known as the new Silk Road – running all the way from Western China and Central Asia, through the Caspian and Caucasus, across the Black Sea, and then on to ports in Ukraine, and the Mediterranean. This transportation Superhighway is designed to complement existing transport routes from Asia to Europe, including the traditional and often heavily overloaded outlets via Russia. Eventually, the goal is to create a fully integrated transportation network – including upgraded highways, pipelines, railroads, ports, ferries, fiber-optic lines, electricity

transmission lines – that will make it easier for the states of Central Asia and the Caucasus to trade not only with each other but also with Europe, the Middle East, and the rest of the world. This system has a potential to become a very important element of the network of international economic security.

But this transportation network is important not only for trade, but also for strategic and military purposes. The ports on the Black Sea and Caspian Sea, highways, railroads and air corridors provide access to the Central Eurasian inlands. The oil and gas reserves have attracted attention to the region, but subsequently the war on terrorism and Operation Enduring Freedom confirmed the strategic importance of the region for the Western interests and the need for secure access and logistics.

The first significant flow of oil through the South Caucasus started in the late nineteenth century, when Baku became a major oil city, and Batumi the largest oil export outlet in the Russian Empire. Since then, this transportation system was operational throughout the historic turmoil of the twentieth century, when Georgia and Azerbaijan briefly gained independence, then lost it to the Soviets, and regained it again at the end of the century. The new discoveries of oil and gas in the mid- and late 1990s stimulated new developments. The early oil pipeline between Baku and the especially constructed port town of Supsa is perhaps relatively minor in quantity with a capacity of 145,000 bpd, but is still a success story of the operation of this corridor. For more then six years, close to six million tons of oil per year have been flowing annually through this pipeline. The Azerbaijani and Georgian railway systems are also busy with shipments of oil and oil products from Kazakhstan, Turkmenistan and Azerbaijan, mainly through the Batumi oil terminal with a transshipping capacity of 10 million tons, which stands to be increased.

But this corridor is not just an oil corridor. The existing transportation network ships a variety of goods and commodities in and out of the Caspian and South Caucasian countries. So far there have been no major disruptions in the flow of oil or other cargos. The states of the region moreover pay particular attention to the security of the pipelines and transportation routes, and security forces have been trained specifically to respond to the crisis.

Despite the major developments and increased trade and economic ties, it was the construction of BTC that brought a qualitative difference in the development of the South Caucasus transportation system. The system had to handle unprecedented volumes of cargo for the construction phase, including equipment for production at the oil fields, as well as pipes and other construction equipment and materials. But what makes this project *strategically unique* is the fact that it directly connects oil fields in the landlocked Caspian Sea to a deep-water port in the Mediterranean,

thus creating a precedent of historic significance for generations to come. Caspian resources can now flow directly not only to Black Sea ports, but also to the Turkish port of Ceyhan with greater capabilities of access to markets.

The obvious result of the operations of BTC will be increased volumes coming from the different producers of the region, beyond the initial members of the BTC consortium. And once a reputation as a reliable transportation corridor is established, it is expected that more oil will flow through other means of transportation as well, destined mostly for Central European markets via Georgian and Ukrainian or Romanian ports.

Another significant accomplishment of the BTC development is that it was a catalyst for the development of another important project, the SCP project, connecting Baku to Erzurum in Turkey via Georgia, which will deliver 6 bcm of gas to Turkey per year under an existing gas purchase agreement. Small volumes will be delivered to Azerbaijan and Georgia, thus contributing to the energy security of those countries. The initial capacity of the gas pipeline will be 8.4 bcm per year with throughput capacity to be increased to up to 30 bcm per annum, with the potential of being connected to Turkmen producers, aiming for transporting gas to European gas markets. The Azerbaijani fields' proximity to Turkey makes its position very competitive on the Turkish and South-Eastern European markets. The natural gas connection between Turkey and Greece is currently under development, and it is to be commissioned in 2006. This connection will provide the first opportunity to ship Caspian natural gas directly to the EU, thus providing the growing market with an alternative gas supply. It should be noted that gas shipped through the SCP is significantly more economic for Europe than some of the new projected Russian gas fields. This is in fact true both for Azerbaijani gas, but also according to cost projections for Turkmenistan's gas, even considering the cost of building a Trans-Caspian pipeline.

There are several projects under consideration to ship Caspian gas from Turkey to European countries. At this stage of project design, the capacity of a planned Turkey-Greece-Italy pipeline appears to be 10-12 bcm per annum with a possible upgrade to 22 bcm. The second pipeline under consideration is from Turkey to Baumgarten with a total annual capacity of 30 bcm per annum, of which 20 bcm would be delivered to the gas hub of Baumgarten at the Slovak-Austrian border, where it connects to the Central and Western Europe transit system. The 10 bcm capacity will bring diversification of supplies to transit countries which currently depend exclusively on Russian imports. The sponsors plan to start shipments of natural gas from Turkey in 2009.

If fully materialized, the Turkmen-Azerbaijani-Georgian-Turkish-EU pipeline will be another breakthrough, similar to BTC, in the development of the South

Caucasus Transportation network. It will deliver natural gas from the Eastern and Western Caspian Sea regions to European markets, yet another engineering feat.

