



Geneva Centre for Security Policy  
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## **Program on the Geopolitical Implications of Globalization and Transnational Security**

### **GCSP Policy Brief Series**

The GCSP policy brief series publishes papers in order to assess policy challenges, dilemmas, and policy recommendations in *all aspects* of transnational security and globalization. The series was created and is edited by Dr. Nayef R.F. Al-Rodhan, Senior Scholar in Geostrategy and Director of the Program on Geopolitical Implications of Globalization and Transnational Security.

## **GCSP Policy Brief No. 9 Security in the Caspian Sea Region: Challenges and Opportunities in a Globalized World**

**Ms. Katya Shadrina  
Project Officer  
Geneva Centre for Security Policy**

As a British Council Chevening Scholar, Katya Shadrina obtained a Master's Degree in Diplomatic Studies (with Distinction) from the University of Westminster, UK, in 2002. Prior to joining the GCSP, she held internships at the US Department of Interior and Chatham House (Royal Institute of International Affairs). She joined the GCSP in 2002, where she currently works as a Project Officer dealing with issues related to Russia and the Middle East. Her research interests are the Caspian Sea region, Russia, Central Asia, and energy security.

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To comment, please email Bethany Webster at [b.webster@gcsp.ch](mailto:b.webster@gcsp.ch).

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## **Abstract**

Almost everything written about the Caspian Sea region has referred to the so-called Great Game, when the world powers vied for political control of the region, as well as for its rich mineral resources. Following the break-up of the Soviet Union, the Caspian Sea region was quickly internationalized, emerging as a distinct geopolitical unit and the object of a policy battle on a regional and even global scale. It has recently been an arena for competition among actors both within and outside the region, not only for profits from the development and transportation of Caspian mineral resources but also for influence in the Caucasus and Central Asia.<sup>1</sup> The region's vast hydrocarbon resources make it one of the most promising energy sources for a number of key players: China, the European Union, India, Turkey, and the United States. Nevertheless, despite the potential for long-term economic prosperity, the Caspian region remains one of the world's most complicated geopolitical areas, and one that is very vulnerable to emerging security threats. The Caspian Sea region faces tremendous challenges, including terrorism, unresolved regional conflicts, drug trafficking, proliferation of weapons of mass destruction, environmental degradation, and a lack of regional cooperation. This policy brief examines the key threats that could undermine the region's fragile stability in the immediate future. Its author argues that enhanced regional cooperation and integration among the littoral states are the only means to a possible long-term solution for security in the Caspian Sea region.<sup>2</sup>

## Policy Challenges

### Terrorism, Drug Trafficking, and Weapons of Mass Destruction (WMD) Proliferation

All of the Caspian states see terrorism as a key foreign and domestic threat. It is an especially acute problem for Russia both in terms of the ongoing conflict in Chechnya and because terrorism can spread instability throughout the North Caucasus region, including to the Republic of Dagestan, which is on the Caspian Sea.<sup>3</sup> Terrorism can have a dramatic effect on the security situation in the region due to the possible spread of insurgencies and due to possible attacks on the oil and gas pipelines that are vital to the region's economic development.

A second destabilizing factor in the region is the substantial increase of drug trafficking from Afghanistan. The *2006 International Narcotics Control Strategy Report* released by the US State Department highlights that all Caspian states continue to serve as major transit countries for drugs originating from Afghanistan.<sup>4</sup>

A third factor threatening stability around the Caspian is the proliferation of weapons of mass destruction (WMD). The challenge of preventing WMD proliferation in the region is inevitably interlinked with increasing tensions over Iran's nuclear program, the outcome of which could result in drastic changes for the region's stability. Although the international community is trying to deal with this problem via diplomatic means, a possible US military strike on Iran cannot be ruled out, especially considering that the Bush administration has said that all options are still on the table.<sup>5</sup>

### Ensuring Energy Security in the Caspian

It is no secret that the region's oil and gas resources were largely overestimated following the oil boom of the early 1990s. Current oil and gas reserves in the region have been confirmed to be 3-4 percent of the world's known reserves.

There have been both successes and failures in terms of oil and gas exploration in the region, including with respect to the construction of pipelines. This is a competitive environment that is driven by both commercial and political factors. Securing an unbroken energy supply to world markets and diversifying transportation routes have been named priorities by the littoral states, major companies operating in the area, and major external players (China, the European Union, India, Turkey, and the United States).<sup>6</sup> The issue of supply will become even more urgent this year if the prediction that world demand will increase to 1.5 million barrels per day (bpd) from 1.2 million bpd in 2005 comes true. The growth in demand is expected to continue into 2007, when it could reach around 1.8 million bpd.<sup>7</sup>

As a result of a number of large projects, it is predicted that oil production in the region will increase to 400,000 bpd in 2007.<sup>8</sup> It has not been easy, however, to develop the pipeline

infrastructure in the region for a number of reasons: the fact that the region is land-locked; the unresolved legal status of the Caspian; the continuing geopolitical rivalry over potential pipeline routes; and the further aggravation of the situation as a result of bureaucracy, corruption, political instability, and regional conflicts. All these factors serve as the main impediments to large-scale investment in the region and to construction of diversified transportation routes that would be highly beneficial for all actors involved.<sup>9</sup>

