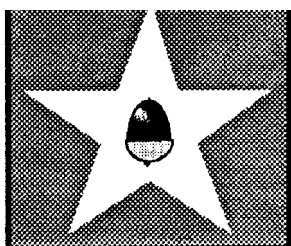


Conflict Studies Research Centre

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**The Caspian:
Comminatory Crosscurrents**

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S40

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THE CASPIAN: COMMUNATORY CROSSCURRENTS

INTRODUCTION

A previous paper¹ identified some of the threats to the future stability of the Caucasus Region and Caspian Basin, which would hinder or even prevent the creation of the stable political and social environment essential for the economic development of the region. It also outlined the increasing dangers of miscalculation and collision due to certain factors working at six mutually inter-related and overlapping levels summarised briefly in Table 1 below:

Table 1 - Summary of Dangers of Collision and Miscalculation²

Serial	Mutually Inter-Related Level	Annotation
1.	Declining Russian power.	Change
2.	Legal confusion over Caspian Sea's status.	Complication
3.	Traditional regional power rivalry and proxy manipulation by minor players.	Complication and challenge
4.	Extension of Western influence through the presence of North American power, investment and global corporate experience together with the return of traditional European commercial interest.	Change, complication and challenge
5.	Russo-Islamic relations in Caucasus.	Complication and challenge
6.	Environmental and ecological issues in and around the Caspian Basin.	Complication and challenge

It is becoming ever more apparent that from being imprisoned within the rigid, restrictive confines of Soviet Communist power for over 70 years, the Caucasus-Caspian Region is now emerging from the shadows and is fast becoming the focus of global attention and interest. In acquiring an increasing geostrategic significance, not only do the interests of the United States, Western Europe, Russia, Iran and Turkey cut across one another at a regional level, but on a wider plane the global dimension is emphasised and illustrated by companies representing a world-wide diversity of states ranging from Argentinian and Japanese participation on the one hand to the interest

¹ C.W. Blandy "The Caucasus Region and Caspian Basin: Change, Complication and Challenge" S36 CSRC April 1998. Other papers on this subject by the Author include: "Oil is not the Only Stake" S28 CSRC February 1997; "The Caspian: A Sea of Troubles" S31 CSRC September 1997; "The Caspian: A Catastrophe in the Making" S32 CSRC October 1997; "Impact of Baku Oil on Nagorny Karabakh: Waxing Western Influence: Waning Russian Power" S33 CSRC November 1997.

² Op cit, page 6 and page 27.

expressed by Afghanistan, Pakistan and India³ in wishing to obtain future benefit from its energy resources on the other hand. Giving rise to future apprehensions on the part of the Western powers, in addition to those concerns already stemming from the instabilities present in the Russian Federation and Moscow's predilection, capacity and potential at the present time to cause trouble in the form of *"conflicts in the Caucasus which threaten the interests of the USA"*⁴, there stands the recent activity of the People's Republic of China, currently occupied in taking 'fills' of Kazakh oil, Turkmen oil and gas from the eastern littoral of the Caspian to augment future serious shortfalls in domestic supplies⁵.

The emergence of the Caucasus-Caspian Region on to the world stage and with an ever-increasing cast of actors can only increase the potential for miscalculation and collision in the region, in particular, not only existing and probable pipeline routes (see Map 1), but also states such as Syria, Iraq and Iran, bordering the southern periphery of the region with the potential to destabilise the Middle East and further afield. Seen from a Russian perspective, perhaps indicative of possible repercussions to follow are those printed under the recent headlines of a leading Moscow newspaper: *"Punitive action against Iraq has brought about a crisis in international relations. In response to the unilateral use of force by the USA and Great Britain, Russia is ready to form a 'strategic triangle Moscow - Peking - Delhi'"*⁶. It would indeed be surprising if the *"Lisa v pustinye"*⁷ operation did not impinge further on the untidy tangle of inter-state relationships in the Caucasus-Caspian Region bringing in its wake far-reaching consequences for the Region and Central Asia.

This paper is the first in a new series continuing the identification of threats to the future stability of the Caucasus-Caspian Region. It concentrates on the analysis of the declared policies and attitudes, and areas where the interests of the United States, Western Europe, Russia, Iran, Turkey and minor regional players cut across each other, in particular those which are perceived by Russia to run counter to her own vital interests, at the same time noting the existence and development of trends

³ *Nezavisimaya Gazeta* No 231 (1802) of 10 December 1998 *"Energicheskiy defitsit v Indii - Rossiya otchasti pomozhet ego preodelet"* by Aleksey Tamalin provides further details on India's energy deficit.

⁴ *Rossiyskaya Gazeta* 28 November 1998 *"Konfliktky na Kavkaze ugrozhayut interesam SshA"* by Ariel Cohen, leading analyst of the Heritage Fund (USA). This is a reference to Russian 'meddling' in the Transcaucasus Republics, providing support to Abkhaz separatists and Karabakh Armenians.

⁵ Keun-Wook Paik *"Tarim Basin Energy Development: Implications for Russian and Central Asian Oil and Gas Exports to China"*, Central Asian and Caucasian Prospects, No 14 November 1997, Royal Institute for International Affairs, London, page 1: *"Security of energy supply is crucial for sustaining Chinese economic development, so the disappointing results from exploration of the Tarim Basin during the past seven years have sent an alarm signal to Chinese energy planners. In particular, since 1993, when China became an oil importer, the Chinese government has begun to recognise that the problem of oil and gas supply in the coming decades may be far more serious than had been anticipated"*.

⁶ *Nezavisimaya Gazeta* No 238 (1809) of 22 December 1998 page 1 *"Karatel'naya aktsiya protiv Iraka zavershilas' krizisom mezhdunarodnykh otnosheniy"* by Dmitriy Gornostayev and Sergey Sokut.

⁷ The Anglo-American operation "Desert Fox" translates as "The Fox in the desert".

relating to forms of partnership, alliance or coincidence of mutual benefit or interest between players as a result of growing competition in the region.

Map 1 - The Caucasus-Caspian Region and Oil Pipeline Routes⁸



Key to map

Existing pipelines
Proposed pipelines
Tanker routes

Other papers will include, “*The Caspian: Shifting Sands - Changes in the Stance of the Riparian States*” which is concerned with principle being overtaken by expediency and “*The Caucasus-Caspian Region: Rebirth of the Great Silk Road - Myth or Substance?*” where other transportation networks are also examined, such as the two magistral, Transib and BAM, linking western and eastern Russia, together

⁸ *Rossiyskaya Gazeta* 28 November 1998, page 7.

with the development of the Iranian railway infrastructure, and finally “*The Caucasus-Caspian Region: Impact of Islamic Fundamentalism*”.