With those developments underway, it is expected that the South Caucasus Transportation Network will gain even greater significance in the future. The privatization and tenders for management contracts in the transportation sector in Georgia and Azerbaijan should facilitate more effective management of the elements of this infrastructure. And the competitive access to transportation means will serve as an additional incentive for commercial shippers to use this corridor, thus bringing additional business and development to the region.

BTC is a logical step in the gradual southward shift of East-West energy infrastructure. In the past several years, dramatic developments have taken place, directly affecting Russia's long term development. The entire infrastructure development in Russia has moved from the Central regions to the South, thus contributing to negative economic and demographic trends in the traditional Russian heartland. The first large project to move South was the CPC pipeline. Although CPC is on Russian territory, it is still much further South than any other large communication system in Russia. BTC illustrates even further the southward move of infrastructure southward, in this case outside Russia's territory. Yet it affects Russia, since it will potentially take volumes which could otherwise go through Russian territory. That will affect transit revenues, but strategic consequences are even more important, as it proves that oil from Central Asia, and potentially from Russia, can be transited through alternative routes. It is important to emphasize that Russia itself contributed to this shift by the political decision to keep Transneft and Gazprom as state monopolies, and to limit competitive access of the different producers to its system.

On the other hand, Turkey is likely to try to develop its own Eurasian Center of Gravity, where BTC will be the key driver for the development of North-Eastern Axis. Turkey is already becoming the natural gas transit hub, and most probably BTC and SCP will be complimented by Baku-Tbilisi-Akhalkalaki-Turkey Higway, and by Tbilisi-Akhalkalaki-Kars Railroad as well. This development will naturally increase Turkey's economic influence in Southern regions of Russia as well, particularly under the most probable scenario that Russia's strategic retreat will continue.

## Implications for the Geopolitics of the Caucasus

Far from being a purely economic project, the BTC pipeline has from the start been heavily political, though it was eventually implemented because it was found to be commercially viable. The strong political character of BTC was natural, given the crucial role of energy revenues for the countries involved, most of all Azerbaijan.

Indeed, the cornerstone of the BTC project has been the near consensus in Azerbaijani society that the country's independence can only be safeguarded if the country's major resources are exported in a manner that does not provide either Russia or Iran with a stranglehold on the transportation routes, and as a result, over the flow of income to the country. For related strategic reasons, both Georgia, Turkey and the United States accorded the project a highly significant importance in their foreign policy strategies. The importance of the project for these countries is best illustrated by the fact that it has been carried out despite important and even occasionally cataclysmic changes in government in all these four states, which have never jeopardized the countries' commitment to the project.

In turn, a major implication of the BTC pipeline is to have become a real catalyst for positive strategic cooperation of the young states of the region. At a first level and in practical terms, this cooperation has included Georgia and Azerbaijan as well as Turkey. Kazakhstan has constantly been involved in the project though at a lesser intensity; while Turkmenistan could potentially benefit tremendously from joining this cooperation. Being states in search of their political and economic identities, BTC provides the participating states with a basis for their strategic role of suppliers and transit countries of the world's most important commodity: energy. Indeed, BTC brought Azerbaijan and Georgia together and stimulated them to closely cooperate with Kazakhstan. It is no exaggeration to state that BTC has stimulated the creation of both the Azerbaijani-Georgian and Turkish-Georgian strategic partnership. Indeed, the project has forced the three countries to cooperate at many levels of government from heads of state on downward in the hierarchy, and has generated numerous avenues for face-to-face contact between leaders, bureaucrats, and businessmen of these three countries. In so doing, it has strongly advanced their sense of common destiny and helped build networks, incentives, and mechanisms for the peaceful and rapid resolution of the disagreements that have occasionally arisen between and among them. More than anything, BTC has driven home the fact that in terms of their international economic and political role, Azerbaijan and Georgia form a tandem. By dint of geography and their political choice, Azerbaijan and Georgia can only function as a tandem or not at all: as a major energy corridor, as Euro-Atlantic partners, and indeed as viable nation-states, Azerbaijan and Georgia stand or fall together. This point was clearly understood by the former leadership of both countries; however, the divergent political development in Georgia and Azerbaijan since fall 2003 has somewhat weakened the conviction among their respective leaders, and among foreign observers and in particular the United States, of this tandem relationship.

The BTC pipeline is a major step in anchoring Georgia and Azerbaijan to Europe. By itself, it strengthens their economic security; and moreover, it is a sine qua non for the implementation of other projects such as the South Caucasus Gas Pipeline,

and the wider East-West transportation and communications corridor. As such, it is a crucial factor in building true sovereignty and independence for these states and enabling them to freely choose their foreign and security policy strategy and orientation. Because of its role as a centerpiece of the evolving east-west transportation and communications artery through the South Caucasus, BTC indeed functions as an umbilical cord connecting the region to Europe.

