2. The new geopolitical situation in the Caspian region

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I. Introduction

The Caspian region has been undergoing radical change since the breakup of the Soviet Union. It is becoming internationalized to an extent not seen before, and a major reconfiguration of power and influence is taking place. Russia’s reduced role and diminishing influence in the Caucasus and in Central Asia since 1991 together with the determined efforts of the states of the region to diversify their relations with the outside world have opened the doors for external actors to engage in the region. The prospects for the exploitation of oil and gas in the region have raised the stakes of external actors.

The purpose of this chapter is to analyse the new geopolitical situation and the impact of the growing international involvement in the Caspian region in an effort to identify trends for the future. The focus is on the distribution of power and influence in the region as reflected in the evolving patterns of cooperation in the fields of energy and security.

The new geopolitical situation as it developed during the 1990s can be characterized briefly as follows: (a) a process of Russian retreat from the Caucasus and Central Asia in the economic, political and military fields; (b) an increasing involvement by external actors (both state and non-state); and (c) increased competition between Russia and external state actors, first and foremost the USA.

A reduced Russian role and increased international cooperation have been regarded by the states of the region as a prerequisite if they are to strengthen their independence. ‘Attempts by the Caspian countries, assisted by foreign actors, to weaken their dependence on this Russian-dominated infrastructure (and on each other) are at the heart of Caspian geo-politics.’1 Tension in the region following from the larger international engagement has been interpreted by several observers as an unwelcome but unavoidable consequence of a geopolitical situation which is understood mainly in terms of strategic rivalry. Russia’s relations with the West deteriorated after the 1994 decision by NATO to enlarge to the east and in 1999 reached their lowest point of the post-cold war era, further confirming Russia’s understanding in geo-strategic terms of the intentions and motives behind Western engagement in the Caspian region.

Energy and security are key issues determining the future strategic setting of the Caspian region. The structures and arrangements which evolve today with

regard to the exploitation and transport of the energy resources in the region and in response to conflicts and threats to security may be decisive for tomorrow’s patterns of cooperation, friendship and dependence. The country or group of countries which can assist the Caucasian and Central Asian states with regard to their energy and security needs will play an important role in the region in the future.

So far Russia has dominated the energy field and no serious alternatives to Russian pipeline outlets exist except on the drawing board. There is, however, an intense political struggle over routes, shares and influence. The exploitation of energy resources and the future routes of pipelines from the oil and gas fields in the Caspian Basin for export to external markets will to a great extent determine the future development of the Caspian region. The energy factor is vital to economic development and wealth but also to the future geopolitical configuration of the region. The outcome of the rivalry between different pipeline options will determine not only the pattern of foreign policy orientation and cooperation in the region but also the influence and position of regional powers. The extent to which powers such as China, Iran, Russia, Turkey and the USA are able to strengthen their influence in the Caucasus and Central Asia depends on what they can offer these states in the energy field.

The embryos of parallel security arrangements for responding to conflicts and crises are in the making in the Caspian region, and the outcome of this process is still unknown. The security of Central Asia and the Caucasus is vulnerable, and local dynamics threaten to overturn pipeline schemes and projects. Weak states, severe social and economic conditions, ethnic and regional divisions, crime and extremism threaten to build up a situation which could erupt in violence, with possible repercussions on the regional level. The question how the security of the region can be guaranteed is as important as the energy issue. The arrangements for security cooperation that evolve will determine not only the future security in the region but also the position and influence of regional powers. Thus, the energy and security issues are closely interconnected.

The parallel drawn by many observers in Russia and in the West between the Russian–Western competition of today in the Caspian region and the ‘Great Game’ of the 19th century between Russia and Great Britain is an oversimplification. It reflects one important aspect of the new situation—a clash of interests between Russia and outside powers—but also distorts the picture and overlooks important differences between the centuries. First, this approach underestimates the fact that the main sources for change are to be found in the internal dynamics of the region rather than in the influence of external actors. Second, it overlooks the fact that there is a multiplicity of non-state actors which act independently from the state actors. Third, it represents a ‘zero-sum’ approach, which emphasizes rivalry and excludes the possibility of a ‘win–win’ outcome. As a result, signs of evolving international cooperation in the region may be dismissed and possibilities missed for joining forces to respond to common challenges. The zero-sum approach, whereby an advance for one actor is regarded a loss for the other, is strong in the Russian tradition of foreign
policy thinking. It has also played a significant role in Western thinking. These aspects are discussed throughout this chapter and evaluated in the concluding section.

The behaviour of the states in the Caspian region very much confirms the basic assumptions of the realist school of thought—that states always seek to increase their security and international influence. The realist school provides the basic assumption in this chapter as to how states behave. This will not, however, prevent us from borrowing the assumption of the constructivist school that international cooperation can change the basic parameters of a region and that the search for a win–win solution is therefore worthwhile.

Section II of this chapter analyses the Russian factor in the Caspian region. Section III gives an overview of the external actors and their stakes, interests and policies. Sections IV and V analyse the impact of international engagement on energy and security arrangements in the region, and the final section presents some tentative conclusions with regard to the trends and prospects for the geopolitical change in the region.

II. The Russian factor in the Caspian region

The great powers, whether Britain and Russia during the 19th century or Russia and the USA today, have often perceived the Caucasus and Central Asia as a single strategic entity. The question can, however, be asked in what sense a single and separate Caspian region exists. With regard to security the independent Caucasian and Central Asian states have not been as interdependent as might have been assumed, since they are both parts of the former Soviet empire. The Caucasian states’ security has been to a great extent shut off from developments in Central Asia, and vice versa. They are therefore analysed here as two subregions or security complexes. The energy issue may slowly change this as pipeline projects connect the states and contribute to pose new, common problems. These include different aspects of security, from safe transport to environmental issues. The orientation of the Caucasian and Central Asian states and their search for active participation in international security arrangements also contribute to make them more interdependent in security matters.

The major changes in the Caspian region during the 1990s followed from the internal dynamics of the former Soviet Union—for example, the centrifugal force after the dissolution of the empire. The Caspian states define themselves and their foreign policy in relation to Russia. As Russia failed to attract them into functioning cooperation in a commonwealth, they were moving away from Russia. As the Russian factor weakened, new dividing lines appeared in the region.

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The number of Russia’s allies in the region shrank during the latter half of the
1990s. Azerbaijan, Georgia and Uzbekistan were the most determined in the
search for closer cooperation with Western states. Neutral Turkmenistan went
its own way, while Kazakhstan and Kyrgyzstan remained fairly close to Russia.
Tajikistan, torn by civil war, was totally dependent on Russia, as was Armenia.
At the end of the 1990s Russia was left with the Commonwealth of Independent
States (CIS), where all the Caucasian and Central Asian states were formal
members but did not actively participate, and the 1992 Treaty on Collective
Security (the Tashkent Treaty), in which, in the Caucasus and Central Asia,
only four of the seven original member states remained.\(^4\) When Georgia,
Ukraine, Azerbaijan and Moldova in November 1997 created GUAM, and
Uzbekistan joined them in April 1999 to form GUUAM, two major political
groups seemed to be in the making.