FACTORS ACCELERATING CHANGE

Over and above the power and influence of the mass media, which four years ago provided world coverage of the horrors of the Chechen conflict and showed the devastation of Grozny as a result of artillery bombardment and aviation strikes, there are a number of other factors which are part of the mechanism or ‘merry-go-round’ of the acceleration of change in the region. Growing world interest, Russian weakness, the legacy of mutually negative perceptions between Russian and Caucasian, together with the welcome extended to Western influence and presence in the Transcaucasus, are but some of the factors and events facilitating change and unlocking this mountain fastness of the Caucasus to public access and a greater degree of global awareness.

Growing World Interest

This is due to a number of factors, the first of which must be the sheer scale of the estimated hydrocarbon and known mineral deposits located in and around the Caspian Basin. The increasing importance that the Western powers now attach to the Caspian Basin as a valuable energy source in turn serves to emphasise the requirement for secure, diversified and reliable transit routes guaranteeing uninterrupted flows of oil and gas out of the Caucasus-Caspian Region to western markets.

Western economic interest is complemented by growing NATO awareness and involvement, in addition to the treaty ties and activities associated with Turkey as a member of the Alliance, resulting from first, the strategic importance of the Caspian Basin as an energy reservoir, appearing in some respects as an alternative to the Persian Gulf; second, the Conventional Forces Europe (CFE) Flank Zone Agreement; and finally increased activity in the NATO Partnership for Peace (PfP) programme in both the Caucasus and Central Asia as part of NATO’s expansion policy⁹.

Regional tension is not only heightened by way of the effect that the possible strategic pipeline routes preferred by the West traversing the Caucasus Region and Asia Minor could have on the long-term fortunes of the traditional regional rivals, Russia, Turkey and Iran, but in some respects the regional situation from the Russian point of view is complicated further by Western proposals for projects such as TRACECA. As a result of Western political concerns, the rebirth or modern reincarnation of the “Great Silk Road” of ancient times does not appear to utilise present and developing transportation systems, networks and infrastructures and actually skirt round the southern shores of the Caspian. This point has a global dimension in the growing rivalry between the regional players, as exemplified by reports in the Russian press that “*no Silk Road will be able to compare with this*”

⁹ See Rachel Bronson “*NATO’s Expanding Presence in the Caucasus and Central Asia*” Chapter 9, page 229, in “*NATO After Enlargement: New Challenges, New Missions, New Forces*” Edited by Stephen J. Blank, Strategic Studies Institute, US Army War College, September 1998.

*magistral*¹⁰. This refers to a Russian alternative route, ie the modernisation, construction and development of a Super-Magistral linking North West Europe through Russia using the present Trans-Siberian (Transib) Magistral and the Baikal-Amur Magistral (BAM) to the Russian Far East, Sakhalin and Japan.

Russian Weakness

The primary factor leading to and tending to accelerate the arrival of external influences in the Caucasus-Caspian Region has been the weakness of the Russian State, demonstrated by the inability of Moscow to pursue a coordinated policy¹¹, but by default adhering to an unsteady and erratic course “*characterised by seemingly contradictory and uncoordinated actions, indicative to some degree of factionalised interest or even maybe a degree of corruption within the web of the power wielding structures of Moscow, demonstrating a lack of firm control at the highest level in the Kremlin*”¹².

Other factors contributing to this enfeebled condition include the adverse, critical and indebted condition of the Russian economy and the demonstration of the impotence and ineffectiveness of Russian military power as a reliable instrument of government, leading to the creation of a vacuum in the region. However, Nature will not allow a vacuum to remain for long¹³. In filling this vacuum, the United States of America actively drew other developed countries, the United Kingdom, France, Italy and Japan, into the problems of the Transcaucasus, the Caspian Basin and the question of oil transit routes out of the region. Seen from the position of Moscow “*separated in detail and competing between themselves, the countries of the ‘Big Seven’ follow the policy of the USA*”¹⁴.

The Legacy of Negative Perceptions

Additional factors which have in effect been conducive in preparing the ground and encouraging the desire for wide-scale change in some, but not all states, are found within the entangled complex of emotions, mutually corrosive feelings and negative perceptions fixed in the minds of both Russians and the indigenous peoples of the Caucasus and Central Asia. For, on the one hand, there exists the traditional contempt and hostility of the ordinary Russian, the ‘power-wielding structures’ in Moscow and the ‘Military’ toward the indigenous peoples of the North Caucasus,

¹⁰ *Nezavisimaya Gazeta* No 184 (1755) of 3 October 1998 page 5 “*Al’ternativy projektu TRACECA*” by Anatoliy Leonovich, Chief of the Internal Freight and Transshipment Section, Department of Freight Transportation Control MPS.

¹¹ Blandy, *op cit*, pages 6-13.

¹² C W Blandy “*Oil is not the Only Stake*” S28 CSRC February 1997 page 5.

¹³ Vul’yam Drapushko in *Nezavisimaya Gazeta* No 201 (1772) of 28 October 1998 page 5 uses this title for an article on the implications of the Euro-Asiatic transport corridor for Abkhazia.

¹⁴ *Nezavisimaya Gazeta* No 71 (1642) 22 April 1998 page 9 “*Neft’ Kaspiya - problema i politiki, i ekonomiki*” by Mekhman Gafarly. See Blandy “*The Impact of Baku Oil on Nagornyy Karabakh*” page 42: “A single united position of the West of course does not exist. The different geographical position of Western states, their proximity to the region, the specifics of their relationships with different countries in the region lead to significant divergences in their positions. It is most vividly manifest in the rather quiet unpublicised special approach of such countries as France and Greece”.

Transcaucasus and Central Asia, whom the Russian variously describes in derogatory terms as being of 'Caucasian Nationality'¹⁵, 'Tatar', 'Asiatic', or 'Tea Drinker' from Azerbaijan or just simply dismisses under the collective appellation of 'bandits', but on the other hand, no less powerful emotions and feelings are reciprocated by the peoples of the North Caucasus, Transcaucasus and Central Asia toward Russia.

In the northeast Caucasus a legacy of hate, fear and anger toward Russia is present amongst the Muslim mountain peoples, due to their perceptions of economic exploitation, loss of history, literary heritage and Arabic scholarship, intensified by the 250 year-old struggle for the independence of the Chechen and exacerbated by the violent, economically barren and socially disruptive aftermath. Yet, strangely, within the confines of the Caucasus a closer affinity existed between Terek or Sundzha Cossack settler with a Chechen, Ingush or Dagestani than between Cossack and Russian because in many regards the Cossacks also believed themselves to be indigenous peoples of the Caucasus. There is a measure of bitterness remaining against Moscow from the Dagestani peoples caught up in the aftermath of Kizlyar and the debacle of Pervomayskoye in January 1996, although this may now be tempered to some degree by the rebuilding of Pervomayskoye which now "*sparkles with new houses*"¹⁶. There is the mental confusion of the North Osetian, whether to remain tied to his Russian master or to become a people who are whole-heartedly part of the North Caucasus family; the smouldering embers of anger and mistrust of the Ingush remain toward Moscow over Prigorodnyy Rayon¹⁷.