But the political stability in the Caucasus is fragile, and countries are vulnerable to external as well as internal political and security threats. The conflict over Nagorno-Karabakh between Azerbaijan and Armenia remains unresolved, leaving Armenia outside of the major regional developments. The building of BTC highlights the fact that the Nagorno-Karabakh dispute remains the main impediment to the peaceful development of the South Caucasus, making it in every party's interest to resolve the conflict, which is a necessity for the involvement of Armenia in full-scale regional cooperation, including energy transportation. But Armenia has close military ties with Russia and Russia plays an important role in the security policy of Armenia. On the other hand, both Azerbaijan and Georgia seek real economic and political freedom and independence from Russia, and see the U.S. and European countries as natural partners in the process of reaching those goals. As far as the Nagorno-Karabakh conflict is concerned, there is much speculation that BTC could destabilize the status quo by changing the balance of forces in Azerbaijan's favor, enabling it to conduct a build-up of its military forces. Indeed, this possibility exists. A first question arising from this argument is whether this alters or restores the balance of forces. Any discussion of the balance of forces between Armenia and Azerbaijan needs to account for the fact that arms worth over a billion dollars were illegally transferred to Armenia from Russia in the mid-1990s, as Russian parliamentary investigations have concluded. In this sense, should Azerbaijan use its own resources to modernize its military, this would restore the balance of forces to the situation before the Russian transfer, rather than upset the balance. A second question concerns the implications of this gradually changing balance for negotiations. Clearly, the changing balance will increase Azerbaijan's negotiating positions, which has been relatively weak since the cease-fire agreement. Without a credible military option, and with Armenia in control of the land, Azerbaijan's main asset has been the international legal recognition of the territories as part of Azerbaijan. An improved Azerbaijani economy and military could either isolate Armenia, driving it to desperation; or force an evolution in the thinking in Armenia regarding the conflict. In this sense, the changes taking place, which are only partly related to BTC, could either divide the South Caucasus further or improve the chances of resolving the situation. As will discussed below, this is to a large extent dependent on leadership.

The slowly but clearly growing understanding in the West of the strategic importance of the South Caucasus is a major political factor for regional development. Indeed, the South Caucasian Energy and Transportation Corridor plays a specific role in this process. Azerbaijan and Georgia see their future in connection to those large-scale projects and are committed to them. Both countries are closely cooperating with the West on security issues and are moving forward in the process of integration with European political, economic and security structures. Both countries are active participants of NATO's PFP program and the interest and support is growing from the EU side as well, particularly to Georgia.

Russian politicians have repeatedly made it very clear that they seek to oppose the western orientation of Azerbaijan and Georgia. Georgia in particular has formed a target of Russian pressure. Russia responds 'adequately' to every move Georgia makes towards integration into western structures. Earlier, in the beginning of the 1990s, Russia supported separatist movements in Georgia to destabilize the country, forcing it to join the Commonwealth of Independent States and accepting Russian military bases on its territory. The policy of using separatist groups for policy purposes has not stopped, far from it. Moscow continues to unashamedly back the two secessionist territories in northern Georgia, Abkhazia and South Ossetia, who wrested off Tbilisi's control in the early 1990s with Russian help. Since the Rose Revolution of 2003, Moscow's policy of using them as leverage to penalize Georgia for its pro-western policies has become increasingly barefaced. Russia first exempted these areas from a visa regime it slammed on Georgia, then accorded Russian citizenship to their citizens *en masse*. Lately, President Putin has met with the self-declared Abkhaz and South Ossetian leaders to discuss the situation 'of Russian citizens' in these areas. Russia subsidizes their governments and arms their militaries, as illustrated by Russian support for South Ossetian rebels as this conflict heated up in Summer 2004. Not staying at this, Moscow refuses to abide by its international commitment to withdraw two military bases on Georgian territory. As Moscow refuses to agree on the closure of these bases, Mr. Saakashvili was forced to cancel his visit to Moscow to celebrate the 60th anniversary of the end of the second world war.

Russia has been using energy as a particular element in its pressure on Georgia. On New Year's day 2001, Russia cut off supply of natural gas to Georgia, in spite of prepayments for this energy made by the American AES Corporation, which operated the Tbilisi Power Station and distribution network of Tbilisi. With those steps, Russia sought to show Georgia its vulnerability and level of dependence on Russia. It served the purpose of forcing Georgia to make concessions on foreign policy matters, and to test the international reaction to that sort of actions against Georgia or any other country of Former Soviet Union. Russian aims in the short term have seemed to be to use Georgian territory in the war against Chechnya. In

the longer run, Moscow's ambition has been to exert control over the transportation of energy from the Caspian basin, and dominant influence over the entire Caucasian Transport Corridor by keeping two military bases in Akhalkalaki and Batumi for a 15 year period, as well as free access to those bases. Ideally, Moscow would like to see Georgia and Azerbaijan cutting their military and security cooperation with NATO, as well as with the U.S. and Turkey, and to build a North-South transportation corridor connecting Iran and Russia via the South Caucasus – at the expense of an East-West corridor. Azerbaijan, for its part, sees no conflict between these transport corridor projects.

## Implications for Europe: Energy and Economic security

There is a clear match between the strategic interest of Europe and the West in general and the South Caucasus. 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. The states of the South Caucasus need to be politically independent and economically viable, and to have strong security guarantees from the major world powers. That is why relationships with NATO and the enlarged EU are becoming the top foreign policy priorities for the states of the emerging Black Sea-Caspian Region. The potential for alternative energy supplies to Europe and the enlargement of NATO and the EU are opening a new dimension in these relationships. The recent EU decision to include the South Caucasus in the European Neighborhood Policy is a small step in the right direction, but what the countries of South Caucasus need the most is long-term security guarantees under a NATO umbrella.