During the first half of the 1990s Russia tried a policy of integrating all the
Caucasian and Central Asian states into the CIS structures, but in 1996 this
policy had to be revised. Instead policy became diversified with regard to
individual CIS member states. Priority was given to those with which strong
links could be developed, and a stronger emphasis on bilateral relations
followed. As a consequence Armenia developed as a Russian stronghold in the
Caucasus, and Kazakhstan and Tajikistan became Russia’s key partners in
Central Asia. Azerbaijan, Georgia and Uzbekistan played a subordinate role in
Russian policy and distanced themselves from Russia. This trend was clearly
demonstrated when these states withdrew from the Tashkent Treaty in April
1999.

In the economic field a similar process was going on. The volume of trade
between Russia and the CIS member states fell. Russia remained the largest
trading partner of most of the states in the region but on a much lower level. For
all the Caspian CIS member states (except Tajikistan) the share of other CIS
countries in their trade (both import and export) fell during the 1990s. The share
of CIS countries in Russia’s total foreign trade fell from 54.6 per cent in 1991
to 18.7 per cent in 1999 and the share of non-CIS members increased.\(^5\) Russian
capital investment plays a minor role in the region except in the energy sector.\(^6\)

Towards the end of the 1990s Russia seemed to be in a process of retreat not
only outside its borders but also on its own territory. The Khasaviurt Agreement
of 31 August 1996, which ended the first Chechnya war (1994–96), resulted in
a Russian military retreat from the republic. Russia lost control and Chechnya
became de facto independent. Instability, crime and terrorism expanding on an
increasing scale from the territory of Chechnya into neighbouring republics and

\(^4\) Armenia, Kazakhstan, Kyrgyzstan and Tajikistan. On the membership of the Tashkent Treaty see the
appendix in this volume. The text of the treaty was published in Izvestiya, 16 May 1992.
\(^5\) Grinberg, R. S. et al., ‘Sodruzhestvo nezavisimykh gosudarstv: sostoyanie i perspektivy razvitiya’
[Commonwealth of Independent States: current state and development prospects], Paper prepared for an
international conference on ‘Sodruzhestvo nezavisimykh gosudarstv: sostoyanie i perspektivy’ [The CIS:
\(^6\) Yudanov, Yu., ‘Tsentral’ naya Aziya: novy favorit inostrannykh investorov’ [Central Asia: new
regions threatened to undermine the federation as the federal centre was incapable of responding to the challenge. When in August 1999 the crisis in Dagestan erupted after Chechen rebels together with Dagestani Islamists took control of a few villages on Dagestani territory close to the border with Chechnya and proclaimed the goal of creating a Chechen–Dagestani Islamic state, this was considered a serious threat to Russia’s territorial integrity: if the Chechen conflict were to spread to Dagestan it would threaten to reduce the Russian coastline along the Caspian Sea. Moreover, the first Chechnya war, which broke down the social and economic structures and contributed to turmoil in the North Caucasus, threatened Russia’s pipeline for the transport of oil from Baku to its Black Sea port of Novorossiysk as well as the transport and communication lines from Russia to the South Caucasus.

Russia’s fear that the USA would fill the power vacuum left by Russia infected its relations with the USA in the region. Deteriorating Russian–US relations on the European scene in the late 1990s also had a direct impact on the degree of tension in the Caspian region. After the NATO intervention in Kosovo in April 1999 Russia feared that NATO’s new Strategic Concept would imply a risk for NATO intervention in conflicts also in the Caspian region. The Russian reaction was reflected in the new doctrinal documents signed in the spring of 2000—the military doctrine, the national security doctrine and the foreign policy concept.7 Russia’s second military campaign in Chechnya, initiated in September 1999, indicated a new determination to take control of developments in the region but at the same time reflected the long-term trend of a decline in influence.

When Vladimir Putin came to power—first as prime minister in August 1999, then as acting president in December 1999 and as elected president in March 2000—Russian policy became more active in an effort to counter the trend of rapidly diminishing influence in the Caspian region.

As prime minister, Putin initiated the campaign in Chechnya, indicating a new determination to act and capacity to mobilize. This was followed up by a more active policy on CIS territory. The fight against terrorism became a platform for Russian initiatives in developing security cooperation first of all with Central Asian states. Putin took a more active stance on the issue of the transport of Caspian energy and requested a more active engagement by Russian companies in the oil and gas sectors of the Caspian in order to counter foreign/Western investment, projects and proposals. The Russian Government initiated more active diplomacy in mediating in the frozen conflicts of the South Caucasus (in Abkhazia, Nagorno-Karabakh and South Ossetia). As a result of a new awareness that multilateral CIS cooperation had come to a definite stand-

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still, Russia explicitly put more emphasis on developing bilateral relationships, as was evident at the CIS summit meetings in January and June 2000. The government clearly gave priority to winning back those CIS states which were on their way to leaving the Russian orbit and were considered by the USA as strategic key states in the Caspian region—Azerbaijan and Uzbekistan. Uzbekistan has the largest population in the region, the strongest army and a capacity to influence its neighbours. Azerbaijan is a small state without comparable strength but is nevertheless regarded as a key to the gate for the West into the Caspian Sea; a pro-Moscow government there would change the geopolitical balance in the region.

In 1998 Russia’s position had started to change on the issue of the legal division of the Caspian Sea. Russia’s June 1998 agreement with Kazakhstan on the division of the north Caspian Sea into national sectors was followed by a Russian suggestion in June 2000 of an interim solution dividing the seabed into national sectors while preserving general use of the sea’s waters and surface. This stronger support for the principle of national sectors in 2000 was perceived by several Russian commentators as part of an effort to approach Azerbaijan.

Some critics considered Putin’s new policy in the Caspian region counterproductive. The policy was formulated by the Russian Security Council in the spring of 2000; officials in the Ministry of Foreign Affairs remained sceptical. Observers commented that the tougher Russian policy, its concentration on anti-terrorism and its emphasis on Azerbaijan and Uzbekistan could result in a backlash by undermining the support of Russia’s traditional allies.

The response initiated by Putin in late 1999 was a clear effort to turn the tide and win back influence. The Russian Government reacted as if the Caspian region were part of a zero-sum game and tried its best to win that kind of game.

III. International engagement

The international actors in the Caspian region can be divided into state actors (states or organizations of states) and non-state actors (companies, associations or criminal groups). The policies of the states engaging in the Caspian region can be explained by their stakes and interest in the energy resources of the region, their national security concerns and their strategic concerns.