### Environmental Security

There are currently a number of serious threats to environmental security in the region. One of these is so-called bio-terrorism: in this case, the catastrophic depletion of fish stocks as a result of both legal and illegal fishing.<sup>10</sup> Although the oil and gas resources of the region have been widely discussed, the real “black gold” of the Caspian has historically been caviar production, which relies on now endangered sturgeon stocks (more than 85 percent of the world’s sturgeon stocks live in the Caspian basin). Experts estimate that the sturgeon population has dropped by 90 percent in the last 30 years (Table 1). Enormous economic losses have resulted from this depletion and the temporary ban on caviar exports imposed by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (the legal caviar trade is estimated at \$100 million annually, and much more is thought to be traded on the black market).<sup>11</sup>

## **Responses**

### Terrorism, Drug Trafficking, and WMD Proliferation

Since 9/11, all Caspian states have tightened security measures in response to the threat of terrorism. The US State Department’s *Country Reports on Terrorism* for 2004 reflects the major successes of the littoral states (excluding Iran, naturally) in countering terrorism, including the adoption and ratification of related legal documents, the prosecution of suspects, the establishment of counterterrorism centers/initiatives, the conduct of law enforcement operations, and an increase in training programs.<sup>12</sup> After a series of deadly attacks in 2004, including explosions in the Moscow metro, two simultaneous suicide attacks targeting commercial airplanes, and the bloody siege of a school in Beslan, Russia tightened security in Chechnya and managed to prevent a major terrorist attack in 2005. Moreover, in 2004-2005, all Caspian states participated in anti-terrorism exercises within the framework of various organizations.<sup>13</sup>

There has been increased cooperation among the littoral states in intercepting narcotics transported across the Caspian Sea by ferry and through border crossings.<sup>14</sup> The decision of all the Central Asian states, Russia, and Azerbaijan to establish a Central Asia Regional Information and Coordination Centre in Almaty, Kazakhstan, which is supported by the United Nations Office on Drugs and Crime (UNODC), is an important step forward in combating drug trafficking. The center will compile and analyze intelligence on drug trafficking and coordinate

regional law enforcement operations. Iran's involvement in this initiative could be beneficial since it is a key transit country and the main destination country for Afghan drugs.<sup>15</sup>

The US has been conducting a variety of programs to assist the littoral states (except Iran) in combating the threats of terrorism and drug trafficking, including the Second Line of Defense program and its Megaports Initiative and the Caspian Sea Maritime Interdiction.<sup>16</sup> In addition, the US Department of Defense has allocated more than \$135 million for the newly established Caspian Guard program targeting Azerbaijan and Kazakhstan. This program is aimed at assisting these two countries in improving their ability to respond to transnational challenges by providing military consultancy and properly equipping the countries' armed forces. Kazakhstan is part of the US Central Command's area of responsibility, while the US European Command is responsible for operations in Azerbaijan.<sup>17</sup> Russia has also proposed the creation of CASFOR (similar to the Black Sea Task Force) as a "real-time interaction naval group" to fight terrorism, WMD proliferation, organized crime, and also to protect oil and gas infrastructure.<sup>18</sup> It is unlikely to be developed in practice, however, due to the conflicting threat perceptions and security arrangements of the littoral states.

US moves to increase its military presence, including the construction of two radar stations in Azerbaijan (near Iran's northern border and near southern Russia) make both Moscow and Tehran nervous. The Russian and Iranian reactions to the construction were immediate, consistent, and rather predictable, stressing once again their disapproval of the military presence of any third country in the Caspian. Rather, Russia and Iran would prefer to rely on the littoral states to tackle problems and threats. During the meeting in March of the Caspian Working Group in Moscow, Russian Foreign Minister Sergey Lavrov stressed that the littoral states would lose a great deal if they allowed a foreign military presence in the Caspian. While inviting foreign military into the region is not a difficult task, experience has shown that it is much more difficult to get them to leave.<sup>19</sup> Iran elaborated on this point, directly accusing the US of creating obstacles to the development of regional cooperation and regional security arrangements.<sup>20</sup>

At present, no one is calling for the demilitarization of the Caspian Sea region. As Minister Lavrov explained recently:

"As to demilitarizing the sea, however attractive this term may sound, it hardly corresponds to the present day realities. In practice such demilitarization would mean disarmament in the Caspian in face of new challenges and threats. On the other hand, the littoral states are not interested in arms buildup in the Caspian, since not a single one of them poses a military threat to each other. Therefore we have suggested that the Convention should embody a formula whereby a stable arms balance of the sides would be maintained, as also [sic] military building within the

framework of reasonable sufficiency. It appears to us that this formula is acceptable to all.”<sup>21</sup>

Although “not a single one of them poses a military threat to each other”, the Caspian states do not seem to consider diplomacy as the only means of solving problems.<sup>22</sup> While there has not yet been a major security incident, states have attempted to protect what they see as their interests (for example, rights to the mineral deposits in the seabed in disputed areas) by threatening the use of force.<sup>23</sup> It is also doubtful that only diplomatic means will be used if Western economic interests (with investments in the region worth billions) are threatened. The Deputy EUCOM Commander stated that the area around the Caspian Sea should be of keen interest to Europeans and that NATO should establish a mission to ensure the safe flow of oil from that region.<sup>24</sup>

Terrorist threats in the Caspian Sea region resulted in increased military budget expenditures in the Caspian states and a quick build-up of their military presence in the region, including the arming of Russia’s Caspian Fleet (Table 2). The militarization of the Caspian Sea is a recent, dangerous trend that makes it clear that the possibility of resorting to military force will not be ruled out in case cooperation and diplomacy fail.

