
19. The Caspian Sea region: towards an unstable future

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I. Introduction

Analysis of the evolving security environment in the Caspian Sea region clearly demonstrates its multidimensional character. It is profoundly influenced (a) by domestic developments in the Caspian states, which are passing through a dramatic process of political, social and economic change, and (b) by the different, sometimes sharply competing, national interests of various international actors in the region. The interaction of these factors over the past decade has been mostly destabilizing, and there is little evidence that in the foreseeable future the security situation in the region will improve in any substantial way. On the contrary, the analyses of the prevailing current social, political and economic trends by the authors of this volume lead to the unhappy conclusion that the attainment of political stability and economic progress for most of the regional states remains an elusive goal.

II. The regional states

The new Caspian states

Political stability and economic progress are particularly elusive in the case of former Soviet republics of Central Asia and the South Caucasus, where continuity and changes in their security policies are closely linked to their highly volatile internal situations, which are characterized by lack of political stability and dangerous social and economic strains. The state of their economies worsened considerably during the greater part of the 1990s. According to data released by the Interstate Statistical Committee of the Commonwealth of Independent States (CIS), gross domestic product (GDP) measured in constant US dollars fell over the nine years 1991–99 in Armenia by 27.5 per cent, in Azerbaijan by 46.6 per cent, in Georgia by 53.7 per cent, in Kazakhstan by 29.6 per cent, in Kyrgyzstan by 31.5 per cent, and in Uzbekistan by 4.8 per cent.¹ As a result of this sharp decline living standards in the Caspian states plummeted and over one-third of their populations found themselves living below the poverty line.² Even though the first signs of recovery appeared at the

¹ *Sodruzhestvo Nezavisimyykh Gosudarstv v 1999 Godu: Statisticheskiy Ezhegodnik* [Commonwealth of Independent States 1999: statistical yearbook] (CIS Interstate Statistical Committee: Moscow, 2000), p. 18.

² According to the World Bank's report for 1999/2000, by the mid-1990s the percentage of the population living below the poverty line was 34.6% in Kazakhstan and 40% in Kyrgyzstan. World

end of the 1990s, none of the Caspian states has succeeded so far in creating the conditions for sustainable economic growth that would mitigate political and social discontent among the general population.

The unresolved economic and social problems in their turn continue to breed ethno-political conflicts, which are being used by radical religious and nationalist elements to encourage new and strengthen existing secessionist tendencies in the region.

In the South Caucasus the threat of secession continues to be most prominent in Abkhazia, Nagorno-Karabakh and South Ossetia. In spite of repeated efforts undertaken at the national and international levels over the past decade, the political status of all these three territories which aspire to independence remains unresolved. Even though hostilities there are stopped or reduced to occasional incidents, tensions run high along the ceasefire lines, keeping alive the possibility of a resumption of large-scale armed confrontation. In Central Asia the ethno-political situation also remains unstable as religious and nationalist radicals, receiving ideological guidance as well as political and military support from abroad channelled through Afghanistan, intend to form an Islamic state in the Ferghana Valley, which runs through Kyrgyzstan, Tajikistan and Uzbekistan, resorting to violence for that purpose.

As a consequence not only is the process of nation-building in the new sovereign regional states seriously impaired, but even the very existence of some of them, at least within their present borders, remains in serious doubt, which means that most if not all of them are likely to remain in a state of acute political and social instability for many years to come.

In order to overcome their social and political crisis and to stop destructive domestic processes, the new Caspian states desperately need a major breakthrough in their economic development. For most of them the principal sustainable source of economic prosperity is oil—the exploration and export of their energy resources or revenue from the transport of oil and gas across their territories, or both. As none of these countries can expect any other economic sector to offer real prospects for development in the foreseeable future, it is quite logical for them to orient their domestic economic strategies and foreign policies towards these goals. Since Russia, their main economic partner within the former Soviet Union, has until recently been either unable or unwilling to assist them in the rapid and massive development of their oil and gas resources it has become quite natural for these countries to seek new political and economic partners. However, the new Caspian states' initial expectations of rapid prosperity thanks to the 'oil factor' have been shown to be over-optimistic. Moreover, they find themselves in a new political and security situation in the Caspian region, which is increasingly threatened by deepening conflict over their very interests in the oil and gas reserves there.

In the absence of a new, mutually agreed legal regime of the Caspian Sea, there are mounting disputes between the littoral states over ownership rights to the

existing and prospective oil and gas deposits which create a dangerous potential for new and more serious conflicts. A comprehensive agreement on the legal status of the sea that was acceptable to all the littoral states could have been a fundamental condition for preventing the further escalation of these tensions. Even though the differences on the legal status of the sea were narrowed as a result of intensive negotiations between the littoral states in 2000–2001, there has so far not been sufficient progress in this direction.

The choice of oil and gas routes from the Caspian Basin to the world market continues to be another sore point in relations between the littoral states. The nature of the debates on this issue reflects the increasing polarization of the positions taken by the individual Caspian states. On top of this the security of oil and gas transport routes is threatened by a number of local conflicts. Although such conflicts as those in Abkhazia or Nagorno-Karabakh have their own dynamics, they have become increasingly linked to the oil factor, since their settlement is regarded as a necessary condition for ensuring the security of both existing and planned oil and gas routes in the region. Here again there has been no substantial progress.

As a result of continued domestic instability in the regional countries and lack of progress in interstate relations on major issues, a new security agenda has taken shape in the Caspian region over the past decade.

Responding to growing domestic and external security threats, the new Caspian states (with the exception of Georgia) are actively building up their national special security and regular armed forces and continuing to increase their military budgets and arms acquisitions.³ In their foreign relations, including those with their Caspian neighbours, they have been trying to establish a safe security environment and create effective security mechanisms that would help to de-escalate existing tensions and prevent new conflicts in the region.

Their concrete security strategies have, predictably, been different depending on their individual threat assessments, indigenous defence capabilities, the combat readiness of their national armed forces and so on. Armenia, Kazakhstan, Kyrgyzstan and Tajikistan, although they participate (with the exception of Tajikistan) in the NATO Partnership for Peace (PFP) programme, basically rely on security cooperation within the 1992 Collective Security Treaty (the Tashkent Treaty), led by Russia.⁴ Turkmenistan has opted for neutral status as the best response to security threats.⁵ Azerbaijan and Uzbekistan are pursuing their security policies by simultaneously building up security relations with NATO countries and maintaining limited military cooperation with Russia on a bilateral basis. A consistently prominent role in regional security affairs is

³ For details see chapter 5 in this volume.

⁴ On the membership of the Tashkent Treaty see chapter 5, section V in this volume.