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9 See also chapter 3, section III in this volume.  
10 Jamestown Monitor, vol. 6, issue 112 (9 June 2000).  
11 Vladimir Stupishin, the first Russian Ambassador to Armenia (1992–95), claims that Russia is now carrying out a campaign aimed at improving relations with Azerbaijan and Uzbekistan at the expense of the interests of its closest allies in the South Caucasus and Central Asia—Armenia and Kazakhstan. According to Stupishin, not only could this result in the end of the CIS, it also fundamentally contradicts Russia’s strategic tasks in Central Asia and the Caucasus. He considers there is a serious risk that Moscow’s policy will harm Russian–Armenian relations, that this is the fault of officials who do not understand Russia’s interests, and that it is a victory for US diplomacy which has led Russia to believe the words of Zbigniew Brzezinski about the special role of Azerbaijan and Uzbekistan. A key role in this strategy was played by former Secretary of the Security Council Sergey Ivanov, and the Special Representative of the President for the Caspian Region, Viktor Kalyuzhny. Dzhilavyan, A., ‘Erevan razdel’yaet bol’ Moskvy’ [Yerevan shares Moscow’s anguish], Nezavisimaya Gazeta, 17 Aug. 2000, p. 4.
Stakes and interests

The energy resources in the Caspian region explain to a great extent the engagement by state actors, even if not all external powers have a direct and urgent need for energy from the region. The Caspian oil reserves are estimated at 40–60 billion barrels, only 4–6 per cent of proven global reserves. Unproven deposits may be three times this amount, thereby making the Caspian fields more than twice as great as those of the North Sea.12 Russia has large deposits of its own and for it considerations other than energy demand therefore play the major role.13 To the USA and Europe, Caspian energy is important in order to diversify the supply of energy. The European Union (EU) countries plan to import large volumes of gas from Russia; so does Turkey for its expanding industry. Iran has energy of its own. To China, however, oil and gas from the Caspian region will be crucial in the future in guaranteeing the economic development of the underdeveloped and unstable Xinjiang region and securing the industry along the Chinese coast.

As the costs of exploitation and transport of the Caspian’s resources will be high, the question whether investment will be profitable or not depends on prices on the international oil market. Producers in the Middle East cast a wary look at the Caspian region and may influence the profitability of extracting Caspian oil. As pointed out by Edward L. Morse, ‘The oil producers of the Middle East have absolutely no interest in seeing Caspian oil coming onto the world markets’.14 This adds to the uncertainty over how the planned projects will be financed.

China, Iran, Russia and Turkey have direct national security concerns in the region as they all have borders with states in the region and share national minorities with Caucasian and/or Central Asian states. Russia has a large diaspora in the countries of the region but fears most of all the effects on its own security of instability in the Caspian region spilling over its more or less transparent borders. The turmoil in Chechnya is perceived as closely connected with the growth of irredentism in other parts of the Caspian region, and most recently in Central Asia. Russia regards and will regard the Caspian region as a major concern for its national security.

In July 1997 US Deputy Secretary of State Strobe Talbott stated in a speech that what happened in the Caspian region ‘matters profoundly’ to the USA.15 In the US debate this statement has since been questioned and it has been argued

12 See also chapter 3 in this volume.
14 Morse, E. L., ‘A new political economy of oil?’, Journal of International Affairs (Columbia University), vol. 53, no. 1 (fall 1999). Morse continues: ‘Both Iran and Iraq are opening themselves to foreign investment with the intention, once sanctions are lifted, of raising their production levels’. However, their intention clearly is to attract the capital that is now flowing elsewhere, especially to the Caspian countries. Iran and Iraq together hold some 205 billion barrels of oil, roughly 20% of the world’s total reserves and possibly as much as 10 times more than those of the Caspian region.
that the USA has no direct national security concerns in the Caspian region. Nevertheless, the USA and European states are concerned about security in the Caspian region and as members of international organizations they share with Russia and the Caspian states an interest in and a responsibility to maintain peace and democracy. This mainly explains their engagement in conflict resolution by the Organization for Security and Co-operation in Europe (OSCE) and the United Nations. The more Western companies invest in the energy and the economies of the region, the higher the stakes and the more to secure.

Strategic concerns play a major role for Russia. It regards close relations with the states of the Caucasus and Central Asia as crucial for its international status, and views with deep concern US and Western actors filling the ‘power vacuum’ created by its own retreat. From Russian analysis of the intentions behind the main state actors in the Caspian region it is evident that the geopolitical school of thought has been going through a renaissance in Russia. In extreme form the ideas of John Halford Mackinder of a ‘Eurasian Heartland’ and a strategic rivalry to control it are often referred to in Russian analysis.\(^\text{16}\)

Strategic concerns also play a role in US foreign policy thinking. Emphasis has been given to restraining Russian influence in order to strengthen the independence of the Caspian states. Arguments put forward by influential analysts, among them Zbigniew Brzezinski, to the effect that Russia’s influence on the Eurasian continent must be balanced by strong independent states suit US strategic considerations.\(^\text{17}\) The USA’s focus on Azerbaijan and Uzbekistan follows from the perception of them as key states in such a strategic balancing of Russian influence.\(^\text{18}\)

China, Iran and Turkey have so far remained minor actors in the Caspian region since the breakup of the Soviet Union and their possible strategic concerns have played a subordinate role. The main strategic concerns of China and Iran have been reflected mainly in efforts to prevent the USA as an ‘outsider’ from shifting the strategic balance in the region.

Policies

The most drastic change in the geopolitical situation of the Caspian region is the considerable engagement of the USA, which has raised the concern of China, Iran and Russia.


In the years immediately after the breakup of the Soviet Union the USA lacked a clear policy towards the Caspian region except for general support for the newly independent states, but in 1994 the US Government became more aware of its policy priorities. A Russia-first approach still dominated, but it soon became evident to the USA that its strategic objectives in the region were not only to create conditions in which the Caucasian and Central Asian states were strengthened as independent states but also to hold back and reduce Russian influence. The private sector had early discovered the Caspian region, and US companies took the lead in the international consortia which emerged in Azerbaijan and Kazakhstan during the first half of the 1990s. The US commitments to multiple pipelines followed from its backing the Baku–Ceyhan option in February 1995, which was intended to prevent first Russia but also Iran from dominating future pipeline decisions.

However, it was not until 1997 and the second administration of President Bill Clinton that US strategic objectives in the Caspian region were formulated. In March 1997 then National Security Adviser Sandy Berger singled out the region as one of the priorities to US policy and stressed Washington’s intention to step up its involvement in the Caucasus and Central Asia. The July 1997 speech by Deputy Secretary of State Talbott followed. By active engagement in the Caspian region, in energy issues as well as security matters, the USA sent a clear signal to the world that priority would be given to increasing US influence there even over safeguarding the US ‘partnership’ with Russia.

Together with Turkey the USA formed an axis into the Caspian region consisting of Western-oriented states. When Uzbekistan in April 1999 joined GUAM an East–West belt of states was created which all became important in US policy in the region. Kazakhstan also played an important role in US strategy in the Caspian region, but its geographical location and large Russian population set certain limits to any foreign policy orientation away from Russia.