Moving south to the Transcaucasus, as in the past, Georgia lies uncomfortably between the Christian and Muslim worlds, where outwardly neither Russia nor Turkey are regarded as an enemy or a threat to Georgian national security or stability. However, Georgians recognise that Russia, in keeping with a long historical geo-political strategy, perceived the need for a Transcaucasian buffer zone, resulting in the presence of a strong Russian military presence in the Republic. In the past Georgians realised that they could not survive without Russia¹⁸, but at the same time they did not relish being under Russian control; in fact they resented Russian domination. Therefore, Georgia had to follow a pragmatic policy tailored to cater for Russian foreign policy requirements. Today, to some extent this has resulted in an ambivalent attitude of the Georgian, with a tendency to cast blame on Russia, ignoring his own Georgian excesses of ill-

¹⁵ See also Vanora Bennett "*Crying Wolf - The Return of the War to Chechnya*" Picador, 1998 pages 14-15: "Then came the 'black' republics: Mediterranean-looking Christians and Muslims from the three Transcaucasus republics over the mountain range on Russia's southern border, or Asiatic-looking visitors from the -stan republics. Yevgeniya had nothing good to say about any of them . . . Lower still were the 'black' mini-peoples who lived on the northern slopes of the Caucasus mountains and on the southern reaches of the Volga".

¹⁶ *Krasnaya Zvezda* No 26 (22515) of 5 February 1998 page 1.

¹⁷ C. W. Blandy "*Prigorodnyy Rayon: The Continuing Dispute*" P26 CSRC October 1997; see Vanora Bennet, *op cit*, pages 156-178 for an eye-witness account of the Ingush being forced out of Prigorodnyy rayon in October 1992.

¹⁸ At the beginning of the 19th Century, Russia afforded Georgia protection against the Muslim world of invading Turks, Persians and marauding tribesmen from Dagestan.

discipline¹⁹, seeing only the 'hidden hand of Russia' operating in a destructive mode. And yet at the same time the Georgian harbours concerns over the large regional neighbour to the southwest, as demonstrated by a reluctant attitude toward the rehabilitation of the Meskhetian Turk together with a degree of concern over the minority Armenian population in the districts of Akhalsikhye and Akhalkalaki²⁰.

Azerbaijan desires escape from Russia, while at the same time does not seek in its place a new 'Big Brother' relationship with Turkey, but is anxious to secure approval and partnership with the West, in particular with the United States, together with the return of Nagorny Karabakh under Baku's vertical control and the restoration of territory currently under Armenian occupation. Conversely, small and landlocked Armenia seeks reassurance and security through a Treaty of Friendship, Cooperation and Mutual Assistance with Russia²¹. Furthermore there would appear to be an element of respect from the Russian toward the Armenian not only from being some of the leading exponents of military art²², but also because of their other qualities²³.

Meanwhile, Kazakhstan and Turkmenistan are hostile to any suggestion of a return to the form of relationship which existed in the Soviet period. In the first six months of 1997 from the Turkmen side there was a sense of grievance on account of the shadow of seeming backstairs diplomacy between Russia and Azerbaijan over the agreement for the joint exploitation of the Kyapaz oil deposit (Promezhutochnoye) in the central part of the Caspian. This in turn led to "a Turkmen perception of a regeneration of the 'Big Brother' syndrome of the division between the elder and younger brother republics recalling Russia's past preeminence during the time of the Soviet Union"²⁴.

A Welcome to Western Influence and Presence

It is against this background in the Transcaucasus that Western influence, investment and participation is welcomed with open arms by states such as Georgia and Azerbaijan, not only with regard to the transfer of Baku 'early' oil to Supsa and the possibility of the proposed Baku-Tbilisi-Ceyhan oil pipeline at a later date for the main stream of Baku oil to world markets, but through projects such as TRACECA stretching away eastwards, embracing the romantic, historical notions of 'Tartary'²⁵ and to China proper which provides an additional basis for the

¹⁹ Vanora Bennett, *op cit*, " - and Georgians - expansive, hospitable, macho feckless wine drinkers - at least belonged to ancient Christian cultures" (as did the Armenians).

²⁰ C. W. Blandy "The Meskhetians: Turks of Georgians? A People Without a Homeland" S34 CSRC February 1998 pages 13, 21 and 22.

²¹ Signed in Moscow by Presidents Yel'tsin and Ter-Petrosyan on 29 August 1997.

²² General Bagration (1765-1812), Marshal of the Soviet Union Bagramyan (1897-1982) and Marshal of Armoured Tank Troops Babadzhanian (1906-1977).

²³ Vanora Bennett, *op cit*, page 15 "... though she (Yevgeniya) did concede that Armenians were hard-nosed businessmen, drivers of vicious bargains".

²⁴ Blandy "The Caspian: A Sea of Troubles" page 17.

²⁵ See Peter Fleming "News from Tartary" Jonathan Cape, London, 1936, page 4 "Note: Tartary is not strictly a geographical term, anymore than Christendom is. Tartary is

realisation of Southern Caucasian aspirations by the linking of peoples in “a manner which is more friendly and positive by reaching over state boundaries, than that of the cold, inanimate territorial traverse of the oil or gas pipeline”²⁶.

Expressions indicative of these ecstatic and optimistic feelings certainly surfaced at the new bridge opening ceremony on the Azerbaijani-Georgian border on 7 October 1998, when the Governor of the Kvemo-Kartliysk region of Georgia, Levan Mamaladze said in Azerbaijani: “*This bridge*²⁷ *will serve not only the Azerbaijan and Georgian peoples, but in general the whole world, since this bridge will become one junction, one crossroads of the Great Silk Route. Today with the help of our European friends the new bridge is open, uniting two peoples, as a whole linking the largest crossing point in the world*”²⁸.

