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**Sovereignty and Pipelines in the Caspian and its Littoral:  
'Old' Geopolitics in 'New' States**

submitted for the degree of  
Masters of Arts (M.A.)

By

Andrew Harris  
November, 1998

The Caspian Sea and its littoral have emerged as one of the key areas in the former Soviet Union. The region experienced a fundamental change in its geopolitical landscape between 1992 and 1997, with the emergence of three newly-independent states, Azerbaijan, Kazakhstan and Turkmenistan to join the old littoral states Russia and Iran. The subsequent re-discovery of large hydrocarbon deposits in the region has served to complicate the developing relationships between these states, and between the region as a whole and actors from outside the region. By examining the course of two ongoing disputes between the Caspian states, over the future legal status of the sea itself, and the export of the region's oil and gas via pipelines, the evolving and complex geopolitical landscape of the Caspian region will be described. The interaction of state and non-state actors and their interests will then be analysed in an attempt to gauge the strength of these competing interests and to predict possible outcomes of this competition. However, the topic will first be introduced by a brief study of the history of modern geopolitics, and a description of the history of some of the Caspian region's own history.

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17 JAN 2001

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# Chapter 1

## A Short History and Theory of Geopolitical Thought

Geopolitics is perhaps best described in the words of Martin Ira Glassner (1995). Stating that the discipline is just one part of the wider study of political geography, Glassner described geopolitics as "*the study of states in the context of global spatial phenomena, in an attempt to understand both the bases of State power and the nature of States' interactions with one another.*"<sup>1</sup> In this chapter the development of 'traditional' geopolitics will be described and the basic theoretical foundation of traditional and more modern geopolitics discussed.

### Founding Fathers

The modern European discipline of geopolitics can be said to have had its genesis in two pieces of work published within five years of each other in the 1890s. The first of these, published in 1890, was that written by the American Admiral Alfred Thayer Mahan, "*The Influence of Sea Power Upon History, 1660-1783*". Mahan's work was the first in the field that became known as geostrategy, which has been the main influence on modern geopolitics, Glassner's definition above being equally accurate in describing geostrategy. Mahan's book was received amidst much adulation at the time, as it represented the first attempt, in English, to apply systematic geostrategic thinking to naval warfare. Mahan's basic premise was that history had shown that the dominant powers of history had all possessed Sea Power [Mahan's capitalisation], that this was still the case, and would continue to be so. To back up his thinking he took the examples of Rome's victory over Carthage and Napoleon's failure to defeat England, claiming that in both cases, "*the mastery of the sea rested with the victor*". In a classic piece of environmental determinism, Mahan also claimed that a country's Sea Power would be proportional to six key factors: its geographical location; its physical geography; its size; the size of its population; the "*Character*" of its people; and the "*Character*" of its government and national institutions.

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<sup>1</sup> Glassner, M. I. (1996), *Political Geography*, (2<sup>nd</sup> Ed.), New York: Wiley: 322.



The other work, possibly of more immediate impact, was "*The Laws of the Spatial Growth of States*" written in 1895 by the German Friedrich Ratzel. In his paper, Ratzel introduced the "*organic state*" concept, which compared the individual nation-state to an animal, with all the attendant needs and goals of animals in nature.

### **Kjellen and Haushofer**

The two differing approaches to the study of State interaction as represented by Ratzel and Mahan's models remained distinct for another twenty years, until blended by Karl Haushofer's *Geopolitik* in the late 1920s and 1930s. In the interim, Rudolph Kjellen, a pro-German Swede, laid the foundation of Haushofer's chauvinistic *Geopolitik* with his "*The State as an Organism*" in 1916. Kjellen departed from Ratzel's detached 'scientific' approach, and insisted that his comparison of state with organism was only an analogy, and instead insisted that the State *was* an organism, with 'organs' such as government, population and physical structure. His view that these organic States were in constant competition and that only the fittest would survive found a ready market when his book was translated into German in 1917, as many Germans looked to explain their defeat in the First World War, and sought ways to rebuild and become a world power.

Haushofer expanded upon Kjellen's theories with concepts such as *lebensraum* and used various questionable theories on the genetic superiority of the German/Aryan peoples to justify Germany's aggressive expansion into Eastern Europe. He also added elements of geostrategy, particularly Sir Halford Mackinder's concept of the Eurasian "*Heartland*" (discussed in a moment), which might explain Nazi Germany's early alliance with the Soviet Union. Haushofer's German chauvinism and outright racism did much to harm the image of geopolitics as a whole, even without unsubstantiated allegations that Haushofer had directly influenced Hitler's decision-making throughout the Second World War.

Fortunately, Haushofer's theories disappeared with the fall of Hitler, but a number of ideas survived; the use of maps to convey information to a wide audience, for example. Another concept that survived the German school of *Geopolitik* is that of the "*pan-region*". Haushofer and his colleagues took on a more global view as Germany expanded, and eventually identified three possible pan-regions, centred on Germany, Japan and the USA. The concept was an interesting one in that the regions under the control of each of these three

core countries cut longitudinally across the world's 'environmental resource regions', which run latitudinally across the globe. Therefore each pan-region would have great potential to achieve *autarky*, or self-sufficiency in all their essential needs, a term first coined by Ratzel, and later adopted by Haushofer. The three pan-regions envisaged saw a German/European core dominating an African/Indian periphery, Japan dominating an East and Southeast Asian system, and Anglo-America dominating Latin America. With the end of the bipolar world it is interesting to see the development of some new pan-regions; America dominating the NAFTA countries, and Japan's dominance in the Pacific, although their dominance is based on their economic and not necessarily their military power. It is also interesting to note the core-periphery structure of Haushofer's pan-regions; the idea of a wealthy, industrialised core utilising the resources of a poorer, less developed periphery is one that is easily recognisable in some of today's world-models.

### **A First World Model**

The first attempt at a geopolitical world model was that of Sir Halford Mackinder, in 1904, in his paper "*The Geographical Pivot of History*". Mackinder's model was based on the premise that throughout much of history Central Asia has acted as the pivotal area in the affairs of the Old World. Before the advent of the maritime empires, Asiatic horsemen originating from areas within this pivot dominated most of the Eurasian continent from its heart, mainly by virtue of their superior mobility. Then, from 1492 until around 1900 the Columbian era of maritime exploration and expansion saw the world balance of power swing away from the 'land-power' of the horsemen to the 'sea-power' of the coastal states, particularly Great Britain. However, by the end of the eighteenth century new forms of transport and communication technology, most notably the railways, seemed to promise that the advantage would swing back to the pivot area, as railways allowed whoever controlled the region to make the most of its shorter, internal lines of communication, inaccessible to the maritime powers.

Essentially, the theory described the world as being *bipolar*, setting land-power against sea-power, but Mackinder formally divided the world into three tiers. The "*Pivot Area*" was a vast fortress beyond the reach of the maritime powers, the "*Outer Crescent*" the domain of the maritime powers, whose resources were safe from the Continental power, and the "*Inner Crescent*" where land and sea-power would meet, and compete. This inner crescent

consisted of Scandinavia, Western Europe, the Mediterranean, the Middle East and the southern Rim of Asia. (See Figure 1, page 5)

Mackinder revised his model in 1919, in his book *“Democratic Ideals and Reality”*. He again warned of the potential strength of a single power in control of the Pivot area, but the pivot had expanded to become a larger *“Heartland”*. It would appear that Mackinder had reassessed the relative strengths of land and sea power in favour of land power, perhaps after the abortive Gallipoli landings demonstrated the difficulties involved in projecting sea-power onto land. It was *“Democratic Ideals and Reality”* that gave geopolitics the much-quoted dictum:

Who rules East Europe commands the Heartland  
Who rules the Heartland commands the World Island \*  
Who rules the World Island commands the World

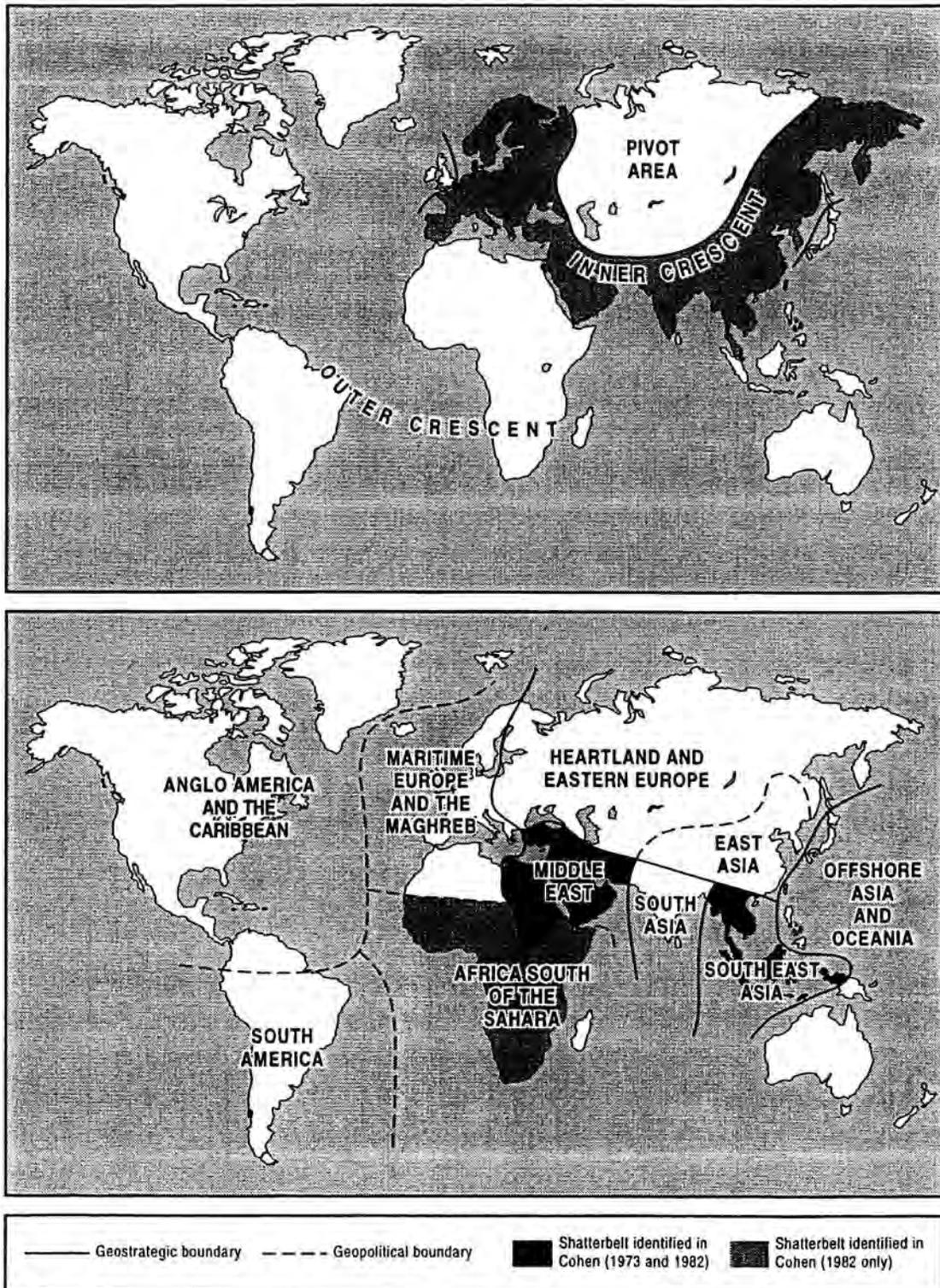
(\*: Eurasia and Africa form the World Island.)

This elegant summary of Mackinder’s conclusion in his 1919 work seems aimed at the peacemakers redrawing the map of Europe at the Versailles Peace Conference in 1919, a prime example of Mackinder as a geostrategist, seeking to advise state policy. In this case, the geostrategist may well have been heeded, the Versailles treaties creating, or recreating, a tier of small states at the heart of Eastern Europe, instead of leaving the Heartland open to a single power.

Mackinder again revised his theory in 1943, at the height of the second World War, but the theory was very much a product of its times, and hence rather less relevant in a discussion of general geopolitical theory. Mackinder saw the situation in 1943 as the Heartland power – the USSR combining with the maritime powers around the *“Midland Ocean”* – the Atlantic powers of the USA and Great Britain – to defeat the German threat between them. However, the theory has little to say about the rest of the world, perhaps because his world model could not cope with the concept of a maritime country —Japan – allying with a potential heartland power with potentially disastrous consequences for the liberal maritime powers.

**Figure 1**

Mackinder's Pivot Area, Inner and Outer Crescents (Top), and Cohen's Geostrategic and Geopolitical Regions, and Shatterbelts (Bottom)



Source: University of Durham Cartographic Service

## Models of a Bipolar World

Following the Second World War, the advent of the USA and USSR as the world's two dominant superpowers created a bipolar world system; all states were seen as either Western or Soviet-bloc in their political alignment. Initially at least, there could be no middle ground. In this context, Mackinder's model of a bipolar world, with the Heartland power facing the maritime world, maintained its relevance, influencing Western geopolitical thought for decades. In fact, one of the first papers to be published after the war was nearly identical.

In his paper<sup>2</sup> the American Nicholas Spykman suggested that the Heartland power – America's new enemy, the USSR – was not a threat if it could be prevented from reaching the "Outer Ring", the maritime powers. Therefore, according to Spykman, the activity of the Heartland power should be suppressed by control of what Spykman described as the "Rimland", which was to all intents and purposes the same as Mackinder's Inner Crescent. The logical conclusion of such thinking was the American policy of "Containment". Any potential expansion of the Heartland power must be prevented, if for no other reason than to prevent a "domino effect" in other Rimland states who would be weakened by a communist-controlled neighbour. It was this stated aim of containment that led to the maintenance of an American presence in Western Europe, the Korean war and the disastrous intervention in Vietnam. Spykman's model of the world would seem to have been an accurate representation of the world-view of America's policy up to the end of the Vietnam war. However, the costs to America of that grand example of containment in action led to a reappraisal of the American establishment's world-view and a somewhat different model of global power-relations was suggested, by Saul Cohen.

## Cohen's Regionalism

Saul Cohen published his first model in 1973<sup>3</sup>. It was different from Spykman's primarily in its spatial structure. Cohen firstly divided the world into two *geostrategic* regions, functionally defined according to the inter-relations of the sub-regions within them; these were the Trade Dependent Maritime World and the Eurasian Continental World. These two

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<sup>2</sup> Spykman, N. J. (1944), *The Geography of the Peace*, New York: Harcourt, Brace.

<sup>3</sup> Cohen, S. (1973), *Geography and Politics in a World Divided*, as described in Taylor, P.J. (1993) *Political Geography* (3<sup>rd</sup> Ed.), Harlow: Longman: 60-63.

geostrategic regions were then divided into *geopolitical* regions, five in the Maritime World and two in the Continental World. In addition to the seven geopolitical regions, which were defined as being regions of similar economic, political and or cultural character, Cohen also specified two *shatterbelt* regions, characterised by their lack of political homogeneity. These shatterbelt areas were recognised as being of strategic importance to both geostrategic centres, and also as areas where both centres had come measure of influence or an actual presence. 'South Asia' was recognised as having the potential to become a geostrategic region in its own right. (See Figure 1, page 5)

Although at first sight this model seems little different from its immediate predecessors, Cohen's model was an important departure from previous theories in that it recognised that not all areas between the two geostrategic centres were of equal importance. This immediately made Cohen's model more sensitive and realistic than Spykman's. Cohen then refined his model further, in 1982. As well as recognising Sub-Saharan Africa as a newly-emerged shatterbelt region, he also recognised the emergence of Europe, China and Japan as "*first-order*" regions, who had some global 'reach' and the ability to challenge the USA or USSR in certain circumstances. In addition to allowing for the ability of slightly weaker powers to influence events on a global scale, Cohen also went on to categorise all the other states of the world as powers of the second- to fifth-order, defined according to their ability to influence events beyond their state boundaries. For example, Nigeria, Brazil and India were among 27 states assessed as being second-order, having the ability to dominate events in their region but not further afield. This notion of orders gave a dynamic, multiple-node model of the world, with many overlapping spheres of influence, giving fuller representation of the interconnectedness of regions and states, links not represented by the older bipolar models. It also more accurately depicted the true capabilities of the two superpowers, recognising that other powers could challenge their hegemony under certain circumstances.

Cohen revised his model again in 1992, to give a still more complex and sensitive description of the functional relations between the world's regions and countries. In this latest model, Cohen describes the relations between states as the expression of the levels of "*entropy*" of the various nodes (states). Entropy in this context is described in terms of criteria such as agricultural and industrial productivity, capital accumulation, levels of technology and energy-efficiency in production. States with high productivity, technological capabilities, accumulated capital and so on are regarded as having low entropy, while states with a low

manufacturing base or low levels of technology or low agricultural yield are considered to have high levels of entropy. This definition of entropy differs from the wider thermodynamic definition, the constant degradation of energy, as it does not assume a closed system; global energy levels are maintained by production, trade, and the movement of people and ideas. States which attempt to close themselves off from the free flow of such energies do eventually suffer degradation and collapse, but Cohen regards the penetration of such states by energy from outside as inevitable, assuming as he does the inherently open and interconnected nature of geopolitical entities.

The relative influence, or global 'reach' of states can then be defined as the product of their levels of entropy and their strategic military strength. This influence can be measured by criteria such as external trade, immigration or distant military bases. Hence America can be seen to have influence across the globe, while powers such as Europe and Offshore Asia dominate their region and are in a balanced state with other global powers. States' positions in the hierarchy created by such comparative analysis can change with little difficulty; Russia, the inheritor to the former Soviet Union, while (arguably) still possessing the strategic military capability of a first-order power, is now a second-order economic power, but after its inevitable economics restructuring it has the potential to once again become a first-order power in both the military and economic fields.

Cohen then goes on to describe various territories, either subnational, national or regional in scale, as "*Gateways*". These Gateways are seen as important in the eventual achievement of a new global balance of power after the present fluctuations stabilise. These territories are seen as potential points of energy transfer and exchange, and therefore assume an importance beyond any influence provided by their own levels of entropy or global reach. These territories can be examined at a number of scales; the re-emergent Central Europe may be regarded as a gateway between the two geostrategic regions, while the newly independent Baltic States may act as a gateway between the European region and a resurgent Russian-led confederation of former Soviet states. Other potential gateways include the Caribbean and Central America. Such gateways seem likely to assume an important role in the achievement of what Cohen regards as a new dynamic equilibrium between the world's centres of power. In the context of this dissertation, the Caspian basin could perhaps be regarded as another gateway between the two geostrategic regions, or between the Islamic Middle East and Christian North, or between Europe and Asia, depending on which scale is taken.

## **Theoretical Frameworks: Realism**

All the theories described above were founded in the dominant geopolitical world-view of the twentieth century, the *realist* account, or possibly, in Cohen's (1982, 1992) case, *neo-realism*. The three basic premises of the realist account of state interaction are (a) that the world system is anarchic, with no regulating power or regime, (b) the sovereign, territorial nation-state is the only significant actor on the world stage and (c) relations between states are motivated primarily by a desire for power. Neo-realists assume that the last premise is the result of a rational wish to ensure the state's security and survival, in an anarchic system where no help is available.

At first sight, the realist account seems fairly persuasive, apparently showing the world as it is, rather than how we might like it to be. However, one immediate criticism that can be lodged against the realists is that their account is a very limited one, not taking into account many of the influences on the activity of states. The realist account is the account of the state's power elite, the statesmen and ministers of governments, and really only described state interaction in terms of the interaction of these individuals and groups. Yet there are many more factors that have to be accounted for in a complete model of the interaction of states - the action of multinational corporations is one example, the annual budgets of some of these economic giants exceeding those of many states. The realist view is a privileged one, which may well accurately describe the world of state governments, but it often falls short of describing and explaining the interactions that occur outside that rarefied environment.

Another quite damning criticism of realist geopolitics regards the 'billiard-ball' analogy. To assume that all governments exercise complete sovereignty within the territorial space that they govern all the time seems naïve. It seems obvious on a closer examination that there are many outside influences on a given society that infringe in one way or another on the sovereignty of the government concerned. These need not be physical intrusions; cultural and economic pressures are equally capable of affecting government policy. To relate this point to this particular dissertation, the sovereignty of all of the Caspian states has been compromised in one way or another, for example, Georgia has been forced to accept strong Russian influence over her foreign policy, and a physical intrusion in the form of Russian bases, while the other states in the region have been 'persuaded' to accept the presence of

Russian troops on their soil, and all their fiscal policies are strongly affected by the demands of the International Monetary Fund. Yet neither are these states effectively Russian colonies, to be regarded by the realist as part of the Russian state. All three states have agendas of their own, and act independently and sometimes in defiance of the dominant Russian power. A classically realist approach would have difficulty accounting for such a situation, and the neo-realist account seems equally vulnerable.

However, it would seem premature to 'write off' the realist account completely. Presently, even weak nation-states have recourse to capabilities beyond those of the strongest multinational corporation, or international organisation. The use of large-scale military force, no matter how unacceptable it may be or may become, still rests almost exclusively with the governments of nation-states, and this is likely to remain the case. It is certainly the case that economic power is now becoming more and more important relative to military power, but in many cases economic intervention, for instance sanctions or tariffs, is irrelevant; economic sanctions have not stopped Serbian aggression, or toppled the dictatorial regime in Iraq. Therefore, the ability to wage war is still an important factor in the interaction of states. It must also be realised that the realist account of geopolitics will continue to be relevant while it has a voice amongst national decision makers. Those decision makers have the power to shape the world in a number of ways and while that is the case, the realist account will accurately model state activity. This is particularly true when discussing relations among the post-Soviet states: Russia's policy makers are more often than not 'traditional' in their geopolitical thinking. Economic, foreign policy and resource issues are security issues as far as the Kremlin is concerned, so Russian policy is generally shaped by the security organs, who seem to regard any interaction with their neighbours in a highly realist 'win or lose', 'zero-sum' context.

### **Critical Geopolitics**

In response to the criticisms above, as well as many others, there has recently been a move to find an alternative account of geopolitics. This has led to the formulation of a *critical geopolitics*. Critical geopolitics emphasises a world of connections and energy flows, of inter-state co-operation, as well as questioning the traditional assumption of the sovereign, territorially bound state. The critical view of the nation-state is that it is not an entity that is fixed through time, but rather that the nation-state is only a recent phenomenon, and not one

that will necessarily last much longer. As is pointed out, while it seems to be assumed that the state is sovereign within its own territory, the reality is that the state must constantly reinforce that sovereignty if it is to maintain it. It is this fact, amongst a host of others, that leads critical geopoliticians to question the validity of a model that emphasises the primacy of the state, and attempt to construct an alternative.

The primary assumption of critical geopolitics is that a state-based account cannot accurately describe the world as it is experienced by the majority of those living in it. Instead, geopolitics must reflect the world as a system of interconnected entities operating at all scales, whether at a local, national or international level. In such a system, local issues impinge on international political activity and vice versa, and a dynamic system of energy flows is created. States are no longer containers of energy, but connections in a global system of energy flows. In such a world, the significance of boundaries and territory is questioned, and the territorial nation-state becomes only one of a number of actors. In the critical account, local environmental movements, international organisations such as the IMF or the UN, nation states and non-governmental organisations generate a dynamic landscape of connections and energy flows. In such a landscape, a more complex and variable 'balance' of power becomes inevitable.

Critical geopolitics also places more emphasis on co-operation than realism, pointing to the durability of many international regimes, and the increasing shift towards a co-operative approach to global problems. In contrast to the realist view that international co-operation is a temporary strategy designed to further the individual states' interest, co-operation is viewed as a rational way of minimising uncertainty and anarchy in the world system. The ever-increasing number of international regimes designed to facilitate arms control are a good example of this; if states are confident that their neighbours are abiding by such a regime, all parties feel more secure, reducing their expenditure on arms and generating yet more security.