Conversely, the South Caucasus forms the hub of an evolving geostrategic and geo-economic system that stretches from NATO Europe to Central Asia and Afghanistan. It provides unique transit corridors for Caspian energy supplies and Central Asian commodities to the Euro-Atlantic community, as well as direct access for allied forces to bases and operational theaters in the Greater Middle East and Central Asia. Thus the Black Sea and Caspian basins, with the South Caucasus uniting them, comprise a functional aggregate, now linked directly to the enlarged Euro-Atlantic alliance. Although located on the Euro-Atlantic world's outer edge, this region has already begun functioning as a rear area or staging ground in terms of projecting Western power and values along with security into Central Asia and the Greater Middle East. This function is likely to increase in significance as part of U.S. and NATO strategic initiatives. For all of the above reasons, security threats to South Caucasus countries and the undermining of their sovereignty run counter to major Euro-Atlantic interests.

Azerbaijan and Georgia perform all those key functions in terms of strategic access. Thus, by dint of geography and their political choice, Azerbaijan and Georgia have

assumed major Euro-Atlantic responsibilities as members of the anti-terrorist coalition and NATO aspirants. Both countries have thereby accepted serious risks to their security. As noted above, they can only function as a tandem or not at all. American policy continues to bear the brunt of overall Western interests in the South Caucasus in terms of security assistance, state-consolidation efforts, and promotion of energy projects. Although Europe has a more direct stake in this neighboring region's security and energy sector development, European efforts are meager by comparison to those of the U.S., in spite of the obvious European interests in the region.

Indeed, among the top policy priorities for EU energy development is "avoidance of strategic dependence". At the same time, some EU member countries already have strategic dependence on Russian gas, particularly in Central, Eastern, and South-Eastern Europe, where there is an almost 100 percent dependence on Gazprom, a monopolistic gas supplier from Russia. Even France and Germany are increasingly dependent on Russian gas. 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 bcm per annum in 2002 to 400 bcm per annum by 2030, with total demand raising from 400 bcm to up to 600 bcm in same period. Russia will try to fill this gap with its own gas. But if Turkmenistan and Kazakhstan do not have alternative delivery options by that time, Russia will seek to fill the vacuum by controlling the transportation of their gas. The alternative to this may be a natural gas pipeline through the Caspian to Azerbaijan, Georgia, and Turkey and then on to Europe. It is obvious that the potential entry of Caspian natural gas to Europe through the South Caucasus and Turkey would help Europe diversify its energy supply, and to reduce dependence on the state-owned Russian monopoly Gazprom. This development will perfectly complement major reforms planned in the European gas sector, aiming at the creation of a competitive market of multiple operators with the interest to have different options of delivery routes.

Such a competitive market is in the long-term interest of Europe, and Russia as well. Diversification of supply routes and gas sector reform in Europe will eventually drive Russian monopolistic supplier, as well as the Russian gas sector in general, towards much-needed reforms. After all, one of the drivers behind the development of the South Caucasus Energy Corridor has been the inflexibility of the Russian state monopolies, Gazprom and Transneft. By dominating access to markets and by creating barriers to access for others, they have forced producers to look for alternative means to the market. Unfortunately, rather than treat it purely as an economic issue, Russia has chosen to exploit its control of energy export as a geopolitical weapon , forcing its southern neighbors to respond with initiatives that will preserve their sovereignty in the face of such threats. The result has been the

development of alternative routes, which in turn makes Russia nervous and suspicious. Furthermore, without market liberalization, it will be impossible to attract investments to the Russian gas sector, and without investments it will be impossible to meet the ambitious production goals of Gazprom.

Against this background, it is significant to note the substantial initiative that the European Union launched to create a Transport Corridor to connect Europe via the Caucasus to Asia, known as the TRACECA project. An ambitious project designed to build a variety of East-West road, rail and sea links across the region, TRACECA was launched in the early 1990s. Unfortunately, the project was never followed up with significant resources and political attention. As a result, in spite of its truly enormous potential to change the transportation systems of Eurasia and to connect the EU with Central Asia, China and India in a novel and efficient manner, TRACECA has in practice accomplished very little. The failure of the EU to follow through on its initiative and in practice to allow it to self-die has had profound implications or the credibility of the EU as an actor in Central Eurasia. This impact has been felt not only in the nearby Caucasus, but also to a considerable extent in Central Asia.

BTC will palpably increase the mutual interdependence between Europe and the South Caucasus by adding a million barrels of oil a day to the European market. This may not seem much in view of the oil consumption of Europe, but it is a very significant addition of oil on the margins. To that, it is oil that is neither Russian nor OPEC in origin, thereby serving to diversify European energy sources. To that, BTC will bring light crude oil to European markets, a commodity in particular short supply. As such, BTC and Azerbaijani oil will have an impact on European energy supplies and perhaps on prices that is far beyond what is apparent from its quantities. Once Azerbaijani oil is flowing into the European energy system, any break or interruption of supply would have an instant impact on European consumers, in spite of the fungibility of oil markets. A sharp interruption of supply would be immediately felt. This in turn gives Europe an important stake in the security, stability and development of the South Caucasus as a whole. September 11 showed the need for hypothetical access to the region; this is a weaker link than the very real risk of breaks in supply of energy. Logically, then, Europe will gradually realize the need for investing politically and economically in the security of the South Caucasus.