However, the Governor went on to make reference to the events of some 80 years ago, with the implication that Bol'sheviki had brought conflict, invasion and occupation, but not happiness, again to some degree illustrating the ambivalence of feeling of Georgians toward their northern neighbour: “*As you see not far from here stands the old ‘Red Bridge’*”²⁹. *Without doubt this bridge has great historical value for people. But I wish to underline one fact. As you know at the beginning of this century the XI Red Army*³⁰ *overthrew the independent Azerbaijan state in Azerbaijan and crossing over this very bridge invaded Georgia*”³¹.

where the Tartars came from, to harry Europe and Asia; and there were so many different kinds of Tartars that the name has at one time or another held good for almost all the lands outside the Great Wall, from the Caspian to Korea. But it has come nowadays to be applied, if it is applied at all, chiefly to Sinkiang (or Chinese Turkestan) and the highlands bordering it; and that is where the journey took us”.

²⁶ Substance of a thought expressed by Dr Jonathan Aves at the Scottish Centre for International Security (SCIS), University of Aberdeen, Conference on “*Russian Security Interests in the North Caucasus*” on 21 November 1998.

²⁷ Known as the “Bridge of Friendship and Peace”. *Bakinskiy Rabochiy* No 196 (23368) of 9 October 1998 page 1 “*Torzhestvennoye otkrytiye novogo mostana Azerbaidzhano-Gruzinskoy granitse*” by Azertadzh.

²⁸ *Bakinskiy Rabochiy* No 197 (23369) of 10 October 1998 page 1 “*Most druzhby i mira*” by Azertadzh.

²⁹ The ‘Red Bridge’ had also featured in more recent times in the unhappy history of Georgia, as described by Vanora Bennett, *op cit*, concerning events around 7/8 January 1992: “We were heading for Idzhevan, a town near the Georgian border to which the president of Georgia, Zviad Ghamsakhurdia, had fled two nights before... At dead of night, in a lull in the fighting, he had escaped in a convoy of cars that drew up unexpectedly in the ruins of the great Stalinist columns. At breakneck speed, he made it over the Red Bridge out of Georgia, through the disputed Azeri-Armenian border, into neutral territory”.

³⁰ *Voyennyi Entsiklopedicheskiy Slovar'*, Moskva, Voennoye Izdatel'stvo 1983, page 45 “11 Army (11A) was formed in October 1918. Included in Southern and Caspiysko-Caucasus Fronts conducted combat operations with the aim of liberating the western parts of the North Caucasus from the White Guards. In battles and from epidemics of typhus (spotted fever) lost up to 66% in personnel. In February 1919 its combat effective units were transferred to 12 Army. In March 1919 at HQ Troops Caspiysko-Caucasus Front it was formed into 11 Separate Army. In April to May 1919 it took part in battles against the White Guards on the Astrakhan axis. In June 1919 it was reformed and its units which had defended Astrakhan were transferred to 10 Army. In August 1919 11 Army was again

SCOPE FOR MISCALCULATION AND COLLISION

Growth of Two Opposing Informal Alliances

Perhaps the most dangerous factor which could initiate a course of miscalculation and precipitate collision lies in the uneasy and sometimes antagonistic relationship between the United States of America and Russia, for stemming from this position, in and around the Caucasus-Caspian Region it is possible to hold the view in a very general sense that there are two groups of loosely defined political alliances headed by the USA on the one hand and Russia on the other which involve both regional states and those from outside the region. Seen from two Russian viewpoints:

“There are two sectors in the region. First, there is the close-knit alliance of Turkey and Azerbaijan under the patronage of the USA. Secondly, there is a union between Armenia and Iran with the participation of Russia. The second union is being formed and strengthened at a fast rate”³².

“The stakes in the ‘Caspian man to man fight’ are too high. The tendency of the formation of two blocs opposing each other: Russia-Iran-Armenia, and possibly Turkmeniya against USA-Turkey-Azerbaijan-Georgia and the ‘more inclined towards them Kazakhstan’³³”.

Table 2 provides a general outline of the growing arrangement of informal alliances, with Table 3 covering rivalries and uneasy relationships affecting the region.

Inherent in the gradual drift into this loose system of alliances, partnerships or groupings is the possibility of miscalculation by a minor regional player which could escalate and turn a situation into one of direct confrontation between the two principal players, namely the USA and Russia. The situation is complicated further by the fact that there are not only pressures, antagonisms and uncertainties between the two groupings, as exemplified by the attitude of the United States to Iran or the attitude of

the Russian government and press towards Turkey, or the reaction of Azerbaijan to the supply of arms by Russia to Armenia in contravention of the 1992 Tashkent

reformed at the Group of Troops Eastern Front base at Astrakhan. Included in the Turkestan, South-East (Caucasus) Fronts the army successfully operated in the districts of Tsaritsin and Baku. In May 1921 The Caucasus Red Banner Army was formed from 11 Army.

³¹ *Bakinskiy Rabochiy* No 197 (23369) of 10 October 1998 page 1.

³² *Nezavisimaya Gazeta* No 220 (1791) of 25 November 1998 pages 9 and 10 “*Novyy neftyanoy poryadok neminuyemo privedet k geopoliticheskim izmeneniyam*” by Oleg Maksimenko (Chief Editor of the journal *Muzhchiny* (Yerevan) and Vitaliy Vyacheslav Naumkin (President of the Russian Centre for Strategic and International Research.

³³ *Nezavisimaya Gazeta* No 71 (1642) 22 April 1998 page 13. See also *Izvestiya* No 139 (25239) of 24 July 1998 page 3 “*Sud’bu Kaspiya budut reshat’ v Moskve*” by Gayaz Alimov. Even though “Clouds over the Caspian have started to be dispersed, in the main, thanks to the efforts of Russia and Kazakhstan, who signed an agreement at the beginning of July [1998]” on the division of the seabed only in the northeast Caspian Sea, Kazakhstan remains more in the US-Turkish-Azerbaijan grouping due to previous pressure by Russia over transportation of Kazakh oil westwards, shades of the ‘Big Brother’ syndrome and the Trans-Caspian pipeline project which Russia is against.

Treaty on Collective Security³⁴, but within each of these groupings there are conflicting aspirations and pressures, such as the fact that the USA is “*facing an erosion of international support to isolate Iran*”³⁵ or Iranian disapproval of the Russo-Kazakhstan Treaty signed in 1998 concerning the division of the seabed in the northeast sector of the Caspian. There may also be internal disagreement within a state: President Lev Ter-Petrosyan of Armenia was forced to resign in April 1998 as a result of his view and that the international community “*would not allow the current indefinite status-quo in the NK conflict to continue for much longer*”³⁶.

