1. Introduction

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I. The changing Caspian security environment

Following the breakup of the Soviet Union, the Caspian Sea region has risen from relative obscurity to considerable prominence in international affairs. For the purposes of this study the region is defined as consisting of the Caspian Sea littoral states (Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan) and their immediate neighbours in the South Caucasus (Armenia and Georgia)\(^1\) and Central Asia (Kyrgyzstan, Tajikistan and Uzbekistan).\(^2\) Its political landscape has been fundamentally transformed over the past decade.

Major international actors have also become increasingly interested not only in maintaining relationships with their traditional partners in the region—Iran and Russia—but also in forging gainful relationships with the former Soviet republics that emerged as new sovereign states in the Caspian Sea Basin. The growing interest in these new states among the international community is stimulated by two groups of factors.

The first are geo-strategic considerations. The new sovereign Caspian states occupy central positions in the heartland of the Eurasian continent and on the traditional trade routes between Europe and Asia. The concrete national strategies these states will follow have become of intense interest to the major extra-regional powers (the USA, China and the European Union member states among them) and have induced them to start formulating their own policies in the Caspian Sea region—policies which may not only be reactive but also actively influence political, economic and security developments there to their own advantage.

Second, the widespread international interest in the Caspian Sea region is motivated by the large reserves of oil and natural gas that are believed to lie there. Since no comprehensive geological surveys of the Caspian seabed and maritime region have been carried out since the Soviet era, it is difficult to state with certainty the exact size of these reserves. Estimates of recoverable oil reserves range from 40–60 billion barrels to as high as 100 and even 200 billion barrels; those for natural gas range between 10 and 20 trillion cubic metres.

These estimates are clearly influenced by political and economic interests; in particular, those offered by the newly independent littoral states are made to attract the foreign investment that is needed to turn the oil and gas potential of

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\(^1\) The South Caucasus, sometimes called the Transcaucasus, is defined for the purposes of this book as consisting of Armenia, Azerbaijan and Georgia.

\(^2\) Central Asia is defined for the purposes of this book as consisting of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.
the region into a major sustainable source of economic prosperity. However, whichever estimates are correct, it is widely accepted that the Caspian region’s recoverable oil and natural gas reserves are exceeded in size only by those of the Middle East and western Siberia.

Among the many factors influencing the regional security environment are disputes among the littoral states over the Caspian Sea legal regime and the division of the Caspian Sea energy resources into national economic zones and sectors. The legal regime which currently governs the exploitation of the Caspian oil and gas resources is based on the Soviet–Iranian treaties of 1921 and 1940 and no longer reflects the geopolitical changes in the area after the breakup of the Soviet Union. Although the need to establish a new legal regime for the Caspian Sea is recognized by all the littoral states, efforts to do this have run into serious difficulties because of these countries’ radically differing approaches to the proposed regime.

In addition to determining the legal status of the Caspian Sea and the ownership of hydrocarbon deposits, the littoral states confront another contentious issue, namely, determining the routes for transporting the oil and gas extracted from the Caspian region to outside consumers. The dispute over this issue has emerged as perhaps the single most important cause of growing international political tensions in the Caspian area. The basic conflict of interests derives from the fact that by the end of the 1990s essentially all Caspian oil and gas pipelines (with the exception of a gas pipeline from Turkmenistan to Iran and an oil pipeline from Azerbaijan to Georgia) run through Russia. While Russia wishes to retain its pre-eminent position in having oil and gas pipelines passing mainly across its territory, the landlocked Caspian states want to escape their near-total dependence on Russia.

The energy potential of the Caspian Sea region is another factor behind the interest of the extra-regional actors. This is particularly true of the USA, which is actively promoting the construction of oil and gas export pipelines across the Caspian Sea and the South Caucasus. Ukraine, a major East European country which is experiencing a very acute shortage of energy resources and trying for strategic reasons to reduce its overdependence on Russian oil and gas, also actively supports the creation of a transport corridor that would connect the Caspian region with Europe across Ukrainian territory. The controversies over oil and gas transport routes from the Caspian Sea region are further complicated by Turkish threats to impose restrictions on tanker traffic passing through the Bosporus and Dardanelles, ostensibly for environmental safety reasons. Other countries, such as China or the European Union (EU) member states, are also pursuing increasingly active policies in the region, motivated by their growing energy requirements and their assessments of the new strategic situation that is taking shape in the Caspian region. China’s degree of self-sufficiency in energy is declining rapidly and it takes a particularly close interest in getting permanent access to the energy resources of the Caspian Sea region. This has become a high-priority task in its foreign policy, strongly influencing other aspects of its strategy in the Caspian Sea region.
All this means that the Caspian energy resources and access to them from the outside world are major factors that have a direct impact on the security situation in the Caspian Sea region.