The EU and its members states can do at least five things for the South Caucasus, and by extension for itself. The first would be to revive TRACECA with a serious political commitment and serious financial resources. BTC proved what can be accomplished by combining governmental political support and private as well as development funding. Indeed, as EU states are increasing their development cooperation with the South Caucasus and Central Asia, it is crucial that substantial

amounts of this funding be vested in the building of transport and communications infrastructure. Secondly, Europe can expedite the integration of the South Caucasian states in the broader Transatlantic partnership and in NATO, which the U.S. has been supporting and continental European states have been resisting. Third, Europe can actively facilitate the internationalization of conflict resolution processes in the South Caucasus, which are currently monopolized by Russia, which has shown little interest in actually working for the resolution of those conflicts. Fourth, in addition to reviving TRACECA, continuing strong support for the development of pipeline projects of both oil and natural gas is needed. Of particular importance is to reengage Turkmenistan in the development of the TransCaspian natural gas pipeline project, which can substantially balance the energy security of Central and Eastern European countries. Finally, Europe plays a key role in continuing support for the democratic political process and economic recovery, based on rule of law, private property and free entrepreneurship.

The case of BTC proves that politically motivated projects can become commercially viable. Technological and engineering advancements may lead to commercial viability for the greater traffic between Central Asia and Europe via the Black Sea and the Caucasus. It is in the interest of Georgia and Azerbaijan, as well as the U.S. and Europe, to promote infrastructure development in the Black Sea, which would connect Central Asian and South Caucasian transportation system directly to the Western shore of the Black Sea via ports in Georgia, using ferry connections, and potentially even pipelines to Ukraine. This East-West axis will be important to keep viable alternative for greater Russian-Turkish cooperation in the future in the Black Sea area.

*Implications for the United States: Energy, Security, and Development*

American support for the BTC pipeline is clearly the most strategic project that America has supported outside the security sector in the former Soviet space. There has never been a question that the Department of Defense can operate strategically through changes in administration, and indeed, it has done so in its military-to-military contacts with the states of Central Asia and the South Caucasus. However, that enduring and continuous engagement in a single project and indeed a single vision could be undertaken by the political branches of the U.S. government over several changes in administrations was less obvious. Nevertheless, BTC is the biggest project anywhere in the former Soviet Union that the United States has backed, promoted, and carried out strategically over three differing administrations.

The United States is the largest energy consumer in the world and it is natural for U.S. energy security purposes to look for diversified and easily accessible energy sources. Growing Indian and particularly Chinese energy demand will create

competition for the oil produced in Indonesia and the Gulf states, and the Caspian is considered an important replacement alternative. From the beginning of the 1990s, the United States has been a very strong positive factor in the entire Caspian development process. From the very beginning, the U.S. government involved in close cooperation with the governments of Russia, Turkey, Azerbaijan, Georgia and Kazakhstan and elaborated the Multiple Pipeline Strategy as the only economically and politically viable export solution for Caspian hydrocarbons. This strategy serves broad U.S. policy objectives towards the region, which have been outlined at numerous occasions by various U.S. officials, Those objectives are: (1) to assure the sovereignty and the independence of the countries of the Caspian basin; (2) to support economic cooperation among the countries of this region and with Turkey; (3) to promote diversified and reliable energy sources and (4) to support US investments overseas. Many oil companies initially opposed strong U.S. political involvement in the decision-making process for the Caspian transportation options, stating that decisions should be driven by the economics of pipelines, and not politics. Usually, political involvement makes business solutions more costly and ineffective. but in this case, political decisions are contributing to the creation of commercially effective solutions. The experience with the so-called early oil pipelines already proves this. The Multiple Pipeline Strategy produced two early oil pipeline solutions: a northern Route from Baku to Novorossiysk, completed in 1997, and a Western route from Baku to Supsa, completed in 1999. The U.S. played an active role in the decision by the Azerbaijan International Operating Company to build the Western route to the newly built Georgian port of Supsa. Because of the conflict in Chechnya as well as disagreements between Azerbaijan and Russia on customs and other commercial considerations, the Northern route has seldom operated at full capacity. In fact, since the second half of 1999, Baku-Supsa has become the sole stable transportation option for AIOC oil. In this case, a political decision turned out to the great economic advantage of the AIOC member companies.

Yet these were relatively minor projects. The CPC and BTC pipelines, as well as the TransCaspian Gas Pipeline, were always considered as the central elements of the Multiple Pipeline strategy. The CPC pipeline is another victory of this policy. It is already transporting oil from Kazakhstan's Tengiz field to Novorossiysk. The great significance of this project is that although it lies mainly on Russian territory, it is the first oil transportation system operating independently from the Russian state monopoly, Transneft.

The only project where the U.S. has so far been unsuccessful is the natural gas transportation project, which would bring large volumes of Turkmenistan's Gas to Turkey via an undersea pipeline to Azerbaijan, and through Georgia to Turkey.