⁵ According to President Eduard Shevardnadze, Georgia is also considering adopting neutral status instead of its earlier plans to join NATO. Georgia Radio, Tbilisi, 12 Feb. 2001. See also Broladze, N., 'Sredstvo protsvetaniya—neytralitet' [The means to prosperity is neutrality], *Nezavisimaya Gazeta*, 29 Mar. 2001. This may reflect not only an admission that it cannot meet the economic, political and military standards of NATO but also the impossibility of adopting policies that would further antagonize Russia.

played by multilateral alliances involving the active participation of extra-regional countries. An outstanding example of one already fully formalized alliance is the Shanghai Forum, which includes China as well as Kazakhstan, Kyrgyzstan, Russia and Tajikistan. Meeting for the first time in Shanghai in 1996 to discuss the demilitarization of the CIS–Chinese border, the presidents of these countries gradually shifted the emphasis at subsequent annual meetings to the pressing security threats posed by separatism and Islamic extremism. Uzbekistan joined the forum in June 2001, stating its interest in participation in joint anti-terrorist and anti-separatist activities,⁶ and it was later renamed the Shanghai Cooperation Organization.

However, as the existing security arrangements, whether bilateral or multilateral, have proved to be partly or even totally ineffective in coping with their domestic and external security concerns,⁷ the new Caspian states have continued their search for new security schemes. Some of their initiatives, such as the formation of the Central Asian Battalion (CentrasBat) in May 1996 and its annual exercises since 1997 with the participation of NATO units, have already become part of the new security environment in the Caspian region. Others, given the extent of the differences between the countries covered by such proposals and the lack of mutual trust, will need a great deal of effort before they can be accepted and put into practice.

Thus, in the South Caucasus the presidents of Armenia and Azerbaijan, Robert Kocharian and Heidar Aliyev, respectively, addressing the Summit Meeting of the Organization for Security and Co-operation in Europe (OSCE) in Istanbul in November 1999, proposed the creation of a South Caucasus security system. However, although agreeing on the ultimate goal of strengthening regional security, they had different perceptions of future security arrangements.

According to President Kocharian a future regional security pact should not only address issues of military security and conflict resolution but also provide a basis for regional economic cooperation. As to the membership of the pact, he suggested that it should be based on a ‘three plus three plus two’ formula, with Armenia, Azerbaijan and Georgia as its core members, Iran, Russia and Turkey as guarantors, and the USA and the European Union (EU) as sponsors.⁸ Addressing the Georgian Parliament in March 2000, Kocharian expanded on this proposal, saying that without the involvement of all the powers which have influence in the region any future security pact would fail. In this regard, he

⁶ ‘Shankhayskaya pyatyorka rasshiryayetsya’ [The Shanghai Five expand], *Nezavisimaya Gazeta*, 5 July 2000. On the Shanghai Cooperation Organization see also chapter 5, section V in this volume.

⁷ Thus, in May 1998 a union of Russia, Tajikistan and Uzbekistan was declared with the aim of preventing the spread of Islamic extremism onto the territory of Central Asia from Afghanistan. In Oct. 1998 the presidents of these states signed a trilateral agreement promising mutual assistance in the event of one of them being seriously threatened by militant Islamic forces. However, the interaction among the parties in combating the threat of Islamic extremism proved very inefficient. This provoked deep dissatisfaction with its partners on the part of Uzbekistan, which in Apr. 1999 withdrew from the Tashkent Treaty.

⁸ ‘Address by H. E. Robert Kocharyan at the OSCE Summit in Istanbul, 19 November 1999’, URL <http://www.armeniaforeignministry.com/htmls/speeches/rk_osce1_1999.html>.

stressed that 'stability will not rest on any solid basis if we ignore the need to cooperate with Russia. The region cannot fail to take account of Russia's fundamental interests'. He also stated that the Russian military bases in Armenia and Georgia must be incorporated into any future regional security plan.⁹

In contrast, President Aliyev placed issues of military security at the centre of his proposal.¹⁰ He also insisted that under the terms of the proposed security system in the South Caucasus all foreign troops should be withdrawn from the region. Moreover, according to his proposal the status of Russia, Turkey and the USA as parties to a future security pact should be equal to that of the three South Caucasus states. Clarifying Aliyev's proposal, his Foreign Minister, Vilayet Guliyev, stated in February 2000 that a future regional security system 'should pursue a strengthening and an expansion of international relations, of peaceful conflict resolution, of foreign troop withdrawals from the region, the elimination of regional dividing lines, the prevention of aggression and ethnic cleansing, the combat of terrorism, the abandonment of double-standards and the prevention of ultimatums backed by force'. For Azerbaijan the prerequisites for such a pact being realized included the resolution of regional conflicts, including its conflict with Armenia over Nagorno-Karabakh.¹¹

Both proposals appeared to be stillborn because of the serious reservations of and objections from other regional states. While Armenia seemed to prefer the maintenance of the status quo in the region, Azerbaijan and Georgia¹² supported a regional security pact that would focus on restoring the territorial integrity of the regional states. Iran objected to Turkey and the USA being included as fully-fledged members in the proposed security system: 'At the initial stage such a system should include only the countries of the region but that once that system has developed other states could join'.¹³ Russia's (and Armenia's) attitudes to Aliyev's proposal for the withdrawal of foreign troops were predictably negative as it was clearly aimed at forcing the Russian military presence out of Armenia.¹⁴ These contradictions became so strong that, in parallel to considering inclusive regional security arrangements, Azerbaijan and Georgia did not exclude the possibility of an exclusive tripartite security pact with Turkey.¹⁵ All this makes agreement on a single plan for the South Caucasus security system unlikely, at least in the near future.

⁹ Radio Free Europe/Radio Liberty (RFE/RL), *RFE/RL Newslines*, vol. 4, no. 65, Part I (30 Mar. 2000).

¹⁰ 'Azerbaijani delegation in Istanbul', *Azerbaijan Newsletter* (Embassy of the Republic of Azerbaijan, Washington, DC), 19 Nov. 1999, URL <<http://www.azembassy.com/letters/19nov99.html>>.

¹¹ Interfax, 'Azerbaijan advocates wide participation in South Caucasus pact', 22 Feb. 2000.

¹² Interfax, 'President Shevardnadze calls for signing pact on peace and stability in the Caucasus', 17 July 2000.

¹³ *RFE/RL Newslines*, vol. 4, no. 99, Part 1 (23 May 2000).