Table 2 - Informal Alliances of States in Caucasus-Caspian Region³⁷

Principal State in Informal Alliance	Secondary States in Informal Alliance	States or Entities Close to Principal	Connection outside Region
Russia	Armenia & Iran	Nagornyy Karabakh Turkmeniya?	Greece, Serbia, Cyprus, Syria, China, India
United States of America	Turkey & Azerbaijan	Israel Georgia, Kazakhstan	Western govts; NATO; Ukraine, Moldova (GUAM), Saudi Arabia & Jordan

Table 3 - Rivalries and Uneasy Relationships affecting Caucasus Caspian Region

State	Global Rival	Regional Rival	Uneasy/Adverse* Relationship
Russia	United States	Turkey	Azerbaijan, Georgia, Ukraine, Kazakhstan Turkmenistan, Iraq
Turkey		Russia, Iran, Greece	Armenia, Kurds* Syria, Iraq
Iran		Turkey Azerbaijan	United States*, Iraq* Azerbaijan*, Western Countries, Kurds, Taliban/Afghanistan

³⁴ See Blandy “*The Impact of Baku Oil on Nagornyy Karabakh*” page 44.

³⁵ Glen E. Howard “*NATO and the Caucasus: The Caspian Axis*” page 163 in “*NATO After Enlargement: New Challenges, New Missions, New Forces*”, edited by Stephen J. Blank, Strategic Studies Institute, US Army War College, September 1998.

³⁶ *Nezavisimaya Gazeta* No 220 (1791) of 25 November 1998 pages 9 and 10.

³⁷ This Table is based upon the political orientation of states and groupings found in Blandy “*The Impact of Baku Oil on Nagornyy Karabakh*”, especially page 49, up-dated to reflect changes over the past year.

Georgia			Russia, Armenia & Turkey
Armenia			Turkey Azerbaijan
Azerbaijan			Russia, Iran & Armenia
China	United States	Russia	Western countries Japan

The situation is further complicated by the fact that areas of cooperation do exist between states belonging to different groupings, for example the possibility of supplying Russian gas to Turkey by pipeline under the Black Sea, or in the sphere of Armenian-Turkish relations, the fact that Armenian proposals at the Baku Conference in September 1998 received considerable interest from the Turkish side: *“The first proposal: to use the railway route Poti (Batumi) - Tbilisi - Yerevan - Dzhul’fa (Nakhichevan) - Dzhul’fa (Iran) - Teheran, from where two directions are possible for the transit of freight to Central Asia and to the Persian Gulf. The second proposal: to unblock the railway line Kars - Gyumri (Leninakan)”*.³⁸

Russian Sensitivities

However, before focussing attention on the issues which separate the two groupings in the region, it is also important to remember Russian sensitivities towards any form of NATO expansion and in particular towards any ‘alien’ influence or externally-initiated activity in the North Caucasus and the Transcaucasus buffer zone, containing the independent Republics of Armenia, Georgia and Azerbaijan. These remain areas of direct and vital concern to Moscow, in particular to the military mind, whose perceptions both in the historical past and now remain ever sensitive to penetration by influence or by the possibility of actual threats to the territorial integrity of Russia posed by the other two regional powers³⁹.

An indicator of how extreme are the views, concerns and fears of some elements of the Russian press, the military and the public is contained in an article written on 3 September 1996, shortly after the signing of the Khasavyurt Accords⁴⁰. The article *“Armed Separatism - the End or only the Beginning”*⁴¹, was based on *“several sheets*

³⁸ Ibid.

³⁹ See also Glen E. Howard *“NATO and the Caucasus: The Caspian Axis”* Chapter 8 page 155: “The regional security environment in the Caucasus has grown more complicated due to Moscow’s inability to relinquish its imperial interests in the region and as neighbouring regional powers slowly encroach upon Russia’s shrinking perimeter of forward defense”.

⁴⁰ See Blandy *“Chechen Connections: From Khasavyurt to Moscow”* P24 CSRC September 1997, Boxes 8, 9, 10 and 22, 1997 for other indicators of reaction to outside interference in the North Caucasus.

⁴¹ *Pravda* No 55 (84) of 3 September 1996 page 1 *“A poutru oni prosnutsya . . . Vooruzhenny separitizm - konyets ili tol’ko nachalo”* by Anton Surikov.

of paper of foreign origin lying in front of me [Anton Surikov] and which reached Moscow two months ago”, envisaged a scenario with a train of events resulting from the terms of the Accords, in which the Chechens with the assistance of foreign mercenaries start to conduct extensive combat operations throughout the North Caucasus. These operations included participation by the United States, Turkey, Britain, the FRG and other Western states; “Aslan Maskhadov⁴² was named in the document as the main contact of these structures in the Caucasus”. The purported aim of the operation was:

“The ousting of Russia from the regions of the Transcaucasus, the North Caucasus and the aquifers of the Caspian Sea by way of creating a new state - the Islamic Confederation of the North Caucasus”.

The first phase in achieving this aim was to be the removal of Russian troops from Chechnya with a second phase spreading the ‘*Struggle for Freedom*’ to the territory of North Caucasus Republics: Dagestan, Kabardino-Balkaria, Karachayevo-Cherkessia and Adygeya. Box 1 below gives details of the execution of Phases 1, 2 and 3, in which the participation of Turkish ‘advisers’ should be noted.

Box 1 - Postulated Scenario of Anti-Russian Operations in North Caucasus

Phase 1: Removal of Russian Troops from Chechen territory.

Phase 2: To widen the struggle for freedom to the territories of Dagestan, Kabardino-Balkaria, Karachayevo-Cherkessia and Adygeya through:

* Endless and strong pressure on local organs of power and law enforcement agencies with the aim of putting them under the full control of the “Fighters against Imperialism”.

* The unleashing of a campaign of terror against the Russian population, representatives of the Federal authority, including border troops, military servicemen, FSB employees/associates with the aim of paralysing their activities.

* The mobilisation of the indigenous population of the republics into illegal armed formations, the completion of the creation of the necessary military infrastructure, the accumulation of arms and ammunition.

Adygeya: It was planned to form three large bands in the areas of the Caucasus nature reserve, Maykop and the Shapsug water reservoir numbering some 14,000 men. The Adygeytsi would only amount to half that number, the remainder being made up of Chechens, Abkhaz, Azeris, Russians, Ukrainians and Balts and other foreigners, Afghans, Arabs and Turkish citizens of Caucasian origins. * **The Turkish General Staff military intelligence proposed to send not less than 180 active Turkish Army officers who would be situated there as mercenaries.**

Karachayevo-Cherkessia: A further 40 Turkish officers to be sent. **Kabardino-Balkaria:** 70 Turkish officers. **Chechnya:** 30 Turkish officers.

Phase 3: Active operations of fighters and mercenaries with:

(1) Raids by Chechen and Ingush formations on North Osetia, Mozdok, Beslan, Prigorodnyy rayon and the right bank part of Vladikavkaz.

(2) Punitive actions by Kabardin fighters in the area of Prokhladnyy.

(3) Strikes by the Karachai on Kislovodsk.