In sum, BTC constitutes the partial fulfillment of the American policy of securing the transportation of Caspian oil through multiple pipelines. As such, it is an important accomplishment that furthers the U.S. energy security through its implications on global oil markets and on European energy supply, which in turns frees up other sources of oil for American use. But beyond energy, BTC also further American national security interests by strengthening the independence and sovereignty of the states of the Caspian basin. The reactions of regional states to the events of September 11, 2001, prove this point. Indeed, there was a clear correlation between the level of independence of a country and its reaction to September 11. States with high degrees of independence in their foreign policy such as Azerbaijan, Georgia and Uzbekistan responded quickly and positively, expressing their readiness to support America with whatever means available. Countries with a higher degree of dependence on Russia in their foreign policy formulation took longer to respond and in general committed less significantly to the coalition efforts. As BTC will serve to strengthen the independence of the states of the Caspian basin that will involve in project – immediately Azerbaijan and Georgia but potentially Kazakhstan, Turkmenistan and even possibly Uzbekistan – this development will also serve the national security interests of the United States.

## Looking Over the Hill: Opportunities for the Future

As noted above, the Baku-Tbilisi-Ceyhan pipeline has a number of immediate implications for the security and development of the South Caucasus and beyond. But in addition to these, it poses a number of opportunities as well as challenges for the future. Most importantly, capitalizing on these opportunities will require strong leadership and vision on the part of regional as well as international leaders.

### *More Azerbaijani Oil?*

As illustrated in the next chapter in this volume, the production from the Azeri-Chirag-Guneshli fields will peak relatively quickly, and barring new discoveries and increased potential in the fields, production will fall below the 1 million bpd capacity of the BTC pipeline early in the next decade. This clearly raises the issue of other potential oil resources to be fed into the pipeline. While the possibility of Kazakh or even Russian oil to be exported through BTC exists, an immediate concern will be whether other oil projects in Azerbaijan will be produced in quantities that will affect the BTC pipeline's operation. This question is crucial in terms of Azerbaijan's future as a significant oil producer.

As such, the completion of BTC raises the question of the disputed oil fields along the still disputed Azerbaijani-Iranian and Azerbaijani-Turkmen maritime borders. As exploration of the Araz-Sharq-Alov field was practically discontinued as a

result of Iranian saber-rattling in 2001, the exact content of the field is as yet unknown. However, most assessments suggest that significant quantities of oil and gas may be present in this structure. In this sense, with every passing year since the 2001 incident, the issue of delimiting this border will be more pressing. This is true especially for Azerbaijan. Likewise, the same is true as concerns the status of the Kyapaz/Sardar field, claimed by both Turkmenistan and Azerbaijan. Indeed, the development of the bilateral relations among these countries will be of crucial importance to the possibility of exploring these oil fields. Azerbaijani-Iranian relations have improved in recent years; nevertheless, Iran shows little intention to change its position on the Caspian, which is likely to imply that the Araz-Sharq-Alov field may not be explored in the immediate future. In this context, it is crucial to note the dumbfounded reaction of western powers to the Iranian threat of use of force. The absence of credible western security mechanisms in place in Azerbaijan implied that there was little western powers with strong commercial interest in the field and strategic interests in the exploration of resources could do. As a result, the U.S. and U.K. did practically nothing, since a protest would be have been an empty gesture. In order to prevent the possibility for recalcitrant countries to block the development of Caspian resources, credible security mechanisms for the producer states, mainly Azerbaijan and Kazakhstan, need to be in place. This further raises the importance of Euro-Atlantic security mechanisms moving into the South Caucasus in order to safeguard security of energy supplies.

*Going East?*

A major issue arising from the completion of BTC and the ensuing building of the South Caucasus Gas Pipeline is whether these projects will lead to the extension of the East-West energy corridor across the Caspian to Central Asia. This question in turns splits into two separate issues: in essence, whether Kazakhstani oil will feed into BTC, and whether Turkmenistani gas will complement the SCP.

The construction of BTC opened new opportunities for the shipment of Caspian resources to world markets. As mentioned above, it was the strategic decision to build BTC that made the South Caucasus Gas Pipeline project possible. In a similar vein, the success of BTC may stimulate yet another big pipeline project to ship oil through the South Caucasus corridor: the elephantine Kazakh Caspian field of Kashagan. Kashagan is known to be the largest single oil find in the past two decades, and its transportation to markets has not yet been determined. Given that Kazakhstan's Tengiz oil is exported through Russia to Novorossiysk, there is a considerable argument for Kashagan's oil to be exported westward. This raises a number of questions. As Kashagan will produce amounts that will fill an entire pipeline, the question is whether that pipeline will be drawn parallel to an existing

line or in a different direction. Clearly, a 'battle for Kashagan' may be beginning, although western leaders do not seem to be alert to this development.

Two or three options can be considered for Kashagan's oil. One is to export it through an expanded CPC pipeline or a parallel line to CPC to Novorossiysk. Two further options require oil to be brought across the Caspian by tanker or pipeline from Aktau to Baku. One is enlarging the capacity of BTC or build a parallel line to Ceyhan; another is to greatly expand the pipeline from Baku to Supsa. The final decision will naturally depend on markets. But from a western perspective, it is imperative to ensure that this oil is routed westwards. Such a solution will increase Kazakhstan's security as an oil producer; strengthen the independence and statehood of Kazakhstan; and cement the expansion of the East-West corridor into Central Asia. This will further increase the geostrategic importance of the South Caucasus as a strategic link between Europe and Central Asia in energy and security terms.