¹⁴ Indeed, in the opinion of President Aliyev it was the continuing Russian military presence in Armenia that could lead 'to the militarization of the South Caucasus'. ITAR-TASS, 15 Feb. 2000, in Foreign Broadcast Information Service, *Daily Report-Central Eurasia (FBIS-SOV)*, FBIS-SOV-2000-0215, 15 Feb. 2000.

¹⁵ *Istanbul Milliyet*, 12 Feb. 2000, in 'Turkey: Azerbaijan, Georgia, Armenia view Caucasus pact', FBIS-SOV-2000-0216, 18 Feb. 2000.

Iran

In the case of Iran, another regional state with good human and abundant natural resources strategically located on the southern trade and transport routes from the Caspian region to the outside world, there is also a strong relationship between domestic developments and Caspian security policy. The strengthening of the reform processes which are under way in Iran is having a profound impact not only on its domestic affairs but also on its foreign and security policy. The liberalization of Iranian political life may speed up the normalization of relations with the USA. The lifting of US political and economic sanctions as a result of this rapprochement will undoubtedly improve Iran's international standing and strengthen its role in Caspian regional affairs.

While continuing to resolutely oppose the trans-Caspian pipeline project—which it believes is politically, not economically, motivated—Iran displays a distinct interest in establishing direct oil and gas transport links with the landlocked Caspian states and in becoming a bridge between them and the outside world. Other littoral states, Kazakhstan and Turkmenistan in particular, also regard the Iranian route as very attractive both logistically and commercially. Iran's proximity to major oil and gas deposits in the new Caspian states combined with access to the pipeline network on Iranian territory and Iranian oil terminals in the Persian Gulf certainly makes the costs of transporting their oil and gas via Iran comparatively low. If, following rapprochement between Iran and the USA, US financial resources and technical expertise begin to be invested in the development of this transport network this will further enhance its commercial competitiveness, which is already high compared both with the planned Baku–Ceyhan pipeline and with the Russia-bound northern oil and gas routes. This may result not only in economic but also in larger strategic consequences for Iran, its Caspian neighbours, Turkey and the West. Rapprochement with Iran may be in the USA's interests as well as it will help it to re-establish the political influence in Iran which it once enjoyed but lost after the revolution of 1979 and to gain access to rich Iranian (or expand to Central Asian) energy resources.

However, in spite of the seemingly obvious mutual economic and strategic advantages, this rapprochement will be rather difficult to achieve, at least in the near future, mainly because of strong domestic opposition among the radical sections of both the Iranian and the US political elites. A more likely scenario in Iranian–US relations will be a cautious probing amid continuing strains and mutual mistrust. In this situation Russia's readiness to actively assist Iran in its long-term economic development programme—and, what may be especially important, in the construction of nuclear power plants, as reflected in the first broad Iranian–Russian treaty since the Iranian Revolution, signed when President Mohammad Khatami visited Moscow in March 2001¹⁶—makes Russia a priority partner for Iran. Another important factor which further boosted

¹⁶ ITAR-TASS, 12 Mar. 2001, in 'Russia, Iran sign treaty on relations, cooperation', FBIS-SOV-2001-0312, 12 Mar. 2001.

Iranian–Russian relations was Russia's positive response to Iran's requests that sales of conventional arms, suspended in 1995 following an agreement between Russian Prime Minister Viktor Chernomyrdin and US Vice-President Al Gore, be resumed.¹⁷

This notable progress cannot, however, overshadow the differences between Russia and Iran over the future of the legal status of the Caspian Sea. The best they were able to achieve during Khatami's visit was a declaration in their joint statement on the Caspian Sea that 'until the perfection of the legal regime for the Caspian Sea they do not officially recognise any borders in that Sea'. However, on other important issues related to the sea their positions were more convergent. They declared their opposition 'to the laying of any ecologically unsound trans-Caspian oil or gas pipelines' and affirmed that it was inadmissible for non-Caspian states to have a military presence on the Caspian.¹⁸

Iran's strategic role in Caspian affairs may be further enhanced when it completes the construction of a gas pipeline to Armenia. With the commissioning of this pipeline Armenia is expected to reduce its dependence on gas imports from Russia and to meet most of its requirements with supplies from Iran. Armenia and Iran also plan other joint projects, including an oil refinery in Meghru and a tunnel under the Kajaran mountain pass along the main highway from Armenia to Iran. By helping Armenia to resolve its acute energy problems Iran is paving the way for closer political and strategic cooperation with this country.

Although the oil factor is now and will certainly continue to be extremely important in Iran's regional politics, it is far from being the only one that helps Iran exercise a profound influence on Caspian affairs. Its geographical proximity to the South Caucasus and Central Asia and its diverse and deep historic, religious, cultural and ethnic ties with the new sovereign states there make Iran a natural and very important participant in building any regional security schemes.

III. Non-regional actors

Conflictual internal processes in the Caspian region and the many economic, social, ethnic and religious problems and conflicts will without doubt continue to have a profound influence on its security. However, this is not to say that the role of external factors in its security is of no or of minor importance. On the contrary, analysis of regional politics testifies to the obvious and even growing involvement of extra-regional countries in regional affairs. Their interests in Caspian regional security are motivated by a wide range of factors, from mainly economic to political, military or ideological ones. The questions remain, however, exactly what those interests are, whether and how far they are sustainable

¹⁷ Chudodeyev, A., 'Nesmotrya na protesty SSHA Rossiya gotova postavlyat' oruzhiye Iranu' [In spite of US protests Russia is ready to supply arms to Iran], *Segodnya*, 13 Mar. 2001.

¹⁸ Interfax, 12 Mar. 2001, in 'Russia and Iran sign a joint statement on the Caspian Sea', FBIS-SOV-2001-0312, 12 Mar. 2001; and Reutov, A., 'Rossiya i Iran ne stali ssorit'sya: Vopros o razdele Kaspiyskogo morya otlozhen' [Russia and Iran decide not to quarrel: division of the Caspian Sea is postponed], *Kommersant*, 13 Mar. 2001.

in the long run, and how these extra-regional countries are prepared to respond to the host of political, economic and military challenges to these interests.

Turkey

The first among these international actors is Turkey, which enjoys long-standing historical, cultural and ethnic links with a number of regional countries and at one time (at the beginning of the 1990s) even considered using these links and affinities to establish a dominant political and ideological position in the region. Although this euphoria ended quite quickly, if only because Turkey was economically unable to sustain such an ambitious regional policy, Turkey's goals in the region clearly go beyond promoting its economic interests and include enhancing its political and security role there. For these purposes Turkey proposed a Stability Pact for the South Caucasus states¹⁹ or the creation of a Caspian political group aligned on ethnic grounds and consisting of Azerbaijan, Turkey and the four Turkic-speaking states of Central Asia (Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan).²⁰

Neither of these initiatives has much chance of being implemented, at least in its original form, as both met serious doubts and objections from such major players in the Caspian Sea basin as Armenia, Iran and Russia. Indeed, both initiatives excluded Iran from any active participation in regional security arrangements,²¹ while Russia formally rejected as completely unacceptable Turkey's proposal that security in the region should be built on ethnic grounds.²² Russia also saw Turkey's proposal that not only regional states but also the major world powers should sign the Caucasus Peace and Stability Pact²³ as a challenge to its own position in the region and an intention to increase Western, and particularly US, influence there.