Nevertheless, it is impossible for proponents of the critical approach to ignore the realist account altogether. As mentioned earlier it still provides an accurate picture of the activities of one sort of actor on the world-stage, the state. It could also be suggested that the continuing growth of international arms-control regimes, and the durability of organisations such as the UN, is in fact perfectly in line with a realist or neo-realist approach. War and instability are expensive, and get in the way of good governance and business; therefore by

creating a framework that helps to ensure stability, governments are again pursuing their individual interests. It simply happens to be the case in a particular instance that such stability is in the interests of all the states concerned. Were that not the case, it seems likely that such control regimes would quickly collapse. The current trend for America to act almost in defiance of the UN in the pursuit of its own interest, for instance by bombing Iraq, demonstrates that realist thinking is far from extinct.

In an attempt to answer such criticisms it has been suggested by that there is currently a “*bifurcated world order*”, where “*the inter-state system is juxtaposed with an evolving global society in which politics and political space are being rearticulated.*”<sup>4</sup>

## **Conclusions**

Having discussed some of the pros and cons of the realist and critical geopolitical accounts, it seems that the conception of a bifurcated world order offers the best chance of examining the geopolitical situation in the Caspian basin. While an examination of global energy flows through the region is becoming more and more relevant, with the increasing penetration of outside ideas, capital and technology, the competition amongst neighbouring states to decide which one will guide and lead that penetration is one that lends itself well to a neo-realist account. Cohen’s 1992 model would seem to offer some scope for treating the region as a Gateway region, while providing a framework for assessing the relative capability of the surrounding states to influence events. Therefore, it would seem appropriate to adopt a bifurcated approach in this study also, examining the inter-state activity that is deciding the future of the region while acknowledging the effects of some global factors, particularly Western interest in the region’s economic development, and particularly its oil reserves.

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<sup>4</sup> The preceding argument is largely based on Anderson, J, Brook, C & Cochrane, A, (Eds)(1995) *A Global World?*, Oxford: Oxford University Press: 51.

## Chapter 2

### Clash of Empires: A Geopolitical History of the Region

This chapter will put the present tangled situation in the Caspian basin in context by briefly studying the histories of Georgia, Armenia, Azerbaijan, Kazakhstan and Turkmenistan and the activities of the empires which have surrounded them, Russia/the USSR, Persia/Iran, and the Ottoman/Turkish Empire. Their evolution and early existence as more or less autonomous states in ancient history will be described, as will their subsequent absorption by their more powerful neighbours. To do this, the histories of the states will each be recalled individually, covering the period from their birth to the first signs of Russia's expansion into the region, amidst the Ottoman-Safavid rivalry of the sixteenth century AD. From that time onwards, the history of the Caspian countries becomes considerably intertwined, and subsequent events will be described in terms of the activities of the competing empires based in Turkey, Iran and Russia. The three southern Caucasus states will be described first.

#### The South Caucasus States: Prehistory to 1600AD

##### Armenia

The first of the Caucasus 'states' to emerge was Armenia, in its first incarnation as the kingdom of Erubuni, sometime in the eighth century BC, with its capital just outside present day Yerevan. However, the Indo-European Armenians are known to have inhabited eastern Anatolia from prehistoric days, calling their lands "*Hayastan*".<sup>1</sup> For the following 600 years or so, subsequent Armenian kingdoms were part of the Persian Empire, until the beginning of the first century BC. Then, under the reign of King Tigran II (95-55BC), the Armenians won back their sovereignty with military defeats of Roman, Parthian and Seleucid armies, uniting all Armenian-inhabited land in a kingdom which stretched from the Caspian to the Mediterranean. Tigran's reign represented the peak of Armenian power;<sup>2</sup> after his death, Armenia once again became a more or less autonomous region on the border of two empires.

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<sup>1</sup> Lang, D M, 1988, *The Armenians: A People in Exile*, London: Unwin: p.41.

<sup>2</sup> *Ibid*: p.41.

One of the most significant events in the development of the Armenian nation, as opposed to the state, was the nation's conversion to Christianity in 301AD.<sup>3</sup> This made Armenia the world's first Christian nation and Armenia's Church developed independently of either of the two classical centres of Christianity; Constantinople or Rome. With the reproduction of the Bible in a distinctive Armenian script sometime in the fifth century AD, Armenia's Christian heritage has subsequently acted as one of the pillars of a distinct Armenian identity.<sup>4</sup>

Unfortunately, a strong Armenian identity did not prove enough to prevent the division of Armenia between the Roman and Persian empires in 387AD. That state of affairs continued until 640AD, when the Arab Shahs supplanted the Persians, taking over possessions of eastern Armenia. For the next 250 years, this left Armenia's rulers with the problem of steering their people between the Muslim invaders from the East and absorption by the Byzantine empire in the West. In the 9<sup>th</sup> and 10<sup>th</sup> centuries AD the Armenian kingdom of Ani appeared, located within the present day borders of modern Turkey. However, having failed to reach any accommodation with either of its neighbours, in 1045AD Ani fell to Byzantium after that empire intrigued to set rival Armenian factions against one another. In 1065, the Byzantines were replaced by the Seljuk Turks, who were in turn pushed out by a series of Mongol invasions in the 13<sup>th</sup> century.<sup>5</sup> The ravages of such frequent struggles condemned the Caucasian Armenians to a 'dark' age lasting nearly three hundred years.

While the Caucasian Armenians fell victim to competing empires, another Armenian kingdom flourished on the shores of the Mediterranean, in what is now Syrian territory. The kingdom of Cilicia was founded in the 11<sup>th</sup> century, and as an ally of the Crusades became the main centre for East-West trade in the region.<sup>6</sup> However, once again internal struggles left the kingdom vulnerable, and successive waves of Seljuk and Mamluk Turkish invasions caused the kingdom to disintegrate in the 14<sup>th</sup> century. This did not signal the end of Armenian prosperity though. Despite the destruction of the Caucasian Armenian nobility by harsh taxation and land confiscation by their Mongol rulers from the 13<sup>th</sup> to the 16<sup>th</sup> centuries, when the Safavids of Persia conquered most of Armenia from the Mongols in 1502 a new class of Armenian noblemen/traders soon appeared. Granted a monopoly of the Persian silk

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<sup>3</sup> *Ibid*: p.47.

<sup>4</sup> Bremner, I & Taras, R, 1994, *Nations and Politics in the Soviet Successor States*, New York: Cambridge: p.262.

<sup>5</sup> Lang, D M, 1988, *The Armenians: A People in Exile*, London: Unwin: p.56.

<sup>6</sup> *Ibid*: p.61.

trade by the Safavids, the Armenian community flourished, and extended their contacts with the emerging Russian Empire. Subsequently, by the end of the 17<sup>th</sup> century, the Armenians would come to corner the Russian silk market also, starting silk farms along the Terek River in the North Caucasus.

## Georgia

The next of the three states to emerge was Georgian, with the founding of the kingdom of Colchis in 600BC. The people of Colchis were Hittite in origin, tribesmen of the Hittite empire who had fled eastward to what is now south-western Georgia when the empire was destroyed by the Assyrians in 1200BC. Another kingdom that would come to form part of Georgia was Iberia (there being no connection with the Spanish Iberia), founded in 300BC when other Hittite tribes migrated further eastward over the Surami mountains. The kingdoms of Georgia were thoroughly integrated into the Black Sea's trade links; Greek colonists set up trading centres along the coast in Batumi, Poti and Sukhumi sometime in the 7<sup>th</sup> century BC, particularly interested in the produce of the vineyards of Iberia.

Originally having been influenced by both Zoroastrian and Greek religious influences, the kingdom of Iberia converted to Christianity in 330AD. Also at about this time, feudalism similar to that in Europe appeared, as did the first recognisably Georgian literary works. However, the emergence of feudal governors, and their rivalry with hereditary clan leaders would, in the end, fatally weaken subsequent Georgian kingdoms.

By the sixth century AD, Georgia found itself caught up in the struggle between the Byzantine and Persian empires for domination of the southern Caucasus. By 510AD, the rulers of the Iberian kingdom, by then also including the areas that were formerly Colchis, were so weak that the Iranian empire was able to abolish the Iberian monarchy and exert direct control. It was at about this time that the name "Georgia" emerged; from the Arabic/Iranian traders' name for the area "*Gurjistan*". The Georgians themselves call their lands "*Sakartvelo*".

A new Georgian kingdom emerged in the 11<sup>th</sup> century, under David the Builder. During his rule between 1089 and 1125, David gained the protection of the Byzantine empire for the Georgian kingdom, and united the Georgian lands. Under David, the Georgian kingdom

expanded to take in areas of modern Armenia, Dagestan, Ossetia and Abkhazia. However, it was under David's great-granddaughter Tamar that Georgia truly flowered. Under Tamar, Georgian rule extended to Trabzon in what is now Turkey, and Georgian raiders would reach Tabriz, in Iran. Georgian culture also flourished, the period seeing great number of Georgian literary works. Unfortunately, Georgia's 'golden age' did not last beyond Tamar's reign.

Eight Mongol invasions in 20 years destroyed much of what had done before, and with the collapse of the Byzantine empire in 1453, Georgia found itself isolated from western Christendom. Not long after, Georgia fragmented along lines recognisable from its earlier history, with 3 smaller kingdoms appearing; one, Imereti, in the west as Colchis had once been, and two, Kartli and Khakeli, in the east in what was once Iberia. Five noble families also took their chance and set up independent principalities, the principal of these being in Mingrelia and Abkhazia, in the west.

## **Azerbaijan**

The earliest history of the relatively young country of Azerbaijan is quite vague, but the kingdom of Caucasian Albania, of no relation to the Balkan country of that name, is known to have existed some time prior to the 4<sup>th</sup> century AD. Caucasian Albania, or "*Arran*" as it was also known,<sup>7</sup> lay along the western shores of the Caspian, extending from Derbent in the north to south of the Araxes river. The southern areas of Arran covered the home of the Zoroastrian, five-worshipping, religious tradition, and "Azerbaijan" itself means "*land of fire*" after the flammable black oil that bubbled to the earth's surface in that region. The original inhabitants of Arran were sedentary Iranian tribes and a variety of mountain people.

Arran converted to Christianity in the 4<sup>th</sup> century, adopting Armenian Christianity. When Arran extended westwards in the 5<sup>th</sup> century, increased contact with the Armenians led to the gradual replacement of Albanian script with Armenian, which eventually completely supplanted the original writing. At this time, the people of Caucasian Albania enjoyed relative autonomy under the Persian Sassanids, who rules by way of vassal states established in the area during the 4<sup>th</sup> century.

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<sup>7</sup> Swietochowski, T, 1995, *Russia and Azerbaijan: A Borderland in Transition*, New York: Columbia: p.1.

All that was to change in the 7<sup>th</sup> century when the Arabs invaded the formerly Persian empire. The Arabs were much more effective in establishing central rule over the area, installing garrisons and local governors, and they set about Islamicising the whole region. Under the Arab onslaught, the culture of Caucasian Albania and the creed of Zoroastrianism disappeared.

Three centuries later, however, the Arab dynasties began to crumble, and a wave of Turkic invasions and settlement began, supplanting the Arab/Persian identity with a Turkic one. However, despite the development of a distinct Turkic Azeri language in the 14<sup>th</sup> century, the Azerbaijanis took on a distinctly hybrid identity. They adopted Shia Islam, like their Iranian neighbours as opposed to the Sunni Turks, in the 15<sup>th</sup> century. Also, the Safavid rulers of the region, based in Tabriz, maintained strong Iranian ownership of the area,<sup>8</sup> although they were in fact Turkic in origin themselves. Azerbaijan was divided into a number of Khanates under the Safavids, ruled either by appointed rulers or acceptable local hereditary chiefs. The most important of these were Baku or Shirvan, Shekhi which was known for its silk farms, Gyandzha, Derbent, which now lies in Dagestan, and Karabakh, which was much larger than its modern equivalent. It was the last years of Safavid rule that saw the flourishing of Azeri Turkic as a literary language.

Even this brief look at the early history of the kingdoms of the south Caucasus readily shows how the region has been contested by rival empires ever since there have been empires in the region. Romans, Byzantines, Persians, Arabs and Mongols all fought to control the area, in the face of opposition from each other and the local people. It seems obvious that the physical presence of the Caucasus mountains had much to do with this. If nothing else, the difficulty faced by any outside authority in projecting its power into the mountains would seem to militate against the region falling naturally into the orbit of any one empire. Therefore competition between rival empires would seem to have been inevitable as their relative strengths made it easier or more difficult for them to try to extend their control into the mountain areas, where the grip of their rivals was more tenuous than elsewhere.

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<sup>8</sup> *Ibid*: p.2.

## **The Central Asian States**

The history of the two more obviously 'Central Asian' littoral states, Kazakhstan and Turkmenistan will now be briefly described. As will be seen, both these modern states were influenced by a wide variety of cultures prior to Russian Imperial hegemony. However, the process perhaps owed less to an imperial desire to control, as exhibited by the Ottomans, Persians or Arabs, and more to the 'natural' expansion, contraction and integration of different cultures through time, in a region that for much of history has served as the meeting place of East and West.

### **Kazakhstan**

The Turkic forerunners of the Kazakh people are reputed to have emerged from southern Siberia sometime between 600-1200AD, under a legendary chieftain, Alasha Khan. Over the next three hundred years, these tribes migrated southward into the great bowl of Central Asia. However, soon after these migrations began, early civilisations in the region were devastated by Genghis Khan's 'Golden Horde'. Nevertheless, by 1500AD, the Kazakhs were strong enough to resist attack from the dominant Central Asian group, the Uzbek confederacy, and set up the basis of their own government, three "*Ordas*" or 'Hordes', as befitting a nomadic people very similar to the Mongols. The three hordes, the 'Great Orda' in eastern 'Turkestan', the 'Middle Orda' of the central steppes and the 'Little Orda' in the west,<sup>9</sup> at the feet of the Ural mountains, survived until the early seventeenth century, warring amongst themselves and facing attacks from the Uzbeks to the south, across the Syrdarya river; from the east, by the Dzungarians of north-western China; and from the west, by Kalmyk tribes based around the Volga river. It was during this period, around 1500-1600AD, that the Kazakhs converted to Islam.

Finally though, in a period described by the Kazakhs as the 'Great Disaster', the Great Orda in the east succumbed to Buddhist Mongolian tribes called the Qirots, being forced to migrate westwards and south, while the Russians began expanding into the region from the west and north. The Russians built a series of forts extending from Gurev on the north-eastern shore of the Caspian, all the way to the Alatau mountains in the east, while at the same time extending

their control from Siberia southwards, with forts in Omsk, Semipalatinsk and Orshk by 1735. By that time, though, trapped between two advancing enemies, the Kazakh Ordas had been forced to accept Russian domination, the three Ordas all signing treaties with the Russians between 1731 and 1742, beginning with the Little Orda and ending with the Great. By 1848, facing severe restrictions on their nomadic lifestyle, the Kazakhs were forced to accept Russian annexation of all their remaining territories. With the exception of repeated revolts until 1870, 1848 signalled the end of Kazakh independence until 1991.<sup>10</sup>

## **Turkmenistan**

The areas which now comprises modern Turkmenistan is thought to have been inhabited since perhaps 5000BC, its earliest civilisations centring on the fertile oasis to be found scattered around the deserts that cover over 80% of the country. From 600BC the area was part of the Persian empire, but the area was then conquered by Alexander the Great in 400BC as he pushed eastward, defeating the Persians.<sup>11</sup> Turkmenistan was then ruled by the Parthian kings, Alexander's successors in the East, until 10AD, the kingdom benefiting greatly from the Silk Road. Parthian Turkmenistan, based around the great city of Nyssa and a series of oasis towns crossing the deserts, flourished until the Middle Ages, which saw the arrival of the 'modern' Turkmen peoples from the East in the 10<sup>th</sup> and 11<sup>th</sup> centuries AD.

These Turkmen, feared warriors and raiders, preyed on the caravans of the Silk Road and on the settled communities of Persia, Afghanistan and much of Central Asia. These raids created a profitable slave trade, which continued until the 19<sup>th</sup> century despite frequent Persian attempts to stop it. The Turkmen then alternately resisted the Persians or allied themselves with them, depending on their relative strengths, until Persia's defeat by the Russians in 1813. Russian encroachment into Turkmen territory began with the building of forts on the eastern shores of the Caspian in 1834 and continued until all the Turkmen tribes had been subdued, in 1886, when the territory was formally annexed. However, the campaign to subdue Turkmenistan was a long and brutal one, the Turkmen resisting the Russians in the same way as they had previously resisted other invaders.

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<sup>9</sup> Ferdinand, P (Ed), *The New Central Asia and its Neighbours*, London: Royal Institute of International Affairs (RIIA): p.9.

<sup>10</sup> Bremner, I & Taras, R, 1994, *Nations and Politics in the Soviet Successor States*, New York: Cambridge: p.315.

The campaign reached its greatest intensity in 1870, when two great tribal leaders began a campaign of attacks on the Russian military expeditions expanding outwards from Russia's forts, a guerrilla war that continued until the end of the century. A Russian expedition to take the Turkmen fort of Geok Tepe in 1881 ended in disaster for the Russians, an entire army being decimated. When they eventually captured the fort, the Russians massacred 6,000 of its defenders. Equally brutal was the subjugation of Khiva, traditional centre of the Turkmen slave trade, in 1871, which saw the killing of most of the cities inhabitants, men, women and children, on the orders of the general leading the expedition. Following this victory, in 1874 the Russians created a 'TransCaspian' authority, under a General Lomakin, based on the town of Krasnovodsk on the eastern shore of the Caspian. The Persian empire quietly acquiesced to Russia's suppression of the Turkmen tribes, and Turkmenistan was absorbed into the Russian empire in 1886. The brutality of Russia's subjugation of Turkmenistan is a memory that still lingers, and modern Turkmenistan's resistance to a close association with the Russian-dominated CIS owes much to a now-traditional Turkmen mistrust and hatred of Moscow.

The focus of this discussion will now turn back to the Caucasus states and the western side of the Caspian, in order to continue the description Great Power expansion and rivalry. Having been so effectively absorbed into the Russian empire, and lying beyond the reach of Russia's rivals, thanks in part to the effectiveness of Afghanistan and Central Asia's mountains in keeping out the British advancing from India, the Central Asian states would not reappear until the dissolution of the Soviet Union.

### **Modern Great Power Rivalry: 1600AD to 1878**

From the 16<sup>th</sup> century onwards, it makes more sense to follow the history of the southern Caucasus states from the point of view of the imperial powers. The three states of Georgia, Armenia and Azerbaijan were all at their weakest, if they existed at all, from this time onwards. Therefore the most reliable information comes from the imperial histories rather than local ones. At this stage in its history, the Caucasus was seen as a relatively homogeneous area; 'the mountains', the political landscape made up of a motley collection of

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<sup>11</sup> Ferdinand, P (Ed), *The New Central Asia and its Neighbours*, London: Royal Institute of International Affairs (RIIA): p.7.

khanates and vassal kingdoms, ripe for absorption by the first empire to reach them. This was thus the period of the most intense imperial machinations.

### **A New Player Takes the Field**

In the mid-sixteenth century a third player appeared in the 'great game' going on between the Ottoman and Safavid empires. By this time, in 1555, the Caucasus had been divided along a roughly north-south axis, with Azerbaijan firmly under Iranian control. Georgia was divided along traditional lines; Khaketi and Kartli in the east under the Iranians, and Western Georgia including Mingrelia, Imereti and Abkhazia under Turkish control. Armenia was also *de facto* divided by the two empires, the situation being confirmed in 1639 by the official partition of the country with four-fifths going to Turkey and one-fifth to Iran. It was in 1556, under Ivan the Terrible, that Russia first appeared in the Caucasus, although to the north of the mountains, with the conquest of the Astrakhan khanate on the Caspian coast. The Russians then saw the opportunity to develop the Volga-Caspian as a new trade route, and in the late 1550s an expedition left Astrakhan, crossed the Caspian by boat and travelled inland up the Terek river into present day Daghestan, building a fort at Terki. However, no further Russian moves took place until nearly 200 years later.

In 1722, internal struggles left the Safavid empire in a much-weakened state, leaving many of its vassals beyond effective central control.<sup>12</sup> Sensing the Safavids' weakness, Russia's Peter the Great sent an expedition across the Caspian to Derbent, again in the North Caucasus. Having captured Derbent, the Russians then went on to capture Baku Khanate, south of the mountains, but were forced to withdraw from both areas with the accession of a more powerful Safavid dynasty ten years later.

Russia's next move had to wait until 1783. Under the Treaty of Georgievsk, King Irakli II of a then united Georgia invited a Russian military presence onto Georgian soil,<sup>13</sup> in an effort to protect his country from the ravages of Persian-Ottoman warfare and mountain raiders while guaranteeing no interference in Georgia's internal affairs. Russia subsequently stationed two battalions of its much-feared Cossacks in Georgia, but they were withdrawn only four years later during the second Russian-Turkish war, allowing the Persians to sack Tbilisi. In the

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<sup>12</sup> Swietochowski, T, 1995, *Russia and Azerbaijan: A Borderland in Transition*, New York: Columbia: p.2.

meantime, Russia's Catherine II launched an expedition that retook Derbent and Baku. Irakli's son Georgi, facing the destruction of his kingdom by internal squabbles and raiders agreed to Russia's annexation of Georgia, Tsar Alexander formally annexing the east of the country in 1801.

### **Russia's Expansion Continues**

At this time, Russia began a sweeping campaign to secure all of the southern Caucasus and a strong presence on the Black Sea, simultaneously attacking Turkish and Iranian possessions in the area. By about 1810, Turkey's Georgian possessions, Mingrelia, Guria and Abkhazia, had been taken under Russian control, although formal and effective annexation had to wait another fifty years, Mingrelia finally being annexed in 1867. Meanwhile, in 1804 the first Russian-Persian war began, over control of Azerbaijan. In 1813, after the second period of warfare, the Treaty of Gulistan confirmed Russian possession of eastern and western Georgia, Daghestan and also the Azerbaijani khanates of Baku, Shirvan, Gyandzha and Karabakh.<sup>14</sup> The treaty also granted Russia the exclusive right to have warships on the Caspian Sea.

In 1826, the Persians attempted to take back Georgia and the Karabakh. However, they were soundly defeated by the Russians and the Treaty of Turkmenchai in 1828<sup>15</sup> fixed the Iranian-Russian frontier at its modern position, along the river Araxes, dividing Azerbaijan. Yerevan and Nakhichevan khanates were also ceded to Russia, along with an indemnity of 20 million roubles from the Persian coffers. Following the Russian annexation of the Karabakh, tens of thousands of Armenians emigrated from Persia to the region,<sup>16</sup> the Armenians already in the Karabakh finally believing themselves safe, after appeals to Russia as early as 1789. The Turkmenchai treaty essentially ended the period of Russian expansion, but the imperial rivalry continued, at least as far as the Ottomans were concerned.

Never really accepting Russian dominance in the region, the Ottomans spent the next fifty years engaged in constant if low-level warfare against the Russians, sponsoring uprisings and occasionally intervening directly, as occurred in 1855 with the Turkish capture of the

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<sup>13</sup> *Ibid*: p.3.

<sup>14</sup> *Ibid*: p.5.

<sup>15</sup> Known as the *Nangin* or 'Shameful' Treaty in Iran. Bremner, I & Taras, R, 1994, *Nations and Politics in the Soviet Successor States*, New York: Cambridge: p.229.

<sup>16</sup> Lang, D M, 1988, *The Armenians: A People in Exile*, London: Unwin: p.3.