Turkey is sensitive to developments above all in the South Caucasus. While its relations with Azerbaijan and Georgia developed in the 1990s, relations with Armenia were cut off as a result of the Nagorno-Karabakh conflict. Turkey’s expectations in 1991 that its cultural and linguistic affiliation with the states of the region would enable it to assert leadership in a broad pan-Turkic community, and thereby pave the way for a new international role for Turkey, were not realized. As a result Turkey had to lower its profile. It did not manage to create for itself a substantial political role; instead its economic presence

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20 ‘A farewell to Flashman’ (note 15).


22 Winrow, G., ‘Turkey and Central Asia’, eds Allison and Jonson (note 3); and Winrow, G., Turkey and the Caucasus: Domestic Interests and Security Concerns (Royal Institute of International Affairs: London, 2000).
expanded. Turkish business only had the capacity for small and medium-sized projects and could therefore assist only on the margins of major reconstruction projects. Nevertheless, Turkey’s role in future plans for oil and gas export from the Caspian makes it a key country for the future. The construction of the Blue Stream underwater pipeline for Russian gas across the Black Sea to Turkey and, if it is ever realized, the trans-Caspian gas pipeline from Turkmenistan across the Caspian to Baku and further to Ceyhan would make Turkey the key partner in two rival gas transport projects. The plans for an oil pipeline from Baku to Ceyhan give Turkey a central role with regard to Caspian oil. A member of NATO, Turkey has increased its military and security cooperation with states of the region, primarily Azerbaijan and Georgia. However, its independent influence in the region remains limited. Its role is subordinate to the USA’s and will remain so in spite of the ambitions of individual Turkish politicians.

Like Turkey, Iran never lived up to the great expectations of growing influence in the Caspian region in 1991. Contrary to the fears in the early 1990s that it would export its revolution, Iran in 1993 took on a low profile and a pragmatic and cautious policy in which regional stability had first priority. Iran is deeply concerned about regional stability, especially in the Caucasus, fearing ethnic separatism in its own country. It has a large Azeri minority (more Azeris live in Iran than in Azerbaijan proper). This has contributed to a strong Iranian interest in maintaining close relations with Russia and encouraged it to accept Russia’s strategic interests in the region, and this has hindered the expansion of Iranian influence in the region. Iran has developed its relations in the region by providing technical and financial assistance, supporting regional integration, expanding cultural links, and facilitating the efforts of Kazakhstan and Turkmenistan to develop alternative transit routes for oil and gas. As a littoral state Iran participates in deciding the future legal status of the Caspian Sea. It has remained a defender of the condominium principle in favour of equal sharing of the Caspian Sea between the littoral states.

Iran could have developed into a key state for the export of Caspian gas to Turkey had not the USA maintained its policy of isolating it internationally and effectively locked it out from influence in the Caspian region. Nevertheless, Iran is becoming an important economic partner in the region, especially to Turkmenistan but also to Armenia. Its engagement in conflict resolution has

23 The projected gas pipeline would run under the Black Sea from Izobil’noye in Russia to Samsun and Ankara in Turkey. See chapter 3, figure 3.1 in this volume.
24 With a daunting cost estimate of nearly $2.5 billion, the 1080-mile Baku–Ceyhan pipeline plan has been more popular with statesmen than with businessmen, as its appeal is much more geopolitical than commercial. Even the combined diplomatic weight of the United States and Turkey has failed to overcome the Western oil companies’ commercial doubts about supporting this ‘pipeline dream’. Giragosian, R., ‘Massive Kashagan oil strike renews geopolitical offensive in Caspian’, Central Asia–Caucasus Analyst (Johns Hopkins University, Paul E. Nitze School of Advanced International Studies, Central Asia–Caucasus Institute), 7 June 2000.
27 Herzig (note 25).
28 See also chapters 3 and 9 in this volume.
helped to improve its image in the region. It helped Russia broker the diplomatic settlement in the Tajik civil war and has tried to mediate in the dispute between Armenia and Azerbaijan over Nagorno-Karabakh.

China is situated far from the Caspian but is concerned about stability in Central Asia because it has long borders with Kazakhstan, Kyrgyzstan and Tajikistan, and shared national minorities along these borders. Agreements on borders and demilitarization with Russia and the Central Asian states since 1996 have reduced tension between China and these states. Instead, the issue of separatism in the Xinjiang Autonomous Region of China and fear of the spread of radical Islamism have moved high on the Chinese security agenda. The presence of Uighur minorities in Kazakhstan, Kyrgyzstan and Tajikistan creates a link between Xinjiang and these states and further to Afghanistan, where the Taliban regime is considered the main source of instability in the wider region. The Central Asian states’ achievement of independence provides China with major new economic opportunities. China’s increasing need for energy for its economic development causes it to look to the Caspian region for energy supply. Its interest in maintaining regional stability has made China recognize Russia’s interests in the Caspian region. China’s own influence there is as yet very limited. What role it will play for the states of the eastern Caspian region if Russian influence diminishes further in the future remains an open question.

The USA’s policy of isolating Iran since 1979 created a basis for Iranian–Russian cooperation. The US advance in the Caspian region and its more assertive behaviour awoke China and created a basis also for a Chinese–Russian rapprochement on the issue of countering US influence in the region; but there have been no signs of an anti-US alliance.

Even if China and Iran in the very long term can exercise substantial influence in the Caspian region, for the present Russia and the USA have developed into the main contenders in the region. The way in which they relate to each other and respond to challenges in the region will therefore be decisive in the near future. Russian–US relations are a major determinant of stability in the Caspian region. In the context of competition and rivalry in the Caspian region the relations between the main contenders are crucial. Mixed signals and misperceptions of purposes and intentions may create a tense climate with a destabilizing impact on the region. This is very much the case where energy and security issues are concerned.

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31 Guangcheng Xin, ‘China and Central Asia’, eds Allison and Jonson (note 3).
IV. The energy field—parallel systems evolving?33

Azerbaijan, Kazakhstan and Turkmenistan regarded the energy factor as the key to independence and wealth, and their governments started to look for investors to exploit the energy deposits and for alternatives to the Russian outlets for the export of oil and gas to foreign markets. Russia maintained its monopoly of the pipelines transporting oil and gas to the outside world up to the end of the 1990s, but the new deposits of oil and gas in the Caspian Basin increased the demand for larger transport capacity. In 1998 the small connection which opened for Turkmen gas to Iran, linking Korpedze to the Iranian pipeline system in Kurt-Kui, indicated that alternative options would appear in the future. At the same time small volumes of Kazakh oil were exported by rail to China or by ship to Iran. In April 1999 the Baku extension to Supsa at the Georgian Black Sea coast became operational.

None of these routes provided a serious challenge to Russia’s dominance of the transport system. Nevertheless, they demonstrated a new situation for Russia in the Caspian region energy sector. External interest in Caspian energy in the mid-1990s resulted in memoranda and projects for pipeline options in all geographical directions. Then in November 1999 at the OSCE Summit Meeting in Istanbul, when the presidents of Azerbaijan, Georgia, Kazakhstan, Turkey and Turkmenistan, in the presence of the US President, signed a memorandum and the Baku–Ceyhan pipeline project became the main alternative option, the Russian dominance of oil outlets was seriously threatened.