Part of the Turkish political elite sees Turkey's role in the Caspian Basin as that of a guarantor of the independence of the new sovereign states there.²⁴ It is not clear how Turkey intends realistically to pursue this role or whether among different options it will consider establishing a military presence of its own in the region, possibly in Azerbaijan. Should that happen it would certainly escalate tensions in the region as it would be regarded as an unfriendly act both in Russia and in Armenia and would impel them to step up their military cooperation. Also, as some Western security analysts suggest, any deployment of Turkish troops in Azerbaijan would threaten to draw NATO into regional conflicts and confrontation with 'the interests of Russia, Iran and China either in

¹⁹ *RFE/RL Newslines*, vol. 4, no. 11, Part 1 (17 Jan. 2000).

²⁰ *RFE/RL Newslines*, vol. 4, no. 21, Part 1 (31 Jan. 2000).

²¹ Tamrazian, H., 'Which formula can guarantee security for the South Caucasus?', *RFE/RL Newslines*, vol. 4, no. 112, Part 1 (9 June 2000).

²² *Diplomaticheskii Vestnik*, no. 2 (2000), p. 43; and Snark (Yerevan), 22 Apr. 2000, in 'Armenian, Russian foreign ministers discuss issues', FBIS-SOV-2000-0422, 2 Apr. 2000.

²³ *RFE/RL Newslines*, vol. 4, no. 11, Part 1 (17 Jan. 2000) (note 19).

²⁴ See, e.g., the statement of Turkey's Foreign Minister Ismail Cem issued by Anatolia (Ankara), 28 May 2000, in 'Cem comments on relations with Caucasus, Central Asia, EU', Foreign Broadcast Information Service, *Daily Report-West Europe (FBIS-WEU)*, FBIS-WEU-2000-0528, 28 May 2000.

the Caucasus–Caspian region or further east in Central Asia’.²⁵ However, this scenario of confrontation seems unlikely. Turkey seems more likely to assess its current political, economic and military potential realistically and turn for the foreseeable future to low-key activities mostly confined to the development of economic and cultural relations with the new sovereign states in the region, hoping that in time this will create a beneficial environment in which it can reassert itself as a key power in the Caspian Basin.²⁶

Nevertheless, Turkey continues actively to develop military cooperation with the new Caspian states. In March 1999 it signed a five-year military cooperation agreement with Georgia providing for financial assistance in the modernization of the Georgian armed forces, and in January 2001 it concluded two more agreements with Georgia on defence industry cooperation and training of military personnel.²⁷ In October 2000 Turkey signed a military cooperation agreement with Uzbekistan giving it support in combating terrorism and extremism and providing with military technology.²⁸ At the end of 2000 Turkey also began an extensive training programme of officers for the Kyrgyz Army and its National Guard²⁹ and in February 2001 it concluded two agreements with Azerbaijan on financial assistance to the Azerbaijani Armed Forces.³⁰

A pragmatic and constructive approach by Turkey to Caspian regional affairs may be facilitated by the realization of the Blue Stream project, which envisages the delivery of 365 billion cubic metres (bcm) of natural gas by an underwater pipeline across the Black Sea from Russia over the next 25 years. Deliveries are expected to begin by the first quarter of 2002.³¹ The economic advantages of the project for both Russia and Turkey may be substantial: Turkey will be able to balance a large part of its energy deficit with Russian gas, while Russia expects to earn up to \$7 billion annually in gas sales.³² The political merits of Blue Stream—which is vital for both Russia’s and Turkey’s national interests—may be even greater because its implementation may prelude a better understanding between the two countries on other issues. However, the project remains under heavy criticism from an influential lobby in Turkey among the military and from part of the political elite. They maintain a deep-rooted suspicion of Russia and

²⁵ Blandy, C., *The Caucasus–Caspian Region: Cardinal Changes to the Military Balance*, Conflict Studies Research Centre, S64 (Royal Military Academy: Sandhurst, Mar. 1999), pp. 3, 4.

²⁶ Cornell, S., *The Nagorno-Karabakh Conflict*, Arbetsrapporter 46 (Uppsala University: Uppsala, Apr. 1999), pp. 78–79 (in English).

²⁷ *Jane’s Defence Weekly*, 17 Mar. 1999, p. 13; and ITAR-TASS, 29 Jan. 2001, in ‘Turkey, Georgia sign declaration on cooperation’, FBIS-SOV-2001-0129, 29 Jan. 2001.

²⁸ ‘Uzbekistan, Turkey to join forces against terrorism, crime’, URL <<http://www.eurasianet.org/resource/uzbekistan/hypermail/200010/0026.html>>.

²⁹ Kyrgyz Press International News Agency (Bishkek), ‘Turkish military specialists help Kyrgyzstan train officers’, BBC Monitoring Service, 4 Feb. 2001.

³⁰ Turan (Baku), 28 Feb. 2001, in ‘Azeri defence minister, Turkish military delegation discuss cooperation’, FBIS-SOV-2001-0301, 28 Feb. 2001.

³¹ Interfax, 25 June 2000, in ‘Russian Gazprom official cited on date for joining Turkish pipeline segments’, FBIS-SOV-2001-0629, 29 June 2001. On the Blue Stream project see also chapter 3 in this volume.

³² Novopashin, A., ‘Gas—toplivo rossiyskikh reform’ [Gas is the fuel of Russian reforms], *Nezavisimaya Gazeta*, 26 Oct. 2000.

are strongly opposed for strategic reasons to Turkey depending on Russian energy supplies.³³

Taking into account Turkey's rapidly growing dependence on energy imports and the role accorded to the Caspian region's hydrocarbon resources in its energy supply strategies,³⁴ it seems that the controversies between Russia and Turkey over the oil and gas routes from the Caspian region—the future of the Baku–Ceyhan pipeline and the mounting problem of oil tankers passing through the Bosphorus and Dardanelles—will loom large in their relations in the years to come. They may even overshadow other political and economic bilateral issues.