Transport options from Aktau to Baku include the building of a tanker fleet, which Kazakhstan is already beginning, or the building of a seabed pipeline. While tankers may be a good beginning for the short term, the transport of such quantities of oil by tanker is eventually uneconomic due to the small capacity of tankers that can be built in the landlocked Caspian sea. While Russia is opposing a seabed pipeline, only this option would make the Kazakhstani extension of the East-West corridor commercially attractive and make it possible to pump large amounts of oil to markets. The realization of this prospect will nevertheless take considerable time and resources, include difficult political battles, and will likely not be possible without the active support of both the U.S. and Europe.

If oil is indeed brought from Kazakhstan to Baku, the next question is whether this oil should be channeled through an expanded or parallel BTC pipeline to the Mediterranean. By this time, Ceyhan will have grown to such proportions (considering oil from Iraq also ending up in Ceyhan) that the argument made earlier about Novorossiysk could be made for Ceyhan as well – channeling an additional million bpd to Ceyhan could, from a strategic perspective, mean putting many eggs in one basket and thereby hamper supply security. Given the projected increase in energy consumption in Central and Eastern Europe, another option is to channel Kashagan oil through a greatly expanded Baku-Supsa pipeline. From there, oil could be shipped to extend to Ukrainian or Romanian ports. Romania possesses a great and underutilized refining capacity dating back to the Ceaucescu era. This could conceivably be modernized to accommodate Caspian resources; another option is to bring oil to Odessa and on via the Odessa-Brody pipeline.

In practice, Kazakhstani and Azerbaijani authorities have continued to try to hammer out an agreement on transit tariffs via BTC to ensure that it carries some

Kazakh oil when it comes online. The current discussions between SOCAR and Kazmunaigaz, the national oil and gas companies of Azerbaijan and Kazakhstan, appear to give greater emphasis to Kazakh oil in the pipeline. With the shift from the political to the commercial arena, officials from both companies confirmed that they are discussing a plan that would entail a much larger volume of Kazakh oil, primarily from Kashagan, to flow to western markets via BTC. The plan under consideration would see an actual 700-km pipeline laid across the Sea, linking the Kazakh port of Atyrau with Azerbaijan's capital, Baku, and an expansion of the BTC to handle 1.7 million b/d. In sum, just like BTC, the eventual transportation of Kashagan oil will be decided by a mixture of economic and political concerns. Plugging Kazakhstani oil to Baku would provide important advantages. It would bypass Russia, increasing Kazakhstan's energy security as so much of its oil is already transiting Russia. It would increase supplies to Europe while decreasing dependency on Russian energy; and it would increase the importance of the South Caucasus to the west and thereby increase western stakes in helping to build viable states in the region. As a result, it would increase the likelihood of integrating the South Caucasus with Europe.

With Turkmenistan, the situation is more complicated. As gas was discovered instead of oil in the Shah-Deniz field, Azerbaijan became not only a transit country for gas to Europe but a producer. The disagreements that ensued from the Turkmen leadership's disputes with Azerbaijan killed the Transcaspian gas pipeline project (TCP) in the late 1990s. Unexpectedly, therefore, the gas component of the East-West corridor became incomparably minor to the reserves of Turkmenistan that could were planned to be exported through this route. So the vision of a Transcaspian corridor remains partially unfulfilled. In the longer term, reviving the TCP is clearly a possibility, through political developments in Turkmenistan hold key to its future prospects. At present, Turkmenistan is bound to export gas through Russian pipeline systems at a price far below world market levels. There are nevertheless indications that the Turkmen leadership is becoming increasingly frustrated with this situation. As a result, Ashgabat has begun to look around for other options. Primarily, this has included looking South to the possibility of resurrecting the equally stranded Trans-Afghan Pipeline (TAP), which would bring Turkmen gas to Pakistan and India via Afghanistan. The Asian Development Bank is a strong backer of this project, nevertheless no western company has shown significant interest since Unocal dropped out in the end of the 1990s. Indeed, the TAP suffers from many problems, most importantly the fact that the Indian market is commercially key for the project. As long as India is reluctant to rely on Pakistan for its energy security, the prospects of building TAP are remote. In addition to the absence of an assured market (short of building expensive LNG facilities on the Pakistani coast), technical problems are

significant. For example, the absence of roads to bring equipment to site in Afghanistan is unlikely to be solved quickly. TCP, in this light, seems an easier option given the existence of the SCP and its impending connection to European gas markets. In this light, TCP seems in the longer run the only possible answer to current European over-dependency on Russian gas.

Aside from gas, oil producers in Turkmenistan – state-owned Turkmenneftegaz and UAE-controlled Dragon Oil, for example – have already declared their wish to join the ranks of the new pipeline's clients. Malaysia's Petronas and other onshore and offshore operators may soon follow suit. BTC is the shortest possible link to foreign markets for them. Currently almost half of Turkmenistan's oil production is exported via Azerbaijan. The terms of using the BTC route depend on the goodwill of the Azerbaijani authorities, who are unlikely to miss this bargaining chance in the dispute with Turkmenistan. The location of offshore fields between Azerbaijan and Turkmenistan naturally suggests a joint infrastructure. Nine of the largest fields, including Azeri, Chyrag, Gyuneshli, Kyapaz/Serdar, Livanov, Zhdanova, and LAM, look like beads on a thread between Cheleken and Baku. The distance between them varies from several kilometers to a few dozen kilometers, which makes it possible to build a connecting system of undersea pipelines from the Turkmen shore to the BTC and to the planned gas pipeline from Baku to Erzurum in Turkey. This arrangement would decrease the costs of Turkmenistan's upstream projects and open new export routes. Petronas already capitalizes on the proximity of facilities in Azerbaijan: it has borrowed a drilling rig of Transocean Sedco Forex there. It appears that a compromise in the dispute is more possible today than it was in 2002, when offshore projects in Turkmenistan were all but stalled and the construction of the BTC pipeline had hardly moved ahead. The resolution of these disputes would make the southern part of the Caspian Sea more attractive for foreign developers and contractors.