Even if Russia dominated the existing pipeline systems it could not guarantee an outlet for increased exports of Kazakhstan’s and Azerbaijan’s oil in the future.

Since Soviet times Russia has provided Kazakhstan with a route for oil from Atyrau in Kazakhstan to Samara in Russia and a connection to Russia’s huge export pipeline, but disputes over quotas and prices have hampered cooperation. In order to deal with increasing production at the Kazakh Tengiz field, the international Caspian Pipeline Consortium (CPC), of which Russia is a major member, took on the task of constructing a new pipeline from Tengiz to Novorossiysk. Work was delayed, mainly because of the Russian side and much to the detriment of the Kazakh side, but began in earnest in November 1999 and the pipeline was completed in 2001. It provides Kazakhstan with a major outlet for its oil, thereby securing Russian territory for the transfer of at least a major part of Kazakh oil in the future.

Since Soviet times Russia has also provided Azerbaijan with an outlet for its oil at Novorossiysk. As Russia lost control over Chechnya it also lost control of the pipeline extension from Baku to Novorossiysk, which runs across Chechen territory. An important purpose of the two Chechnya wars was to secure federal control not only over the republic but also of the pipeline. When the second Chechnya campaign was initiated in September 1999, a bypass was built across

33 On the alternative pipeline routes see chapter 3 in this volume, particularly figure 3.1.
Dagestan which became operational in the spring of 2000. Russia plans to upgrade the extension and to make the Chechnya transit operational again, but the situation in the North Caucasus makes it difficult for it to guarantee safe delivery of oil. As long as the Baku–Novorossiysk route is seriously challenged by instability in North Caucasus, Russia’s role in the transport of South Caspian oil is seriously threatened.

With regard to the transport of gas Russia completely dominates the pipeline system and Turkmenistan, the main producer in the region, is thus completely dependent on it. The export of gas requires permanent structures, and for Turkmenistan Russia remained the only option with the extension from Dauletetbad in eastern Turkmenistan over Chardzhou to Russia. A dispute between Russia and Turkmenistan over quotas, tariffs and prices resulted in Turkmenistan temporarily stopping its deliveries in 1997. Several alternative options for the construction of new outlets for gas have been discussed. As long as the USA prevents Western companies from participating in building a gas pipeline across Iranian territory, Russia does not have to fear competition from an Iranian pipeline. However, a rapprochement between Iran and the USA would pave the way for the export of Turkmen gas across Iran to Turkey. If a trans-Caspian gas pipeline is ever constructed from Turkmenistan to Baku and further to Ceyhan, as was agreed in a second memorandum signed in November 1999, Turkmenistan will become a main competitor to Russia’s own Blue Stream project.

When Putin became Russian Prime Minister a more determined effort was launched to counter Russia’s loss of influence in the Caspian region. In April 2000 in the Russian Security Council Putin stated that Russia should be more active in the region and requested more active participation in the exploitation of the Caspian energy resources and coordination of the activities of the companies involved, the government and the ministries. The post of Special Representative of the Russian President in the Caspian region was created with the responsibilities of coordinating policy and dealing with all foreign policy issues concerning the region, including the legal division of the Caspian Sea, and the former Minister for Energy, Viktor Kalyuzhny, was appointed. Efforts to coordinate state and corporate policies were considered crucial.

The bypass across Dagestan was the result of the renewed Russian effort in 1999 to counter the Baku–Ceyhan proposal, as was the launching in earnest of the CPC pipeline from Tengiz in Kazakhstan to Novorossiysk. In the spring of 2000 Russia also increased the quota of Kazakhstani oil being pumped to the north from Atyrau to Saratov, evidently aiming to reduce Kazakhstan’s interest in connecting to the Baku–Ceyhan oil pipeline in the future. However, when

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34 Shakhov, D., ‘Moscow toughens its positions in Caspian region’, 20 May 2000, URL <http://www.transcaspian.ru/chi/web/eng/29.html>. According to Shakhov tension and clashes between the state and companies and between companies are common. For the time being the government decides whether a company may join a consortium or not and whether it may develop an oil or any other deposit or not. Apart from Transneft such companies as Unified Energy Systems (UES), Gazprom and Lukoil now negotiate with officials from the Ministry of Foreign Affairs and Ministry of Environment on an increasingly regular basis.

35 Shakhov (note 34).
new oil deposits were found at Kazakhstan’s Kashagan field in the summer of 2000, Kazakh Prime Minister Kassymzhomart Tokayev stated that Kazakhstan still maintained an interest in the Baku–Novorossiysk and Baku–Ceyhan options.36

In the autumn of 1999 Putin also initiated discussions on an increase of Russian imports of Turkmen gas. Russia wanted to consolidate its leverage over Turkmen gas exports by buying 49 billion cubic metres (bcm) of Turkmen gas annually for the next 30 years. A document of intent was signed in May 2000 whereby Russia was to increase its purchases of Turkmen gas by 10 bcm each year from 2001 to a level of 60 bcm by 2004. The sides would continue negotiating over the prices and the payment mechanism during the year.37 Analysts commented that if they agreed on pricing the proposal for a trans-Caspian gas pipeline to Turkey would definitely be shelved.38 Nevertheless, Turkmen President Saparmurat Niyazov in May 2000 declared his country’s continuing interest in maintaining several pipeline options.

It therefore remains unclear what pipelines will be constructed in the future. Even if Russia during 2000 demonstrated that it had not lost the battle for the future transport of oil and gas from Kazakhstan and Turkmenistan, the prospects of it securing the Baku–Novorossiysk pipeline seemed more limited, even with the bypass across Dagestan. The second Chechnya war seemed unlikely to bring stability to the North Caucasus in the near future. Instead Russia again risked becoming trapped in Chechnya and threatened by the spread of the war into neighbouring territories.

Parallel pipeline systems for Caspian oil and gas may be in the making and, as alternative routes are constructed, Russian dominance in the region is being undermined.

The memorandum signed in 1997 on the construction of an eastern 3000-km oil pipeline from the Kazakh oil fields to Xinjiang in China and on to the Chinese coast may not be realized in the near future for financial reasons. However, it reflects China’s role as an economic actor in Central Asia. In 1997 the China National Petroleum Company was allowed to buy a 60 per cent share in the Kazakh oil company in Aktyubinsk and to develop the oilfield at Uzen. China is also becoming a major trade partner for Kazakhstan and Kyrgyzstan. The infrastructure of highways, railways and air communication under construction will increase China’s trade with the Central Asian states and may pave the way for a drastic increase in China’s economic role in the region as soon as the pipeline is operational and energy cooperation is fully developed.