China

Another important international actor whose presence in the Caspian region has grown constantly over the past decade is China. There is little doubt that its interests in the Caspian Basin, in particular in its eastern part, where the five former Soviet Central Asian states are situated, are both diverse and strong. They include the need to ensure strategic stability along its long borders with Kazakhstan, Kyrgyzstan and Tajikistan, and the need to maintain active cooperation with these countries in fighting common threats to their national security. They are also related to China's economic requirements, in particular its growing need for energy: China has been a net energy importer since 1993.

It is important to stress that so far China has been pursuing these interests in a non-confrontational and cooperative manner, avoiding conflicts with the Central Asian states or rivalry with Russia as their long-standing patron and ally, and has been working to establish mutually beneficial relationships with the regional states. To ensure its political and security interests in the Caspian Basin, China conducted intensive negotiations with the eastern Caspian Central Asian states during the 1990s and concluded with them a number of important bilateral and multilateral agreements on confidence-building measures, thus creating a favourable climate for a broader security relationship. Among those agreements the most important were those on arms control in the region, on the settlement of some border issues, and on the joint fight against international terrorism and ethnic separatism, religious extremism, large-scale drug trafficking, arms smuggling, illegal immigration and other forms of cross-border criminal activities.

These issues form the agenda of the Shanghai Forum (now the Shanghai Cooperation Organization), which was founded on China's initiative in 1996. Participation in the forum enhanced China's role in regional security affairs considerably, paving the way for a strengthening of its military and security cooperation with the regional states on a multilateral and also a bilateral basis. It

³³ Winrow, G., *Turkey and Caspian Energy* (Emirates Center for Strategic Studies and Research: Abu Dhabi, 1999), p. 15; Pamir, N., 'Is there a future for the Eurasian corridor?', *Insight Turkey*, vol. 2, no. 3 (July/Sep. 2000), pp. 37–38; and Djilavyan, A., "'Goluboy potok" pod ugrozoy sryva' [Blue Stream threatened with collapse], *Nezavisimaya Gazeta*, 2 June 2000.

³⁴ Pamir (note 33), pp. 32, 33, 35, 36.

also helped China among other things to create a political environment conducive to promoting economic cooperation with the Central Asian states. In the 1990s China concluded a number of agreements with them that were intended to help it establish a solid economic presence in the region favourable to its long-term interests. Those agreements envisaged the promotion of bilateral and multilateral cooperation between China and the five Central Asian states in commerce, finance, and science and technology, as well as in developing such crucial areas of the Central Asian economy as agriculture, animal husbandry, and energy and mineral resources.³⁵ A strategically important agreement was signed with Tajikistan on the construction of a road that would link China with this landlocked country and help to divert part of the latter's trade in a southerly direction.³⁶ A railway line between the Xinjiang Uighur Autonomous Region of China and Kazakhstan was also completed in 2000 as part of the international Transport Corridor Europe Caucasus Asia (TRACECA) project.³⁷

These agreements cover broad areas but they have not so far brought about a significant breakthrough in the scope of economic and trade relations between China and Central Asia. Since 1991 China has become the Central Asian states' second-largest trading partner after Russia, but the value of its trade with them never exceeded \$1 billion per year during the whole of the 1990s.³⁸

However, the situation may change substantially if and when China builds a 2800-km oil pipeline with an annual capacity of 20 million tonnes connecting it with oilfields in western Kazakhstan. The contract for this was signed with Kazakhstan as early as in September 1997. The construction of the pipeline faces serious difficulties because of major technical problems involved in laying it over a long distance in sparsely populated areas and because of the cost, which may run into several billion dollars. The security of the pipeline may also be threatened by Uighur separatists and extremists where it crosses Xinjiang. Whether China is prepared to take all these risks and challenges remains to be seen and will depend on whether Chinese strategic planners consider the Caspian oil- and gas-producing countries as a potential important alternative source of energy supply for the Chinese economy. If China finally decides in

³⁵ *Xingang Ribao* (Urumqi), 28 Sep. 1998, in 'China: Agreement signed with five former USSR nations', Foreign Broadcast Information Service, *Daily Report-China (FBIS-CHI)*, FBIS-CHI-98-287, 14 Oct. 1998. For more information on China's economic cooperation with Central Asia see also Khamraev, F., 'Politika Kitaya v Tsentral'noy Azii' [China's policy in Central Asia] in *Kitay na Puti Modernizatsii i Reform* [China on the road to modernization and reform], Proceedings of a conference organized by the Institute of the Far East, Moscow, 22–24 Sep. 1999 (Institute of the Far East: Moscow, 1999); and Yang Shu, 'Neft' Kaspiyskogo morya i KNR' [Caspian Sea oil and the PRC] in *Natsional'naya i Regional'naya Bezopasnost' Tsentral'noaziatsikh Stran v Basseyne Kaspiyskogo Regiona* [National and regional security of the Central Asian states in the Caspian Basin region], Proceedings of a conference organized by SIPRI and the Kazakhstan Institute for Strategic Studies, Almaty, 22–23 Sep. 2000 (Kazakhstan Institute for Strategic Studies: Almaty, 2000).

³⁶ *RFE/RL Newline*, vol. 3, no. 111, Part I (8 June 1999).

³⁷ Zhongguo Xinwen She (Beijing), 22 June 2000, in 'Li Peng discusses "New Silk Road", other business projects with Azerbaijan PM', FBIS-SOV-2000-0622, 22 June 2000. On the TRACECA project see, e.g., the TRACECA Internet site, URL <<http://www.traceca.org>>.

³⁸ Burles, M., *Chinese Policy toward Russia and the Central Asian Republics* (RAND: Santa Monica, Calif., 1999), pp. 20–21.

favour of constructing the pipeline it will be because it believes that its long-term interests will be best served by reducing its dependence on energy imports via sea routes from the Middle East, which can easily be disrupted in the event of a conflict in the Persian Gulf, in the South China Sea or in the Taiwan Straits.

In geopolitical terms the construction of the Kazakhstan–China oil pipeline will support the Central Asian states' multi-route energy transport policies and may become an important factor in regional political security as it will increase China's interest in cooperation with local countries in safeguarding peace and stability in the eastern Caspian region.

IV. Global powers

The USA

Over the past decade the USA has become one of the principal actors in the Caspian region and its policies are without any doubt crucial to the future of Caspian regional affairs. By declaring this region strategically important for its national interests,³⁹ the USA clearly stated its intention to pursue an activist policy there that would enhance its engagement with the Caspian Basin countries. From the very start the USA's objectives in the region were above all political and were aimed at safeguarding the new geopolitical realities in the region that had developed after the breakup of the Soviet Union and the emergence of a group of new sovereign states in Central Asia and the South Caucasus. Some of these states, Azerbaijan and Georgia in particular, started to distance themselves politically from Russia and orient themselves towards the West almost immediately after gaining independence. Others—all the Central Asian states except Tajikistan—did so after a short initial period of hesitation and uncertainty. As a result a 'window of opportunity' was created for the USA to establish its influence in this vast region that had been closed to the West for the greater part of the 20th century.