*Challenges*

Clearly, there are important challenges arising out of the BTC project. The potential consequences for the Armenian-Azerbaijani conflict have already been mentioned. The other main concern is the development of Russian policy. Moscow continues to aspire to dominate the transportation of oil and gas resources from the former Soviet Union. In this context, BTC and the SCP form the only exception.

There is an obvious risk that leading circles in Moscow will see the BTC pipeline as a necessary evil, but will seek to vociferously prevent the widening and extension of the East–West corridor to Central Asia. Should this happen, and an aggressive Russian policy to prevent such developments emerge, the security landscape in Central Eurasia as a whole may be affected in a negative manner. Russia's anticipated reaction should in no sense be allowed to dictate the

development of the energy transportation resources in the Caspian basin. Yet it is obvious that Moscow's policies will be a factor profoundly affecting the development of the future export routes of additional Caspian energy resources. This fact only makes western engagement more crucial in order to ensure the safe, and economic transport of these resources in a manner that satisfies the sovereignty and independence of producer countries.

In a similar vein, Iran's attitude to Caspian pipeline politics will be an important factor. The clear loser in the present-day development is clearly not Russia, through which the majority of Caspian hydrocarbons will continue to transit for the foreseeable future; but Iran, whose stakes in Caspian energy extraction are low. No major pipeline is likely to transit Iran in the foreseeable future, especially in the absence of a change of regime in Tehran. Minor swap deals are being conducted and may increase in quantity, but thanks in great part to its hard-necked refusal to compromise on the status of the Caspian Sea, Iran is gradually forfeiting its chances to be a serious player in Caspian energy. Indeed, Russia in the late 1990s realized that it was losing opportunities by opposing the sectoral delimitation of the Caspian, with a 180 degree change of policy as a result. Unfortunately, Tehran has not come to the same insight, seeking instead to obstruct development of southern Caspian resources, barring a settlement of the status issue on its own terms. The consolidation of hardliner domination in Iranian politics does not bode well for the future of Iran's position, nor does it herald improvements in U.S.-Iranian relations, which will continue to have a serious impact of Caspian energy development. Clearly, bringing Iran into the equation as a cooperative actor will realistically entail some costs and compromise on the part of producers, particularly Azerbaijan; nevertheless, the Iranian position has failed to substantially approach that of the other players in the Caspian. As a result, the risk that an increasingly alienated Iran will be tempted to be a spoiler in the Caspian energy sweepstakes remains significant.

Finally, a challenge that the BTC project poses for the three countries it traverses is the risk of socio-economic expectations kindled by the energy projects and nurtured by the governments not being met. This problem is particularly salient in Azerbaijan, as discussed elsewhere in this volume. A failure on the part of the Azerbaijani government to ensure the equitable distribution of income from major energy projects would have the potential to increase tensions in society considerably. So far, there is little sign that this is taking place, but the problem lies more in the expectations in society of BTC bringing welfare than in the actual performance of the government.

*Leadership and the New Agenda*

As this chapter has sought to show, the building of the BTC pipeline generates important direct implications for the South Caucasus, Central Asia, and beyond. Perhaps more importantly, it creates important opportunities as well as challenges. The question, then, is whether these opportunities will be seized, the challenges managed, and the dangers averted. The answer to this question will rest mainly on the nature and quality of leadership showed by the men and women in a position to guide political and economic strategies in and toward the region.

The issue of leadership concerns equally the countries of the region and the powers with interests there. As far as the Nagorno-Karabakh issue is concerned, it will require strong statesmanship on the part of the Armenian and Azerbaijani leaders to embark on a policy of moderation and restraint, realize the imperative of compromise, and eschew temptations toward isolationism and belligerency.

As far as the extension of BTC and SCP into Central Asia is concerned, the roles of numerous actors will be important. The leaders of the regional countries will be of crucial importance for this prospect to be realized. But BTC was built to a great extent because of the commitment of western, in particular American, leaders, to the concept and vision of multiple pipelines. This time around, American leadership will again be critical. The potential is clearly present: in May 2001, the office of Vice President Richard Cheney requested a review of the U.S. energy situation. Recommendations were on the way to greatly increase U.S. attention and efforts to expand the Eurasian East-West corridor. With the events of September 11, this strategic opportunity was derailed. In this contest, the building of BTC could be considered a new opportunity to build momentum for this initiative.

But it would be unwise of Turkish, European, or regional leaders to assume that America will once again ensure that projects to their benefit will be brought about by America. In particular, Europe is the player that stands to gain most from the building of an energy bridge to Central Asia, to such an extent that this may be termed crucial for Europe's long-term energy security. European involvement will therefore be required for the realization of this ambitious vision: an energy corridor extending from Europe across the Caucasus to Central Asia, supplemented by a wider transportation and communications superhighway. If this is indeed accomplished, BTC will with hindsight be recalled as the historic, first major step in this direction.