Mingrelian capital Zugdidi. Uprisings involving the Abkhazians and the Mingrelians were encouraged, as were revolts in the mountains, in an attempt to take advantage of Russian pre-occupation with guerrilla campaigns in the north Caucasus. The Russians matched these Turkish efforts with moves of their own, the most significant being the encouragement of Shia Azerbaijani forces to volunteer to fight against the Sunni Ottomans in the Russian-Turkish wars. The 1878 Treaty of Berlin finally ended the conflict, ceding possession of Batumi, Ardahan and Kars to Russia and requiring the Turks to guarantee the safety of all Armenians within their territory.<sup>17</sup>

### **Provinces of Empire**

The Treaty of Berlin in 1878 essentially signalled the end of imperial competition over the southern Caucasus, at least until the First World War. Securely within Moscow's orbit, the three 'states' were beyond the reach of either the Turks or the Iranians, and a period of intensive Russian activity followed, as Moscow tried to create and strengthen the region's links with the Russian imperial centre. This activity was by turns repressive and inclusive, violent and liberal, often driven by purely military concerns. The northern Caucasus suffered most heavily at the hands of the Russian army, during the long-running and bloody revolts staged by the mountain peoples, most notably that of the Chechens under Imam Shamil, which lasted over thirty years. However, all areas of the Caucasus, whether north or south of the mountains, suffered some measure of repression, and in the north this continued for many years. In the south however, particularly under the administration of Prince Mikhail Vorontsov, established as viceroy over the area in 1845,<sup>18</sup> Russian policy became increasingly liberal, aiming to assimilate rather than suppress.

Vorontsov's inclusive approach included the creation of local courts and councils, to which locals were appointed, and allowing the Georgians to review their own laws and choose which ones would be kept in Russian law. Perhaps more significantly he launched a building programme, throughout Georgia and Armenia particularly, that saw the construction and repair of roads, libraries and high schools, at which Georgian, Armenian and Turkish history

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<sup>17</sup> The 'guarantees' given in the Treaty of Berlin were actually quite vague. An earlier treaty, the San Stefano Treaty, had given much firmer assurances, but the treaty was annulled, never having come into effect, following British and European pressure aimed at limiting Russian power in relation to the Ottoman Empire. Lang, D M, 1988, *The Armenians: A People in Exile*, London: Unwin: p.4.

<sup>18</sup> Swietochowski, T, 1995, *Russia and Azerbaijan: A Borderland in Transition*, New York: Columbia: p.115.

were taught. Obviously, these measures had little effect on the great mass of peasantry, but they secured the support of the Georgian aristocracy, and also the emerging Georgian and Armenian merchant classes. It is obvious however, that Vorontsov himself saw the three peoples in different lights, Georgians over Armenians, Armenians over Azerbaijanis. The north Caucasians were generally regarded as below contempt and beyond reformation.

However, despite having achieved the broad support of the ruling elites in the Caucasus, by encouraging the formation of local centres of power, and allowing the free development of distinctively Georgian, Armenian or Azerbaijani societies, Vorontsov also laid the foundations of national feeling among those same elites. In all three societies, local intelligentsia began to press for more autonomy within the empire, for civil rights and reform of the monarchy. However, just as such feelings began to take hold the assassination of Russia's liberal Tsar Alexander II in 1881 by Russian agitators led to the accession of the much less liberal Alexander III, who abandoned his father's inclusive programme and embarked on a series of repressive campaigns aimed at suppressing the generally socialist revolutionary groups beginning to take hold throughout the empire. In the Caucasus, this meant the suppression of Armenian culture in particular,<sup>19</sup> with the closing of schools and churches, but both Georgia and Azerbaijan also suffered their share of agitation and suppression. However, the suppression merely served to solidify local feelings of animosity toward Moscow, even amongst the previously pro-Russian elites. Although at the time those feelings centred around socialism rather than nationalism, the revolutionary movements in the three societies had distinct, national characters, which would later lead to the formation of three separate states with the fall of the Russian empire after the revolution of 1917.

### **The First World War to the Russian Revolution**

It was the onset of the First World War that led to the Caucasian nations' first reappearance in the modern world as independent states. However, the process was a painful one, all three of the 'new' states of their constituent peoples suffering at the hands of one or other of the two sides in the war, particularly the Russians and Turks. Much of the subsequent animosity between the three peoples was laid in this period, as were their perceptions of their more powerful neighbours.

## Proxy war and Ethnic Atrocities

When war broke out, the peoples of the southern Caucasus found themselves under pressure from the outside, the region lying between the opposing powers of Russia and Turkey. Both of these imperial powers involved the Caucasian peoples in the wider conflict, encouraging their smaller 'allies' to fight as proxies. This in turn led the opposing power to persecute any of the 'opposing' peoples within their reach. For instance, Georgian Muslim participation in a failed Turkish raid on the Russian-held port of Batumi led to the Russians massacring 45,000 of the 52,000 inhabitants of the Chorokhi valley in south-western Georgia. But the fate of the Armenians was by far the worst horror inflicted on any of the Caucasian peoples, at any time in their history. The Caucasian Armenians were strongly pro-Russian, and trusted enough to form their own 'volunteer' battalions in the Russian army. Alongside Russian-sponsored Armenian Dashnak (radical nationalist) guerrilla activity in Turkish territory,<sup>20</sup> this led the Turks to suspect the reliability of the Armenian people as a whole. As a result, in 1915 the Ottoman empire set about the attempted genocide of the Turkish Armenians, who were concentrated in their 'historic homeland' of eastern Anatolia.

Throughout the winter and spring of 1915-16, 'Turkish Armenian' soldiers and intellectuals were systematically executed.<sup>21</sup> And then, having killed their leaders, the Turks began their campaign against the mass of the Armenian population. Given no warning, the Armenians were told to march immediately for new settlements supposedly waiting for them near the Syrian border. With no food or water, and prevented from selling their property to get money, the Armenians were then marched south through near-desert conditions. Killed by the Turks themselves, or Kurdish guerrillas, or bandits, or simply by thirst, between 1 and 1.5 million Armenians died, essentially eliminating them from Turkish territory, and leaving their homelands ravaged and deserted.

Leaving only 700,000 Armenians in the impoverished Russian Caucasus, mainly in Yerevan province, and an unknown number scattered throughout the world as the Armenian *diaspora*, it is hardly surprising that "*the holocaust was to become the ruling factor in Armenian*

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<sup>19</sup> Lang, D M, 1988, *The Armenians: A People in Exile*, London: Unwin: p.7. Also Goldenberg, S, 1994, *Pride of Small Nations*, London: Zed Books.

<sup>20</sup> And despite the presence of thousands of 'loyal' Armenians in the Ottoman Turkish Army. Lang, D M, 1988, *The Armenians: A People in Exile*, London: Unwin: p.22.

*political life in the Caucasus...and in the diaspora beyond*".<sup>22</sup> No study of the geopolitics of the southern Caucasus is complete without a description of the Armenian holocaust and the subsequent *diaspora*. The event was a landmark in the formation of the modern Armenian culture and has heavily influenced subsequent Armenian activity, both in the Caucasus and abroad.

### **A Short-lived Caucasian Republic**

Returning to events in the wider context, 1917 and the Russian Revolution signalled the advent of Caucasian independence, with the formation of a provisional Kadet (Constitutional Democrat) government in Moscow. The Mensheviks were firmly established in each of the Caucasian republics, except in the city of Baku, which was under the control of the local Bolsheviks. Despite this apparent political solidarity, the Armenian Dashnaks, Azerbaijani Musavists and Georgian Social Democrats seem first and foremost to have been national movements. Nevertheless, by the end of 1917 the local Mensheviks had formed a provisional Caucasian government, and immediately afterwards, the Russian army withdrew from the area.

The fledgling government suffered a severe blow only three months into its existence. In March 1918, Russia's Bolsheviks signed the Brest-Litovsk treaty, ending Russian involvement in the First World War. Under the agreement, the Bolsheviks ceded the Georgian towns of Kars, Ardahan and Batumi to Turkey, along with the Armenian-populated Akhalsikhe and Akhalkalaki districts. Meanwhile, tension between the Baku Bolsheviks and the Azerbaijani Musavists finally erupted into violence, and when Armenian Dashnaks living in the city joined in on the Bolshevik side, the fighting became a pogrom against the Azerbaijanis, leaving 30,000 dead. The following month, the Trans-Caucasian government declared independence, under pressure from Turkey to do so, in exchange for diplomatic recognition and perhaps peace. Supported by Azerbaijan's Musavists, who had no fear of the Turks, but not by the Armenian Dashnaks or the Georgian Social Democrats, the Democratic Federative Republic of Transcaucasia lasted only five weeks. In spite of her promises,

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<sup>21</sup> Lang, D M, 1988, *The Armenians: A People in Exile*, London: Unwin: p.28.

Also Goldenberg, S, 1994, *Pride of Small Nations*, London: Zed Books.

<sup>22</sup> Goldenberg, S, 1994, *Pride of Small Nations*, London: Zed Books.

Turkey sent her troops into Kars and Batumi and invaded Yerevan province, in a drive to Baku that was welcomed by Georgia's Muslims.

### Three 'New' States

Under such pressure, the Transcaucasian government collapsed. Georgia declared independence on 26 May,<sup>23</sup> pinning its hopes of survival on a deal with Germany, by which Georgia would be protected in exchange for German use of her ports and railways. The following day Azerbaijan followed suit, and on 29 May a terribly weak Armenia did likewise. Turkey kept up its pressure on the two new Christian states though, forcing Georgia to give up Akhalkalaki and Akhaltsikhe in exchange for Ottoman recognition, and also gaining Nakhichevan from Armenia. Facing the prospect of a Turkish attack, the Baku soviet also collapsed, its leaders trying to flee but being arrested. The new Armenian and Russian authorities in Baku then asked the British to intervene, to protect them from the Ottomans. On 17 August, Britain's General Dunsterville arrived with 1,000 men. Within a month, facing a vastly greater Turkish force, he had withdrawn again, leaving the Turks to occupy Baku on 15 September. 10,000 died in the anti-Armenian backlash that followed.<sup>24</sup>

Perhaps fortunately, the Turkish occupation of Baku and much of the southern Caucasus did not last long. In October of 1918, Germany and Turkey sued for peace, and both withdrew their forces from the Caucasus. The resulting power vacuum was then filled by the return of the British to Baku,<sup>25</sup> at the request of Azerbaijan's Musavist government. Britain's return was prompted by a desire to seize the Baku oil industry for the Entente and to pressure the new Bolshevik government in Russia by cutting off vital resource. The Transcaucasus would also serve as a buffer zone to restrict any Russian expansion towards Britain's interests in Persia. This time though, the British did not confine themselves to Baku, also occupying the Georgian port of Batumi and the oil terminal there, amidst intense suspicion on both sides. The Armenians, hoping that the British presence meant that their pleas for international recognition and protection would be heard, were delighted.

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<sup>23</sup> Swietochowski, T, 1995, *Russia and Azerbaijan: A Borderland in Transition*, New York: Columbia: p.67.

<sup>24</sup> Lang, D M, 1988, *The Armenians: A People in Exile*, London: Unwin: p.36.

Swietochowski, T, 1995, *Russia and Azerbaijan: A Borderland in Transition*, New York: Columbia: p.73.

<sup>25</sup> Swietochowski, T, 1995, *Russia and Azerbaijan: A Borderland in Transition*, New York: Columbia: p.75.

Relations between the three Caucasian states did not improve with the arrival of the British; in fact, they worsened. Almost as soon as the British had arrived, Armenian Dashnaks, seeking to restore something of the Armenian 'historic homelands' attacked the Armenian-inhabited districts of Georgia, and also made an attempt on Tbilisi itself. When they failed, the Georgians took reprisals against the Armenian population. Meanwhile, in Nagornyy Karabakh, Armenian peasants and Azerbaijani herdsmen were constantly skirmishing. In 1919, the Armenians sought to ease their vulnerability by allying themselves with the White Russian army in the region, led by General Denikin. Denikin's army was at that time much stronger than the Red forces in the region, and seemed to provide a fair guarantee of safety for the Armenians, but as an old-guard colonial officer, his forces posed a major threat to both Azerbaijan and Georgia; this did nothing to ease inter-ethnic tension. Meanwhile, the three states' efforts to introduce some semblance of liberal democracy were totally undermined by ethnic chauvinism, preventing their recognition by the League of Nations. In August of 1919, Britain withdrew its forces from Azerbaijan,<sup>26</sup> possibly anticipating a Bolshevik victory in the Russian Civil War.

Eight months after the British withdrawal, the 70,000 strong 11<sup>th</sup> Red Army defeated Denikin, the Cossacks and Caucasian mountaineers, and Azerbaijan found itself facing the prospect of an invasion from the north while its troops were busy fighting the Armenians of the Nagornyy Karabakh, in the west. Left with no other option, Azerbaijan's Musavists ceded power to the Bolsheviks, ending Azerbaijan's brief experience of independence in April 1920.<sup>27</sup> In May, with the British force in Batumi about to leave, Georgia was forced to sign a 'friendship' treaty with the Bolshevik government, which guaranteed Georgia's independence in exchange for Bolshevik freedom of movement in the country. It made little difference; the same month, Bolsheviks seized Tbilisi's military academy, supported by an Ossetain attack from the north. Though the attack was defeated, leaving 5,000 Ossetians dead, Georgia was left teetering on the brink of surrender. In September, the Turkish army took Kars, and the Dashnaks were forced to accept a treaty giving up Armenian rights to their 'historic homelands'. Once again though, the Turks were forced to give up their gains when the Red Army invaded Yerevan province in November and annexed it to Russia. Georgia lasted only another three months before it too was annexed, in February 1921. In October,

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<sup>26</sup> Swietochowski, T, 1995, *Russia and Azerbaijan: A Borderland in Transition*, New York: Columbia: p.81. Also Goldenberg, S, 1994, *Pride of Small Nations*, London: Zed Books.

<sup>27</sup> Swietochowski, T, 1995, *Russia and Azerbaijan: A Borderland in Transition*, New York: Columbia: p.94.

Kars and Ardahan were once again signed away to Turkey, who also insisted that Adzharia and Nakhichevan provinces be granted the status of Autonomous Soviet Socialist Republics (ASSRs). Adzharia therefore became the only ASSR to be granted its status on the basis of religion, as 90% of its population were Muslims, Turkey's prime concern in its insistence on the region's 'autonomy'. Nakhichevan's status, on the other hand, was a result of lingering Turkish ambition toward the Caucasus. Nakhichevan gave Turkey a short but strategically and politically important border with the Azerbaijanis.

### **Soviet Rule**

The Transcaucasus finally having been secured, the Bolsheviks set about reorganising the region's administration. Despite protestations from an increasingly ill Lenin, the three nations were once again united in December 1922 in the Trans-Caucasian Federated Soviet Socialist Republic, under the administration of the Caucasian bureau, 'Kavburo', of the Central Committee. It was the Kavburo that set the internal borders between the republics of the region. In 1923, unwittingly laying the foundations for the disputes of the future, the Kavburo granted Nakhichevan to Azerbaijan and Nagornyy Karabakh to Armenia, despite both being surrounded by the territories of the other republic.

There then followed a thirty-year period of anti-Islamic campaigns, Russification and Stalinist purges. Although Stalin's purges most drastically affected the north Caucasus peoples, particularly the Chechens, Balkars and Ingush, all the peoples of the southern Caucasus suffered badly, the elites of all three nationalities being almost obliterated. The worst fate, however, befell the Meshketian Turks. Probably fearing Turkish attempts to destabilise Russia's south, through the Turkic peoples living there, Stalin deported 100,000 Meshketian Turks from Georgia. Unlike the north Caucasians, who were eventually 'rehabilitated' in the 1950s under Khrushchev, the Meshketian Turks were never allowed to return.

In 1953, Khrushchev took over Soviet rule after Stalin's death. He found that the purges had almost destroyed the regional parties, and that there was an urgent need to replenish the numbers of party members among the 'nationalities'. He therefore began to reimpose Lenin's programme of integration of the nationalities, *korenizatsia*.

## Korenizatsia: Storing Up Trouble

*Korenizatsia*, “indigenisation”, had been Lenin’s brainchild, a programme to integrate the minority nationalities into the Party in an attempt to gain their support for the Revolution. Although never applied evenly throughout the Soviet Union, *Korenizatsia* “contributed to one of the most important, and least understood, legacies of Soviet rule in the Caucasus – the way in which it helped to instil a separate ethnic consciousness...The structure of the Soviet Union, which for the first time linked ethnicity, territory and administration, inherently strengthened national identity.”<sup>28</sup> This applied particularly to the Muslim nations and especially the Azerbaijanis, who for the first time were called ‘Azerbaijani’ rather than ‘Turks’ or ‘Muslims’.<sup>29</sup> *Korenizatsia* also encouraged the use of local languages and culture in the various republics. When first applied, this had seen a flowering of literature throughout the Union, but particularly in Georgia and Armenia. An Arabic script for common use by the diverse north Caucasian populations was even introduced, although it was forcibly reconverted to Cyrillic script later on. And in 1938, despite Stalin’s campaign of Russification, Georgian and Armenian were designated sole official languages in their republics. The Azerbaijani language, although eventually receiving the same recognition had to wait until the less suspicious times of 1956. Under Khrushchev, a massive bureaucracy was created to ensure the success of *korenizatsia* in the republics. Local literature was encouraged, as were all the various art forms, and local universities were opened. Meanwhile, the proportion of locals in the regional party structure was increased. The combination of these processes eventually resulted in Georgians becoming the best-educated nationality in the USSR, followed by the Armenians, while the Azerbaijanis were the best educated of the Muslim peoples.

Unfortunately, *korenizatsia* also created a problematic legacy for the successor republics. The process did increase the number of local nationalities in the republic elites, but unfortunately, the local apparatus’ soon became extended family affairs, which encouraged ethnic chauvinism and exclusion, and corruption. It seems likely that it was a sense of exclusion that led to the heightening of Armenian grievances in Nagornyy Karabakh. *Korenizatsia* also led to a covert nationalism among the republics, that would come to challenge central Soviet authority, particularly in the 1970s. Both Georgia’s Eduard

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<sup>28</sup> Goldenberg, S, 1994, *Pride of Small Nations*, London: Zed Books.

Shevardnadze and Azerbaijan's Heydar Aliyev made their careers on the back of fighting nationalist activity and corruption in their respective republics, and were installed as leaders after independence in a wave of nostalgia for the stability of those years.<sup>30</sup> It is unfortunate that a policy intended to include as many of the minority nations as possible in the structures of the Soviet Union also laid the foundations for conflict between those peoples. While the Soviet state existed it was able to control and suppress ethnic or national differences between and within its constituent republics. But when that over-arching authority was weakened, and eventually removed, the various nations' strong ties with particular territories, combined with a legacy of animosity generated in part by the ethnic chauvinism of the local party elites, led inevitably to conflict. This was particularly true in the Caucasus, where the somewhat arbitrary decisions of the Kavburo and succeeding authorities had left a patchwork of overlapping claims, that did not necessarily fit the complex ethnic situation on the ground.

Having given what was by necessity a brief, 'broad-brush', and admittedly quite realist and imperialist account of the early history of the Caspian region, it now becomes possible to move on to the current disputes in the region over the legal status of the Caspian Sea itself, and the possession and exportation of the region's extensive oil and gas reserves. It is intended that an awareness of the historical context in which the various parties are acting should allow a more sensitive appraisal of the motivations behind the actions of the various states involved. While it is true that times have changes in the Caspian region as they have everywhere else, in trying to come to terms with their new, unlooked-for independence the governments of the newly-independent states have often called upon their countries' history in their attempts to bind their populations together. Consequently, historical enmities and alliances have been rediscovered and continue to influence the decisions of the fledgling governments. The most obvious case in point is the post-Soviet resurgence of conflict between the Armenians and Azerbaijanis, although this is not the only such example. In the same way, historical factors have been significant in shaping the wider modern rivalries in the region, and the roles which outside powers like Russia, Iran, Turkey and the US have come to assume.

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<sup>29</sup> *Ibid.*

<sup>30</sup> *Ibid.*

## Chapter 3

### Dividing the Spoils: Sovereignty in the Caspian Sea

#### Introduction

Covering an area roughly the same size as Japan at 370,000sq.km<sup>1</sup>, and possessing a unique environment, the Caspian lies in one of the most geopolitically sensitive regions in the world. With Russia to the north, Iran and the Persian Gulf to the south, the Caucasus to the west and the newly-independent states of Central Asia to the east, control over the Caspian or freedom of navigation upon it would represent a significant strategic objective in itself. (See Figures 2 and 3, pages 33 and 35) Add potential recoverable hydrocarbon reserved of perhaps 10 billion tonnes of oil and 5 trillion cu.m of gas<sup>2</sup> and the Caspian and its seabed becomes very important indeed to the five littoral states and a number of regional and global players. But how do these five disparate states set about managing what one author has described as their “*common heritage*”?<sup>3</sup> By looking at what is at stake for the parties, we begin to see why the controversy surrounding sovereignty over the Caspian has become so complex and generated so much confrontation.

#### What's At Stake? Strategic, Political and Economic Implication

As already mentioned, control of the Caspian space is in itself a desirable strategic objective, particularly for Russia, which regards the Caspian region as part of its ‘legitimate sphere of interest’ and an important section of the ‘southern rim’, its bulwark against outside influences from the Middle East and South Asia. The strategic equation is also significantly influenced by the presence of major hydrocarbon deposits. All of the littoral states desperately need the resources and potential revenues the Caspian holds.

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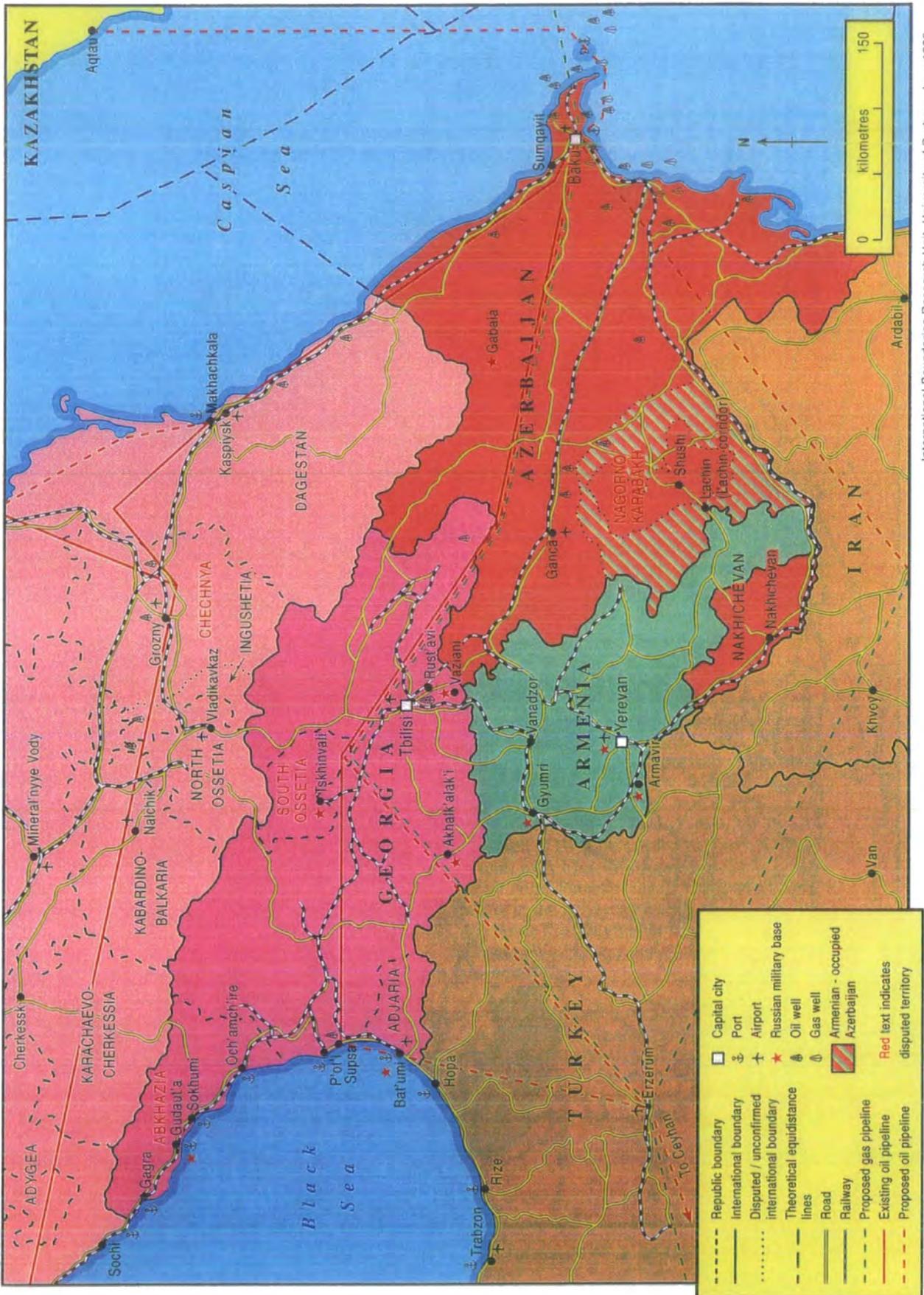
<sup>1</sup> Pratt, M & Schofield, C (1995) ‘When is a Sea not Sea? International Boundaries, Resources and Environmental Security in the Caspian Sea’, *International Boundaries and Environment Security*, Singapore University, 14-18 June.