Responding to this historic opportunity, the USA started from the mid-1990s to become actively involved in regional affairs. Apart from pursuing political goals, the US involvement at the time was also increasingly influenced by expectations of rich energy reserves in the Caspian Basin. Consequently, a second set of US policy objectives in the region was formulated in terms of national energy security, which reflected the need for the USA to diversify its sources of energy supply and to reduce its dependence on Persian Gulf oil.

More recent and more modest estimates of recoverable oil reserves in the Caspian Basin have considerably reduced the interest of US businesses in the

³⁹ See, e.g., the statement of Under Secretary of State Stuart Eizenstat before the US Senate Committee on Foreign Relations on 23 Oct. 1997, 'US economic and strategic interests in the Caspian Sea region: policies and implications', Washington, DC, 1998; and the statement of Special Adviser to the Secretary of State, Ambassador Stephen Sestanovich, made in the US Congress International Relations Committee on 30 Apr. 1998, 'US policy toward the Caucasus and Central Asia', US Department of State International Information Programs, Washington, DC, 1998, URL <<http://www.state.gov/www/policy-remarks/1998/980430-sestan-hirc.html>>.

region and raised the need to reappraise US policy priorities there as well. Arguments against any excessive US engagement in Caspian energy affairs included uncertainties about regional stability, the Caspian Sea legal regime, world oil and gas prices, and the size of regional energy reserves. Questions were raised as to whether the Caspian reserves were in fact vital to US energy security, since for the most part they would not be available on the world market for many years. It was also claimed that by opposing oil routes through Iran the USA was pushing regional states into closer cooperation with Russia. Consequently, after George W. Bush was elected US President, even though the US Government continued to support the Baku–Ceyhan and trans-Caspian pipeline projects, it did so largely as a political commitment to the principles of a multi-route energy transport strategy rather than as part of its national economic policy. In the opinion of some US experts, however, the USA should continue to pursue direct access to Caspian energy resources, which, although only a small percentage of total world production, may nevertheless erode some of the market power of the Organization of the Petroleum Exporting Countries (OPEC) states and at least modestly reduce world oil prices.⁴⁰

In practical terms, after the change of administration in Washington US policy in the Caspian region continued to focus largely on political rather than economic goals and concentrated on promoting political and security relations with the ‘key’ regional players, such as Azerbaijan, Georgia and Uzbekistan.⁴¹ Relations with regional countries in the field of security continued to focus on the development of their national armed forces through the PFP and International Military Education and Training (IMET) programmes. Priority was given to establishing the capacity of the national armed forces to respond effectively to regional security threats such as international terrorism and extremism. To support its policy in the region the USA provided security assistance to national armed forces, border forces and anti-narcotics forces.

Preventing the illicit transfer from the Caspian countries of strategic missiles, and nuclear, biological and chemical weapons, technologies, materials and expertise to the ‘rogue’ states also remained high on the list of US policy objectives in the region. Although nuclear weapons had been withdrawn from the region, proponents of a prominent US role in the Caspian region pointed out that nuclear weapon-related materials and facilities were still there and could fall into the hands of actors unfriendly to the USA.

⁴⁰ See, e.g., Pugliaresi, L., *Energy Security: How Valuable is Caspian Oil?*, Caspian Studies Program Policy Brief no. 3 (Harvard University: Cambridge, Mass., Jan. 2001). Pugliaresi writes: ‘Even a modest reduction in world oil prices offers large-scale benefits to a major oil-importing country like the United States, which is likely to be importing 15 million barrels per day in 2020’.

⁴¹ This approach was manifested when Georgian Defence Minister Lt-Gen. David Tevzadze visited the USA in Mar. 2001 with promises of intensified US assistance in organizing the Georgian armed forces. Also in Mar. 2001 Gen. Carlton W. Fulford, Deputy Commander-in-Chief, US European Command, while on a visit to Azerbaijan, welcomed the idea of NATO bases being deployed in the South Caucasus. ITAR-TASS, 7 Apr. 2001, in ‘Georgian Defense Minister satisfied with US talks’, FBIS-SOV-2001-0407, 7 Apr. 2001; and ITAR-TASS, 24 Mar. 2001, in ‘Azerbaijan: officials welcome foreign military presence’, FBIS-SOV-2001-0324, 24 Mar. 2001.

Another important aspect of the US Caspian policy continued to be support for the efforts of Turkey, a NATO ally, to enhance its role in the Caspian Basin.

This multi-directional policy undoubtedly helped the USA to secure a strong foothold in the region in spite of the relative decline of its interest in Caspian energy affairs. Yet it is and will most likely continue to be insufficient to establish unassailable political and security leadership in the Caspian region.

Russia

Russia remains another contender for a leadership role in the Caspian region. It maintains major political, economic and security interests in a part of the world which it dominated for several centuries and which was until recently an integral part of the Soviet Union. However, the dismal record of the 1990s, when Russia was in continuous strategic retreat from the Caspian region, put in serious doubt its ability to reverse this trend and to pursue a sustainable strategy there. In order to change this Russia needed both to formulate its short- and long-term goals and priorities in the region clearly and realistically and to demonstrate the will and capacity to implement them.

The new administration of President Vladimir Putin, which came to power in March 2000, appeared to have risen to these challenges when it came forward with what may be termed a Caspian strategic initiative. It included a package of administrative, political, security and economic measures aimed at reasserting Russia's influence in the strategically important and resource-rich Caspian region. While this initiative was being conceptualized it was realized in Moscow that Russia's policy in the Caspian region was unlikely to be effective, especially in the long run, if Russia continued to limit it to cooperation with regional states solely or primarily in military security matters. Unless Russia increased its economic engagement in the region and reversed the negative trends that had dominated its trade with the Caspian states in the 1990s,⁴² it was bound to continue to lose ground there not only in economic terms but also politically. It would have little chance to withstand growing pro-Western and pro-NATO tendencies in the region unless it used the whole range of both political and economic methods to support its policy goals. Besides, in order to re-establish its substantially diminished influence in the region, Russia had to shift the emphasis from its 'policy of denial' in regional economic affairs to a more constructive 'policy of engagement'. Indeed, merely opposing the implementation of the trans-Caspian transport project or demanding high transit fees for the transport of Caspian oil and gas across its territory had in the past and may have in the future only a temporary positive effect, if it has any effect at all. It

⁴² Over the 6 years 1994–99 the value of Russia's trade with the new Caspian states (in current prices and US dollars) fell by 51.7%. *Rossiyskiy Statisticheskyy Ezhegodnik, 1999* [Russian statistical yearbook, 1999] (Goskomstat Rossii: Moscow, 1999), p. 567; and *Vneshnyaya Torgovlya*, no. 3 (2000), p. 51.

is more likely that such policies will only alienate local actors and encourage them to search for alternative solutions.