(4) Finally, raids by Adygey fighters and mercenaries on military objects on the outskirts of Maykop, armed action in the areas of Krasnodar, Tuapse and Sochi.

⁴² Aslan Maskhadov was elected President of the Chechen Republic on 27 January 1997.

From a Russian viewpoint it is important to remember that the North Caucasus, Transcaucasus and the oblasts along the southern border of Russia cannot be taken as separate entities in isolation.

“The North Caucasus and Transcaucasus must be considered as a part of a whole ‘security complex’ which includes: the southern oblasts and national republics of Russia; Georgia, Armenia, Azerbaijan, and also Turkey and Iran. This is reflected in the fact that the North Caucasus continues to play a decisive role in the fate of the Transcaucasus and Caucasian security complex as a whole”⁴³.

Therefore, events which occur in the North Caucasus will have an impact on life in the Transcaucasus and likewise those which take place immediately beyond the southern borders of the Russian Federation will also have an effect on life in the immediate Russian hinterland, whether it be in the Caucasus or Central Asia.

So, whilst it must appear strange to the average person living in the comparative stability and comfort of the West that the thoughts mentioned by Anton Surikov, involving Western participation in military operations specifically designed to remove Russia from the Caucasus, actually exist, it is obvious from the more balanced and objective Russian press that those, perhaps self-induced, feelings of being under threat from the West are prevalent to a large degree throughout Russian society. Maybe Russian sensitivity of exposure to outside influence and feeling of insecurity have deeper origins perhaps from living in a space of endless steppe, where there was no great natural cover and protection, apart from the north-south orientation of mighty rivers, nothing of physical geographical significance that could help to stem the onslaught of eastern invaders, unlike some other nations who have had the advantage of being surrounded by sea or mountains. This Russian sensitivity, almost extending to a state of paranoia where penetration of the Russian North Caucasus, Transcaucasus or southern boundaries of Russia is concerned, will require much time, patient understanding and positive but tactful confidence building measures by the West before it evaporates.

Active Interests of the USA in the Caucasus-Caspian Region

It would also be wise, perhaps, to remember that *“not being present historically and geographically, the United States does not share those same risks, the consequences of which could be paid for by the countries of the region and even Europe”⁴⁴.* For ease

⁴³ Eduard Ozhiganov from *NG- Religii* No 6 (18) of 17 June 1998 pages 12/13 *“Faktozy destabilizatsii religiozno politicheskoy situatsii v Dagestane”* by Maksim Shevchenko and Aleksey Malashenko. This fact is again underlined in *Nezavisimoye Voyennoye Obozreniye* No 48, 1998, page 2 *“Terror v Dagestane vryad li prekratitsya”* by Il'ya Maksakov, which is concerned with the recent deaths in Dagestan of five Internal Troops Special Forces (Omontsy) from Murmansk. “But detonations from mines laid at the side of roads used by military or militia transport or firing on military servicemen clearly has a provocative character and **they do not lend themselves to forgetting the special significance for Russia of the North Caucasus**”. In an earlier passage “The Omontsy ordered to Dagestan for the protection of border areas met their deaths in Kizlyar rayon in the vicinity of the blokpost “Stepnoy” on the border with Chechnya, which together with “Gerzel” (blokpost at Gerzel bridge) which is situated in Khasavyurt rayon is one of the largest frontier posts (KPP) on the administrative border”.

⁴⁴ *NG – Stsenarii*, No 9, 13 August 1997, page 1 *“Nagornyy Karabakh: Proklyartiye ili Nadezhda Rossiyskogo Gosudarstva?”* prepared by experts of the Institute of Problems of the Diaspora and Integration (Institute of the Countries of CIS) directed by Konstantin Zatulin and Andranik Migranyan.

of reference the active interests of the USA and the objectives to secure those interests in the Caucasus-Caspian Region are listed in Box 2 below.

In many respects they run counter to the sensitivities, policies and views of Russia, but “operating in the Transcaucasus as a powerful super-power, the USA has strategic interests in the Transcaucasus”⁴⁵ and sees the need to shield the areas of its strategic interests from all possible dangers and threats, by “strengthening civilian institutions and economic markets in the three Caucasus republics, developing the coalition of Georgia and Azerbaijan supported by Turkey and Israel”⁴⁶. Although it mentions the same countries, a Russian view has a somewhat difference emphasis in its interpretation of American, Turkish and Israeli motives⁴⁷: “The United States must continue to work in tandem with Turkey, whom Israel stealthily assists, having calculated on the fact that the removal of Russia from the Caucasus, the weakening of Russia as a natural ally of the Arab world will strengthen its own general position in the Near East”.

<p><u>Box 2 - US Active Interests and Objectives Securing those Interests in the Caucasus-Caspian Region</u>⁴⁸</p> <p><u>1 - Active Interests</u></p> <p>To guarantee the independence and territorial integrity of Georgia, Armenia and Azerbaijan. To realise control over Iran and any appearances of Islamic Fundamentalism. To guarantee access to energy resources. To prevent the possible rebirth of Russian imperialistic ambitions in the region.</p> <p><u>2 - Objectives Securing Active Interests</u></p> <p>To strengthen political support for the Baku (Azerbaijan) - Ceyhan (Turkey) oil pipeline. To enable development of cooperation with Georgia over problems of security. To lift sanctions against Azerbaijan. To give Moscow to understand that further support of separatists in the Southern Caucasus will mean the termination of American aid and assistance. To begin negotiations with leaders of North Caucasus ethnic groups.</p>

These measures are designed to provide energy companies with the opportunity of constructing oil and gas pipelines to the West through the Black Sea and Mediterranean instead of the ‘Northern’ route through Russia and the ‘Southern’ one through Iran. However, “If Washington does not succeed in getting political dividends in the Caucasus, American interests as well as the interests of the US key allies, Turkey and Israel will turn out to be in danger. The advantage remains with the anti-western forces of Russia and Iran”⁴⁹.

The US Congress intends to create firm political priorities for this important region in order to support and achieve the independence, territorial integrity and

⁴⁵ Ibid.

⁴⁶ Ariel Cohen, *op cit*.

⁴⁷ *Rossiyskaya Gazeta* of 28 November 1998 “SShA ugrozhayut interesam Rossii na Kavkaze” by Vladimir Stupishin, Doctor of Historical Science, Russian Ambassador Extraordinary and Plenipotentiary in retirement.

⁴⁸ Ariel Cohen, *op cit*.