<sup>2</sup> Vinogradov, S (1996) ‘The Legal Status of the Caspian Sea and its Hydrocarbon Resources’, *Boundaries and Energy: Problems and Prospects*, Durham University, 18-19 July.

<sup>3</sup> Bundy R, (1995) *Background Paper for the Meeting of Experts on Environmental Co-operation in the Caspian Region: Legal Framework and Institutional Mechanism*, UNEP – ROE / CASP.LG / Background Document, December, as cited in: Vinogradov, S (1996) ‘The Legal Status of the Caspian Sea and its Hydrocarbon Resources’, *Boundaries and Energy: Problems and Prospects*, Durham University, 18-19 July.

**Figure 2**

The Caucasian States and the Caspian



Russia needs them to help maintain its economic reforms and growth; the 'new' states of Azerbaijan, Kazakhstan and Turkmenistan need them for the increased economic and hence political independence oil revenues would bring; and Iran needs them to ease the economic and political pressures it faces as a result of the US-led embargo on trade and investment with Tehran. The potential impact of oil revenues on the region is made clear by a quote from Kazakhstan's Deputy Foreign Minister Gizzatov:

*"For Kazakhstan, exploration of the Caspian mineral resources will determine how quickly the country will be able to stand on its feet."*<sup>4</sup>

Coupled with this, the Caspian region has attracted a disproportionately high level of interest and investment from international oil companies operating in the former Soviet Union. Indeed, even though the Caspian region accounts for only 14% of the known oil reserves of the former Soviet Union, 84 (37%) of the 225 upstream (i.e. drilling and production) hydrocarbon development projects in the former Soviet Union currently under discussion or development are devoted to the region.<sup>5</sup> There are three main reasons for this, which combine to make the Caspian uniquely attractive to outside investment. Firstly, there is the perception that the Caspian has the potential to provide great rewards in the future. Secondly, this potentially huge resource is located in what might be described as 'Europe's hinterland', within reach of a huge import-dependent energy market, current difficulties over export routes notwithstanding. Finally, many corporations have found it difficult to do business in Russia, and are attracted by the enthusiasm with which they have been courted by the newly independent states in the region.

The political and economic implications of any dispute over the Caspian would also resonate beyond the coastal states. Georgia, for example, is looking to benefit from the transit fees and foreign investment the southern 'twin track' pipeline will bring. Turkey, meanwhile, is also pushing for a major pipeline to carry Caspian oil across its territory, for much the same reason. Also, Ankara would much rather see Caspian oil piped across its territory than sailing through the Bosphorus aboard tankers that it sees as a significant environmental risk.

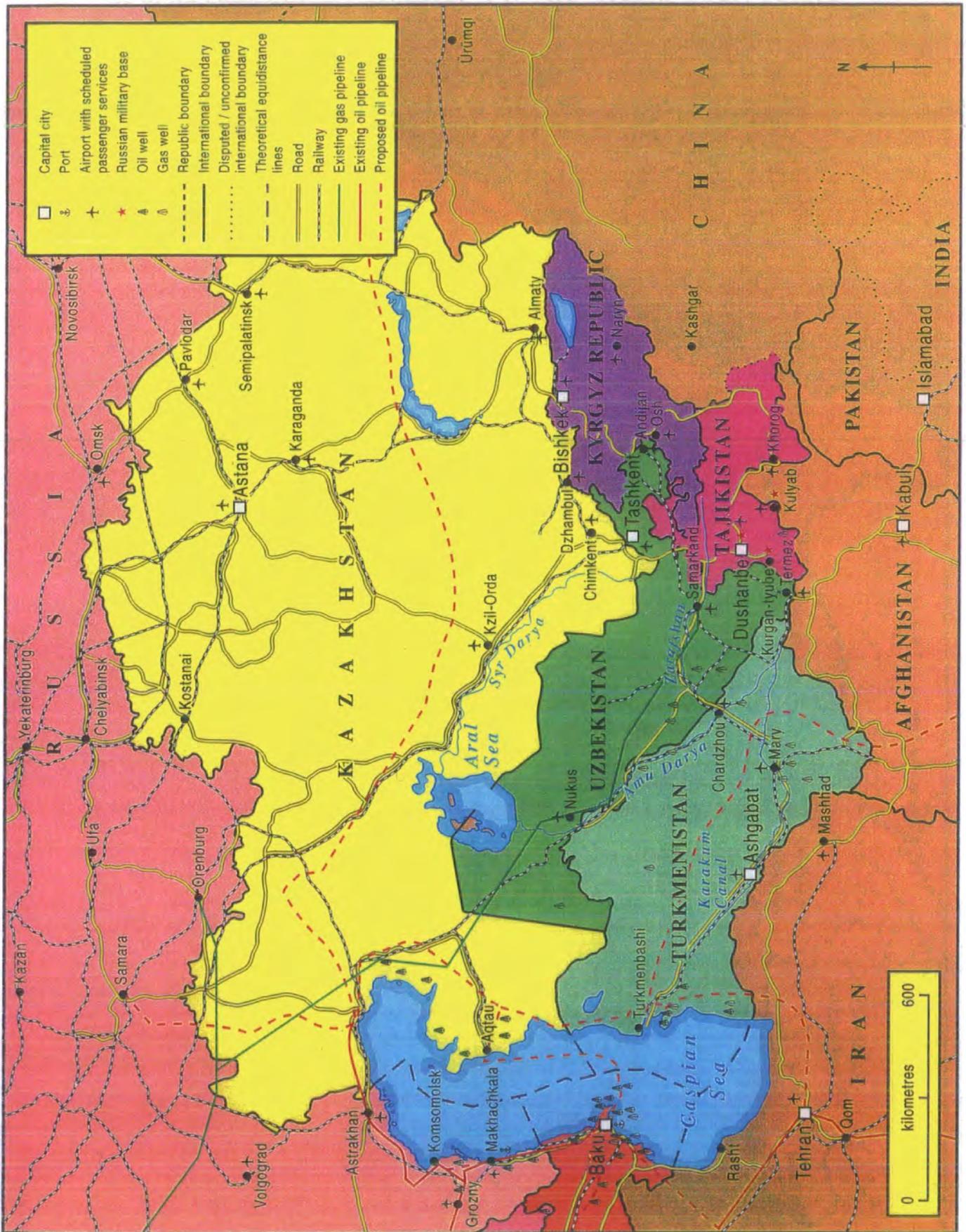
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<sup>4</sup> Pratt, M & Schofield, S (1996) 'Claims to the Caspian Sea'. *Jane's Intelligence Review*, 8,2.

<sup>5</sup> Seck, A (1996) 'Pipelines from Central Asia and the Transcaucasus: A Maze of Alternatives', *Boundaries and Energy: Problems and Prospects*, Durham University, 17-18 July.

**Figure 3**

The Central Asian States and the Caspian



Also, as the nearest, working free-market economy, Turkey would be in an excellent position to benefit from the political and economic revival of these countries, which in the short- to medium-term will be driven almost exclusively by Caspian oil. Looking even further afield, international consortia have invested heavily in the region and risk huge losses should the Caspian not, in the end, deliver what it promises. These economic interests have therefore generated political interests, particularly in the US, UK and France as they seek to maintain free and secure access to the region for their companies' capital.

All of these issues, pipeline routes, investment, strategic considerations, are outlined in other chapters, but at the heart of dispute lies the issue of the future legal status of the Caspian Sea itself. Really effective management and exploitation of the Caspian's living and non-living resources, and protection of the Caspian's unique environment, not least the Beluga sturgeon, will be impossible without a strong legal regime based on a consensus of all five littoral states. While the unilateral moves made up to now have allowed some development to go ahead and made it easier to assess the potential rewards of further investment, long-term progress will depend on the littoral states' ability to reach an agreement on how the Caspian's resources should be divided or managed, and under what sort of legal regime.

The crux of the problem lies in differing interpretations of the Caspian's current legal status and what sort of status it should have in future. To examine the current situation, it is necessary to look at the legal regime applied to the Caspian prior to the break-up of the Soviet Union.

### **Previous Treaties**

The first treaty of relevance to an examination of sovereignty over the Caspian Sea is the Treaty of Turkmenchai of 10 February, 1828, between Russia and Persia.<sup>6</sup> Signed following Russia's defeat of the Persian Empire in one of a number of wars, the Treaty defined the land boundary between the two entities. However, Article IV stated that the boundary ended on the shores of the Caspian. This strongly suggests that the Caspian was not delimited at that time. Article VIII of the Treaty, meanwhile, gave Russia the exclusive right to maintain warships on the Caspian.

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<sup>6</sup> *British and Foreign State Papers XV: 669.*

The treaty of 1828 was then effectively superseded by the Treaty of Friendship signed by the new USSR and Persia in 16 February, 1921.<sup>7</sup> Article III of this Treaty recommended the creation of a joint commission to look at the frontier, although again there was no specific mention of the Caspian. Meanwhile, Article IX of the Treaty revoked Article VIII of the Turkmenchai agreement and established complete freedom of navigation for all types of ships belonging to either side. Little else was said about the two States' sovereign rights in the Caspian.

The first mention of national zones of any kind in the Caspian was made in the Soviet and Iranian Treaty of 27 August, 1935.<sup>8</sup> While Article XIV once again reiterated both sides' rights to freedom of navigation, Article XV established 10-mile fishing zones exclusive to both sides, although yet again no formal boundary was described. Perhaps more significantly for the sovereignty issue, an Exchange of Letters accompanying the Treaty described the Caspian as a "*Soviet and Iranian sea*". The rights set out in the 1935 Treaty were then confirmed in a Treaty of 25 March 1940. This represented the last element in the Soviet-era legal regime governing the Caspian, and applied up until the dissolution of the USSR in 1991.

To recap, prior to the break-up of the Soviet Union, the two littoral states Russia/USSR and Persia/Iran had at no point explicitly described the extent of their sovereign rights over the Caspian Sea, except to define national 10-mile fishing zones in the treaties of 1935 and 1940. The closest the two sides came to any definition of the status of the Caspian as a whole was to describe it as a "*Soviet and Iranian Sea*" in an Exchange of Letters, and while this could be interpreted as a description of some form of joint sovereignty, it may also be interpreted as simply an expression of the two sides' legitimate interests, with no implications for the sea's status overall. Currently, only Russia has explicitly stated that it regards these treaties as constituting the current, post-Soviet legal regime of the Caspian Sea. Azerbaijan and Kazakhstan in particular have questioned the continuing validity of the early treaties in the light of the appearance of three new littoral states. Kazakhstan's Deputy Foreign Minister Gizzatov described Russian claims that these treaties support arguments for joint sovereignty over the Caspian as "*spurious*".<sup>9</sup>

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<sup>7</sup> *League of Nations – Treaty Series*, 1921: 401-413.

<sup>8</sup> *League of Nations – Treaty Series*, 1935: 301-331.

<sup>9</sup> Pratt, M & Schofield, S (1996) 'Claims to the Caspian Sea', *Jane's Intelligence Review*, 8,2.

Having described the legal situation as it stood immediately prior to the emergence of the three new littoral states, the negotiating positions of the five parties will now be described, and the thinking behind them examined to assess their validity or otherwise.

## **National Positions**

### **Russia**

Russia has adopted perhaps the most unusual position regarding its proposals for the Caspian's future legal status. Moscow has called for a regime of *condominium* over the sea, the five littoral states exercising joint sovereignty over its surface and seabed and jointly managing and exploiting its living and non-living resources. This is made clear by a declaration from Russia's President Yeltsin in May 1995: "*The Caspian is a special inner sea and it cannot be divided...This concerns oil and gas as well.*"<sup>10</sup>

The Russian position is based on a number of fairly uncomplicated arguments. Firstly, the 'existing' legal regime of the Caspian, based on the pre-1991 Soviet-Iranian treaties, effectively described the Caspian as some sort of 'strategic unity'. The two sides never divided the Caspian, and the reference to a "*Soviet and Iranian Sea*" demonstrates that both sides regarded themselves as having equal rights over it. Secondly, any and all development of the Caspian's resources up to 1991, certainly in the Soviet sector, was undertaken primarily by the Russians on behalf of the whole Soviet Union, and Russia has thus earned a stake in future developments. To quote Russian Fuel and Energy Minister Yuri Shafranik in November 1994;

*"Russia must have...access to the resources of the Commonwealth of Independent States. We, by virtue of our labour, mind, energy, have created all this..."*<sup>11</sup>

Russia has explicitly stated that "*unilateral action in respect of the Caspian Sea is unlawful,*" and it has "*reserved the right to take such measures as it deems necessary...to restore the legal order and overcome the consequences of unilateral actions,*" warning that these

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<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

measures might result in “*major material damage*”<sup>12</sup> Despite this quite uncompromising stance, Russia has accepted that the five parties would all be entitled to jurisdiction over maritime areas adjacent to their coasts, within certain limits agreed by all the parties.

### The Geopolitics Behind Russia’s Position

There are a wide range of factors apparently influencing Russia’s position, including economic imperatives, security concerns, and the interaction between domestic and foreign politics.

The most easily discerned of these influences is the simple fact that, if the Caspian were to be partitioned, Russia would be left with almost no significant oil deposits (see Table 1 below). Most of the commercially attractive offshore deposits lie in the southern half of the Caspian, in Azerbaijani and Turkmen waters; Russia would see none of the profits from these fields in the event of the Caspian being wholly divided between the littoral states. Conversely, and even more frustratingly, it would see its former ‘subjects’ reap the rewards of what Russia sees as its own earlier efforts to develop the Caspian reserves, during Soviet times. A condominium regime is the only way Russia is going to see any return on its Soviet-era investment. Softening this position slightly, if Russia could persuade the other littoral states to agree to 45nm national zones and a common Caspian centre, it would gain possession of almost as much oil as under a complete joint sovereignty arrangement, while apparently compromising over the other states’ demands for their sovereign rights.

**Table 1: Possible Distribution of Hydrocarbon Resources**

State	Sectoral Delimitation	25nm National Zone	12nm National Zone
	Oil (bMT)/ Gas (tCM)	Oil (bMT)/ Gas (tCM)	Oil (bMT)/ Gas (tCM)
Russia	1.0 / 1.0	1.0 / 0.5	0.2 / 0.3
Kazakhstan	3.0 / 1.5	2.0 / 1.0	0.6 / 0.4
Azerbaijan	2.5 / 1.5	1.5 / 1.5	0.5 / 0.5
Turkmenistan	0.5 / 1.0	0.5 / 0.5	0.1 / 0.2
Shared Zone	-----	2.0 / 1.5	5.6 / 3.6
<b>Total</b>	<b>7.0 / 5.0</b>	<b>7.0 / 5.0</b>	<b>7.0 / 5.0</b>

<sup>12</sup> Russian Memorandum to the UN, 5 October, 1994, as cited in Pratt, M & Schofield, S (1996) ‘Claims to the Caspian Sea’, *Jane’s Intelligence Review*, 8,2.

Russia, despite the vast natural resources distributed throughout its territories, particularly in the north, desperately needs the easily exploited hydrocarbons of the Caspian, primarily for the potential hard-currency earning they represent. As stated earlier, the Caspian, with its proven reserves and proximity to both established and emerging energy markets, had attracted a disproportionate share of the foreign investment currently being made in the former Soviet Union's hydrocarbon deposits, wherever they are. The Caspian deposits therefore represent a good short- to medium-term source of hard-currency earnings, which the Russians can invest in their long-term future.

Connected with this is the Russian perception that issues such as this represent a 'zero-sum' situation; that either they or the Newly-Independent States can benefit from such resources, but not both. Therefore, the greater share of such resources they can keep for themselves, the more it benefits them and harms their 'competitors' among the NIS. Many in Russia have yet to truly come to terms with the fact of the NIS' independence, and there seems to be a perception that the Russians must make every effort to maintain those states' dependence on Moscow, or Russia will lose all the influence and security it once had. Therefore, keeping those states, such as Kazakhstan and Ukraine in particular, very closely connected with Russia by whatever means possible is currently seen by many as the only way to secure Russia's position.

The mention of the Ukraine in the previous sentence is intended to highlight the wider implications of the Caspian issue. If Moscow can retain effective control of the energy resources available to the former Soviet Union, it will retain much of its influence over the rest of the former Soviet States. Preventing the diversification of energy supply to other former Soviet states, by preventing the development of independent, alternative suppliers such as Azerbaijan or Kazakhstan hope to become, would restrict the capacity of those states for independent action that might conflict with Moscow's strategic aims. Also, in Moscow's eyes, restricting such competition makes good commercial sense; if it had competition it would no longer be in a position to fix oil and gas prices to its neighbours at a level advantageous to itself.

Another factor in Russia's efforts to retain a stake in the Caspian's resources is again linked to this now traditional Russian 'obsession' with security, understandable enough considering Russia's suffering at the hands of a number of different invaders. One of the stated priorities

in the maintenance of Russian security is the securing of 'strategic minerals' important to the maintenance of Russia's economic development. Hydrocarbons obviously figure among those minerals. Russia has therefore given notice that it will make every effort to secure for itself access to as much of these minerals as it could, wherever they were located in the former Soviet Union.

There is a further foreign policy aspect to Russia's demands for joint sovereignty over the Caspian, that has less to do with Russia gaining any material advantage but more to do with restricting the freedom of its former subjects. It is widely accepted that one of the immediate consequences of the development of Caspian oil by the former Soviet littoral states would be their increased independence from Moscow, even if not to the extent that they could act completely in defiance of the Kremlin. As discussed above, such independence would be unacceptable to many of Russia's decision-makers. Consequently, it is in those men's interests if those states are not allowed to develop their Caspian oil deposits unchecked, as this would maintain their current close ties to Moscow, and maintain Russia's influence in its 'near abroad'. One way to achieve this is to make long-term development of the Caspian reserves too risky to be attractive to potential investors. While it has been impossible to prevent the current crop of short-term 'early oil' deals, doubts over the eventual 'ownership' of the Caspian oil reserves might well be enough to prevent their long-term, and much more significant, development. So while Russia maintains its opposition to partition of the Caspian and its resources, it is effectively preventing the other littoral states from increasing their independence, and so maintaining its own pre-eminent position.

Also, Russia, by virtue of its position in the existing pipeline routes between the Caspian and the West, is able to pursue a 'Twin Track' diplomatic policy toward the former Soviet littoral states. Russia essentially has two holds on the littoral states; the sovereignty issue, and the pipeline issue, as will be discussed later. While this will be discussed more fully following a description of the competition over oil pipeline routes in the next chapter, suffice it to say that Russia is able to use the sovereignty issue as a lever in its negotiations over the route of any pipelines. It can effectively deny the bulk of the oil to the other littoral states in the first place, and continue to do so until it gets its way over the pipeline routes. Similarly, if its position in the sovereignty row is threatened, it can likewise threaten to make trouble over the pipelines. This has granted the Russians a very strong negotiating position, which will

probably have to be recognised by Azerbaijan, Kazakhstan and Turkmenistan, with concessions to Moscow, before they can hope to develop their reserves.

Another factor behind Russia's somewhat adversarial position is the strong desire, and in fact need, of the Russian government to be taken seriously as a world power. The loss of its role as an 'imperial' power (whatever the Soviet Union was supposed to be, it is now widely recognised that it was little more than a Russian empire) has had a profound effect on the confidence of the Russian people, and its government. Moscow's constant meddling in the affairs of the former Soviet states possibly owes as much to the Russian government's need to be seen to have retained its power, as to any objectives of *realpolitik*. This desire on the part of the government has only been increased by generally similar sentiments on the part of the Russian populace; any government seen to be backing down over affairs in the former Soviet Union would be deeply unpopular, and while Russia is perhaps not yet completely democratic, the Kremlin can no longer ignore the will of the population.

This domestically prompted move to retain at least some of its old imperial powers on the territory of the fSU has been reinforced by a foreign policy objective. It is very much in Russia's interests to prevent any of its neighbours, particularly Turkey, Iran and China making a move to take over from Russia as the pre-eminent power in Central Asia. By adopting a 'Monroviski Doctrine'<sup>13</sup> (the name, at least, is inspired by America's Monroe Doctrine of the 19<sup>th</sup> and 20<sup>th</sup> centuries) the Kremlin has more or less explicitly made it clear that it will not tolerate outside 'interference' in what it continues to see as its 'back yard'. In this way, the Russians may hope to forestall any moves by its rivals until it has recovered more of its economic, political and military strength. Consequently, the Russian government has been forced, though perhaps not always unwillingly, to 'act tough' in its dealings with the former Soviet states, when a more liberal approach might have served Russia's long-term interests better. The sovereignty dispute might be a case in point.

Against this background, it is interesting to note the recent US involvement in a 'peacekeeping' exercise in Kazakhstan. In a rather unsubtle demonstration of America's truly global military reach, the 'Centrazbat '97' exercises saw 500 US paratroopers parachute into Kazakhstan after flying directly, non-stop from their base in America, a flight of some

13,000km. Although it was denied that this was meant to be a message, it seems clear that the jump was meant to reassure the Central Asian states that American help isn't actually far away, while simultaneously reminding Russia that this part of its 'sphere of influence' is not beyond American influence either.<sup>14</sup>

By maintaining its insistence on some form of condominium, clearly unacceptable to Azerbaijan and Kazakhstan, Russia has perhaps needlessly delayed progress in a project that would have benefited the whole Caspian region. The Russian Energy Ministry has applied consistent and successful pressure to ensure Russian inclusion in the various oil production consortia. However, the Foreign Ministry has simultaneously maintained Russia's opposition to partition. This suggests that there may be some tension between the Russian energy complex's desire to reap quick financial rewards from the Caspian oil and the Kremlin's aim of retaining Russian influence in the region. While the Energy Ministry's enthusiasm is probably prompted by the fact that many senior Russian government figures also have interests in Russian oil and gas companies already involved in the various Caspian consortia, there is also the deeper issue of the speed of Russia's emergence into international commerce. There will continue to be widespread reluctance on the part of international corporations (and particularly energy companies) to invest in Russia if the Kremlin continues to put chauvinist nationalist policies ahead of its long-term economic stability. Turkmenistan has suffered from being seen as an unreliable regime to do business with; Russia can ill-afford to gain the same reputation by standing in the way of investment in the Caspian. Also, Russia will hardly benefit if the oil companies decide not to risk serious long-term investment in the Caspian at all, having been discouraged by a seemingly endless succession of delays.