Iran’s role with regard to outlets is so far limited but, as mentioned above, it provides alternative outlets for small volumes of oil and gas. Through swap arrangements for oil and the gas pipeline connection that was built in 1998 and connects the Turkmen and Iranian systems, Iran assists Turkmenistan with

36 Nezavisimaya Gazeta, 16 June 2000, p. 4. See also Jamestown Monitor, vol. 6, issue 104 (26 May 2000).
38 McCarthy (note 1).
39 Olcott (note 30).
outlets. Like China, Iran is actively engaging in the economic field and its trade is increasing especially with Armenia and Turkmenistan.

It is an interesting question how far companies in the energy field will follow their commercial interests and how far they will follow political interests as defined by their governments. While the answer may be clear with regard to Chinese and Iranian companies, as state interests will prevail over commercial interests, the situation is different for Western companies. British and US companies play a major role here. The US Government may be able to prevent US companies from investing in pipeline systems in Iran, but it cannot force them to invest in non-profitable objects. Moreover, similar cost-benefit analysis seems increasingly to apply to the Russian side.

The main Russian companies involved are Gazprom, Lukoil, Rosneft and Yukos, with important interests in the exploitation of resources in the Caspian. The most active is Lukoil, which is a partner in several international consortia in the South Caspian. In the spring of 2000 Lukoil further intensified its activities in the exploitation of Azerbaijan’s resources in the South Caspian. In August 2000 it was joined by the Belarussian–Russian oil company Slavneft.

The Russian side is by no means monolithic. Since the early 1990s Russia has spoken with several voices on policy in the Caspian. Companies pursue their own interests, which have not always been in line with those of the government. Lukoil provides an example. In 1993–94 intergovernmental agreements were signed about cooperation in the oil sector with the participation of Lukoil where the term ‘Azerbaijani sector’ was used contrary to the Russian Foreign Ministry’s declared view that it did not accept the principle of ‘national sectors’. From about 1996 Russia’s policy towards its neighbours became more integrated, constructive and ready to compromise. The shift of the Russian position with regard to the division of the Caspian Sea has been explained by Lukoil’s interests in the South Caspian resources and Azerbaijani deposits, which put the Russian Government under pressure to adapt its position. Thus, the Russian companies represent a dynamic which may contribute to change the character of the strategic–political competition between state actors in the Caspian region into a mainly commercial competition between companies.

In a long-term perspective it is demand for energy from the Caspian region that will determine the directions of the pipelines and several major routes may therefore be constructed. Turkey’s expanding industry may require not only Russian but also Turkmen gas in the future. China, which is in desperate need

40 British-based multinationals, notably BP, Shell and British Gas, are among the biggest investors in Caspian oil and gas projects, especially in Azerbaijan and Kazakhstan. McCarthy (note 1). BP heads the Azerbaijan International Operating Company (AIOC). Evans, M., ‘The Caucasus and the Black Sea’, RUSI Journal, Apr. 2000, pp. 55–60. US companies also play a large role. There is an unusually high US component in licence terms and supply contracts of the oil industry; virtually all the supply contracts to develop the area have a US component. Morse (note 14).


42 Memorandum signed by the State Oil Company of the Azerbaijan Republic (SOCAR) and Slavneft on projects on the deposit at Guneshli. Gadzhizade, A., ‘Nashli drug druga’ [Found each other], Nezavisimaya Gazeta, 15 Aug. 2000, p. 5.
of gas and oil, will try to find the capital necessary for investments in new pipelines from Central Asia, possibly even regardless of commercial calculations. An expanding South Asian market may need direct access to Caspian energy even across Afghanistan if turmoil and war in that country come to an end. This means that, even if not all options are realized in the future, the energy factor may contribute in the long run to integrate the countries of the Caspian region into parallel and partly overlapping networks in different geographical directions.

V. The security field—parallel systems evolving?

Even if Russia has lost its earlier role as a security guarantor in the Caspian region, it remains the major state offering security assistance. Nevertheless, as it withdraws its troops from Central Asia and the Caucasus it has not succeeded in replacing its former military presence with a viable security system embracing the states of the Caspian region, and other security arrangements have therefore evolved. Thus, since the early 1990s the international community, first and foremost the UN and the OSCE, have engaged in conflict resolution in the region. Since the mid-1990s NATO and NATO-led cooperation, as in the Partnership for Peace (PFP) programme, have played the major role. It remains unclear what security arrangements will prevail in the future. A decisive question is who will provide security assistance in responding to the new challenges to the countries of the region.

A Russia-based security system

The elements of a Russia-based security system are the Tashkent Treaty, various CIS agreements, and bilateral agreements between Russia and individual states of the Caspian region. The Tashkent Treaty, which now includes six countries (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan) does not include Azerbaijan, Georgia, Turkmenistan or Uzbekistan. Turkmenistan, which is neutral, never joined the treaty, and in April 1999 the other three chose not to extend their participation. No viable structures were constructed on the basis of the treaty and bilateral agreements between Russia and individual states therefore complemented the treaty.

During the 1990s Russia tried to create structures within the CIS framework for dealing with internal threats to the security of the member states. However, when Russia suggested the creation of permanent troops and mechanisms for conflict prevention and peacekeeping the other CIS states remained reluctant. They did not agree to set up a permanent CIS peacekeeping force or to give CIS bodies the power and responsibility to decide on the use of force. Only in two of the four conflicts on former Soviet territory (Abkhazia and Tajikistan) did a CIS mandate exist for the Russian peacekeeping troops.

Since August 1999, when Chechen rebels intruded into Dagestan and Uzbek Islamists forced their way into Kyrgyzstan, heading for Uzbekistan from Tajik-
istan, the Putin Government has made the common fight against terrorism the linchpin of security cooperation with Central Asian and Caucasian states. The Tashkent Treaty was activated in support of Kyrgyzstan and Russia provided military assistance, weapons, equipment and military advisers to Kyrgyzstan; however, no soldiers were sent. At the CIS Council of Defence Ministers meeting in September 1999 Putin announced the establishment of an ‘anti-criminal coalition’ in order to handle extremists ‘everywhere from the Caucasus to the Pamir’. A series of joint command-and-staff exercises for anti-terrorism combat followed with Kyrgyzstan, Russia, Tajikistan and Uzbekistan participating. The CIS summit meeting in January 2000 decided to work out an interstate programme of joint measures to combat extremism, terrorism and organized crime. The CIS summit meeting in June 2000 adopted a programme on the fight against extremism, terrorism and organized crime and decided to set up an anti-terrorism centre. In May 2000 the agenda of the Tashkent Treaty was adapted from its earlier focus on external threats of a traditional, military kind to a focus on international terrorism and separatism. In October 2000 a general decision was taken to create a common force, which would function as a joint rapid-deployment force in anti-terrorist operations. Russia thus made the fight against terrorism into the platform for vitalizing CIS military and security cooperation, especially in Central Asia. Yet the Central Asian states remained as reluctant to delegate power to the centre as they had proved to be in earlier discussions within the CIS and among the parties to the treaty. The CIS members’ different interpretations of what constitutes a terrorist threat also indicated complications for the future anti-terrorist struggle.