#### Ensuring Energy Security in the Caspian

There is a possibility that oil and gas production in the region will steadily increase despite a variety of obstacles to the large-scale development of resources. In the long term, most Caspian projects will be Asia-related (China, in particular). China’s unprecedented demand for Caspian energy resources has resulted in the investment of billions of dollars in new projects and in the development of regional transport infrastructure. This has made China one of the key external players in the region, while the US role also remains vital. Seeing China’s success and efficiency in gaining access to regional resources and contracts for the most attractive projects, India suggested uniting efforts with China in bidding for global energy assets. This includes the Caspian region since it is one of the key areas for both states.<sup>25</sup> At the moment, China is pursuing various projects with all of the Caspian states and is planning to expand its visibility in the region beyond only energy projects. A recently constructed pipeline exporting Kazakh oil to China (with an initial annual capacity of 10 million barrels that will be doubled by 2011 following the extension of the pipeline) has resulted in a shift in the target of oil and gas from the Caspian region.” Until recently, the main customers of Caspian energy resources had been in both the European and Mediterranean markets, but now it seems that the Caspian states view the growing Asian market as a priority. Russian Industry and Energy Minister Viktor Khristenko has made it clear that Russia wants to significantly increase oil and gas exports to the Asia-Pacific region, where there is growing demand, especially in light of the desire of Western countries to regulate or reduce energy consumption.<sup>26</sup>

This development poses a serious challenge for Europe, whose dependency on the import of fossil fuels continues to rise. The current debate in the EU has stressed the need for a cooperative energy security strategy and intensified dialogue with the most important countries in terms of production, transit, and consumption, including China and India. As German Foreign Minister Frank-Walter Steinmeier stated, Europe's goal is "to convince new major consumers of the benefits of functioning energy markets, to avoid problems such as misallocation and reduce risk premiums."<sup>27</sup>

To date, the largest international projects to have been completed are the construction of the Caspian Pipeline Consortium and the Baku-Tbilisi-Ceyhan (BTC) pipelines. The latter project was the most controversial and the most widely discussed. This pipeline was openly supported by the US and equally opposed by Russia. It was presented as a politically driven project rather than an economic one. The project was viewed as commercially non-viable, costly, and further proof of Russia's diminishing influence in the region. Despite this pessimism, the project remains "one of the great engineering endeavours of the new millennium" with the pipeline reaching a length of 1768 km. The pipeline began operating in 2005.<sup>28</sup>

A further ambitious suggestion, backed by the US, is to build an underwater pipeline unlocking Turkmenistan's vast gas resources (most of which are exported exclusively through Russia). This potential project has been constantly discussed without further advancement due to the problem of the legal status of the Caspian. The TransCaspian Pipeline has the potential to be the object of another round of the "Game" of power projection in the region. Russian Industry and Energy Minister Khristenko has said that any decision to build an underwater pipeline will only be possible once the legal status of the Caspian Sea has been determined.<sup>29</sup> The US State Department has already challenged this notion, indicating that it is up to the countries and investors involved to decide whether to proceed.<sup>30</sup> The US policy of decreasing Russian and Iranian influence in the region will continue to further complicate the situation.

No further progress on the issue of the legal status of the Caspian Sea was made at the Special Working Group meeting in Moscow in March. The meeting ended with no conclusive results. This challenge first emerged immediately after the collapse of the Soviet Union and continues to threaten the stability of the region. It also blocks major investments in oil and gas exploration in the Caspian, as the main energy companies are reluctant to take risks in developing disputed areas. Naturally, these companies would prefer to start negotiations on a bilateral basis once ownership rights have been determined.

Another key issue regarding energy security is the protection of pipelines and critical infrastructure. Recent attempted suicide attacks on Saudi oil-processing facilities and attacks on Nigerian oil pipelines by militants show that energy infrastructure is a vulnerable target for terrorist attacks. There is also a threat of sabotage and/or terrorist attacks on the oil and gas infrastructure in the Caspian region. Azerbaijan's Interior Minister has confirmed the existence of such a threat with regard to the BTC pipeline.<sup>31</sup> The situation is even more worrisome when one considers that there are 11 non-state armed groups operating within the Caspian states and further threatening stability in the region.<sup>32</sup>

### Environmental Security

All the littoral states are contributing to the repopulation of endangered sturgeon by releasing millions of young fish into the Caspian from sturgeon hatcheries. Despite these measures, the depletion of the population continues to destroy the balance of the ecosystem. The international community has been actively engaged in saving the sturgeon by adopting tough measures, including banning caviar imports and prohibiting export to Western countries. Sadly, violations of the laws and regulations of the littoral states, unprecedented corruption and bureaucracy, and the high levels of poverty and unemployment in the villages on the Caspian's shores make illegal fishing both possible and profitable. In most cases, illegal fishing provides the only source of income for surrounding populations. A number of factors have contributed to the significant depletion of bio-resources in the Caspian region, including the lack of a unified approach to sustainable management of these resources, the lack of effective laws and mechanisms to fight poaching, and the failure of the littoral states to take responsibility for environmental damage.

The main challenge to the environment in the Caspian region is posed by intense oil and gas development and the resulting water pollution through increased oil spills, leaking submerged wells, and waste, which are direct consequences of exploration and drilling operations. The signing of the Tehran Environmental Convention by all the Caspian states was a major step toward protection of the Caspian basin. This agreement recognizes all the acute threats the Caspian ecosystem is currently facing: sea pollution from land-based sources; drilling and seabed mining operations; sea-going vessels; the threat of invasive aquatic species that destroy the ecological balance; and sea-level fluctuations.