Another argument that Russia has been quick to use in a number of occasions is the precarious ecological situation in the Caspian Sea. The two primary ecological concerns are the Caspian's extremely variable sea level, and the growing threat to the Beluga Sturgeon. Russia has repeatedly suggested, with some justification, that swift and effective joint management will be required if the littoral states are to avert a major environmental catastrophe. A wide variance in sea level threatens the largely agrarian coastal regions of all the littoral states, and it is feared that excessive drawing of water by the region's population

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<sup>13</sup> Halliday, F, (1995), 'The empires strike back? Russia, Iran and the new republics' in *The World Today*, (November 1995): 220.

<sup>14</sup> Goble, P (1997) 'A Jump too Far?', *Central Asia Monitor*, 1,6.

and industry from the rivers feeding the inland sea has dramatically increased the range of the Caspian's usual cycles of sea level rise and fall. Meanwhile, the Caspian's Beluga Sturgeon population, representing about 90% of the world's stocks (and of the world's caviar production) is reported to be about three years from non-viability, due to post-Soviet overfishing allowed by the collapse of Soviet-era controls.<sup>15</sup> Russia has claimed that the only way to avert the extinction of the sturgeon is for the states to work together, and the only way to ensure they do so effectively is to adopt a regime of condominium. However, it is certainly possible that Russia is using these perfectly valid ecological arguments as a 'flag of convenience' for a position really grounded in strictly commercial and political interests; the Soviet/Russian governments commitment to protecting the environment has been seen to be questionable, to say the least.

Finally, and perhaps least importantly, is the question of rival military forces on the Caspian itself. The Caspian provides a large hole in Russia's 'southern rim' of buffer states, giving swift and easy access from the heart of radical Islam, Iran, directly into southern Russia. Russia will surely wish to keep foreign navies as far away from its Caspian shore as possible, yet Kazakhstan already has a Caspian flotilla, admittedly acquired from the Russians, and it would hardly be difficult for Iran to establish its own naval forces in the Caspian. Russia's determination to maintain its naval presence in the Caspian was demonstrated by the speed with which it created a new base in Astrakhan after losing its base in Baku to Azerbaijan. Entering into joint arguments with the other littoral states, as under condominium, might allow Russia to have a hand in regulating their naval activities. It is worth remembering that for long periods of time, especially under Soviet rule, Russian naval forces had a complete or near-monopoly on naval force in the Caspian, and there may be some Russian discomfort at the idea of facing Iranian boats on the Caspian. Russian nervousness over this issue may well explain its continued insistence that the Caspian should be demilitarised, even if the Caspian is not to be managed as a condominium. Interestingly, Iran has adopted the same position, suggesting that both of the previous littoral states would be uncomfortable if the Caspian were to hold five different navies.

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<sup>15</sup> CNN News 28/5/97, seen by the author while in Ashgabat.

## **Azerbaijan**

At the other extreme of the legal spectrum, Azerbaijan has from the outset maintained that the Caspian should be entirely divided between the five littoral states. The Baku government's position is that the Caspian is an "*international or boundary lake*"<sup>16</sup> and should be divided according to a sectoral approach. Under such a regime, each state would have absolute sovereignty over its sector, effectively exercising the same rights as it would have on land. In order to press its claim, Azerbaijan unilaterally declared its sovereignty over "*its sector*" of the Caspian in its constitution. The question of whether the Caspian is a sea or a lake will be discussed later in this chapter.

### **The Geopolitics Behind Azerbaijan's Position**

The Baku government's position is primarily based on economics. Dividing the Caspian into national sectors, whether according to the Law of the Sea or the old Soviet sectors, would give Azerbaijan the greatest possible control over the greatest possible amount of oil. This would maximise the revenue available to boost Azerbaijan's slowly-recovering economy, both in direct oil revenues and in the spin-offs of direct foreign investment in the region's infrastructure. This would in turn maximise Baku's freedom of action in relation to Russia, it being widely recognised that economic independence equates closely with political independence for the former Soviet states. Also, Azerbaijan can use its own oil to power its national energy sector, finally 'removing Russia's hand from the tap', and ending Azerbaijan's dependence on its former colonial power for its energy supplies.

The economic recovery promised by oil revenues would also greatly improve Azerbaijan's position in relation to its traditional rival, even enemy, Armenia. Both countries have suffered greatly as a result of the ethnic conflict between Azerbaijanis and the Armenians of the Nagornyy Karabakh, supported by Armenia itself. Access to oil revenues might allow Azerbaijan swiftly to make good the economic and material damage of the war, while Armenia is still suffering from an economic blockade imposed upon it by Turkey, although this may soon be lifted. However, those same oil revenues could equally be used to reduce and even reverse Azerbaijan's current military disadvantages, which led to the loss of 20% of

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<sup>16</sup> *Draft Convention on the Legal Status of the Caspian Sea*, prepared by Azerbaijan, 12 October 1995, as cited in Vinogradov, S (1996) 'The Legal Status of the Caspian Sea and its Hydrocarbon Resources', *Boundaries and Energy: Problems and Prospects*, Durham University, 18-19 July.

its territory to the 'Karabakh' Armenians during the war. This might encourage President Heydar Aliev's government to attempt to restore the country's territorial integrity by force, if the Armenians will not relinquish the territories through negotiation. It should be borne in mind therefore that rapid foreign investment in Azerbaijan might destabilise the region in the short term, although in the long-term foreign economic involvement should encourage political stability.

In domestic terms, demanding partition of the Caspian is by far the most attractive option open to Aliev. Firstly, if Aliev can improve his country's economic situation with oil money, putting more money into the population's pockets, he will boost his own popularity. This is an important objective for Aliev, who faces a number of foreign and domestic threats to his rule. Secondly, adopting a strongly nationalist position wins votes among most Azerbaijanis, especially if the perceived opponent is Russia, as in this case. It is still a fact of life in the former Soviet Union that standing up to the Russians is a vote-winner, and Aliev cannot afford to pass up the opportunity to cast himself in the role of champion Azerbaijan's rights in the international arena.

## **Kazakhstan**

Adopting a position that might be seen as representing a kind of 'middle ground', Kazakhstan has proposed that the Caspian should be regarded as an "enclosed sea"<sup>17</sup> as defined by the United Nations Convention on the Law of the Sea of 1982. This would result in the sea being divided into 12-mile territorial seas and Exclusive Economic Zones (EEZs) or Continental Shelf, with differing levels of state sovereignty applying to each zone. Given the size of the Caspian, claims to EEZ or continental shelf would inevitably overlap, again resulting in the partition of the sea among the five states. However, the five coastal states' freedom of navigation, or "right of innocent passage" would be enshrined in UNCLOS,<sup>18</sup> which also recommends that in such a situation, the parties involved co-operate to protect the marine environment. The states would retain sovereign rights to exploit the living and non-living resources in their national sectors.

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<sup>17</sup> *The Draft Convention of the Legal Status of the Caspian Sea*, prepared by Kazakhstan, August, 1994: latest version 20 October, 1995, as cited in Vinogradov, S (1996) 'The Legal Status of the Caspian Sea and its Hydrocarbon Resources', *Boundaries and Energy: Problems and Prospects*, Durham University, 18-19 July.

<sup>18</sup> UN Convention on the Law of the Sea, 1982, Articles 17-26, as reproduced in *The Law of the Sea*, (1983) London: Croom Helm: 6-9.

## **The Geopolitics Behind Kazakhstan's Position**

The first point to note in any analysis of the Kazakh position is Almaty's insistence that the Caspian should be divided according to the 1982 UN Law of the Sea Convention (UNCLOS), rather than according to the Soviet-era sectors. The reason for this is not at first apparent, until one takes a closer look at the terms of the UN Convention. If a Law of the Sea approach were adopted, while the sea would be divided into almost the same areas as by the adoption of the Soviet-era sectors, the status of those areas would be very different. Under the Law of the sea, Kazakhstan would be able to claim the right of innocent passage across the waters of the other littoral states, where it could not do so under a straight sectoral delimitation. This could be important if Kazakhstan wishes, for instance to use oil tankers to export small quantities of oil to Iran, as recently agreed by the two sides. Perhaps even more significantly, the Kazakhs would also be able to lay a submarine pipeline across the 'Russian' sector of the Caspian seabed, without the threat of a Russian veto. Precedent in international law regarding pipelines suggests that Kazakhstan would be free to lay such a pipeline without Russian approval, provided that doing so was not directly detrimental to Russian interests, which it would not be (in a legal sense). There would also be scope to insist on joint environmental controls, a measure recommended by the Convention.

The other reasons for Kazakhstan's insistence on a division of the Caspian into national waters are rather more obvious. Kazakhstan stands to gain unfettered access to much greater oil deposits if the Caspian is divided than if it is governed under a condominium, and this will increase the country's overall economic and political independence. However, by calling for partition under the Law of the Sea Convention, to which Russia is a signatory, Kazakhstan is able to press for what it wants without appearing to pursue a particularly nationalist, anti-Russian policy, like Azerbaijan. Instead it can appeal to claims of fairness and international law to justify its position, although there would in fact be little practical difference between the Kazakh and Azerbaijan proposals if implemented.

### **Iran and Turkmenistan**

Iran and Turkmenistan, meanwhile, have adopted positions that seem to have varied according to the circumstances prevailing at the time. Iran has generally called for joint sovereignty over the Caspian, in broad agreement with Russia, but this did not prevent Tehran

from trying to become involved with an international consortium looking to develop fields in Azerbaijan's declared sector. It is noticeable that Iran became a more vigorous supporter of joint sovereignty after having been prevented from taking part in the international consortium by US pressure. On the other hand, Turkmenistan was the first of the littoral states to claim territorial waters and Exclusive Economic Zone, in 1993,<sup>19</sup> but it then joined Russia and Iran in calling for joint management of the Caspian's resources and opposing unilateral development of the Caspian's oil fields. Nevertheless, a recent decision to hold a tender for rights to exploit offshore fields would seem to indicate a reversion to a 'unilateralist' point of view. This has been borne out recently, Turkmenistan laying claim to the 'Chirag' and 'Azeri' field in January 1997,<sup>20</sup> Azerbaijan having granted a license to explore the field to an international consortium.

### **The Geopolitics Behind The Iranian Position**

Iran's position regarding the future status of the Caspian has essentially been dictated by the continuing economic and political sanctions imposed upon it by the American government. It is reasonable to suggest that Tehran's recent support for condominium over the Caspian is a direct result of the US-inspired decision not to allow Iranian companies to participate in the AIOC oil consortium. Having therefore been denied commercial access to oil in the former Soviet sector of the Caspian, the only option that would give Iran access to oil beyond the negligible amounts in its own sector of the sea is condominium. Has Iranian companies been allowed into AIOC, the Tehran government would almost certainly have come to support delimitation, but currently condominium offers Iran's only opportunity to gain access to Caspian oil. Additionally, supporting condominium offers the Iranians the chance to hit back at Azerbaijan, after having been 'betrayed' by the former Soviet state and presumably wasting the financial and political capital invested in securing a share in the consortium.

Other possible motives for Iran's support of condominium are slightly more geopolitical in nature, rather than commercial. If the Caspian's oil reserves were held jointly by all five littoral states, then Iran would be in a perfect position to cause trouble for US investment in the Caspian's oil fields, or alternatively it would be much more difficult for the US to demand

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<sup>19</sup> Vinogradov, S (1996) 'The Legal Status of the Caspian Sea and its Hydrocarbon Resources', *Boundaries and Energy: Problems and Prospects*, Durham University, 18-19 July.

Iran's exclusion from joint exploitation of the oil reserves. The Tehran government might also be able to use its position as a lever to extract more favourable treatment by the US government, in exchange for not blocking US oil companies involvement in the Caspian oil industry. There may also be another, rather more Machiavellian reason for Iran's insistence on condominium. Recent statements from various Russian ministries and the Kremlin have served to suggest that Russia may be coming to accept the eventual delimitation of the Caspian. Were delimitation to be accepted by all the parties, full development of the Caspian oil fields could quickly follow. However, if Iran were to continue to insist on condominium, the legal implications of this might deter full-scale investment, delaying the appearance of Caspian oil on the market. Any such delay would in itself be in Iran's interests, as this would keep the focus of the international oil industry on the Persian Gulf, where Iran is much more able to influence events.

### **The Geopolitics Behind The Turkmen Position**

The almost constant shifts in Turkmenistan's policy toward Caspian sovereignty make its geopolitical aims difficult to assess. However, its recent unofficial shift to support delimitation (as indicated by its dispute with Azerbaijan over the Caspian) was almost certainly prompted by the desire to profit financially from the continuing unilateral exploitation of Caspian oil by Azerbaijan. While President Niyazov's government still officially backs Russia's demands for condominium, the autocratic Turkmen leader is not such an ideologue as to miss out on a golden opportunity to raise hard currency. Furthermore, an initial look at the relative strengths of the Azerbaijani and Turkmen claims to the disputed fields would suggest that Turkmenistan is in a much stronger position, and should be able to extract significant concessions from the Baku government. Turkmenistan's support of condominium or joint sovereignty was in any case always qualified by a requirement that states should still be entitled to territorial waters out to 12 nautical miles, giving a further indication that Turkmenistan's position was more pragmatic than principled. While Turkmenistan is still dependent on Russia for much of its trade, and for its continuing ability to export gas via the former Soviet pipeline network, President Niyazov, who is in any case firmly pro-Russian, remains unlikely to directly challenge Russian policy. However, this

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<sup>20</sup> Interfax News Agency, Moscow, 26 January 1997, 13 February 1997 reported in *BBC Summary of World Broadcast*, SU/2828, 2844.

will not prevent him from simultaneously pursuing apparently contradictory policies of his own.

Another facet of Turkmenistan's Caspian policy has been continuing support for Iran. The reasons for this are very simple. The Turkmen government has ambitious plans to export its vast gas reserves, and the shortest route for Turkmen gas to the world market is via Iran. Iran is aware of this, and has consequently put some effort into improving relations with its former Soviet neighbour.

### **A Sea or a Lake – Is that the question?**

Now to return to the issue of whether the Caspian is a sea or a lake under international law. Much has been made of this issue, many authors apparently feeling that the question may have some bearing on the question of the sea's division.<sup>21</sup> As will be discussed in a moment, this is a complex and perhaps somewhat misleading debate, but it is instructive to examine the argument anyway.

Kazakhstan has proposed that the Caspian may be defined as an "enclosed sea" under the UN Convention on the Law of the Sea of 1982, and any legal regime for the Caspian should therefore be based on that Convention. Article 122 of the Convention defines an enclosed (or semi-enclosed) sea as:

*"...a gulf, basin or sea surrounded by two or more States and connected to another sea or the ocean by a narrow outlet or consisting entirely or primarily of the territorial seas and exclusive zones of two or more coastal states."*

It is clear that the Caspian has no natural outlet, narrow or otherwise, to another sea, and so does not qualify on that basis.

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<sup>21</sup> For instance: Bundy, R. R. (1995) 'The Caspian – Sea or Lake? Consequences in International Law', paper given at the conference *Oil & Caviar in the Caspian*, School of Oriental and African Studies, University of London, 24-25 February. Also: Uibopuu, H-J, (1995) 'The Caspian Sea: a tangle of legal problems', *The World Today*, June: 119-123.

However, if all the parties wishes to regard the Caspian as a sea and declared territorial seas and economic zones, it may be argued that there is no reason why it should not qualify under the second clause, that it should consist “...entirely...of the territorial seas and exclusive economic zones” of the littoral states.

However, this argument seems flawed; the Caspian is not entirely divided into territorial seas and exclusive economic zones, because not all the parties have agreed that this should be the case. In fact, at the current time, there is no definitive legal regime in effect. The Caspian could equally be regarded as an international lake, although certainly a salt lake of unique size. In which case, the rules concerning the division of international watercourses could be deemed to apply, and the Caspian divided into national sectors. But, again, there are no hard and fast rules which require the parties to adopt such an approval. Nor is there any generally accepted method of delimiting an international lake. So what is the answer?

In fact, the problem is not how to go about defining the Caspian in order to allow its delimitation, but whether it should be delimited at all. Sea or lake, what is important is that all five parties agree on the legal regime that is implemented. The coastal states are at liberty to introduce any regime they see fit, be it condominium, sectoral partition into national zones or delimitation according to the principles of the UN Convention on the Law of the Sea. But it is clear from the body of international law that any agreement must be acceptable to all the parties involved.

Whether the Caspian should be divided or not is beyond the scope of this discussion, as it is not a question of international law. Rather, it is fundamentally a question for the parties themselves to settle via negotiation or some means of third-party settlement procedure, such as recourse to the International Court of Justice (ICJ). What shall now be discussed are some possible regimes for the Caspian and some of the geopolitical implications for the parties involved. (See Figure 4, page 52.)

### **Possible regimes: Condominium**

The Russian proposal that the Caspian should be managed by all the parties as a condominium is arguably the weakest of the various proposals made to date.

**Figure 4**

Possible Delimitations of the Caspian, in Relation to Oil and Gas Fields



Source: University of Durham Cartographic Service

There is only a single precedent for the designation of a maritime space as a condominium; the Gulf of Fonseca case involving Honduras, El Salvador and Nicaragua. In that case, the International Court of Justice decided that the Gulf, having previously been under the jurisdiction of the Spanish Empire, had always been utilised as a 'strategic unity'<sup>22</sup> and there was no case for ending that practice just because there as now more than one country involved.

In that particular case, the disputing parties agreed to take the matter to the ICJ for arbitration and to accept the judgement, and the ICJ made its decision on the basis of a unique historical context. Also, it should be emphasised that in every example of condominium other than the Gulf of Fonseca case, the creation of such a regime has been based on the explicit agreement of the disputing parties. There would seem to be little hope of achieving a consensus among the Caspian littoral states on this issue.

It is difficult to see how such a precedent may easily be applied to the Caspian. Despite arguments based on the now familiar phrase "*Soviet and Iranian sea*", there is no evidence that either party to the earlier treaties actually regarded themselves as having joint sovereignty over the Caspian. There was no consultation involving the limited exploitation of hydrocarbons that did occur, nor any explicit agreement concerning any form of sovereignty beyond the national fishing zones. Instead, it would appear that the parties effectively regarded the Caspian as lying outside national jurisdiction. On that basis, although it is an option, condominium over the whole Caspian seems unlikely.

### **The Geopolitical Implications of a Caspian Condominium**

The adoption of a regime of condominium for the Caspian would signal a significant victory for Russian foreign policy, and would also greatly benefit Iran. The three 'new' littoral states have more to gain from the delimitation of the sea into national zones. Such a decision would irrevocably weaken the new states campaign for increased political and economic independence, as Russia would retain partial control of the Caspian oil reserves. Already the dominant power in the region, Russia would then be able to dictate the pace and scale of Caspian oil development to suit itself rather than the needs of its Caspian 'partners'. Iran

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<sup>22</sup> ICJ, (1992) *Report (Case Concerning the Land, Island and Maritime Frontier Dispute)*: para. 432.

meanwhile would gain access to oil reserves otherwise beyond its reach, and would be in a position to directly influence the access of US-based oil companies to the region, to its own economic and political benefit. Condominium could therefore be regarded as a victory for the region's old Great Powers, maintaining the new littoral states' ties to their old master.

### **Possible Regimes: National Zones**

Alternatively, the Caspian could be partitioned to give each coastal state its own national zone. This could be done in either of two ways.

Firstly, division could be based on precedents concerning the partition of international lakes, resulting in the delimitation of national sectors. These precedents would suggest, but do not require, that such a delimitation be based at least initially on the principle of equidistance. While the basic method of division according to equidistance can be altered in a number of ways to reflect specific local circumstances, in the Caspian's case, with relatively simple coastlines and no major offshore islands, the adoption of a strict equidistance line would result in quite a simple delimitation. Such a line is drawn by ensuring that every point along it is equidistant from the nearest basepoints on the baselines of the states concerned. A line drawn in such a way would ensure an equitable division of the Caspian, reflecting the length of the parties' coastlines. Within their national zones, the parties would have absolute jurisdiction, in the same way as they would on land. There would be no requirement to allow freedom of navigation, although the parties would obviously be at liberty to adopt a regime allowing transit of foreign vessels across national waters.

Partition could alternatively be achieved by adopting the UN Convention on the Law of the Sea of 1982, and dividing the Caspian into territorial seas and Exclusive Economic Zones (EEZs). (To repeat, even though the Law of the Sea may not automatically be applied here, it may be if the parties agree to do so.) Under such a regime, each state would be entitled to declare territorial seas out to 12 nautical miles (nm) from its coast and an EEZ out to 200nm. Within its territorial sea, the state would have absolute jurisdiction, similar to that conferred in the sectoral approach outlined above, save for the right of foreign ships to "*innocent passage*". Within its EEZ, the state would have the exclusive right to exploit both living and non-living resources found there, but would be required to recognise the right of other parties' vessels to cross their territory, allowing all states freedom of navigation in the central

area of the Caspian which lay beyond territorial sea. If the Law of the Sea was adopted in its entirety, the parties would also be faced with the suggestion that they co-operate in protecting the Caspian's marine environment, something that would be highly desirable considering the potential pollution the Caspian faces as the littoral states undergo a period of industrial development.<sup>23</sup>

The Law of the Sea Convention specifically requires (in Articles 74 and 83) that any delimitation of continental shelf or EEZ be done in such a way as to "*achieve and equitable solution*."<sup>24</sup> Although there is a great diversity in state practice and case law as to the method of delimiting national boundaries, in many cases, and particularly for opposite states, equidistance has provided the starting point for negotiations. If the disputing parties chose to adopt this approach, there is a mass of case law on which to base their final agreement.

### **The Geopolitical Implications of Partition**

A legal decision to partition the Caspian would represent a victory for the three newly-independent states, as this would allow them unfettered access to the oil reserved in their national sectors. This would in turn maximise their opportunity to increase their economic and hence political independence. As such, partition would represent the worst-case scenario for Russia, for precisely the same reason. As far as Russian policy makers are concerned, any strengthening of the former Soviet states can only come at Russia's expense. Therefore, unless Russia felt able to benefit commercially by the involvement of its companies in the international consortia developing the Caspian, the Russian government might feel it necessary to do whatever it could to keep Azerbaijan, Kazakhstan and Turkmenistan within its sphere of influence. This might lead to political conflict and instability in the region as Russia flexed its muscles to 'remind' the three states where their 'best interests' lay.

Partition might also represent the best outcome for the US and the wider international community. America would see partition and the three new states independent access to Caspian oil as the first step to their conversion to democratic states committed to the open market, while it is generally recognised by the international community that it would be

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<sup>23</sup> UN Convention on the Law of the Sea, 1982, Articles 74(3), 83(3) as reproduced in *The Law of the Sea*, (1983) London: Croom Helm: 6-9. Also Schofield, C (1997) *Principles of Maritime Delimitation*.

preferable for the former Soviet countries to have the right to choose their own destiny, rather than remaining under Russia's influence. Iran meanwhile would probably view such a decision as a setback, as it would not have gained access to the Caspian's oil reserves, and would be unlikely to do so commercially while the American government remained determined to prevent Iranian inclusion in American-led consortia in the region.

### **Possible Regimes: Joint Development Zones**

The last potential regime that will be examined here is the use of joint development zones. It should be made clear that this is not the same as condominium. Joint development zones still effectively imply some form of national sovereignty, while condominium requires the sharing of sovereignty. A variety of different joint sovereignty regimes are summarised in the diagram overleaf.