⁴⁹ Ariel Cohen, *op cit*.

prosperity of the post-Communist republics of the Southern Caucasus and Central Asia, whilst simultaneously increasing the American economic and strategic presence in these regions, where:

*“The Silk Road Strategy Act core component is to halt Russian and Iranian efforts to destabilise the region through a broad array of activities which are inimical to US and Western interests”.*⁵⁰

SPECIFIC ISSUES OF CONTENTION

The Baku-Ceyhan Pipeline

An American Viewpoint

The Washington viewpoint is well known: *“In American interests it is better to carry out pumping oil from the Caspian Sea through Georgia and Turkey than through Iran and Russia. The northern or the southern routes create opportunities for Russia or Iran to control a considerable part of the energy resources market”.*⁵¹

*“The concern stone of Western energy security concerns in the Caucasus is the strategic 1,650 km Baku-Ceyhan pipeline which will play a key role in ending Russia’s monopoly over energy routes from the Caspian and offer the West an alternative means for transporting Caspian oil outside of Russian control”.*⁵²

Furthermore, to fully achieve the objective of the Baku-Ceyhan pipeline, the “USA must use its influence on the governments of Kazakhstan and Turkmenistan for guaranteeing the construction of a pipeline through [under] the Caspian”⁵³, as one of the links of the Baku-Ceyhan system, and by doing that to increase the economic purposefulness of the whole project.

Therefore, the two main points that can be concluded are first, that the criteria for routing the pipeline through Georgia and Turkey, avoiding Russian and Iranian territory, are political and not economic. Secondly, the additional requirement for the construction of an oil pipeline on the seabed of the Caspian as one of the links of the Baku-Ceyhan system is regarded as increasing and underpinning the purposefulness of the whole project. At this point it is important to remember that there has been no mention of Chechen-initiated action to interrupt the oil pipeline throughput on the northern route. The key words are ‘*Russian or Iranian control*’ and ‘*Russian monopoly*’.

A Russian Viewpoint

Perhaps the overall problem with regard to Caspian oil can be expressed as: when, how, where and who will manage to extract Caspian oil, to where and along which

⁵⁰ Glen E. Howard, *op cit*, page 163.

⁵¹ Ariel Cohen, *op cit*.

⁵² Glen E. Howard, *op cit*, page 154.

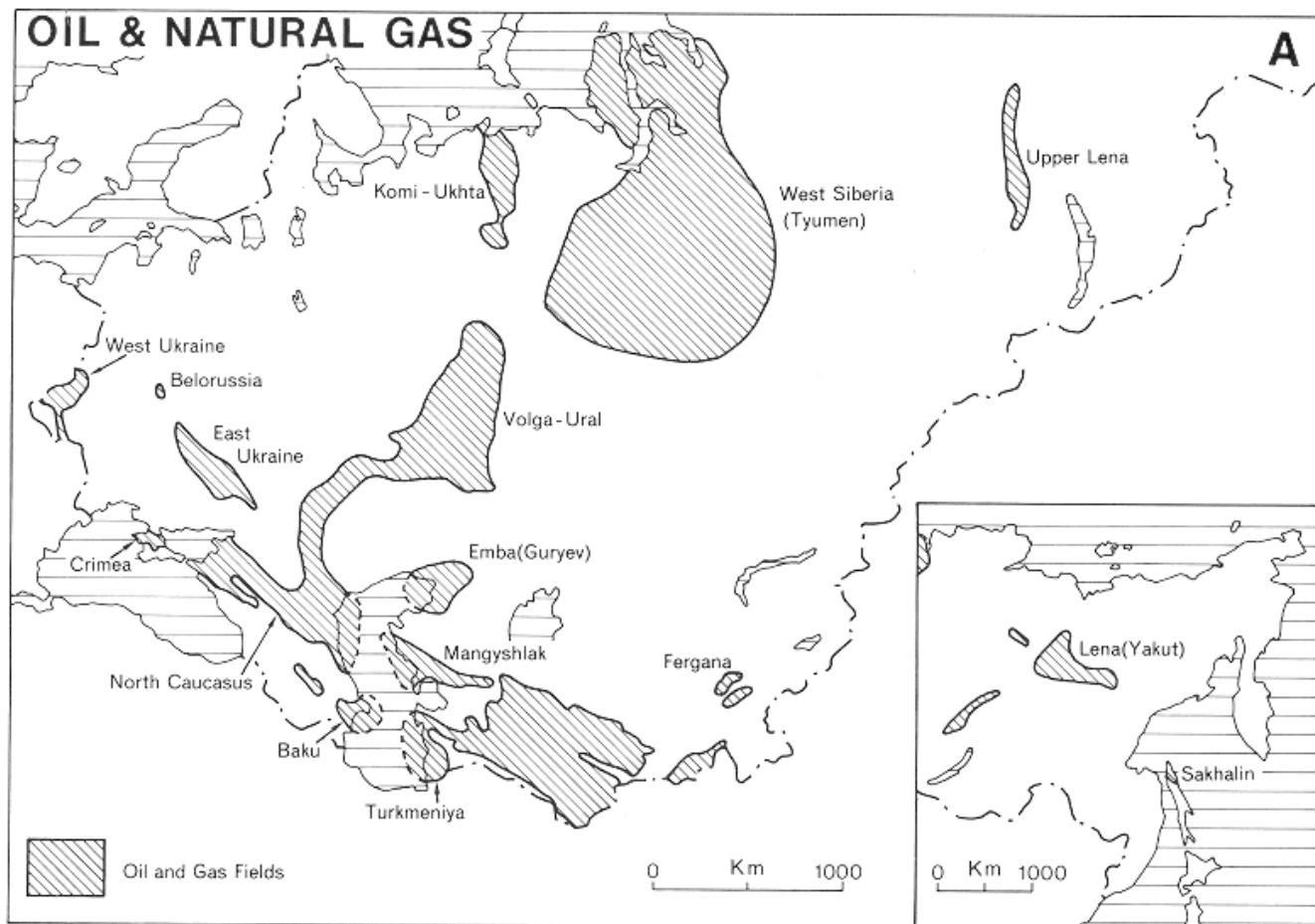
⁵³ Ariel Cohen, *op cit*.

route will it be transported, remembering that all the potential oil producers and exporter-producers in this region do not have an outlet to the World's oceans and are located some considerable distance away from the main energy consumers. Basically there are five main arguments which have helped to influence the Russian attitude to the possible construction of the Baku-Ceyhan oil pipeline. They are: the question of a loss of influence; scepticism about the amount of oil under the Caspian; political considerations rather than economic ones in determining the route; the question of pipeline security through the Caucasus and Eastern Turkey and finally the proposal for an oil pipeline from Kazakhstan and Turkmenistan to be laid along the Caspian seabed to Azerbaijan.