### **Dilemmas**

The Caspian Sea region faces a number of dilemmas, and regional security will depend on finding solutions to the following problems:

- How to develop mineral resources under the seabed and manage bio-resources in a sustainable manner while at the same time protecting national interests in the absence of an international agreement determining the legal status of the Caspian;



- How to minimize perceived threats among regional and external actors, while at the same time moving toward increasing confidence building and cooperation;
- How to avoid possible confrontations and conflicts in the Caspian in light of the ongoing militarization of the region.

## Implications

The Caspian states undoubtedly consider cooperation in dealing with serious regional challenges to be in their strategic interests. Notwithstanding current geopolitical interests, the littoral states and key external powers have pragmatically chosen the path of engagement and cooperation as a means of overcoming problems among them and minimizing real or perceived threats. Still, the absence of a unified Caspian Sea regional organization, with the participation of all littoral states, is a serious impediment to cooperation and regional security.<sup>33</sup> The creation of such a multilateral forum would be a huge step forward in establishing common strategies among the littoral states in responding to new challenges, including fighting terrorism, drug trafficking, WMD proliferation, and avian flu. It would also strengthen trade, economic, and scientific relations.<sup>34</sup> External actors that would benefit from enhanced regional cooperation and integration should encourage the creation of such an organization. Until that happens, bilateral cooperation will continue to be the only effective means of dealing with regional challenges.

As a result of a radical shift in its Caspian policy during Vladimir Putin's presidency, Russia remains a key regional player and has been gradually enhancing its cooperation with all Caspian states. It is currently pursuing a pragmatic approach, making the region a priority in terms of both its domestic and foreign policies. Russia has declared strategic partnerships with all Caspian states on a bilateral basis, which has resulted in an unprecedented increase in bilateral trade, highlighting mutually beneficial economic incentives to enhance further cooperation.<sup>35</sup>

Further developments in the international arena and political changes in key external countries involved will continue to directly affect regional developments. The future direction of intra-state relations will be determined by political and economic developments in the littoral states, China, the European Union, Turkey, and the United States. Despite certain progress, the key risks in the Caspian states continue to be of a political nature. A number of incidents have presented challenges for the political stability that is vital for cooperation and economic prosperity: a series of arrests in Azerbaijan in connection with a planned so-called color revolution by the opposition; the recent strikes of oil workers; the murder of opposition leaders in Kazakhstan and the resulting increased pressure from the international community; Russia's cut-off of exports of natural gas to Ukraine and the resulting supply shortages to Europe; the new law adopted by Turkmenistan granting the president ultimate power in the approval of energy deals and depriving companies of the ability to make independent

decisions; and constantly increasing tensions over Iran's nuclear program and referral to the UN Security Council. Unresolved regional conflicts (Nagorno-Karabakh, Abkhazia, South Ossetia, Chechnya) and the undefined status of the Caspian will continue to be factors that hamper and disrupt relations in the region and that prevent the region and neighboring states from enjoying stability and the full benefits of the development of mineral resources.<sup>36</sup>

## Future Trajectories/Scenarios

The security of the Caspian Sea area as a region of peace, cooperation, and stability remains elusive. It will undoubtedly continue to be one of the world's strategic regions in the immediate future. The existing security architecture could be radically changed by regional conflicts; the continuation of anti-terrorist military operations conducted by the US-led coalition, with the possible deployment of forces in the Caspian (Azerbaijan); and a probable military strike on Iran's nuclear facilities.<sup>37</sup> In addition, political and governmental changes in the littoral states could bring new approaches to the region that would not necessarily coincide with existing policies.

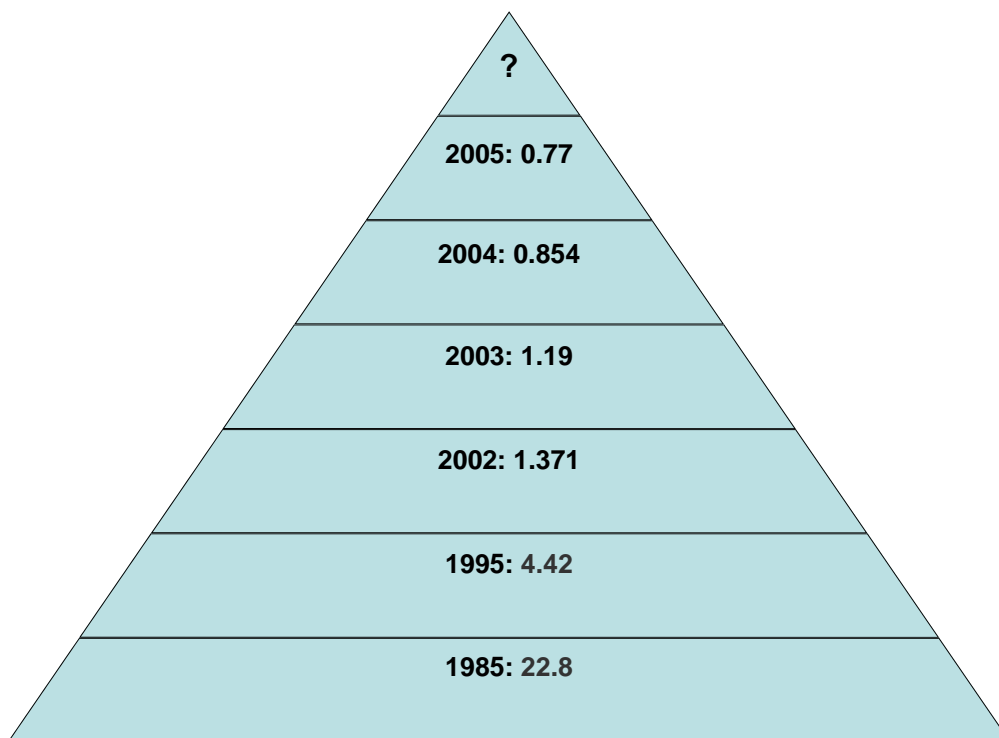
## Policy Recommendations

Considering the complexity of Caspian Sea regional security, the following policy recommendations can be applied to ensure stability in the long term:

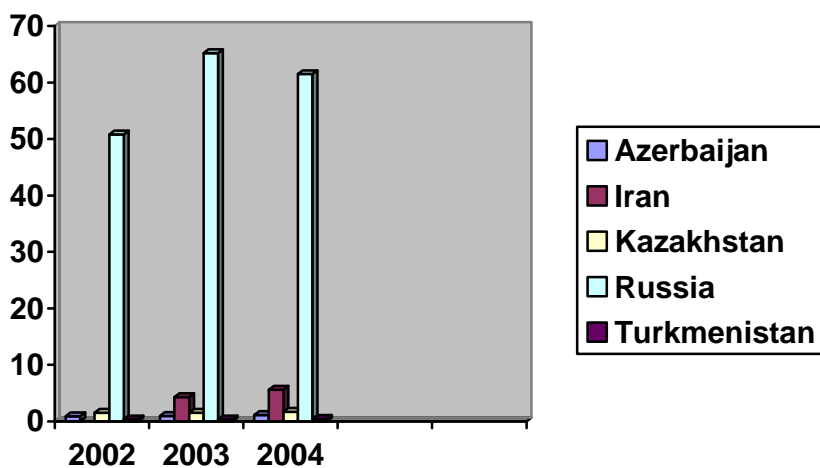
- Creation of an organization of the Caspian Sea states that will be based on increased information sharing and that will be a key regional mechanism for dealing with all security challenges;
- Creation of a common environmental monitoring system, including rapid-reaction units dealing with oil spills (trained personnel and available equipment at ports in the littoral states);
- Strengthening of multidimensional, regional cooperation (energy, transport infrastructure, trade, security, scientific, and cultural ties), responding to current and futures challenges;
- Consolidating international efforts in negotiations with Russia, Armenia, Azerbaijan, and Georgia to settle regional conflicts;
- Prioritizing the resolution of the status of the Caspian Sea on both regional and international levels;
- Developing regional energy infrastructure to accommodate increased exports of Caspian oil and gas, and diversifying transportation routes offering long-term economic prosperity needed for internal developments in the Caspian states;
- Prioritizing conservation efforts among the littoral states and adopting unified legal approaches toward fishing regulations;
- Engaging the littoral states in various internationally funded initiatives to combat drug trafficking, including training programs for law enforcement officials;

- Building confidence among the regional and extra-regional states toward mutually beneficial cooperation as opposed to a zero-sum approach; and
- Strengthening regional and international efforts in promoting democracy and good governance in the Caspian, thus investing in long-term internal state stability.