One possible rationale for such a regime may be found in the UN Convention on the Law of the Sea, Articles 74(3) and 83(3). These articles, relating to the delimitation of exclusive economic zone (EEZ) and continental shelf, state that:

*"Pending agreement...the States concerned, in a spirit of understanding and co-operation, shall make every effort to enter into provisional arrangements of a practical nature and, during this transitional period, not to jeopardise or hamper the reaching of a final agreement. Such agreements shall be without prejudice to the final delimitation."*

This pronouncement has been supported by an increasing body of state practice, to the extent that it is becoming clear that states are becoming more and more likely to resort to a joint development agreement as an equitable means of solving their dispute, at least in the interim prior to a more comprehensive resolution.

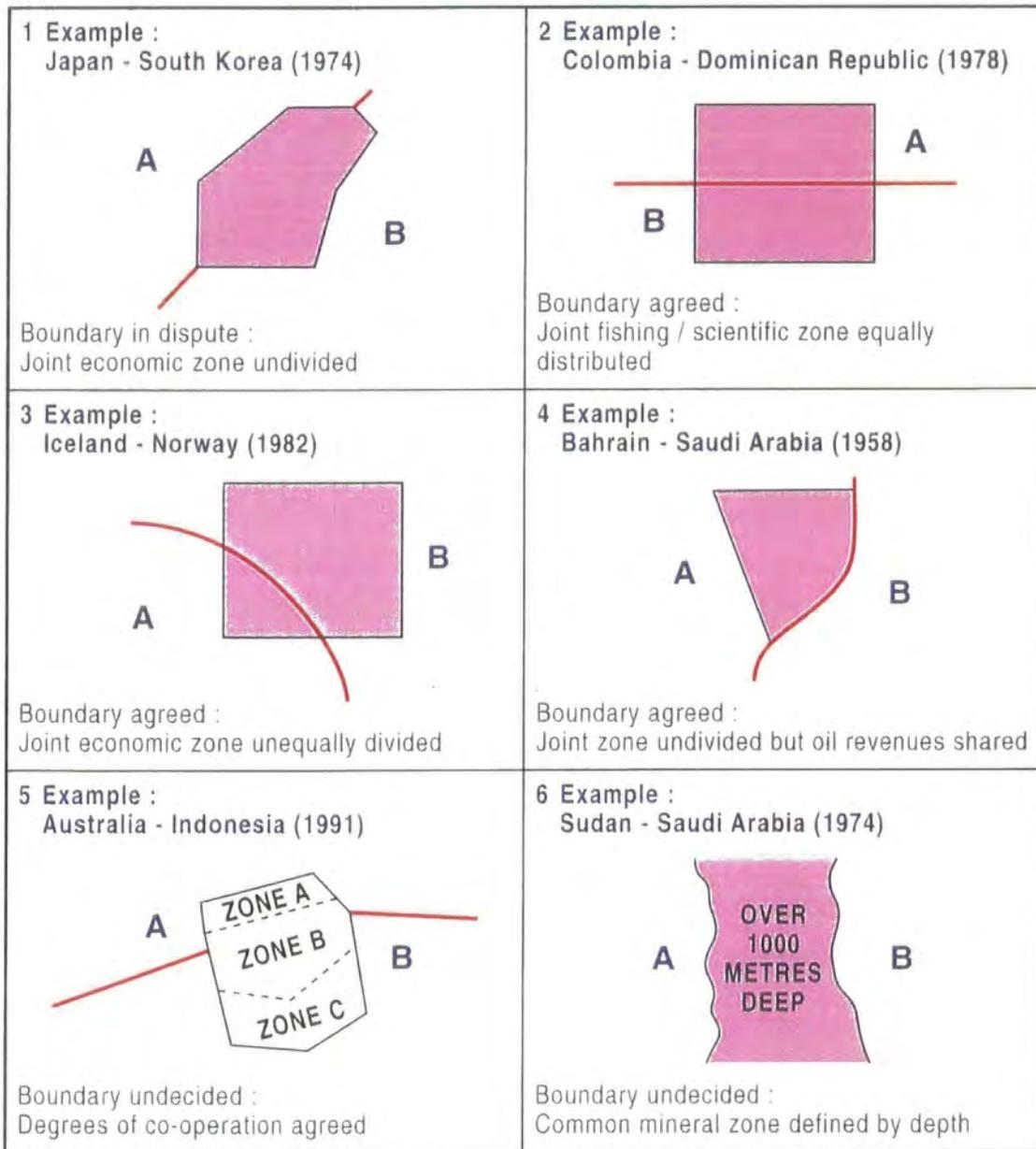
The situation in the Caspian is a unique one in that the disputing parties are all aware of the position and potential of many of the predicted offshore hydrocarbon deposits.

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<sup>24</sup> UN Convention on the Law of the Sea, 1982, Articles 74(1), 83(1) as reproduced in *The Law of the Sea*, (1983) London: Croom Helm: 6-9.

Figure 5

## JOINT ZONE ARRANGEMENTS PHYSICAL STRUCTURE



Agreed boundary
  Joint economic / development zone

Source: University of Durham Cartographic Service

This will obviously exert a great deal of pressure on negotiations between the parties, who stand to gain or lose perhaps millions of dollars of revenues in the event of a particular boundary being 'moved' even one kilometre. In such a situation, it could be argued that the best resolution to the dispute would be to declare joint development zones in areas where existing deposits straddle a potential boundary. (Assuming of course that those parties advocating joint sovereignty over the Caspian agreed to such an approach.) This could be applied to particular fields on an individual basis, or, in a way similar to that proposed in November 1996, could be applied to a large part of the Caspian, while granting each state a national zone out to an agreed limit. Such agreements would avoid the immediate need to reach an agreement on the Caspian's legal regime except in the broadest sense, and consequently allow a much speedier resolution of the situation.

Effectively what would occur is that the disputing states, whether there were two, three, four or five of them, would agree to postpone resolution of the boundary in a particular area, instead opting to jointly develop the resources within it. This would result in the involved states each agreeing to accept a particular share of the revenues generated by development, while agreeing that this would not in any way prejudice a final settlement of the position of the boundary. This would enable all the parties to develop the resources of the Caspian, benefiting all of them, while avoiding the question of sovereignty until a more favourable atmosphere had been achieved.

It has been argued that there is in fact an emerging obligation to jointly develop disputed reserves in the absence of agreement,<sup>25</sup> although it should also be realised that:

*"joint development is too complex a subject to be viewed as...the tidy conclusion to a deadlocked situation."*<sup>26</sup>

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<sup>25</sup> Shihata, I & Onorato, W (1992) 'Joint Development of International Petroleum Resources in Undefined and Disputed Areas', *International Conference LAWASIA Energy Section*, Kuala Lumpur, 18-22 October, cited in Vinogradov, S (1996) 'The Legal Status of the Caspian Sea and its Hydrocarbon Resources' *Boundaries and Energy: Problems and Prospects*, Durham University, 18-19 July.

<sup>26</sup> Townsend-Gault, I & Stormont, W (1995) 'Offshore Petroleum Joint Development Arrangements: Functional Instrument? Compromise? Obligation?', *The peaceful management of transboundary Resources*, London: 51-76, cited in Vinogradov, S (1996) 'The Legal Status of the Caspian Sea and its Hydrocarbon Resources', *Boundaries and Energy: Problems and Prospects*, Durham University, 18-19 July.

If all the parties agreed to adopt the UN Law of the Sea Convention, there would be a clear obligation, on the parties to make every effort to reach "*provisional arrangements of a practical nature.*" With the current variance in the parties' legal positions the question becomes more contentious, and it again becomes difficult to reach any definitive statement on the nature of customary international law in this matter. An additional complication would be those concessions already granted unilaterally by a number of the parties. It would certainly be difficult to come up with a comprehensive legal regime that made allowance for unilaterally granted concessions while at the same time achieving equitability to the satisfaction of all parties. How such an agreement could be achieved is more difficult to anticipate. Those parties proposing condominium might feel uncomfortable with joint development proposals, fearing that they leave the door open for a less favourable agreement later on, while the parties wishing to partition the Caspian completely will obviously be reluctant to divide what they see as 'their' resources when it seems they might be able to go ahead and develop them anyway in the absence of an agreement. It has to be said though that some form of joint development might represent the most equitable resolution to this dispute, and might be the easiest to achieve in that it will allow all the states to begin developing the Caspian's resources quickly.

### **The Geopolitical Impact of Joint Development Arrangements**

The geopolitical impact of joint development arrangements would essentially be the same as that of the adoption of a condominium regime. Currently able to negotiate from a position of strength, Russia would be able to impose its own terms on the other Caspian states. However, as stated above, provided the right form of joint regime could be agreed, this route might represent the quickest way of beginning full development of the Caspian's oil fields. This would benefit the newly-independent states, as they would at least be receiving some benefit from the Caspian's oil reserves. Russian dominance over the Caspian will probably be a fact of life for the other littoral states for the foreseeable future, and Azerbaijan, Kazakhstan and Turkmenistan cannot afford to wait too long for the arrival of oil revenues.

### **The Current Situation**

So having looked at some of the legal regimes that could be applied to the Caspian Sea, and their geopolitical implications it is worth noting the current situation of negotiations between

the parties. Until January 1998, when Turkmenistan launched its challenge to Azerbaijan's claim to the Chirag and Azeri fields, it seemed that there might be some grounds for optimism. This was primarily based on the summit of November 1996, which saw the emergence of a proposal combining national and joint sovereignty. It was reported that four of the five states had accepted in principle a proposal whereby the states would agree to 45nm national zones immediately adjacent to their coasts, and the central core of the Caspian would be subject to "joint ownership". While it was not made clear whether this joint ownership meant condominium or joint development, this was the first proposal that could be taken as a compromise between the 'partition' and the 'condominium' positions. It was apparently further suggested that in specific cases, states could be granted "pinpoint jurisdiction"<sup>27</sup> over individual fields. However, Azerbaijan reportedly refused the proposal, and without clearer information regarding the specifics of the proposal it is difficult to reach any judgement upon it.

There were also two joint declarations in April and May 1996, involving Russia and Kazakhstan, and Kazakhstan and Iran,<sup>28</sup> which once again called for a speedy settlement to the dispute and suggested a new Convention to address issues regarding navigation, resources, environmental protection and the determination of the limits of national jurisdiction. This was followed in November 1996 by an announcement by Russia, Iran and Turkmenistan that they would be setting up a joint company to exploit the resources in their national zones, later operations to be defined by the Caspian's future status. The agreement was apparently left open to Azerbaijan and Kazakhstan although neither have yet joined it.

These moves seemed to indicate an increased willingness to compromise on the part of at least some of the parties, possibly because outside interests seem to be more sceptical about investing in the region the longer the dispute goes on. However, the current controversy between Azerbaijan and Turkmenistan over the Chirag and Azeri fields make it clear that there are still many strongly-held opinions about individual states' rights in the Caspian. In such an atmosphere, the legal details are less important than the overall state of the relationships between the five parties. Rather than a definitive legal judgement, what is needed is a willingness on the part of all the states to reach an agreement.

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<sup>27</sup> *Ibid.*

<sup>28</sup> Russian-Kazakh *Joint Declaration on Co-operation in the Use of the Caspian Sea*, 27 April, 1996, and Kazakh-Iranian *Joint Declaration on the Caspian Sea Issues*, 11 May, 1996.

## Prospects

To sum up briefly, then, it is clear that the prime legal question in the Caspian dispute is not whether to define the Caspian as a sea or a lake, prior to discussing how to divide it, but rather to decide whether or not it should be divided at all. That issue is independent of whether we are talking about 'Lake Caspian' or the Caspian Sea. There is no clear recommendation in international law that a sea or a lake must be divided, although there is a greater mass of case law to suggest some form of partition than to suggest condominium, or joint sovereignty.

In order to generate some discussion, it seems reasonable to suggest a possible solution, although it would not be proper to suggest that one solution would be "better" than another. Using the weight of precedent as some sort of indicator would seem to suggest that a regime of condominium is the least likely solution to this issue; there is simply no genuinely applicable precedent, the Gulf of Fonseca case included. On the other hand, there are many precedents for partition according to either the Law of the Sea or an international lake sectoral approach. The most equitable solution would seem likely to be based on limited national jurisdiction, out to agreed limits, opening the rest of the sea to joint development. This would have the advantage of being almost acceptable to everyone and completely acceptable to no one, which would seem the definition of a perfect compromise!

However, it is important to realise that the deciding factor in any resolution of the Caspian will not be an obscure point of international law, or whether the Caspian is a sea or a lake, but the ability of the five littoral states to reach an agreement. This in turn will depend on the national leaderships having the political will to try to reach a compromise in the face of political pressures that might make an obstructive form of nationalism more attractive than co-operation.

This paper will now go on to discuss another central theme in the geopolitics of the Caspian basin; the export of the region's oil reserves, and in particular the routes that export pipelines will follow.

## Chapter 4

### Pipelines To Prosperity: The Battle Over Export Routes

#### Introduction

The sovereignty dispute over the Caspian has largely been driven by the hydrocarbon deposits found beneath it. As has been explained previously, the large oil and gas reserves thought to lie beneath the Caspian represent much more to the five littoral states than a source of revenue, although their simple monetary value is obviously a very significant consideration for the three newly-independent states in particular. Their fragile post-Soviet economies desperately need the boost that oil and gas export revenues would provide.

Nevertheless, the real value of these deposits to Kazakhstan, Azerbaijan, and Turkmenistan is their potential to provide greater political freedom from their former master, Russia. Currently, Russian dominance of the post-Soviet market leaves the three new republics dependent on trade with Russia or through Russia, and at an economic disadvantage, with even basic infrastructure such as roads, railways and existing pipelines all leading to Moscow. This in turn limits the ability of the governments of the three republics to negotiate in the political sphere, with the Kremlin holding the economic 'trump card'. Greater economic independence would lead to greater political independence, by allowing these states to gradually turn their economies away from Moscow and to the wider world. This would force Russia to deal with the emerging economies on fairer terms, as Moscow had to come to terms with outside competition in what has traditionally been its 'backyard'.

However, the possession of these resources would not in itself be sufficient to improve the economic and political situation of the three new states. To be worth anything, the oil and gas must be exported to the outside world, where they could be sold at fair, world market prices, rather than the extremely low prices or barter deals they would be offered by any of their former Soviet neighbours, who in any case do not currently create enough demand to absorb anything but a fraction of the Caspian basin's oil reserves. Only two transport media will allow the export of economically significant amounts of oil and gas: large oil-tankers at sea, and pipelines under the sea or across the land. Unfortunately for Kazakhstan, Azerbaijan and

Turkmenistan, they and the Caspian itself are all landlocked. Therefore, they will have to have pipelines to carry their oil either direct to customers further afield or to waiting tankers with access to the world's oceans. In either case, these pipelines will have to cross neighbouring states' territory to reach the wider world. It is that basic 'fact of life' that has led to the highly complex manoeuvring by the oil and gas states and their neighbours to have the pipelines follow particular routes, each route apparently benefiting only some of the states concerned.

The various state and non-state actors directly involved in this competition over pipeline routes have been: the five littoral states, Russia, Iran, Azerbaijan, Kazakhstan and Turkmenistan; Georgia, Armenia (including the Karabakh Armenians) and the Chechens; Turkey; the US; most of the world's major oil/gas companies; the Western European states; and latterly China, the Taleban movement in Afghanistan, and Pakistan. With such a wide range of competing interests, it is hardly surprising that the debate over the choice of route for the long-term export of oil and gas from the region has continued until the present with only a few real signs of any decision being reached.

#### **Four Key Powers**

The debate over pipeline routes has been dominated by the interests of four key players: Russia, Iran, Turkey and the US. While it might be expected that, if the playing field were level, the oil and gas states themselves would be able to dictate the choice of routes, this has not been the case. Azerbaijan, Kazakhstan and Turkmenistan find themselves in an extremely disadvantageous position, despite holding such large hydrocarbon reserves, primarily due to their location and recent history. Cut off from the outside world by stronger neighbours, and economically dependent on one of them, Russia, they have lacked the political leverage to impose their own preferences on the oil and gas companies. This has left the future of their oil and gas exports to be decided by the competing interests of their neighbours and the global superpower, America.

While there are a multiplicity of potential routes under discussion, certain fundamental parameters have been established by the interaction of the four big players:

- Some oil <sup>1</sup> will have to be piped across Russia. Despite Russia's decline from superpower status, it still has enough power to make life very difficult, if not impossible, for anyone trying to export oil exclusively by routes outside Russian territory.
- In the current political climate, large-scale exports of oil through Iran are all but impossible. The American government's continuing policy of containment prohibits American oil companies from investing in or selling engineering technology to Iran if those activities might benefit the Iranian government, and its alleged support of international terrorism. As currently interpreted, this policy prevents American involvement in a new pipeline across Iran, and might lead to American legal action against non-American companies who are seen to have broken US sanctions. (Smaller-scale swaps and sales may still be possible: see below).
- The US government's interests, both nationally and in a wider, 'philosophical' sense, will have to be served by any final decision on export routes. While these interests will be discussed more specifically below, essentially these are: any route should be decided according to free-market principles, albeit with some restrictions; any route should not run counter to US national interests, or those of its friends in the region; oil exports should serve to increase stability in the region, and increase the independence of the newly-independent states. With Russia currently considered a 'friend' (or at least not an enemy) of the US, there will inevitably be a certain tension between these broad principles.
- Turkey, as America's closest ally in the region, expects American support in its bid for an export route to pass through its territory, and has received it.<sup>2</sup> Also, as a pro-Western, capitalist country with a proven record in international trade and investment, Turkey is in many ways the most attractive route out of the Caspian as far as the oil companies themselves are concerned.

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<sup>1</sup> For the moment, the discussion will focus on oil pipelines. This is a reflection of the fact that, due to the quicker returns offered by oil pipelines, and the focus of the political debate on oil, it is highly likely that oil pipelines will be constructed first. It has been suggested by a number of observers that the routes eventually chosen for the oil pipelines will almost certainly then be followed by any gas pipelines.

<sup>2</sup> Turkish appeals to the US government led to an overnight change of position in Washington in the days immediately before the 'Twin-Track' decision. It was American pressure on behalf of Turkey that led to the adoption of the southern, Georgian route. However, continued American support would depend on the political/religious make-up of future Turkish governments. As described in Roberts, J, (1996) *Caspian Pipelines*, London: Royal Institute of International Affairs.

These parameters have been recognised in many of the proposed pipeline routes, though by no means all. The effective weight of each of these conditions have changed over time, with changes in the relative influence of each of the parties, and in their relationships with the oil producing states. As these shifts have been recognised by those involved, so the various proposals have seemed more or less attractive over time. So far, with the exception of the 'Twin Track' decision of 9 October 1995, these shifts have been regular enough to preclude any final decisions on routes for the long-term export of the Caspian's oil and gas. A number of the more realistic routes proposed will now be discussed, along with one or two that seem unlikely to be adopted in the long-run, but which have been included because they allow some useful points to be made about the wide range of pressures at work in the ongoing debate over the export of the Caspian's oil and gas.

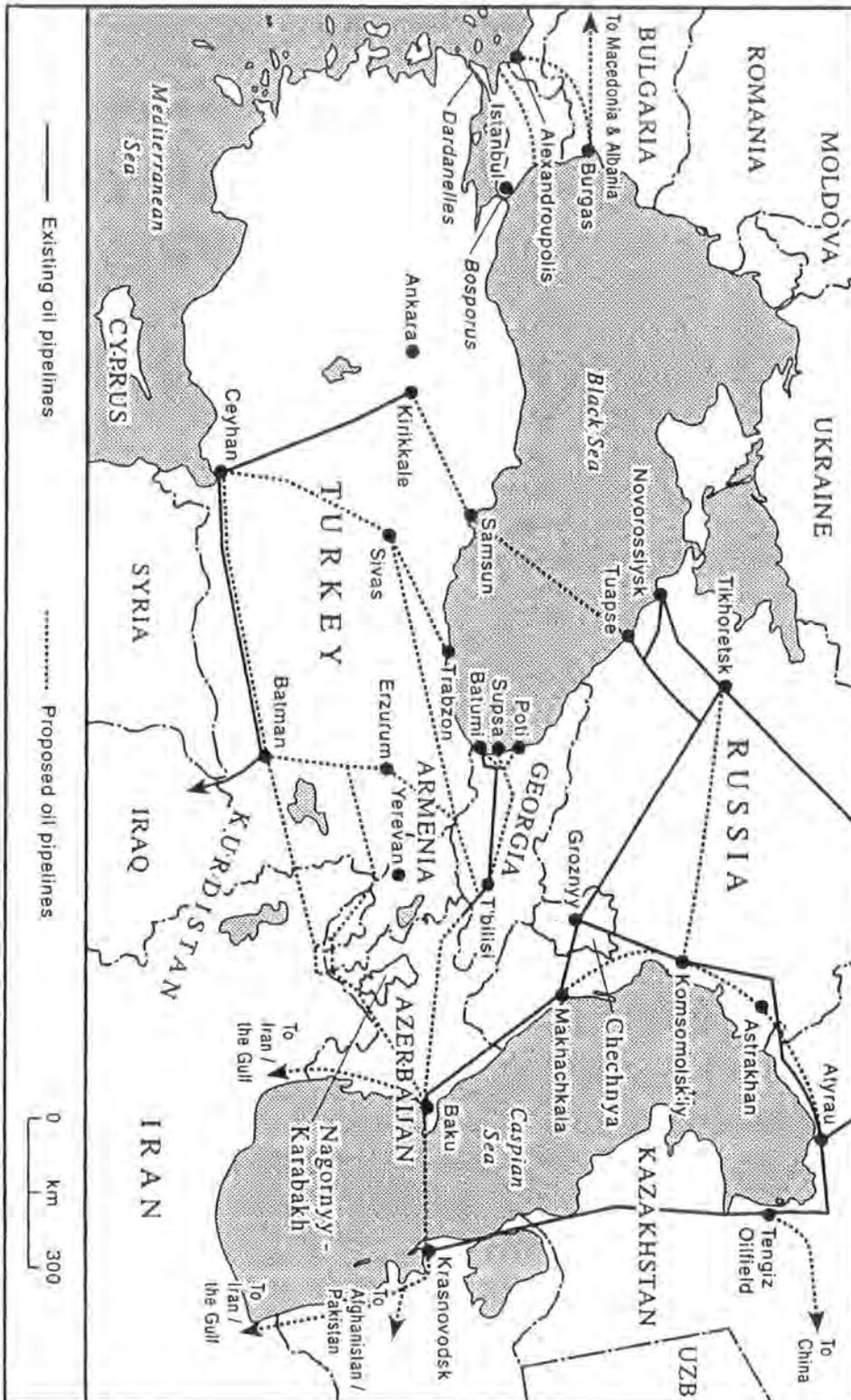
### **A Multitude of Options**

#### **Baku – Novorossiysk**

(See map overleaf for a map of the pipeline routes described below.) This route is currently the only one in operation, having recently been opened by Azerbaijan's President Aliiev. The pipeline runs from Baku to Groznyy then on to Tikhoretsk and finally to the Russian Black Sea port of Novorossiysk, using existing Russian pipeline. It was the pre-existence of the Russian pipeline connection to Baku that made this the most obvious choice for exports of Azerbaijan's 'early oil'. 'Early oil' is the term used to describe the oil that is to be produced in the immediate future, from known fields, without the need for further exploration, large-scale infrastructure investment and wholly new export routes. The export of this early oil will demonstrate the commercial viability of the longer-term exploitation of the Caspian reserves, and help finance later investment in new fields and facilities. It has also been assumed that, assuming they work, the routes used for the export of the early oil will be strong contenders for the long-term export of the bulk of the Caspian's oil when full production is commenced.

The adoption of the Baku-Novorossiysk route was a fairly explicit recognition of Russia's dominant position regarding the export of Azerbaijan's Caspian oil.