Building on these assumptions, the new Russian initiative included among its main directions, first, the need to strengthen coordination between the different government agencies involved in Caspian affairs and to enhance coordination between Russian commercial organizations operating in the Caspian region. Second, it was decided to step up economic cooperation with the energy-rich CIS Caspian states by offering to buy from them or transport across Russia's own territory vast volumes of oil and gas, using for this purpose existing pipelines, upgrading them if necessary, or building new ones. Third, in order to engage the CIS Caspian states more actively in joint security and defence programmes it was necessary to undertake a fundamental reassessment of the security situation in the Caspian region, to identify common security threats with the Caspian states and to adjust the Tashkent Treaty to the new geopolitical realities there.

The success of this complex, multidimensional strategic initiative is by no means certain and will depend on many internal as well as external factors. Most important among them will be Russia's ability to mobilize sufficient financial and economic resources to support its policy goals. Concrete steps undertaken so far and described in previous chapters of this volume include: (a) the construction of a 1500-km pipeline with an annual capacity of up to 28 million tonnes of oil linking the Tengiz oil deposit in Kazakhstan with the sea terminal in Novorossiysk; (b) the construction of a 315-km section of the Baku–Tikhoretsk–Novorossiysk oil pipeline bypassing Chechnya; (c) an agreement with Kazakhstan to step up transit of its oil across Russian territory from 9.5 up to 15 million tonnes per year through the pipeline linking Atyrau and Samara; and (d) an agreement with Turkmenistan to radically increase gas exports to Russia over the next 30 years.

If and when these plans and agreements are put into practice Russia will be able to significantly boost its influence in Caspian energy affairs and by implication in Caspian economic and political security, and the future of the US- and Turkish-supported trans-Caspian transport project will then be highly problematic, not only because of Russia's political opposition to it but also because, at least for the next several years, the Central Asian states will probably not be able to produce enough oil and natural gas—in addition to what they will transport to Russia—to make the trans-Caspian pipelines economic.

Also, in order to counterbalance the Western-promoted transport projects from the Caspian Sea basin, such as TRACECA, which was regarded as undermining the role of the Russian Trans-Siberian and Baikal–Amur railways, Russia came forward with several projects of its own. One was for the construction of a road and railway network that would link China, Japan and the Russian far east with the Middle East via the South Caucasus states and the Russian North Caucasus.⁴³ Another, equally ambitious, project, on which Russian Prime

⁴³ Khabitsov, B., “‘Transkam’—otechestvennaya versiya Shelkopovogo puti’ [Transcam is a national version of the Great Silk Road], *Nezavisimaya Gazeta*, 6 Mar. 2000.

Minister Mikhail Kasyanov announced agreement between Russia, Iran and India in September 2000, was to build a north–south international transport corridor via the Caspian region that would connect Central and Northern Europe across the territory of Russia and Iran with India and the Gulf states and radically speed cargo traffic between Asia and Europe.⁴⁴

Building on growing tensions in Central Asia in connection with the activities of the extremist Islamic Movement of Uzbekistan (IMU) in southern Kyrgyzstan and Uzbekistan, and of the Khizbi al Takhri (Party of Correction) in Kyrgyzstan and Tajikistan, and following the military successes of the Taliban in neighbouring Afghanistan, Russia stepped up its cooperation with the Caspian states which are signatories of the Tashkent Treaty. Registering their concern at the increased threat posed to Central Asia by international terrorism and religious extremism, signatories of the treaty concluded an agreement at their summit meeting in Bishkek in October 2000 on the creation of a joint rapid-deployment force as well as on increased Russian arms sales to upgrade the combat-readiness of their armed forces.⁴⁵ The renewed threats to stability and security in Central Asia also helped Russia to revitalize its military cooperation with Uzbekistan, which had been significantly undermined by the latter's withdrawal from the Tashkent Treaty in April 1999. Even though Uzbekistan refused to rejoin the treaty, it decided to step up its military and security ties with Russia by concluding with it a number of bilateral agreements that provided for the delivery of advanced Russian weapons, matériel and accessories to enhance the combat-readiness of the Uzbek national armed forces, and for training of Uzbek military personnel and repair of all Uzbek military equipment in Russia.⁴⁶ A new impulse was given to bilateral relations when Uzbek President Islam Karimov paid a state visit to Moscow in May 2001. Both sides stressed the importance of implementing military and military–technical agreements, and statements by Karimov show that Russia has succeeded in convincing Uzbekistan that security cooperation with Russia is essential for regional stability.⁴⁷

In an effort to build up its influence in the South Caucasus, Russia, while continuing to maintain a high level of political and military cooperation with Armenia, sought to improve its relations with Azerbaijan as well. Trying to stop or at least to slow down Azerbaijan's drift towards the West and to bridge differences with it on the legal status of the Caspian Sea, President Putin paid a visit to Baku in January 2001, signing there with President Aliyev a number of documents including a joint statement on principles of cooperation in the Caspian Sea zone and the Baku Declaration, which outlined the foundations for

⁴⁴ *RFE/RL Newswire*, vol. 4, no. 170, Part 1 (13 Sep. 2000).

⁴⁵ Romanova, L., 'Sozdayutsya sily bystrogo reagirovaniya' [Rapid-reaction force created], *Nezavisimaya Gazeta*, 12 Oct. 2000.

⁴⁶ *Diplomaticheskii Vestnik*, no. 6 (2000), p. 29; Interfax, 18 May 2000, in 'Putin informs Duma of Uzbek military agreement', FBIS-SOV-2000-0518, 18 May 2000; and *RFE/RL Newswire*, vol. 4, no. 124, Part 1 (27 June 2000).