Combating international terrorism and extremism became a main theme of Putin’s rapprochement with Uzbekistan. As a consequence of events in Kyrgyzstan, Russia and Uzbekistan returned to military and security cooperation both between themselves and with other CIS states. Agreements were signed when Putin visited Uzbekistan in December 1999 and May 2000 envisaging cooperation between the two countries’ defence ministries and armed forces in strengthening military security, developing and producing military equipment and armaments, training military personnel, and the joint struggle against international terrorism. Without returning to the Tashkent Treaty, Uzbekistan from the autumn of 1999 began to participate in joint exercises and training with Russia and the other parties to the treaty. The fear of radical Islamism and terrorism thus seemed to influence the geopolitical balance in the region.

43 *Jamestown Fortnight in Review*, no. 18 (Oct. 1999).
46 The Russian proposal of Nov. 1999 to create ‘joint rapid-deployment anti-terrorist forces’ under the Tashkent Treaty was not endorsed by the CIS member states. ITAR-TASS, reported in *Jamestown Monitor*, vol. 5, issue 206 (5 Nov. 1999).
It remains to be seen whether this rapprochement between Russia and Uzbekistan is sustainable. There is much to suggest that Uzbekistan’s policy towards Russia is of a pragmatic turn, which means that Uzbekistan does not intend to harm its good relations with the West. Uzbekistan did not join the CIS anti-terrorism centre and President Islam Karimov has urged the UN and the OSCE to take a more active stance on the anti-terrorism issue.48

**An international community-led security system**

The embryo of an international community-led security system in the Caucasus and Central Asia developed rapidly in the 1990s but reached an impasse at the end of the decade. The UN and the OSCE contributed in monitoring and mediating in the conflicts in Azerbaijan (Nagorno-Karabakh), Georgia (Abkhazia and South Ossetia) and Tajikistan. They influenced Russian policy by providing standards and rules of conduct for Russian peacekeeping missions. Even if the conflicts in the Caucasus remain frozen, and so far a peace agreement has been signed only in Tajikistan, the participation of the UN and the OSCE has contributed to internationalize the conflicts and to bring the states concerned into the international community. The OSCE also played a role in the Chechnya conflict from 1995 to 1998, when its mission withdrew from Chechnya because of the security situation there. The Assistance Group for Chechnya in April 1995 was given a broad mandate and the head of the group was instrumental in facilitating the negotiation process which led to the 1996 Khasaviurt agreement and an end to the first Chechnya war.49

**A NATO-based security system**

The embryo of a NATO-based security system developed mainly during the late 1990s. In 1994 all the Caucasian and Central Asian states (except Tajikistan) joined the PFP programme, and since then the major part of their security cooperation with Western states has developed under the umbrella of the PFP. All the Caspian states (including neutral Turkmenistan) declared a great interest in further developing their individual programmes with the PFP. Armenia,

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48 In Oct. 2000 Uzbek President Karimov and the visiting Turkish President issued a joint statement calling for the establishment of a Central Asian anti-terrorist centre under UN auspices. As observers commented, the proposal seemed designed to counterbalance the plan for a Russian-led anti-terrorist centre, which Uzbekistan had declined to join. The 2 presidents also decided to create a consultative mechanism of their law enforcement, military and intelligence agencies to prevent and investigate acts of terrorism and agreed on the ‘need to settle regional security issues in coordination with the UN, the Organization for Security and Co-operation in Europe and NATO’. The phrase signifies Uzbek rejection of Russia’s latest plan for a ‘regional group of forces’ under its own leadership within the framework of the Tashkent Treaty. *Jamestown Monitor*, no. 197 (23 Oct. 2000).

49 The OSCE Assistance Group was given a mandate to carry out its tasks in conjunction with the Russian federal and local authorities and in conformity with the legislation of the Russian Federation. Skagestad, O. G., ‘How can the international community contribute to peace and stability in and around Chechnya?’, eds L. Jonson and M. Esenov, *Chechnya: The International Community and Strategies for Peace and Stability* (Swedish Institute of International Affairs: Stockholm, 2000).
Russia’s stronghold in the Caucasus, in early 2000 also announced an increased interest in participating in the PFP.  

In fact much of what is understood as PFP cooperation does not formally constitute PFP activities but is part of bilateral cooperation between a NATO member and individual Caucasian or Central Asian states—what NATO officials call ‘in the spirit of PFP’. The PFP offers individual programmes for states to develop cooperation to the degree they themselves want, and most PFP member states perceive PFP cooperation as the first step towards an application for membership of NATO. Of the countries in the Caspian region only Georgia, through President Eduard Shevardnadze, has declared its intention to join NATO and to apply for membership in 2005 at the latest. Subregional organizations have indicated an interest in developing security cooperation on the local level and also within a PFP framework. The Central Asian Battalion (CentrasBat), created in 1996 by Kazakh, Kyrgyz and Uzbek units, has held annual exercises since 1997 with US troops participating within the PFP programme. Russia participated in the exercises in 1997, 1998 and 2000. In early 1999 the GUUAM states—those most willing to cooperate with the PFP and NATO—agreed in principle on setting up a peacekeeping unit for the South Caucasus.

NATO Secretary General Lord Robertson visited the region in July 2000 to discuss among other issues the fight against terrorism. He urged the Central Asian states ‘to take advantage of what NATO has to offer through the Partnership for Peace because there are a lot of doors that would open to them’.

The USA has tried not to be left behind in the field of anti-terrorism. The Central Asian tour by Madeleine Albright in April 2000 was the first by a US Secretary of State since James Baker visited the area in 1992. Regional security and the fight against terrorism were high on the agenda and Albright promised US financial help for this purpose to Kazakhstan, Kyrgyzstan and Uzbekistan.

While the Caucasus is considered almost a neighbour of NATO, Central Asia is not. In spite of official US statements indicating a will to guarantee the security of Caspian states, there is no support in Congress for sending US troops. Influential reports have warned the USA and NATO of the risks of over-committing themselves in the Caspian region. Neither would be able, critics argue, to live up to the expectations of the states of the region if a serious threat to security did develop, and they warned about the consequences for NATO itself of a major NATO engagement in the Caspian area. The same may hold

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50 Foreign Ministry spokesman Ara Papian said that Armenia’s participation has been minimal and this situation required correction.
53 On CentrasBat see also chapter 5, section V in this volume.
54 Reuters, ‘NATO urges better mutual ties in Central Asia, with West’, 5 July 2000.
55 ‘If you go to a senior Pentagon official, or the great majority of congressmen, and suggest the deployment of US troops to the Caspian region—to bases or as peacekeepers, let alone in conflict—they look at you as if you had sprouted a very large pair of hairy ears.’ Lieven, A., ‘The (not so) Great Game’, National Interest, no. 58 (winter 1999–2000).
56 Sokolsky and Charlick-Paley (note 26); and Blank (note 21).
true for the EU, which by 2003 will set up a rapid reaction force for conflict prevention and crisis management. However, there is no general interest among EU or NATO members in engaging militarily or deploying troops in violent conflicts on former Soviet territory. There is rather a great disparity of views as to how far it is in the interest of NATO as an organization or of its individual members to engage in areas far away from NATO's traditional geographical area.57