**Table 1:** Total catch of sturgeon in the Caspian Sea (in thousands of tons)<sup>38</sup>



**Table 2:** Defence expenditures of the Caspian states (in billions of US dollars)<sup>39</sup>



## References

- <sup>1</sup> The struggle for influence in the region and access to what were at that time the world's first known oil reserves were the ultimate goals of the Great Game between Russia and the British Empire during the 19<sup>th</sup> century.
- <sup>2</sup> In this paper, the terms *Caspian region* or *Caspian* refer to the five independent states bordering the Caspian Sea: Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan.
- <sup>3</sup> After a series of deadly attacks in 2004, including explosions in the Moscow metro, two simultaneous suicide attacks on commercial airplanes, and a bloody siege of a school in Beslan, Russia managed to prevent a major terrorist attack in 2005. Nevertheless, according to data from the Russian Interior Ministry, 203 terrorism-related incidents were registered in 2005, and 209 attacks were prevented in Chechnya. Statistics can be found on the ministry's website at <http://www.mvd.ru/index.php?docid=11>.
- <sup>4</sup> The full version of the report can be found at <http://www.state.gov/p/inl/rls/nrcrpt/2006/vol1/html/62111.htm>.
- <sup>5</sup> Interview with President George W. Bush by Yaron Deckel, Israeli Television Channel 1, August 11, 2005, <http://www.whitehouse.gov/news/releases/2005/08/20050812-2.html>.
- <sup>6</sup> This applies to a lesser extent to Iran, whose vast oil (third-largest in the world) and gas (second-largest in the world after Russia) reserves are located in the Persian Gulf. Although Iran is planning to expand its oil and gas activities in the Caspian, the region's foremost strategic priority is to help downplay international isolation and counter the US influence.
- <sup>7</sup> "Short-term Energy Outlook", Energy Information Administration, March 7, 2006, at <http://www.eia.doe.gov/emeu/steo/pub/contents.html>.
- <sup>8</sup> *Ibid.*
- <sup>9</sup> According to Transparency International's Global Corruption Perceptions Index, there has not been much progress in the Caspian states (comparison of figures in the years 2004 and 2005), placing them in the following order from the least corrupt (according to worldwide ranking): Iran (87/88), Kazakhstan (122/107), Russia (90/126), Azerbaijan (140/137), Turkmenistan (133/155).
- <sup>10</sup> President Putin characterized the immense scale of poaching in the Caspian Sea as bioterrorism during his visit to Astrakhan, in the Caspian region of Russia, in July 2005.
- <sup>11</sup> J. Vidal, "Ban on Trade in Wild Caviar as Sturgeon Stocks Plunge", *The Guardian*, January 4, 2006, at <http://www.guardian.co.uk/fish/story/01677468.00.html>.
- <sup>12</sup> The full report can be found at <http://www.state.gov/documents/organization/45313.pdf>. The US government has been consistent in naming Iran as the most active state sponsor of terrorism, and accusing it of attempting to acquire nuclear weapons.
- <sup>13</sup> In 2004, Russia's Caspian Fleet conducted a counterterrorism exercise in Dagestan based on a scenario whereby a terrorist took over a gunship and held hostages (August 25-27, 2004). In 2005, Russia and Kazakhstan conducted a Caspian anti-terrorism exercise (July 28-August 11); Russia and China held a counterterrorism exercise called Peace Mission 2005 (August 18-25, 2005); Russia and India conducted an anti-terrorism exercise called Indra 2005 (October 10-20, 2005) that involved a terrorist attack from the sea and freeing hostages; Turkmenistan conducted its annual anti-terrorism exercise, where, in a simulated scenario, some 3,500 terrorists entered the country (May 2005); Azerbaijan, Georgia, and Turkey conducted a week-long exercise based on a scenario of preventing a terrorist attack against the BTC pipeline (August 2005). In April 2006, Turkmenistan and China signed an agreement on cooperation against extremism, separatism, and terrorism (considering the mutual problem of separatist forces in East Turkestan).
- <sup>14</sup> The full version of the *2006 International Narcotics Control Strategy Report* can be found at <http://www.state.gov/p/inl/rls/nrcrpt/2006/vol1/html/62111.htm>.
- <sup>15</sup> An Afghan Opium Survey conducted by the UNODC in 2005 showed that 200 tons of heroin and 1,100 tons of opium were trafficked through Iran. See [http://www.unodc.org/pdf/afg/afg\\_survey\\_2005\\_findings.pdf](http://www.unodc.org/pdf/afg/afg_survey_2005_findings.pdf). Iran's security forces have had excellent results in seizing drugs and pursuing an aggressive policy against drug traffickers. It is estimated that more than 3,400 Iranian law enforcement personnel have died in clashes with heavily armed drug traffickers over the last two decades, and Iran reports that another 48 died in 2004. See a US State Department report at <http://www.state.gov/p/inl/rls/nrcrpt/2006/vol1/html/62112.htm>.
- <sup>16</sup> These include the US State Department's Export Control and Border Security program, the Department of Defense's Cooperative Threat Reduction program, the Department of Homeland Security's Container Security Initiative, and the Department of Energy's Second Line of Defense program and its Megaports Initiative, which assist countries in preventing illicit trafficking in nuclear and radiological materials by securing international land borders, seaports, and airports. The Second Line of Defense program and its Megaports Initiative provide special equipment to detect radioactive and nuclear materials at border crossings and seaports and necessary training for law enforcement officials. The Caspian Sea Maritime Interdiction provides equipment for detecting WMD along the maritime borders of Azerbaijan and Kazakhstan and the Caspian Sea. More detailed analysis of the Second Line of Defense program can be found in the author's article "Vtoraya liniya zashchity: rezul'taty mezhdunarodnogo sotrudnichestva v zone deistviya Astrakhanskoi tamozhni" [Second Line of Defense: Results of International Cooperation in the Zone of Operations of the Astrakhan Customs Service], in *Yadernyi kontrol'*, No. 3, Fall 2005, pp. 127-144. See [http://www.gcsp.ch/E/publications/Issues\\_Institutions/Russia\\_CIS/Academic\\_Papers/Shadrina\\_PIR\\_fall05.pdf](http://www.gcsp.ch/E/publications/Issues_Institutions/Russia_CIS/Academic_Papers/Shadrina_PIR_fall05.pdf).
- <sup>17</sup> S. L. Quigley, "European Command Transforming to Accommodate New Challenges", American Forces Press Service, March 9, 2006, [http://www.defenselink.mil/news/Mar2006/20060309\\_4440.html](http://www.defenselink.mil/news/Mar2006/20060309_4440.html).
- <sup>18</sup> R. Ismayilov, "Azerbaijan Ponders Russian Caspian Defense Initiative", Eurasia Insight, February 1, 2006, at <http://www.eurasianet.org/departments/insight/articles/eav020106.shtml>.
- <sup>19</sup> Transcript of opening remarks by Russian Foreign Minister Sergey Lavrov at the 20th meeting of the Special Working Group on the Legal Status of the Caspian Sea, Moscow, March 14, 2006, at [http://www.mid.ru/brp\\_4.nsf/e78a48070f128a7b4325699005bccb3/d02103c9696b6deac3257132002504f7?OpenDocument](http://www.mid.ru/brp_4.nsf/e78a48070f128a7b4325699005bccb3/d02103c9696b6deac3257132002504f7?OpenDocument).
- <sup>20</sup> "Stability in Central Asia serves Iran national security", IRNA, November 8, 2005, at <http://www.iranmania.com/News/ArticleView/Default.asp?NewsCode=37535&NewsKind=Current%20Affairs>.
- <sup>21</sup> Lavrov, *op. cit.*, note 19.

<sup>22</sup> *Ibid.*

<sup>23</sup> In 2001, an Iranian patrol boat threatened to use force and ordered an Azerbaijani ship with experts from British Petroleum to leave the area of the disputed oil fields (both Azerbaijan and Iran claim ownership).