Apart from energy-related factors, the regional security environment has been dramatically influenced in the 1990s by the general political, social and economic developments in the former Soviet republics of the South Caucasus and Central Asia. Being in the process of intensive, often conflictual nation-building, they have been confronted with a wide range of challenges and threats to their security, domestic as well as external. Their very confused domestic situations have been exacerbated by the continuing economic and social crisis in the post-Soviet states as well as by the hardening struggle for the succession to power from the former Soviet elite which is now in power to the next generation. If with this generational change more aggressive nationalistic regimes are established in one or more of the new sovereign Caspian states then the security situation in the region will most likely become more tense and potentially explosive.

The volatility of the security situation in the Caspian Sea region has been intensified by developments connected with the numerous ethno-political conflicts going on there which seriously threaten the national security and territorial integrity of regional states. In addition, regional stability is potentially jeopardized by the growing influence of militant Islamic ideologies. This is especially true in the wake of the successes of the Taliban movement (which also has a strong ethnic character) in neighbouring Afghanistan and in the light of the growing influence of radical Islam in the Russian North Caucasus, the South Caucasus and Central Asia.

The cumulative impact of these developments has been largely negative for stability in the Caspian Sea region. Together, they are driving the region in the direction of increased confrontation and are generating rising interstate as well as intra-state tensions. The growing conflict potential in the region arises from the nexus of complex regional disputes with the increasing involvement of outside powers. In particular, there is an emerging tendency towards military buildup which can be observed at different levels—national, regional and international. This is manifested in the Caspian states’ programmes to build national armed forces and to modernize their military equipment holdings as well as in the growing transfers of arms to the region from outside sources. Over the five years 1995–99 defence expenditure for the entire region (excluding Russia) in constant 1998 prices rose by 23 per cent, in the South Caucasus subregion by 19.2 per cent, in the Central Asian subregion by 36.5 per cent, and in Iran by 18.4 per cent. In spite of a lack of transparency concerning regional arms imports, it can be concluded that there was a significant increase in transfers to the Caspian region during the latter half of the 1990s as almost 70 per cent of arms deliveries to the newly independent states of the Caspian region during the 1990s originated between 1995 and 1999. During the same period Armenia,  

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3 SIPRI military expenditure archive.

4 Figures calculated from the SIPRI arms transfer archive.
Iran and Kazakhstan emerged among the world’s leading recipients of conventional weapons. To modernize their armed forces, the Caspian states were increasingly importing more sophisticated weaponry, including up-to-date combat aircraft, battle tanks and anti-aircraft and missile systems.

Although all the post-Soviet countries in the South Caucasus and Central Asia joined the Russia-centred Commonwealth of Independent States (CIS), for some of them their role in the CIS has become more formal than active with the passage of time. The crisis of cooperation between them on military and security affairs resulted in Azerbaijan, Georgia and Uzbekistan in 1999 terminating their membership in the CIS Treaty on Collective Security (the Tashkent Treaty of 1992). During 1999 Russia was compelled to withdraw its border guards from Georgia and Kyrgyzstan and to agree to close two of its military bases in Georgia by 1 July 2001. Turkmenistan, another CIS member state, although not a party to the Tashkent Treaty, also contributed to the trend of decreasing military and security cooperation among the post-Soviet states in the Caspian region when, also in 1999, it decided not to prolong its earlier agreement with Russia on the joint guarding of Turkmenistan’s state borders.

Driven by the perceived changes in their national interests, the Central Asian and South Caucasus states have been searching simultaneously for new national and collective responses to emerging security challenges, and this has resulted in the formation of new political alignments and formal alliances in the region. Most prominent among these was the strengthening of the political and military ties of most of these states with the Western countries and NATO. It resulted in the development of their cooperation with Turkey and the USA within the framework of the NATO Partnership for Peace (PFP) programme which, starting in 1997, included joint military exercises in the Caspian Basin. Kazakhstan, although continuing as a party to the Tashkent Treaty, in its military doctrine regarded increased cooperation with NATO as an important element of its national security system which it wished to develop with an enlarged number of security partners. Not only did Kazakhstan join the PFP programme; in 1999 it organized on its soil the first bilateral military exercises with the USA. Uzbekistan did the same. Azerbaijan and Georgia took an even more resolute step towards the West by openly favouring joining NATO, and even before that stage was reached Azerbaijan indicated its readiness to deploy a NATO military base on its soil, justifying this by the need to ensure the safety of oil pipelines crossing its territory in a southerly direction.

Apart from strengthening their ties with NATO, the post-Soviet Caspian states were forming alliances that are alternatives to the CIS among themselves or with some other post-Soviet states. One of those is GUUAM, originated by Georgia, Ukraine, Azerbaijan and Moldova in 1997 and joined by Uzbekistan in 1999. Its goals included the promotion not only of political and economic but also of military cooperation among the members of the group. Another sub-regional group is the Central Asian Union (CAU), established by Kazakhstan, Kyrgyzstan and Uzbekistan in 1994. Tajikistan joined in 1999. Although the main declared goal of the CAU is to promote economic cooperation among its
members, its founders announced that they intend to expand this cooperation to the political and military spheres as well.