**Figure 6**  
Possible Oil Pipeline Routes



Source: University of Durham Cartographic Service

Almost from its creation, the Azerbaijan International Operating Company (AIOC) consortium, which signed the 'Deal of the Century' with Baku in September 1994, made clear its assumption that at least a proportion of Azerbaijan's oil would have to be exported via Russia. As well as being based partly on the existence of Russian pipelines suitable for the task, this decision was influenced by the oil companies' recognition that the long-term success of their Caspian operations would depend on Russian goodwill. Any attempt to bypass Russia would almost certainly lead to renewed Russian legal challenges over the sovereignty of the Caspian, and the companies' right to exploit the Caspian oil on behalf of Azerbaijan at all, not to mention future difficulties in their operations in the wider former Soviet Union. The fact that this route would also allow the quickest export of a reasonable amount of Azerbaijani oil for the lowest investment made it inevitable that, whatever the Baku government might have wished, a large proportion of Azerbaijani's oil would have to pass through Russian territory. Export via this route was only delayed by the time it took to reverse the flow of the Baku-Groznyy section of the line, which had previously run to Baku, and make repairs and upgrades to the ageing Soviet-era pipe.

The Azerbaijani government in Baku would almost certainly have preferred that none of Azerbaijan's oil was exported via Russia. While a large part of Azerbaijan's oil wealth is exported across Russian territory, Russia will retain the ability to affect the country's economic and political fortunes. As has been demonstrated by Russia's ability to prevent exports from Kazakhstan by citing 'technical problems' and closing the pipes, Russia will be able to stop the export of Azerbaijani oil across its territory any time it want to, international guarantees to the contrary notwithstanding. This Russian 'hand on the tap' will limit the Azerbaijani government's political and economic freedom to manoeuvre, by making it difficult to consider any action that might run counter to the Russian interests of the day.

It was surely for precisely this reason that the Russian government lobbied so hard to have Azerbaijani oil exported across its territory. The transit fees which Moscow will levy on Azerbaijan for the right to export oil across Russia will be fairly significant. However, this economic gain will not have affected the thinking of the strongly nationalist and post-imperialist Russian Foreign Ministry as greatly as the prospect of being able to control the destiny of a former imperial possession. Russia's desire to maintain its hegemony in the post-Soviet space has been the single most important factor in its foreign policy regarding the Caspian states. With few if any exceptions, the Russian government's actions in both the

Caspian sovereignty and pipeline debates have been prompted by this determination that Russia should at least be a regional superpower, if not longer a global one.

It has been reported<sup>3</sup> that, until only hours before the 'Twin Track' decision whereby Azerbaijani oil would be exported by two pipelines, one to Novorossiysk and another through Georgia to the port of Supsa, the Baku-Novorossiysk route was set to be adopted as the only route for the export of Azerbaijan's early oil. However, at the last minute, Turkey appealed to Washington, and the US government rather forcefully proposed to the oil companies that a second pipeline should be used. Whether this was solely at Ankara's behest, or Baku had prevailed upon the Ankara government to make the appeals on its behalf, is unknown, but the adoption of the second, non-Russian route will have come as a relief to Azerbaijan. The Baku government could then look forward to knowing that at least some of its oil would be outside Russia's immediate control, if not beyond its reach. Meanwhile, the adoption of the southern, Georgian route kept alive Turkish ambitions that, in the long-term, the bulk of the Caspian's oil could be exported across Turkey, as explained below. However, the adoption of the northern, Russian route will have come as a blow to Turkey's ambitions to act as the door to the Caspian region, threatening as it did to maintain Russia's dominant position.

The fact that the Turkish government had to prevail upon Washington to ensure that more than one route was adopted indicates the slightly contradictory pressures exerted by America's various interests. It is a principle of American policy that the extension of free market practices to the widest possible world is in American interests, and this encourages a policy of non-intervention in American companies' dealings abroad. This would probably have led to the use of only one pipeline, through Russia. However, in this case, it was also in America's interests to ensure that Azerbaijan was able to export at least some of its oil independently of Russia, for the reasons outlined above. But it was also expedient not to cross the Russian government, it being seen as in America's long-term interests not to sour relations with a resurgent Russia. Hence the eventual compromise imposed by Washington: that while much of Azerbaijan's oil would be exported via Russia, enough would leave Azerbaijan via Georgia to increase Azerbaijan's independence. Baku may hope that the fact of an alternative export route will encourage Russia not to interfere too much with exports across its territory, for fear of losing them to another route.

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<sup>3</sup> *Ibid*

There are a number of practical problems surrounding the export of oil through Novorossiysk. Firstly, the Soviet-era pipelines running to the Russian port are in need of extensive repair and refurbishment, and due to their age will require more maintenance than a newer route. The port itself is less than perfect for the task. Bad weather can close the port completely for days, and this will generally happen on a number of occasions in any year. Such closures not only interrupt exports and cost money, they also mean that oil arriving at the terminal must be stored; the pipeline cannot simply be switched on and off as necessary. The storage problem is the most significant of the two for Novorossiysk, as the terminal is already run at more than 100% of theoretical, desirable capacity. In the medium- to long-term, therefore, it will be necessary to increase storage facilities at the Russian terminal, which will add significantly to the route's start-up costs. The Tikhoretsk-Novorossiysk section of the route also has a smaller capacity than the rest of the line, creating a bottleneck which will have to be resolved before the early oil comes fully on-stream. There is also the question of increasing the number of oil tanker transits of the restricted waters of the Bosphorus, but this will be discussed below.

A final noteworthy factor in the adoption of the Baku- Novorossiysk route is the ongoing civil unrest in Chechnya. It has been widely suggested that a major driving force behind the Russian 'invasion' of the breakaway republic was a determination publicly to bring the Chechen section of the route, through Groznyy, back under central control.<sup>4</sup> Whatever the reasons for the Russian action, the failure to completely re-impose central rule has left the largely autonomous Chechen republic able to demand large amounts of money from the Russian treasury, as its share of any transit fees, in order to ensure the continued operation of the Chechen section of the pipeline.<sup>5</sup> There is also the possibility that renewed unrest in the republic could disrupt the flow of oil, or that Chechen extremists could threaten the pipeline in order to extract concessions or simply a ransom from the Russian government.

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<sup>4</sup> It is unlikely that this was the primary motivation behind the Kremlin's decision to intervene militarily in the Chechen unrest. It is more likely that overt military action became necessary after covert support for loyalist Chechens not only failed, but did so in an embarrassingly public way, with the capture of dozens of Russian 'volunteers' by Chechen rebels throughout 1994. At that point, wider military action would have been seen by the Kremlin as necessary, in order to discourage other secessionist attempts and publicly restore the authority of central government. The bloody, drawn out conflict that followed would not have been justified simply by the existence of the pipeline.

<sup>5</sup> Roberts, J, (1996) *Caspian Pipelines*, London: Royal Institute of International Affairs.

## **Baku – Supsa**

As already discussed, the adoption of a second route for the export of Azerbaijan's early oil, via a pipeline from Baku to the Georgian Black Sea port of Supsa was welcomed by both Azerbaijan and Turkey. Firstly, it meant that Azerbaijan would not be completely dependent on Russian goodwill for the continued export of its oil. Secondly, Turkey could still hope that this southern route would be extended south to its own terminal, Ceyhan, on the Mediterranean, when the time came to build a new, major pipeline to export the greater part of the Caspian's oil, as full-scale production began in new fields. Finally, the Americans, although requiring a prompt route from Ankara, achieved through some last-minute diplomatic pressure a compromise that apparently balanced all its conflicting interests, certainly in the short term. Russia, likely to keep its hand on the tap for much of Azerbaijan's early oil thanks to the retention of a northern route, had been reassured that no-one was trying to wrestle any of its client states out of its sphere of interest. The cause of Azerbaijan's economic and hence political independence had been furthered by the agreement to use a second, non-Russian route, and America's allies in Turkey were satisfied that there remained the real possibility of a Turkish export route. The quite real possibility that Azerbaijan might turn to Iran out of desperation for a non-Russian route had also been avoided.

The decision was obviously also welcomed by Georgia, the fledgling republic standing to gain tens of millions of dollars in transit fees, and direct foreign investment in infrastructure to support the pipeline. The move also strengthened Georgia's campaign to become an important part of the European Union's TRACECA project, which aims to create a transit corridor between Europe and Central Asia, with new highways, railways and ferry routes linking Europe to the former Soviet states of Central Asia.

On a first consideration, the decision to route at least part of Azerbaijan's oil exports through Georgia weakened Russia's position over its former client. As alluded to above, the more of Azerbaijan's oil that avoids Russia on its way to export markets, the greater Azerbaijan's independence. However, although the pipelines to Supsa lies beyond Russia's borders, it is very much within Russia's reach. There are large numbers of Russian troops based in Georgia, to protect the trans-Caucasus railway, 'assist' in the defence of Georgia's borders, and enforce a ceasefire between Georgian government forces and the forces of the breakaway Abkhaz republic. Therefore, although the southern 'Twin Track' pipeline should be safe from

adverse Russian attentions in the normal course of events, in the event of a deterioration of relations between Baku and Moscow, Russia has the capability to interrupt the flow of oil across Georgia almost as easily as across southern Russia itself.

Russia has shown itself willing to interfere in the government of Georgia on a number of occasions. There was strong evidence of Russian military support for the Abkhaz separatists during their initial armed revolt, in which they drove Georgian forces out of Abkhazia, to the point of capturing Batumi, which was the first port of choice for the southern pipeline. The Russians were then quick to send troops in to help 'protect law and order' and 'restore peace' in Georgia when the country's president, Eduard Shevardnadze, dropped his stubborn refusal to take his country into the Commonwealth of Independent States and its Russian-dominated defence arrangements. While it would be an exaggeration to claim that continued peace and stability in Georgia are entirely dependent on Russia, it would be fair to say that it is within the Russian government's power to quickly destabilise the country, with all that would entail for the continued operation of an export pipeline.

Two further factors impinge on both of the routes described above: the continuing conflict between the Armenians of the Nagornyy Karabakh and their ethnic brothers in Armenia itself, and Azerbaijan; and the problems of increasing the number of large oil tankers passing through the Bosphorous.

### **Ethnic Conflict**

The war between Armenia and Azerbaijan over the status of the Armenian enclave in Nagornyy Karabakh has further complicated the debate over pipeline routes from Azerbaijan. While never really an option for the export of early oil, one proposed route for the later oil was a line running from Azerbaijan proper, across Armenia for a short distance, through Azerbaijan's Nakhichevan enclave and into Turkey, largely following the Aras river valley. The route had the advantage of being significantly shorter than a route through Georgia and into Turkey, and the use of the river valley would make construction of the pipeline very much easier. However, the outbreak of hostilities between Armenians and Azerbaijanis, and the subsequent capture of nearly 20% of Azerbaijan by Armenian forces has made such a line impossible. It has also had the effect of leaving the proposed Baku-Supsa line within easy reach of Armenian forces in Azerbaijan, as the route passes within about 20km of the

frontline between the two sides. The possible vulnerability of the line to Armenian forces in the event of renewed hostilities may give both sides pause for thought. It is worth noting however, that international oil pipelines of this kind have rarely been closed for any length of time by the outbreak of war. Nevertheless, repeated terrorist attacks on oil pipelines in South America have demonstrated their vulnerability of disruption, if not outright closure.

It was subsequently proposed that a pipeline crossing Armenia could be used as an incentive to broker a peace deal between the two sides. However, the apparent intractability of the dispute would seem to rule out any such pipeline in the foreseeable future. Meanwhile, it was also proposed that instead of crossing Armenia, the pipeline could be diverted across the border into Iran for a short distance, before continuing as before. However, America's opposition to any project involving Iran, no matter how small, made such an idea unacceptable to the oil companies concerned.

### **The Bosphorous Bottleneck**

There is one final hurdle facing any proposed route that terminates on the Black Sea: the Bosphorous. This narrow channel, which passes through the middle of Istanbul, is at times only hundreds of metres across, and has two right-angle turns, is the only connection between the Black Sea and the Mediterranean. Freedom of shipping through the Bosphorous having been guaranteed by the Montreaux Convention of 1923, there should be no legal challenge to Caspian oil being shipped through it. However, when it became clear that the early oil from Azerbaijan and Kazakhstan would be piped to Black Sea ports for onward shipment by tanker, Turkey began to protest that the Bosphorous would not be able to handle the increased number of tankers this would involve. The Turkish government claimed that, since the passage of a large (100,000dwt+) tanker required the channel to be closed to all other traffic in both directions for a number of hours, there was a concrete limit on the number of such transits that could be made in a given period of time. Ankara went on to say that the need to accommodate early oil shipments would quickly lead to the achievement of that limit, and that such an export route could therefore not be anything other than a short-term solution.

The Turkish government even went so far as to suggest that it would be forced to introduce restrictions on the use of the Bosphorous by oil tankers, the Montreaux Convention notwithstanding. It justified this by pointing to the significant risk of an environmental

catastrophe in the restricted waters of the channel in the event of a tanker accident, the likelihood of which would be bound to increase as the number of tanker journeys increased. The logic of the Turkish position is essentially unchallenged, although there has been some disagreement over the inability of the channel to cope with greater numbers of tankers in the long-term. However, it seems that the Turkish government has made more of its environmental concerns than it might otherwise have done if it had not been interested in ensuring that Caspian oil be piped to its own terminal at Ceyhan. Nevertheless, whatever the real motivation for Turkey's objections to the export of Caspian oil via the Bosphorous, the fact remains that the Bosphorous cannot realistically be included in any long-term export plans.

### **Bosphorous Bypasses**

The effective 'closure' of the Bosphorous to Caspian oil in the long-term represented a severe blow to Russian ambitions to act as the main transit country for these exports, and a significant victory in Turkey's campaign to do so. Russia's internal pipeline network already running at or near capacity, it would be impossible to pass the anticipated large volumes of Caspian oil through existing pipelines to Europe. So, while Novorossiysk might be able to handle early oil exports, it would not be able to handle the much greater volumes expected later on, unless a way to get round the problem of the Bosphorous could be found. Russia duly came up with a way to do exactly that.

As soon as it became clear that the prevailing opinion in the Caspian oil industry was shifting to an acceptance of the Turkish position, and hence the abandonment of plans to use the Black Sea ports for the export of the later oil, Russia proposed that a pipeline be built to bypass the Bosphorous. The Russian proposal, announced in 1994, suggested that a pipeline be built from the Bulgarian Black Sea port of Burgas to the Greek Aegean port of Alexandroupolis. Under the Russian plan, oil piped to the Black Sea ports would be shipped by tanker to Burgas, where it would be offloaded into the new pipeline and sent on to Alexandroupolis, where it would be loaded onto tankers once more for shipment around the world. The Russian government even announced that it had signed agreements with Bulgaria and Greece to begin the project, which would be seen as heavy involvement by Russian energy companies.

The proposal was obviously welcomed by the Greek and Bulgarian governments, who if it was implemented, could look forward to receiving significant transit revenues. The plan also appealed to the Greek government particularly because it would allow them to deny such revenues to Turkey. Greece and Turkey persisting in perceiving their relations in a 'zero-sum' context,<sup>6</sup> both sides accept as fact the idea that anything of benefit to one side can only come at the expense of the other. The implementation of a Burgas-Alexandroupolis pipeline would therefore be seen as something of a victory for Greece, probably by both sides.

While at first sight this proposal appeared to resolve the Bosphorous issue, and revitalise the Russian bid to export Caspian oil long-term, a closer look at the practicalities of the plan gave rise to some misgivings. The need to load and unload tankers at three different ports would make shipment more expensive, and introduced much higher risks of accidents and environmental damage, particularly in the Black Sea. It is also questionable whether it is any less risky to have large tankers transiting the restricted and environmentally sensitive waters of the Aegean than have them passing through the Bosphorous. On balance, it seems unlikely that the commercial interests involved in the Caspian would adopt the Burgas-Alexandroupolis route as the main export route for their oil, when a large pipeline 'trunk route' to a more accessible terminal was a realistic possibility.

### **Baku-Ceyhan**

The front-runner amongst proposals for just such a trunk route is a line proposed by the Turkish government, and heavily researched by various Turkish and international commercial enterprises. The proposal would see a pipeline run from Baku to Tbilisi and then south into Turkey, via Erzerum, to the large Turkish terminal at the port of Ceyhan.

The proposal has been pushed hard by the Turkish government, unsurprisingly when the potential rewards are considered. Such a route would have a strong claim to serve as the main export for the bulk of the Caspian's oil exports. In fact, this was obviously the intention from the very beginning, as the proposed pipeline would be built with the capacity to handle estimated full-stream production both from Azerbaijan and Kazakhstan for the foreseeable future. The proposal included plans to link a Baku-Ceyhan line with a line from Kazakhstan

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<sup>6</sup> *Ibid.*

to Tbilisi, either around the northern coast of the Caspian and then south through Dagestan, or via a submarine pipeline across the Caspian seabed.

The plan is an attractive one for many of the parties involved in the pipelines debate. Obviously Turkey would benefit, both from transit revenues, and the fact that contracts to build the pipeline across Turkey would almost certainly involve Turkish companies, who have built up some expertise in the construction of oil infrastructure. Turkish enterprises would be well-placed to bid for construction contracts along the full length of the line, for the same reasons. A route through Turkey would also serve to link the Caucasus and Central Asian states more closely to Turkey, encouraging further economic and political links. Finally, having such a route terminate at Ceyhan would make the Turkish port an important oil centre for the eastern Mediterranean, as it already handles exports from Iraq, and avoid the need for a large increase in tanker traffic through the Bosphorus.

The only real problem facing the Turkish would be the ongoing conflict between its forces and ethnic Kurdish guerrilla groups such as the Kurdish Workers Party (PKK) in the east of the country. The central government in Ankara has been waging a frequently very 'dirty' war against the Kurdish guerrillas, who are seeking an independent Kurdistan, for years, with no sign of a lasting victory for either side. While the proposed route does not pass through the heart of Kurdish-controlled territory, a significant stretch would pass through territory heavily contested by the two sides. The Kurds having shown themselves willing to launch terrorist attacks against such infrastructure targets before, the pipeline would present a major security headache for the Turkish army. This would be eased slightly by the fact that it is anticipated that the pipeline would follow the route of a major strategic highway that already requires a large military presence to maintain security along it. However, it is a fact of life in the contested areas that, while the army may control towns and villages during the daylight hours, at night the situation may be very different. Unless there were to be a significant change in the current situation in the Kurdish areas, a Baku-Tbilisi-Ceyhan pipeline could face constant disruption by Kurdish guerrillas wishing to force the Turkish government into negotiations. For this reason, the Kurds may in fact welcome the adoption of such a route almost as much as the Turkish government itself, for the opportunity it may represent for political progress.

Adoption of the Baku-Ceyhan section of the line by the companies currently looking to export from Azerbaijan would heighten the attraction of such a route for the companies seeking an export route for Kazakh oil, as most of the hard work would already have been done. From the point of view of these international oil companies, a pipeline terminating at Ceyhan is probably the most cost-effective option of those so far considered. Built to handle much larger volumes of oil from Iraq, Ceyhan already has the capacity to absorb additional Caspian oil from both Azerbaijan and Kazakhstan without the need to upgrade its existing facilities, certainly in the medium-term.

Kazakhstan would almost certainly welcome the construction of a Baku-Ceyhan pipeline for the reasons laid out above. It would bring a convenient and cost-effective export route for Kazakh oil that much closer, and a submarine pipeline across the Caspian could mean that the bulk of Kazakhstan's oil could be exported independently of Russia if required. Neither should the sovereignty dispute affect prospects for such a submarine pipeline; international law is clear that pipeline may be laid across the seabed of another state provided that state's interests are not prejudiced, leaving Russia or any other Caspian country without any power of veto over such a project. This would be the case even if a regime of condominium was adopted over the central Caspian. Alternatively it would be possible, though technically very difficult and expensive, to lay a pipeline between the Azerbaijani and Kazakh 'sectors' of the Caspian without crossing the Russian sector, assuming the sea were to be divided.

For its part, Azerbaijan could hardly wish for a better outcome than the construction of a major international pipeline between Baku and Ceyhan. By far the greater part of its full-stream oil exports could be exported via such a route, maximising the country's independence from Russia. While the concerns laid out previously regarding Russia's ability to interfere with the Baku-Supsa line would still apply, Russia would be much less likely to try to disrupt the flow of oil along a route with such wide international backing. Georgia meanwhile would benefit from the prospect of growing, long-term transit revenues, with which the Tbilisi government would hope to drive the country's own economic recovery, and also achieve greater political and economic independence from Russia. Adoption of such a project would also strongly suggest that a combined pipeline carrying both Azerbaijani and Kazakh crude was almost a certainty.

For reasons that will by now have become obvious, such a route would represent a severe blow to Russian ambitions in the region. At a stroke, it would lose the chance to carry the greater part of Azerbaijan's oil, and later possible Kazakhstan's exports as well. Georgia and Azerbaijan would no longer be dependent on Russian goodwill to export their most valuable commodity, and Moscow would find itself in the unusual position of having to deal fairly with its former satellite states, or lose out to its rival Turkey. For similar reasons, a Baku-Ceyhan pipeline would obviously meet the American approval. Such a route would also meet with a fundamental requirement of US energy policy: the diversification of global sources of oil supply. Such a diversification of supply would be in the interests of the world energy market generally, multiple sources of supply ensuring that the market is insulated from 'shocks' in particular oil-producing areas, for instance the Persian Gulf. A new source of oil on the scale of the Caspian's estimated reserves would be particularly welcome not only to the US but also to Europe and Japan, particularly the latter. Japan's unprecedented political involvement in the Gulf War in 1991 was a reflection of the fact that by far the greater part of Japan's energy requirements are met by Gulf suppliers. This desire to shift supply away from one, unstable source has led to Japanese involvement in plans to pipe oil eastwards from the Caspian, which will be discussed in more detail later.

### **Kazakhstan's Exports**

Having discussed at some length the options being debated for the export of Azerbaijan's oil, this paper will now look at the issues surrounding the export of oil from Kazakhstan. While many of the issues have already been examined in the Azerbaijani context, Kazakhstan's position in relation to Russia is, if anything, worse than Azerbaijan's. With the exception of its border with China, Kazakhstan is completely surrounded by former Soviet states; it has frontiers with Russia, Turkmenistan and Kyrgyzstan. Lying at the heart of Central Asia it is hundreds, if not thousands of kilometres further away from a suitable export terminal than either of Azerbaijan or Turkmenistan. Kazakhstan is also the Central Asian state most deeply integrated with Russia; the northern, industrial half of the country has an ethnic Russian majority. The country's industrialised areas are linked much more closely with neighbouring Russian regions than with the rest of Kazakhstan, and this includes Kazakhstan's pipeline network. The result of this close integration is an apparent Kazakh recognition that, for the immediate future at least, it will not be able to export significant amounts of its oil without Russian pipelines.

## **Tengiz-Novorossiysk**

If there had been any doubts that Kazakhstan would initially be dependent on Russian help if it was to export its oil, then the US oil company Chevron's experiences would have quickly dispelled them. Having been the first western company to explore the potential oil wealth of the Caspian, first approaching Kazakhstan during the 1980s prior to independence, Chevron should have been well-placed to reap major financial rewards when it became possible to export Caspian oil outside the former Soviet Union. However, this did not prove to be the case. Since Kazakh independence, Russia has consistently obstructed the exportation of Kazakh oil, in quite transparent attempts to limit the country's economic and political freedom.

Russia's energy companies and Fuel and Energy Ministry first objected to Kazakh use of Russian export pipelines on the basis that the existing network did not have sufficient capacity. Then, when it became clear that this was not the case, the Russians were able to insist that Chevron invest tens of millions of dollars in a chemical plant to remove mercaptans from the Kazakh oil, with the Russians claimed would otherwise damage the Russian pipes. The fact that those Russian pipes had carried Kazakh oil for years, apparently without any ill-effects, was conveniently forgotten. Currently, despite Chevron's completion of a plant to remove the mercaptans, the American company is still being forced to export its oil from Kazakhstan by rail and barge rather than through the Russian pipeline network. This has led Chevron to reduce its investment in Kazakhstan to a 'care and maintenance' level, continuing problems meaning that it is not worth the risk of investing further capital in developing the Kazakh oil fields until the export problem can finally be resolved.