<sup>24</sup> J. T. Correll, "European Command Looks South and East", *Air Force Magazine Online*, December 2003, at <http://www.afa.org/magazine/dec2003/1203eucom.asp>.

<sup>25</sup> "India, China Plans for Oil Cooperation at Early Stage", *AFX News Limited*, August 26, 2005.

<sup>26</sup> "Russia to Sharply Increase Oil and Gas Exports to Asia-Pacific – Minister", *Moscow News*, February 22, 2006, at <http://www.mosnews.com/money/2006/02/22/asiafuelexports.shtml>.

<sup>27</sup> F. Steinmeier, "Avoiding Conflict Over Fuel", *International Herald Tribune*, March 22, 2006, at <http://www.iht.com/articles/2006/03/22/opinion/edstein.php>.

<sup>28</sup> Baku-Tbilisi-Ceyhan Pipeline Overview, BP Caspian, at <http://www.bp.com/genericarticle.do?categoryId=9006669&contentId=7014358>.

<sup>29</sup> Viktor Khristenko: "Submerged pipelines' construction is possible only after determination of the legal status of the Caspian Sea", *Azerbaijan Today*, February 23, 2006, at <http://www.today.az/news/business/23580.html>.

<sup>30</sup> Matt Bryza, Deputy Assistant Secretary of State for European and Eurasian Affairs, February 22, 2006.

<sup>31</sup> "We Are Determined to Provide Security for Our Country and Its Strategic Infrastructure", Interview with Lt. Gen. Eldar Mahmudov, National Security Minister of Azerbaijan, *Caspian Energy (Russia)*, Vol. 34, No. 6, 2005, at [http://www.mns.gov.az/musahibe\\_8\\_en.html](http://www.mns.gov.az/musahibe_8_en.html).

<sup>32</sup> The data is based on Table 57, "Selected Non-State Armed Groups," *The Military Balance* (London: Routledge, 2006), pp. 418-434

<sup>33</sup> In 1992, Iran proposed the creation of the Caspian Sea Cooperation Organisation, which was to be supported by all the littoral states. Up until now, however, the initiative exists on paper only.

<sup>34</sup> Avian flu, which is now spreading widely in the region, has emerged as a new threat and has revealed a new aspect of cooperation among the littoral states: fighting infectious diseases. All Caspian countries have confirmed cases of avian flu, while Azerbaijan has even had human casualties.

<sup>35</sup> In 2005, bilateral trade turnover between Russia and Kazakhstan reached nearly \$10 billion (35 percent more than in 2004); trade between Russia and Azerbaijan increased by 40 percent to \$1.06 billion; trade between Russia and Iran was \$2.05 billion; and trade with Turkmenistan was \$300.6 million. Official data on Russia's trade turnover with foreign countries can be found on the website of the Russian Federal Customs Service, at <http://www.customs.ru/ru/stats/arhiv-stats-new/popup.php?id286=125>.

<sup>36</sup> The negotiations were sparked by a statement on the Nagorno-Karabakh conflict by Azerbaijani President Ilham Aliyev to the effect that peace talks cannot last forever and that the patience of the Azerbaijani people and government was running out. See A. Babayan and J. Peuch, "Nagorno-Karabakh: Russia Calls for 'Mutually-Acceptable Solution'", *Radio Free Europe/Radio Liberty*, April 6, 2006, at <http://www.rferl.org/featuresarticle/2006/04/6825b16b-8fc1-41f6-88ce-89484c98818f.html>.

<sup>37</sup> For more information on possible US deployment in the Caspian, see "Options for Changing the Army's Overseas Basing", report by the US Congressional Budget Office, May 2004, <http://www.cbo.gov/ftpdocs/54xx/doc5415/05-03-ArmyOBasing.pdf>.

<sup>38</sup> V.P. Ivanov, "Biologicheskie resursy Kaspiiskogo Morya" [Biological Resources of the Caspian Sea] (Astrakhan: KaspNIRKH, 2000); reports and press releases of the Caspian Fisheries Research Institute, at <http://www.caspnirh.astranet.ru>.

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Geneva Centre for Security Policy  
Centre de Politique de Sécurité, Genève  
Genfer Zentrum für Sicherheitspolitik

## **Program on the Geopolitical Implications of Globalization and Transnational Security**

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## **Editorial of GCSP Policy Brief No. 9 Security in the Caspian Sea Region: Challenges and Opportunities in a Globalized World**

**Dr. Nayef R.F. Al-Rodhan**  
**Senior Scholar in Geostrategy and**  
**Director of the Program on the**  
**Geopolitical Implications of Globalization**  
**and Transnational Security**  
**Geneva Centre for Security Policy**

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To comment, please email Bethany Webster at [b.webster@gcsp.ch](mailto:b.webster@gcsp.ch).

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## Review and Critique

The Caspian Sea region broadly includes the five states of Central Asia and the three states of the South Caucasus and Russia. After the collapse of the Soviet Union, the Caspian Sea region attracted a considerable amount of international attention, due to its sizable energy reserves as well as its geostrategic position between Europe and Asia, with neighbors that include Iran and Turkey. It has since become an arena of regional, as well as global, competition over the development and transportation of mineral resources, as well as influence in the Caucasus and Central Asia. As Katya Shadrina notes in her brief, the region's large hydrocarbon resources make it one of the most promising energy sources of the United States (US), the European Union (EU), China, Turkey, and India.<sup>1</sup>

The region's largely untapped energy reserves would appear to augur well for its future. Yet, the geopolitical weight of the Caspian Sea region is also accompanied by a number of threats to stability. The Caspian states are fragile ones that are currently struggling with difficult economic and political transitions. They continue to suffer from weak institutions that lack the capacity to fulfill basic political, economic, and social functions. There is also a perceptible criminalization of the structures of authority, as well as widespread corruption.<sup>2</sup> These factors - add up to an extremely fragile security situation, since destabilizing domestic and regional ethnic tensions so often lie just below the surface.