The security situation in the region is strongly affected by the policies of major international actors. Competing with each other for political and economic influence in the region, they risk turning it into another area of international confrontation. Relations between Russia and the USA, both of which regard the Caspian Sea Basin as important for their national interests, have been developing recently along the lines of a ‘zero-sum game’.

Russia retains strong national interests in the Caspian Sea region, most of which until relatively recently was part of the Soviet Union, and continues to have considerable influence on economic, political and military developments there, although this influence has been waning over the past decade. It views the growing role of NATO in the region with deep apprehension, perceiving it as further threatening its own national interests. As a consequence, after a decade of erratic misrule under President Boris Yeltsin, the new Russian leadership under President Vladimir Putin declared its intention to pursue a more consistent and vigorous policy aimed at protecting Russia’s interests in the Caspian Sea region and at stopping and reversing its strategic retreat from the region. New initiatives were launched aimed at expanding economic cooperation with regional countries and strengthening military and security ties with them.

In its ‘revivalist’ policy Russia is strongly challenged by the USA. Its policy in the region during the 1990s shifted from an originally benevolent but fairly passive support for the sovereignty of the newly independent states there to a more active engagement in regional affairs on an array of political, economic and security issues.

In 1997–99, in order to encourage a pro-Western orientation on the part of the Caspian countries and to address threats to their independence by possible Russian neo-imperialism, the US Congress approved legislation, including the Silk Road Strategy Act of 1999, which called on the US Government to support the development of democracy and creation of civil societies in those states as well as actively to assist their economic development, including the construction of trans-Caspian and trans-Caucasus energy pipelines. The USA has also been actively expanding its influence in Caspian region security affairs through the promotion of the PFP programme and individual military cooperation programmes with regional countries. Apart from competing with Russia in the region, the USA has continued energetically to pursue a dual containment policy towards Iran, another Caspian littoral state, trying to minimize its role in the use and transport of Caspian energy resources and to weaken its political role in the region.

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Figure 1.1. Map of the Caspian Sea region
In spite of the USA’s opposition, the breakup of the Soviet Union and the emergence of new Caspian sovereign states have increasingly brought Iran to the forefront of regional politics and accelerated its transformation into an important regional power competing for political and economic influence in the Caspian Sea region. Iran’s position has become pivotal in settling the future of the Caspian Sea legal regime and proposed hydrocarbon transport routes.

Turkey has also become more actively involved in the Caspian region. The region is growing in importance as a source to meet Turkey’s increasing energy requirements. Interrelated with these long-standing strategic interests in the region is Turkey’s desire to lay down a transit route for Caspian energy resources across its own territory. In addition, it seeks to use its historic, cultural and ethno-linguistic ties to many of the Caspian countries to enhance its political influence there.

Taking into account the great divergence in the national interests of the various local and international actors in the Caspian Sea region and their highly competitive policies in pursuit of those interests, the future of peace and stability in the region is now in serious doubt. Whether these actors succeed in accommodating their respective interests in the region and move towards cooperation or whether they allow their differences to continue to destabilize the situation there is increasingly important for the state of regional and international security and calls for the analysis of different future political scenarios.

II. Time limits and research objectives

This study, which started in February 2000 and covered events in and around the Caspian region until mid-2001, set out with the following research objectives: (a) to assess the diverse and often conflicting interests of different parties in the Caspian Sea region, focusing on the strategic competition over the exploitation of oil and gas reserves there; this includes a comprehensive analysis of the national interests and policies of the Caspian littoral states as well as those of major extra-regional countries; (b) to examine the incipient threat of the militarization of the Caspian region; (c) to explore the main local conflicts in the region and their increasing linkages to wider security-related controversies there; (d) to analyse the multi-faceted political role played by Islam in the region and to assess its implications for regional security; and (e) to examine different policy options aimed at the de-escalation of existing tensions in the Caspian region and at the establishment there of an atmosphere of growing trust and international cooperation.

III. The structure of this volume

The study consists of four parts.

The first part examines the changing security setting in the Caspian Sea region. It describes the principal geopolitical changes which have taken place
there in the wake of the breakup of the Soviet Union. This part also evaluates the region’s energy and biological wealth, threats to the regional environment, problems related to oil and gas transport routes, and the controversy over the Caspian Sea legal regime.

The second part explores the national perspectives of the littoral states and of the major outside powers on security in the Caspian Sea region. It analyses their evolving—and often competing—economic and strategic interests in the region and the impact of these conflicts of interests on the security environment there. Particular attention is given to analysing the shifting patterns of political alignments in the region in the larger context of the potential collision and convergence of interests between Russia and the United States.

The third part analyses threats and challenges to regional stability posed by the fully or partially unresolved conflicts in the Caspian Sea region which have developed from inter-ethnic, inter-confessional and inter-clan contradictions. Special attention is paid to the impact of militant Islam on regional stability. These conflicts are also examined in the context of the growing rivalry among the littoral states and their immediate neighbours over various political and economic issues in the Caspian Sea region.

The fourth part summarizes the findings of the study and offers conclusions from them.