Security threats

The issue of terrorism activated China as well as Turkey. China increased its participation in the ‘Shanghai Five’, which has developed since the 1996 agreements between Russia, China and its Central Asian neighbours. In July 2000 the group was renamed the Shanghai Forum, Uzbekistan joined as an observer and it was decided to set up an anti-terrorism centre in Bishkek.58 China delivered weapons to Uzbekistan for fighting terrorists in 1999 and 2000 and in September 2000 signed an agreement on military cooperation with Uzbekistan. In Central Asia the approach to China is ambivalent, but many regard China as an increasingly important actor in the fight against terrorism. It shares the fears of the Central Asian leaders in this regard and was thus stimulated to develop security cooperation with Kazakhstan, Kyrgyzstan and Uzbekistan. Turkey’s interest in also playing a role was reflected when in October 2000 the Turkish and Kyrgyz presidents decided to create an expert group to combat international terrorism. The Turkish delegation brought with it a donation for non-lethal military equipment to the Kyrgyz armed forces. This was the third Turkish donation on such a scale since the 1999 incursion of Islamist insurgents into Kyrgyzstan.59

A main question for the future will be who is prepared to take on the task of assisting in the fight against terrorism in a region with weak states and a high potential for conflicts. The security of the Caspian region is to a great extent a question of non-traditional, non-military threats, which require a different kind of response from the military one. The roots of the new terrorist threats can be found in the severe social and economic conditions, and measures for economic development and political reform are therefore decisive. However, if such measures are not taken, conflicts may develop which really will require a military response.

VI. Prospects for the future

During the 1990s the trend of a Russian retreat and a larger international engagement, which were clearly reflected in the fields of energy and security, changed the geopolitical situation in the Caspian region. Vladimir Putin’s

57 Bhatty and Bronson (note 51).
58 In June 2001 Uzbekistan became a full member of the forum and the name of the organization was changed to the Shanghai Cooperation Organization. For details see chapter 5, section V in this volume.
59 The donation was worth $2.5 million. Jamestown Monitor, issue 197 (23 Oct. 2000).
policy for turning the trend seemed at first to be successful, but this success may prove to have been more symbolic than real. In the South Caucasus the trend of a Russian retreat continues in spite of Russian efforts to reinterpret the agreement on troop withdrawal from Georgia signed at the OSCE Summit Meeting in Istanbul in November 1999. Putin made a major counter-offensive on the issue of the exploitation and transport of Caspian energy but was not able to put an end to plans for alternative outlets. He seemed more successful with regard to security in Central Asia as, during his first year, he returned Uzbekistan to military and security cooperation with Russia and strengthened the cooperation of Kazakhstan and Kyrgyzstan within the Tashkent Treaty. Yet the Central Asian states remained as reluctant to join permanent defence structures as before. As long as Russia is unable to make an economic breakthrough in relations with Caspian states it seems difficult for it to really turn the trend.

The states of the Caspian region are vulnerable as they are weak and in deep economic, social and political trouble. There is great potential for conflict and tension within them. If Russia is not able to guarantee security in the region or to provide the vehicle for economic development, the question is what other state or states would be prepared to fill that vacuum. The influence of the USA in the region has increased drastically since the mid-1990s, but many observers have questioned whether it would be prepared to take on a major role to guarantee security in the South Caucasus or Central Asia. A long-term US influence can only be guaranteed if it is part of a multilateral framework. NATO’s role, however, is growing rather as providing a larger framework for subregional cooperation than as offering direct military assistance in the event of conflict. While NATO may contribute to stability in the South Caucasus it can hardly be expected to play a major role in the event of a serious conflict in Central Asia.

Among the regional powers, the prospects for Turkey will remain limited to the South Caucasus. Iran is important for regional stability but has so far developed no contacts in the security field, instead concentrating on economic relations. The day US sanctions against Iran are lifted, a gas pipeline to Turkey across Iranian territory may become a reality and Iran may emerge as a major economic partner of the Caspian states.

If Russia continues to withdraw from Central Asia China may in the long term play a larger role in security. Uighur separatism and the spread of radical Islam are causing China serious concern as regards security in Central Asia and Afghanistan. A resurgent China may therefore in the future take on a larger engagement in Central Asian security, which would inevitably be considered a strategic threat by Russia. China’s economic relations with Central Asia have a tendency to increase and when the Kazakh–Chinese oil pipeline is completed the Chinese economy will play a central role in Central Asian economic development.

Clashes of interest and competition for influence between state actors have followed the redistribution of power and influence in the region. This has given

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60 Jonson, L., ‘Russia, NATO and the handling of conflicts at Russia’s southern periphery: at a crossroads?’, *European Security*, vol. 9, no. 4 (winter 2000). See also chapter 5, section III in this volume.
nourishment to a zero-sum understanding of the situation and the present ideas of a Great Game. However, the conclusion of this chapter is rather that there is such a variety of actors and interests on all sides involved in the Caspian region that no clear-cut picture of any strategic game can be seen. What on the surface seems to be a zero-sum game is much more complicated.

As pointed out above, neither Russia nor other states engaging in the region act as monolithic actors. The Russian Government has encouraged Russian state bodies and private companies to engage in the Caspian region in an effort to counter Western influence. However, differing interests within the Russian state, between the state and the companies and between the companies often result in contradictory behaviour. Russian companies increasingly look for commercial solutions and may themselves constitute a strong lobby on issues in the Caspian region. The same could be said on the Western side. Are Western companies ready to accept political decisions on investments if they are not financially attractive?

Energy is a field where Russia and Western interests may clash, but it also opens the most promising prospects for future cooperation between external actors and the Caspian states. It may provide the dynamic for economic and political reforms in the Caspian states by securing investment. The security field also opens the way for international cooperation. China has joined Russia and Central Asian states in the Shanghai Forum in response to terrorism. There are multilateral and bilateral forums for dealing with the situation in Afghanistan: the ‘Six Plus Two’ group for discussions with the warring Afghan factions, which includes Afghanistan’s neighbours plus Russia and the USA, is an example of a multilateral forum, while the talks initiated in August 2000 between Russia and the USA on terrorism and Afghanistan are an example of bilateralism. The UN and the OSCE in 2000 increased their efforts on these issues. In the field of security there is a great need for joint international efforts in order to stabilize the Caspian region, and there are signs that such efforts may develop.

The geopolitical situation in the Caspian region continues to change, and whether external powers and the states of the region are able to respond to the challenges of the ongoing transformation in the region and take the chances for international cooperation will be crucial for the future.