Shadrina observes that the region's stability is tenuous for a number of reasons. Unresolved regional conflicts, including the Nagorno-Karabakh enclave in Azerbaijan, secessionist movements in Georgia, the extremely unstable situation in Afghanistan, and Russia's ongoing conflict in Chechnya continue to cast a shadow over the region. Moreover, the Caspian Sea region's location – at the crossroads between Western Europe, East Asia, and the Middle East – serves as a transit route for trafficking of weapons of mass destruction and drugs, as well as terrorists.<sup>3</sup> Weak state institutions complicate the challenge of effectively addressing these transnational security issues.

The Caspian Sea's ecosystem is also in danger of being sacrificed at the expense of energy wealth. Offshore drilling is believed to have a negative effect on the environment at every stage of production. Seismic-testing, entailing underwater explosions, can injure and kill marine life. The by-products of drilling, as well as accidental oil spills, cause further damage to marine animals and plants, while introducing toxins into the food supply of both animals and humans.<sup>4</sup> In addition, the "other black gold" – black caviar-bearing sturgeon – are also under threat, another point raised by Shadrina. The Caspian's sturgeon population is in decline, due to poaching and catastrophic levels of over-fishing. Moreover, the expansion of drilling for petroleum is also likely to place these endangered sturgeon under increased threat.



## Dilemmas and Our Recommendations

Thus, while the Caspian Sea region is rich in oil and natural gas reserves, the region's future is held hostage to a number of unresolved conflicts, ethnic tensions, religious extremism, and environmental damage and degradation. Weak state institutions also make the task of managing such issues even more challenging. Below, we suggest eight dilemmas or challenges facing policy makers, as well as eight corresponding recommendations.



A major challenge facing policy makers in the region is how to balance the economic gains from energy resources against the risk of over-exploitation and environmental degradation. In order to safeguard the long-term economic security of the region, as well to ensure greater environmental security, regulations should be put in place to protect natural resources. Preventing over-fishing of sturgeon is also in the long-term interests of the region. Fish quotas should be strictly enforced, and yearly assessments of fish stocks should take place.

The extraction and transportation of energy reserves from the Caspian Sea region is a major source of geopolitical rivalry. Pipeline routes proposed by companies linked to non-regional powers are controversial because they are aimed at limiting the influence of Russia and neighboring Iran in the region. Russia and Iran, however, are also eager to have oil and gas from the region pass through their territories.<sup>5</sup> Policy makers in the region are, therefore, confronted with the dilemma of advantages of transnational pipelines and the geopolitics of their installation. Agreements between states in the region must outline economic and political details to ensure equality of costs and benefits.

Another challenge is linked to the intervention of non-regional actors in regional conflicts. Outside concerns about regional conflicts may be driven by commercial or strategic motivations. This being the case, external involvement may even serve to exacerbate rather than ameliorate political, ethnic, and religious tensions in the region.<sup>6</sup>

In order to be effective in addressing crime, terrorism, and non-state actors, the Caspian states will need to collaborate in the security domain. Regional cooperation is, therefore, needed to help cope with a whole host of security challenges, including those linked to the environment, regional conflicts, as well as terrorism, drug trafficking and the proliferation of weapons of mass destruction. The success of regional security arrangements will depend on the role of Russia.

## Conclusion

Thus, whilst the Caspian Sea region is rich in oil and gas reserves, a number of factors make it unstable, including ongoing regional conflicts and the geopolitical interests of outside powers. The region's position between Western Europe, East Asia, and the Middle East also make it a prime transit area for non-state actors engaged in illicit activities. Unfortunately, the Caspian states weak institutional capacities make the task of dealing with an array of transnational security challenges extremely complex.

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<sup>1</sup> For the brief in its entirety, please see the policy brief series as a part of the Geneva Centre for Security Policy's Program on the Geopolitical Implications of Globalization and Transnational Security at <http://www.gcsp.ch/e/publications/Globalisation/index.htm>.

<sup>2</sup> V. (Ze'ev) Khanin, "Clientelism, Corruption and the Struggle for Power in Central Asia: The Case of Kyrgyzstan," in M. Gammer, *The Caspian Region*, Vol. 1 (London and New York: Routledge, 2004).

<sup>3</sup> See J. H. Kalicki, "Caspian Energy at the Crossroads," *Foreign Affairs*, Vol. 80, No. 5, September/October 2001.

<sup>4</sup> Rachel E. Neville, "Two Black Golds: Petroleum Extraction and Environmental Protection in the Caspian Sea," *Journal of Public and International Affairs*, Vol. 12, Spring 2001, pp. 110-111.

<sup>5</sup> See S. Alam, "Pipeline Politics in the Caspian Sea Basin," *Strategic Analysis: A Monthly Journal of IDSA*, January-March 2002.

<sup>6</sup> V. Rubin, "The Geopolitics of Energy Development in the Caspian Region: Regional Cooperation or Conflict?," *Conference Report*, Center for International Security and Cooperation, Stanford University, December 1999, p. 17.