However, there has been some slow progress toward an acceptable export pipeline, to the point where the route is decided and construction work has begun. The planned pipeline will run from Kazakhstan's massive Tengiz field (with somewhere between 6 and 20bn barrels of reserves) to the export terminal at Novorossiysk, via Atyrau, Komsomolsk and Tikhoretsk. Although Soviet-era pipeline will form the basis for much of the route, the Komsomolsk-Tikhoretsk section will have to be built from scratch, while as discussed previously, the existing Tikhoretsk-Novorossiysk section will require extensive upgrading and modernisation.

The Kazakh government has been forced to be more pragmatic than Azerbaijan over its pipelines, as the only feasible option currently available, the route described above, is entirely under Russian control. Kazakhstan has therefore been less ready to openly challenge Russia over the Caspian sovereignty issue, or over Russia's 'right' to benefit from the export of Caspian oil.<sup>7</sup> And in the same way, Kazakhstan has chosen not to demand fair access to the Russian pipeline network, or challenge Moscow's insistence that while it will only pay former Soviet prices for Kazakh oil, Kazakhstan must import Russian oil at world commercial prices. Kazakhstan is required to import Russian oil as its own pipeline network does not supply the eastern half of the country, which is therefore dependent on Russian energy supplies. Instead, the Almaty government and Chevron find themselves having to play a waiting game, going ahead with a pipeline that will leave Russia's hand firmly on the tap in the meantime, and accepting inflated Russian transit fees, while quietly trying to find a non-Russian alternative. In the meantime, being able to export commercially significant amounts of early oil via Novorossiysk, even if the cost of exporting it will be higher than usual and the returns consequently lower, will provide welcome revenues for the Kazakh government and reassure Chevron's shareholders that the large amounts of money invested so far have not been wasted.

As mentioned previously, one alternative to the Tengiz-Novorossiysk route would be to link a Kazakh export pipeline into a pipeline running south from Azerbaijan. Such a link would probably only be justifiable if it were to be used for the export of the much larger volumes of oil expected in the medium- to long-term. The benefits of such a pipeline would be significant.

The construction of a large trunk pipeline stretching from Ceyhan in the south to Tengiz in the north, although requiring a great deal of investment initially, would quickly prove to be more cost-effective than any other combination of routes proposed so far. One set of pipes following a single route would have the capacity to carry all of the combined output expected from Azerbaijan and Kazakhstan in the medium-term. The oil would not have to pass through the Bosphorus, nor would there be any need to risk transferring oil from pipeline to tanker and back again in order to avoid the Bosphorus. The oil would simply be pumped

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<sup>7</sup> See Chapter 3, footnote 11.

directly from the well-heads in Tengiz or Azerbaijan's offshore fields to waiting tankers in Ceyhan, arriving more quickly, unaffected by the weather, and cheaper.

There are three variants to the proposal to link a Kazakh export pipeline to an Azerbaijani one. The first, and certainly the cheapest, would be to build a short spur from Komsomolsk to Makhachkala, in Dagestan and then pipe the oil to Tbilisi, from where it would be routed to Erzerum in Turkey and on to Ceyhan. This would have the advantage of being the easiest and quickest to complete, but would not free Kazakhstan from Russian control over its exports.

Two other variants have been proposed. Firstly, a submarine pipeline could be laid from Kazakhstan's Caspian shore at Aktau directly south-west across the seabed to Makhachkala, from where a new pipeline would carry the oil direct to Tbilisi, where it would join with a line from Baku before being pumped on to Ceyhan as described before. However, although the construction of a submarine pipeline across the Caspian at this point would be relatively simple, the seabed never exceeding 75m in depth, it would again involve the pipeline crossing Russian territory as it passed through Dagestan. Alternatively, a line could be run south from Tengiz along the eastern shore of the Caspian into Turkmenistan, from where a submarine pipeline could be laid across the much deeper southern Caspian. This would allow Kazakhstan to export its oil without crossing Russian territory, but would be the most expensive of the variants, involving the laying of pipe down to as deep as 270m. However, construction of the southern submarine pipeline would allow Turkmenistan to export some of its oil via Azerbaijan and Turkey, thus avoiding the need to go through Iran or even less attractive routes, as discussed later. It should also be remembered that such a line could more than compensate for the cost of its construction if its political advantages are taken into account. The very existence of an alternative to a Russian route would allow Kazakhstan to press for much fairer terms from Moscow for the export of its oil via Russian pipelines, thus granting the Kazakh government much greater economic independence.

### **South to Iran**

One option that has not been explored in particular depth is that Kazakhstan could build a pipeline south through Turkmenistan to Iran. Such a route would represent the shortest route to a recognised oil terminal, in this case an Iranian port on the Persian Gulf. Such a route

would obviously also be beneficial for both Turkmenistan and Iran. Turkmenistan would be able to 'piggyback' its own exports on the Kazakh ones, while Iran would not only gain politically from such a decision, but would also see Central Asian oil reaching its underdeveloped north, more cheaply than if Iran were to pipe its own oil north from the Gulf. Such a route would also very likely become the basis for a gas line south from Turkmenistan's huge gas deposits, a much more important consideration for the Ashgabat government.

However, there is one obvious obstacle in the way of any pipeline across Iran: the US governments continuing economic and political sanctions against Iran. This point will be discussed in more detail below, when Turkmenistan's pipeline options are considered.

### **Eastwards to China**

One final option for the export of Kazakh oil has been explored, the initial proposal being announced in a blaze of publicity to a shocked oil industry. In October 1997, the Chinese and Kazakh governments and national oil companies announced an agreement whereby China would fund a US\$3bn pipeline east to China (as well as investing up to a further US\$6bn in renovating two large Kazakh oil fields). The project, which could take as long as 25 years to complete, would see Kazakhstan exporting the greater part of its oil to China, which has recently become a net importer of oil. The project, certainly the grandest of all the Caspian pipeline proposals, through not the most far-fetched (see below) would seem to meet the needs of both parties perfectly. Kazakhstan would be importing its oil direct to one of the world's largest, and growing economies, completely independently of any Russian involvement. It would receive world market prices for its oil, and an almost guaranteed market for as much as oil as it is likely to be able to supply. The new pipeline would also serve to integrate the currently separate pipeline networks in the two halves of Kazakhstan. China would meanwhile be able to import oil from Kazakhstan more cheaply, in the long-term, than will be possible from its own underdeveloped oil reserves in the north-east of the country, or from abroad. China would also see the additional benefit that the proposed pipeline would also serve those fields in the north-east, making the transport of the Chinese oil cheaper. Finally, should the Chinese market not be able to absorb all the Kazakh oil for any reason, Japan would almost certainly represent a ready market, being almost entirely

dependent on Gulf oil at present, and therefore very vulnerable to political instability in the region.

The only real obstacles to China are the distance involved and the need to route the pipeline through the mountains between the two countries in order to avoid Russia. Widespread public perception to the contrary, the Chinese government could quite easily raise the finance for the project, and there would be no international opposition to a move that would bind China more closely to its neighbours in Asia and to world markets. The existence of a Chinese pipeline would be unlikely to affect Kazakhstan's need to export some of its oil westwards, via Russia or otherwise, as it would not make sense to try to sell to European customers via the Far East. But in the same way as a Caspian undersea pipeline, the existence of the Chinese route would force Russia to deal more fairly with Kazakhstan over its westward exports.

### **Exports from Turkmenistan**

Turkmenistan's government since independence having been firmly in the hands of its former Communist leader, (now) President Niyazov, Turkmenistan has pursued a firmly pro-Russian course in its foreign policy. Turkmen exports of gas to its former Soviet neighbours have continued generally uninterrupted (at least for political reasons). However, this has not meant that President Niyazov's regime has not also been pursuing the export of the country's vast gas reserves to more lucrative customers on the world market. On 6 April 1994, President Niyazov ceremonially laid the first foundation stone of what was touted as a Grand Trunk Gas Line from Turkmenistan, across Iran to Turkey. However, little work has been done on the line since, the economic realities of the American embargo on Iran having reasserted themselves.

The fact remains that any large-scale pipeline project would almost certainly be dependent on the involvement of a large, American-based multinational oil company. In the current political climate, such involvement in a pipeline through Iran would be impossible. This therefore means that any Grand Trunk Gas Line through Iran would also currently be impossible, and will remain so for the foreseeable future. But Turkmenistan still needs to export its gas. Therefore, a series of more modest projects have been discussed, which might eventually prove to the West, and particularly the US, that Iran can be trusted to act in good

faith as a partner in such agreement. A combination of such projects might also create a 'virtual' export route across Iran to Turkey, in the form of bilateral deals between Iran and Turkmenistan, and Iran and Turkey, and subsequent oil swap deals along the corridor thus created. A Turkmenistan – Iran – Turkey line would be the most secure and cheapest of any of the pipeline routes so far proposed, and if the principle could be proven to be sound, foreign investment could quickly follow.

One factor that may work in Iran's favour when such a route is discussed is the fact that it would be in Iran's interests to keep the line running because it would almost certainly be exporting its own gas at the same time. This would provide some guarantee of Iranian good behaviour. Also, Washington will be reluctant to be seen to be harming Turkmenistan's economic prospects for the sake of cutting Iran out of a commercial project that would not involve giving Iran any particularly sensitive technology.

The fact is that a route across Iran, either to Turkey or to the Persian Gulf would be in the interests of all the parties involved in the pipeline issue, except Russia and America. Turkey, Iran and Turkmenistan would obviously all benefit from the project: Turkmenistan would sell its gas for hard currency, Iran would receive transit fees, be able to export its own gas, and move a step closer to international rehabilitation, and Turkey would have two convenient suppliers to meet its rapidly expanding need for gas. The region's other exporters would also benefit in the long term, simply by the success of such a route. It would open the way for similar routes through Iran for both Azerbaijan and Kazakhstan if they became necessary, and therefore act as a further guarantee of Russian good behaviour towards those pipelines across its territory. Unfortunately, such a pipeline would probably seem to represent too much an Iranian diplomatic victory for Washington to allow it to go ahead, at least at present. However, America recently agreed that it would not prosecute European countries for involvement in projects with Iran, so it may be that Washington is prepared to see such projects be implemented, as long as American companies are not associated with them.

### **South-East to Afghanistan**

One final pipeline proposal that deserves mention is a proposal from Saudi Arabia's Unocal, America's Delta Oil and Russia's Gazprom that was unveiled in October 1995, that would see a pipeline run south-east through Afghanistan to Pakistan. The route would pass through

regions of Afghanistan held by the Taleban movement, who at the time of writing were well on their way to controlling most of the country. It would be easy to dismiss such a route as impractical, largely because of the threat to the route posed by the local warring factions, possible including the Islamic fundamentalist Taleban themselves. However, Taleban has received constant (possibly direct, military) support in its military campaigns from Pakistan, and is rumoured to receive financial assistance from a number of wealthy Saudis, so it would not be unreasonable to assume some sort of deal could be struck to secure the line's future. It should also be remembered that commercial interests have traditionally not been afraid to make deals with local warlords, for instance the companies that drove railroads across Latin America and Asia in the late 19<sup>th</sup> century.<sup>8</sup> However, the current instability of Afghanistan makes it unlikely that the large international banks would be prepared to finance such a risky undertaking.

### **Other Factors**

Having completed an analysis of the various interests at work in support of each of the pipeline routes discussed, a number of other factors must be taken into account, before some general conclusions are drawn concerning the potential winners and losers of the pipelines competition.

The first of these is the current extremely low price of oil on the world market. Despite continued predictions of growth in demand for oil and oil derivatives, prices are now the lowest they have been for some years. If prices were to remain as low as they are now for the foreseeable future, international interest in Caspian oil may wane, although certainly only temporarily. Nevertheless, any delay in progress towards full production could prove extremely costly to Azerbaijan, Kazakhstan and Turkmenistan. In the absence of the hard currency oil and gas exports would bring, these countries will remain economically and politically dependent on Russia. The longer such dependence continues, the harder it will be to overcome later on, particularly if the Russian economy begins to improve, however unlikely this may appear at present. Continued difficulties also pose a genuine security threat to the region, as the hardships such difficulties impose tend to encourage hard-line nationalism, and dispute between neighbouring states and communities.

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<sup>8</sup> Roberts, J, (1996) *Caspian Pipelines*, London: Royal Institute of International Affairs.

Perhaps an even more significant threat to the development of Caspian oil is the possible resumption of oil exports from Iraq<sup>9</sup>, whether under UN auspices in exchange for humanitarian supplies, or purely commercially. The latter case would almost certainly prevent further development of the Caspian oil industry. Iraq holds reserves perhaps ten times as large as the whole Caspian basin, and the infrastructure to export that oil is already in place. If Iraqi oil were to come fully on stream in a short space of time, the resulting fall in world oil prices would make the exploitation of Caspian oil seem commercially much less attractive. However, if Iraq's return to the oil market were to take place in stages, therefore avoiding a significant drop in world prices, the Caspian states would still have the opportunity to push ahead with the development of their oil industries and the construction of at least a few of the pipelines described above. Once such projects were underway, they would be completed and used whether or not Iraq returned to the oil market, most of the money on their construction having already been spent. At that point the commercial enterprises involved would continue with their exports in order to recoup some of their investment and generate income. Nevertheless, the Caspian states cannot afford many further delays in the construction of export pipelines, or they may 'miss the boat' entirely.

### **Potential Winners and Losers**

Having analysed the main routes proposed for the export of the Caspian's oil reserves, and the various interests that would be served by each of them, it should be possible to suggest which routes are most likely to be adopted. In doing so, some conclusions will also be possible regarding which actors in the pipeline debate are likely to benefit most, and why.

The adoption of two pipelines for the export of Azerbaijan's early oil was, as discussed earlier, a US-imposed compromise between Azerbaijan's desire to see at least some of its oil exported independently of Russia, and the recognition that Russia would have to be involved, or it might be tempted to use its dominant position to disrupt exports. This allows one obvious conclusion to be drawn: that while Russia retains the ability to disrupt oil exports, by whatever means, Moscow's agenda will have to be a primary consideration in any pipeline decision. This will be a continuing geopolitical fact of life for the other actors in the region, and may remain so even after full-scale exports begin. Russia will probably always be the

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<sup>9</sup> *Ibid.*

dominant military and political power in the former Soviet space, simply by virtue of its size and position.

However, the Twin Track decision also demonstrated that America can in certain circumstances be persuaded to act in the interest of the other states in the region, even if in doing so it goes against Russian interests. In fact, the decision may have signalled the end of America's apparent 'Russia first' policy in the region. This will provide welcome encouragement to the newly-independent states, and suggest that it may be possible for them to distance themselves from Russia both economically and politically sooner rather than later. And despite the apparent Russian victory in the decision to route more of Azerbaijan's oil through Russia than Georgia, the existence of a southern route will perhaps force Russia to act fairly in all its dealings with Azerbaijan, rather than risk that oil being diverted southwards. This should allow Azerbaijan more independence in its policies, while income from oil exports should begin to improve the country's economic situation. Unfortunately, that income could also serve to destabilise the region still further, if Azerbaijan chooses to spend its new wealth on an arms build-up with the aim of driving Armenian forces out of occupied Azerbaijan.

The most likely of the future, larger pipelines, with the possible exception of the Kazakh-Chinese route, which remains something of an unknown quantity, seems to be Tengiz-Ceyhan line, joining with a line from Baku in Georgia. This route makes the most commercial sense, and would be in the interests of most of the actors involved, even if it passed through Russian territory. The pipeline would have to be run to international commercial standards, there being too many actors involved to allow Russia any opportunity to try to impose its own terms on Kazakhstan, as it has done up to now. Kazakhstan would be able to export its oil at normal world prices, and Azerbaijan would have an entirely non-Russian export route with major international backing. Georgia and Turkey, meanwhile, would benefit from the major transit revenues that such a pipeline would bring, and Turkey would have succeeded in its campaign to act as a gateway between Europe and Central Asia. The only parties who would not obviously benefit from such a pipeline would be Iran and Turkmenistan. Turkmenistan faces one major hurdle to the export of its gas: American opposition to the use of Iran as a transit country. Yet if America continues to oppose such a project, it is effectively condemning Turkmenistan to years of reliance on former Soviet customers who simply cannot afford to pay market prices, and hence economic stagnation. It is ironic that the leader

of the free world, and a vocal supporter of the independence of the newly-independent states, is currently blocking moves towards such independence in order to pursue its own interests.

It can be concluded then that America, as the only global superpower, actually holds the dominant position in the Caspian pipeline issue. It was able to insist that two pipelines were used to export Azerbaijan's oil, in support of its own policies in the region, and it is currently able to prevent the construction of any pipeline (again with the possible exception of the line to China) which conflicts with those policies. What is perhaps more interesting for the purposes of this paper is the fact that Russia, despite apparent conflicts between its foreign and energy ministries, and the failure of its own economy and civil society, has still largely been able to impose its will on the other Caspian states. The Russian government has been able to use the hard fact that these countries still depend on Russia for most of their trade, and are reliant on infrastructure controlled by the Russians, to secure its own position at the heart of the future exploitation of the Caspian oil reserves. This has serious implications for the future independence of Azerbaijan, Turkmenistan and Kazakhstan in particular.

## Chapter 5

### Some Final Conclusions

Having examined the geopolitical influences at work in both the sovereignty and pipeline disputes between the five littoral states of the Caspian, it should be possible to draw some general conclusions on the wider geopolitical environment in the region.

It is clear from both analysis that America and the American oil companies occupy the dominant position in the dispute over pipeline routes. This is largely a function of capital: only the American oil companies have access to the large amounts of finance needed to undertake projects of such scale. The American government, meanwhile, is the dominant voice at the World Bank, and hence is able to veto any government borrowing of which it does not approve, for instance for a Turkmen gas pipeline across Iran. However, Russia was able to force the use of a Russian pipeline route from Azerbaijan, despite Baku's wish to the contrary, by making it clear that it would be prepared to cause trouble for the other Caspian states, and the international oil companies, if it was not included. It was apparently only reluctantly that America intervened to impose the use of another route, and this gives some idea of the geopolitical realities in the Caspian. While the Americans may indeed have the capability to impose their ideas on the Caspian states, they have generally been unwilling to do so. This has given the Russians the opportunity to reassert themselves and recapture their former leading role in the region, although the practical benefits of this success are limited by the need not to directly confront America's wider interest in the region.

Meanwhile, it would appear that the newly-independent littoral states, Azerbaijan, Kazakhstan and Turkmenistan will all face serious challenges to their future economic and political independence. All of them remain reliant on Russian goodwill to export their oil, and look likely to do so for the foreseeable future. This situation will severely curtail their ability to disregard the Russian government's interests when those interests conflict with their own. However, as more of the various pipelines come on-stream, and export incomes increase, they should be able to push ahead with domestic economic reforms, increasing stability throughout the region.

The final outcome of the pipelines dispute will probably be the existence of a number of pipelines serving each exporter. This will be the result of a conscious effort by the multinational oil companies to 'spread their bets' to cover all the political and economic angles. The existence of more than one export route for each exporting country should allow them to insist on fairer treatment by Russia, particularly if one of their options is entirely non-Russian, or a major international project like the proposed Tengiz-Ceyhan line.

As for the sovereignty dispute, recent statements from the Russian government would appear to suggest that there is growing acceptance in Moscow of the inevitability of delimitation of the Caspian into national zones. The proposal that each country have a 45nm national zone and that the central area of the sea be held in common has been shelved. This was possibly prompted by the continuing dispute over oil fields in the central area between Azerbaijan and Turkmenistan, which made it clear that where oil revenues are involved, even a Russian ally like President Niyazov will follow the money rather than blindly follow Russia's lead. This apparent blow to Russian hopes of direct access to the Caspian's oil reserves will have been softened, however, by Moscow's success in involving Russian companies in the various consortia now operating in the Caspian. Every major consortium, whether operating in Azerbaijan, Kazakhstan or Turkmenistan now has a significant Russian presence. This may have allowed the Russian Fuel and Energy Ministry to push for a rapid resolution of the sovereignty issue in order to allow more rapid progress in the exploitation of the sea's hydrocarbons.

The wider implications of any decision to completely partition the Caspian are harder to judge. This outcome would certainly represent a victory for international law, precedent in similar disputes being overwhelmingly in favour of such a division. It would also be a victory for the oil producing states, who will gain unfettered access to the Caspian oil fields on their own terms, rather than under Russian control. However, as the recent Azerbaijani-Turkmen dispute over the 'Azeri' and 'Chirag' fields demonstrates, delimitation is likely to be fraught with its own difficulties. In that particular case, however, the fact that an international consortium is already operating in the fields concerned may in fact assist in the resolution of the dispute, as neither state will wish to delay production.

It should also be borne in mind that delimitation would mean the end of one regional power's hopes in the region. Delimitation would represent the worst possible case for Iran, who

would have been excluded from commercial involvement in the region by America, while simultaneously losing direct access to that oil, known reserves in the Iranian sector being negligible. Iranian opposition to such an outcome is therefore almost guaranteed, and while this may not prevent *de facto* delimitation, it will certainly prevent a *de jure* settlement. Currently, though, it would seem that the absence of such an agreement will not prevent initial oil production, although it may present a hurdle to any long-term investment plans.

Finally, it is interesting to note the interaction between the two disputes. Russia in particular has proved highly skilled in using a position of strength in one arena to forward its interests in the other. The apparently contradictory policies of the Russian Energy and Foreign Ministries may in fact have worked to Russia's advantage in the long run. President Yeltsin's government has been able to negotiate favourable Russian entry into every one of the major oil production consortia by using the threat of continued diplomatic action over the sovereignty dispute. Unwilling to risk further unnecessary delays in their progress towards full production, the consortia have quietly acquiesced to Russian bids for a stake in their projects. And in the same way, by turning up the diplomatic pressure over the sovereignty row, Russia has been able to impose the use of Russian pipelines for some of those exports. Similarly, the Russian government was able to use its monopoly over existing pipelines to sustain effective opposition to delimitation until it could be sure that it would benefit commercially. The success of such manipulations represents a success for the realist policy makers of the Kremlin, who have demonstrated that they are not afraid to use diplomatic pressure, rather than negotiation in good faith, to achieve their aims.

Hopefully, the preceding chapters will have demonstrated that the geopolitical environment in the Caspian basin is a complex one, made up of a web of conflicting interests. However, it should be clear from the analysis contained in this paper that some clear strands become apparent from a study of the interaction of those interests and the result on the ground (or sea). Unsurprisingly, it has emerged that America, in its role as the world's biggest free-market economy and global superpower, has the ability to shape events in the Caspian according to its own interests. In this instance, this ability is a function of America's financial strength, although 1997's US paratroop jump into Kazakhstan proved that the region is not beyond the reach of America's military. Nevertheless, it is also clear that Russia has managed to retain its ability to impose its will in the former Soviet Union at least, if not always as easily as it was during the Soviet era.

To draw these conclusions back to our initial analysis of geopolitical theories, the Caspian basin provides a prime example of the overlapping spheres of interest, and differing levels of state 'entropy' described in Cohen (1992). At the same time, though, it also supports the critical geopoliticians' claim that non-state actors, in this case multinational oil companies, can be as important if not more so than governments. So perhaps it would be sensible to conclude that the Caspian, rather than fitting neatly into a particular world model, is a prime example of the sort of changing geopolitical environment which has driven the recent debate between realist and critical geopoliticians. Perhaps the outcomes of the sovereignty and pipeline debates will provide a wider insight into the relative merits of these opposing world views.

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