⁴⁷ Interfax (Moscow), 4 May 2001, in 'Uzbekistan President hails Russia's contribution to Central Asian security', FBIS-SOV-2001-0504, 7 May 2001. See also chapter 5 in this volume for detail on Russian–Uzbek bilateral military and military–technical cooperation.

expanding bilateral political and economic relations and stressed the readiness of both states to develop long-term military cooperation.⁴⁸ However, the strategic achievements of Putin's visit to Azerbaijan were put in doubt as early as March 2001 when Azerbaijani Defence Minister Safar Abiyev and Foreign Minister Guliyev reiterated that Azerbaijan should host either a NATO or a Turkish military base on its soil in order to balance the Russian military presence in Armenia and strengthen its security.⁴⁹

In promoting relations with Iran, another Caspian state, Russia seemed to be more successful, entering large-scale political and economic cooperation with Iran (discussed above) and deciding, even at the risk of straining relations with the USA, to sell nuclear technologies to and step up military cooperation with Iran.

These initiatives in economic and military cooperation with regional states notwithstanding, if it is to succeed in Caspian affairs Russia will also have to demonstrate its ability to effectively stabilize the security situation in its own regions of the North Caucasus, which are suffering the most profound economic and social crisis in their modern history, exacerbated by growing differences in a multi-ethnic society.

Finally, success in regional security affairs and the ability to gain political goodwill and trust among the countries of the Caspian Basin will depend to a very significant degree on Russia's resolve to contribute decisively to the resolution of the long-standing regional conflicts there and on its assisting its friends and allies in a meaningful way in countering threats to their security. That will be particularly difficult to do, since Russia will have either to adhere consistently to the principle of territorial integrity or to apply a more flexible approach to the resolution of existing conflicts, such as those in Abkhazia, Nagorno-Karabakh or South Ossetia, on a case-by-case basis. In either case Russia risks antagonizing the parties involved in these conflicts.⁵⁰ Trying to mend fences or build up a lasting relationship with regional critics or opponents, such as Azerbaijan or Uzbekistan, Russia is walking a thin line and risks antagonizing its friends and allies in the area, such as Armenia.

V. Russian–US interaction in the Caspian region

While it must be recognized that over the past decade the number of international actors in the Caspian region has increased dramatically, it is equally true that it is Russia and the USA that play now and will continue to play in

⁴⁸ For a detailed analysis of President Putin's visit to Azerbaijan see chapter 10, section IV of this volume.

⁴⁹ ITAR-TASS, 24 Mar. 2001, in 'Azerbaijan: Foreign minister sees possible deployment of NATO, Turkish base', FBIS-SOV-200-0324, 24 Mar 2001; and Khanbanyan, A., 'Aliyev okonchatel'no opredelilsya? Voyennyye bazy NATO v Azerbayjane mogut stat' real'nost'yu' [Has Aliyev decided his final position? NATO military bases in Azerbaijan may become a reality], *Nezavisimaya Gazeta*, 29 Mar. 2001.

⁵⁰ Relations between Georgia and Russia took another downturn when Russia exempted residents of Abkhazia and South Ossetia from the visa regime it introduced with Georgia in Dec. 2000.

the future the leading roles in regional affairs. Because of this, and depending on what kind of Russian–US interaction in the region develops, their individual or combined influence on the future of regional security and stability will be of crucial importance.

After the change of their respective political leaderships, relations between Russia and the USA stand at a crossroads. The direction they take on a number of highly important issues of national and global security, including arms control, national missile defence (NMD), the future of the 1972 Anti-Ballistic Missile (ABM) Treaty and NATO expansion eastwards, will be decided over the next few years and will constitute the mainstream of the Russian–US security agenda. However, on the issue of Russian–US interaction in the Caspian Sea region it seems that the best strategy for both countries to pursue their national interests will be to avoid unnecessary confrontation and seek instead some form of strategic understanding and cooperation.

The reasons for this conclusion can be derived from the analyses in the previous chapters of this study, which show convincingly that the Caspian region is and will remain high on the agenda of both Russian and US foreign and security policy. Their national interests in the region are highly competitive but not necessarily incompatible or antagonistic—including in the economic area, although here the level of competition is understandably higher. One of the most visible areas of Russian–US controversy is the oil and gas routes from the region. Nevertheless, even here there are already examples of mutually beneficial commercial cooperation, such as the construction of the pipeline from the Tengiz oil field in Kazakhstan to the Russian port of Novorossiysk by the Caspian Pipeline Consortium in which Russian and US companies are the major shareholders.⁵¹

There is an obvious asymmetry in the relative importance of the region for Russia and the USA. Political and security developments in the region are of vital importance for Russia's national interests, if only because of its geographical proximity, but not for the USA. Not only this; their capabilities to pursue them are also asymmetrical. Russia has a clear advantage when it comes to military and security cooperation with regional states, while the USA has obvious economic advantages. Often Russian and US interests in the region are threatened by similar challenges such as religious extremism, political extremism and international terrorism; this opens a realistic possibility for broad Russian–US cooperation or coordinated activities.⁵²

Other important causes of regional conflicts include such social factors as the dramatic fall in living standards over the past decade and widespread poverty and unemployment in the new Caspian states. These are causing increasing public discontent with the current governing regimes there. Radical forces in the region, Islamic parties or groups in particular, are gaining support as a result of

⁵¹ For details see chapter 3 in this volume.

⁵² The realization that there are common threats to their interests in this part of the world brought Russia and the USA to jointly sponsor UN Security Council Resolution 1333, adopted on 19 Dec. 2000, which condemned the Taliban regime in Afghanistan for its support of international terrorism and imposed economic sanctions against it.

these social problems and the failure of economic and social reforms. The economic development of regional states is therefore another potential area of cooperation between Russia and the USA. The already existing practice of exchanging views on the situation in the Caspian region between the US State Department and the Russian Foreign Ministry may be a particularly useful instrument for exploring other areas and ways of promoting Russian–US cooperation there.

Neither Russia nor the USA can play a dominant role in the region unilaterally. The USA is already firmly accepted in the region as its major economic partner and an important guarantor of the national sovereignty of the regional states, and it cannot be excluded from regional affairs. Nor can Russia be expected to turn its back on its fundamental political, economic and security interests in the Caspian or agree to be squeezed out from the region. On their part the Caspian states, taking into account these realities, favour the balancing presence of Russia and the USA in the region and do not wish either of them to play a dominant role there. In their turn Russia and the USA must avoid the very real possibility that unilateral involvement in regional affairs may adversely affect their overall bilateral relations.

The alternative to Russian–US cooperation on Caspian regional security may be a deepening of the already existing dividing lines in the region, which rivalry between Russia and the USA would further exacerbate. Undoubtedly, both in Russia and in the USA there are influential groups that would prefer to see the future Russian–US relationship in the Caspian region in terms of a ‘zero-sum’ game. In this they are encouraged by various regional actors who expect to obtain maximum gains by playing Moscow against Washington and vice versa. Such a scenario will run counter to the larger national interests not only of Russia and the USA and but also of the Caspian regional states.

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