From the Russian viewpoint, there is the realisation that the proposed 'Turkish' variant for the transportation of hydrocarbon raw materials from the Caspian to Ceyhan would present a dangerous threat to Russian national interests. If the main export pipeline (MEP) were to traverse Turkish territory, not only would the influence of Moscow in the Caucasus and in Central Asia automatically decrease, but also the Turkish dream of the 'Great Turan', the long-sought after project of a Turkic Union occupying the territorial space "*from Gibraltar to the Wall of China*"⁵⁴, linked to a single, unified pipeline network and complemented by the TRACECA project, would flourish to the detriment of Russia and Russian influence in the world.

⁵⁴ *Nezavisimaya Gazeta* No 71 (1642) of 22 April 1998 page 12/13.

Map 2 - USSR's Major Deposits⁵⁵



Quantity of Oil under the Caspian Russia is somewhat sceptical concerning the amount of oil claimed to be in the so-called 'Azerbaijani' part of the Caspian shelf⁵⁶. As it is understood by the world mass media, *"the noise around this problem has created in front of the average person a certain likeness to a smokescreen, behind which is hidden the real state of affairs and the real motives of the participants of events"*⁵⁷.

⁵⁵ J C Dewdney "The USSR in Maps", Hodder and Stoughton, 1982, page 53.

⁵⁶ The RF Deputy Minister of Fuel and Energy Valeriy Garipov said on 28 April 1998: "the estimates of extractable oil and gas are 4 to 6 times higher than the real figure of 10-15 bln t of notional fuel, where one tonne of notional fuel corresponds to 0.7 t of oil. The 60 mln t of notional fuel are unjustified. Commenting on Baku-Ceyhan pipeline Garipov said that it would only be expedient if no less than 60 mln t per annum needed to be transported "the project costs about US \$ 3 bln and the cost of the oil transportation will be 2.5 times higher than that of the Russian pipeline route". BBC Monitoring Inside Central Asia Issue 221 27 Apr-3 May 1998 page 4 "Caspian Oil and Gas Stocks lower than Estimated".

⁵⁷ *Nezavisimaya Gazeta* No 220 (1791) of 25 November 1998.

In the Caspian Basin do those reserves of crude oil actually exist which President Geydar Aliyev refers to and talks so much about? The answer is undoubtedly yes, but not necessarily in the Azerbaijan sector of the Caspian. The most professional evaluations on reserves of Caspian oil have been made by *“British Petroleum where their*

*estimates of reserves are around the figure of 30 milliard tonne”*⁵⁸ for the whole of the Caspian. Whilst the figures in Table 4 do not quite equate with the reported BP figures they provide an approximate indication of oil resources in the Caspian with other oil producing regions.

Table 4 - Comparison of Oil Resources from the Caspian to Western Siberia⁵⁹

Caspian Basin mlrd t	Azerbaijan Sea Shelf mlrd t	Turkmeni -stan mlrd t	Kazakh -stan mlrd t	Arab-Iran Basin mlrd t	Amudar Basin mlrd t	Western Siberia mlrd t
24	11	6.3	3	670	150	240

Nevertheless, it is believed that *“almost all the reserves are concentrated in the north-eastern part of the Caspian Sea on the territory of Russia and Kazakhstan, for example the Tengiz deposit”*⁶⁰. Located oil reserves in the sector of the Caspian controlled by Azerbaijan according to a number of different estimates do not exceed 800 million tonne Oleg Maksimenko argues that *“all of today’s available oil prospecting data does not support the view of the Azerbaijani leadership which maintains that the potential of their deposits is more in the region of 12 mlrd t, but in general, either the oil is not there or it is 10 times less than the volume announced”*⁶¹.

For Maksimenko, the bluff of the Azerbaijan leadership is all too obvious. If the oil is there in Azerbaijan then several questions arise immediately. First, why with the presence of oil in the Azerbaijan SSR and an established infrastructure already in place, did the leadership of the Soviet Union in 1963: take a strategic decision concerning the reconnaissance and extraction of oil reserves in the North and Siberia, where an extremely expensive multi-thousand-kilometre pipeline network

⁵⁸ Ibid. To avoid confusion over numerical terminology, the table below establishes the relationship between billion (US), milliard (Rus), billion (Br) and trillion.

Terminology	Power	Figure
1 Million (Universal)	10 to the power of 6	1,000,000
1 Billion (US) 1 Milliard (Russian)	10 to the power of 9	1,000,000,000 1,000,000,000
1 Trillion 1 Billion (British)	10 to the power of 12	1,000,000,000,000 1,000,000,000,000

⁵⁹ *Nezavisimaya Gazeta* No 71 (1642) 22 April 1998 page 9 *“Neft’ Kaspiya - problema I politiki, I ekonomiki”* by Mekhman Gafarly, who is regular correspondent for *Nezavisimaya Gazeta* in Azerbaijan.

⁶⁰ *Nezavisimaya Gazeta* No 220 (1791) of 25 November 1998.

⁶¹ Ibid.

would need to be constructed, costly too in terms of human suffering and loss of life.

Table 5 - Announced Caspian Oil Reserves on Azerbaijan Shelf⁶²

Deposit	Announced Oil Reserves
Azeri, Chirag and Guneshli	510 mln t; realisable 150 mln t
Karabak	200 mln t; realisable 50 mln t
Shah Deniz	230 mln t; realisable?
Lenkoran-Deniz	120 mln t; realisable 20 mln t
Totals	1060 mln t; realisable?

Whilst to the grey faced apparatchiks in the Kremlin, suffering and loss of life were probably of little consequence, the minuscule figure of only 3%, the Caspian's share of the Soviet Union's total oil production in 1963, provided ample justification for the switch of emphasis in moving oil exploration to the North and Siberia from Baku and thus giving priority to husbanding the main species of Caspian sturgeon⁶³. Doubts often expressed in relation to the reality of important estimates do not reduce by one jot the incandescence of passions around the perspectives of the extraction of Caspian oil from the Caspian shelf and the choice of route for its transportation. *"The actions of several players bring to mind the reckless sharing of a pie, the size of which is still unknown to them"*⁶⁴. Maksimenko poses the following questions and arguments:

Box 3 - Questions and Arguments from the Russian Side on Baku Oil⁶⁵

If there is oil there, then why undertake action on an alternative variant of transportation, impinging on Russia, Turkey, Iran and the USA? To transport the 12 mlrd t declared by Azerbaijan by one route is insufficient. It would be possible to use as a minimum three transportation routes: through Novorossiysk, through Turkey and through Iran. It would be sufficient for all. And then it would healthily relax the situation in the region. It would ensure Karabakh would be negotiated peacefully.

And what is there then? There is the game of Azerbaijani leaders supported by Turkey and the United States for influence in the region. The noise around Azerbaijan oil secretly and unnoticeably calls into question the whole of Caspian oil. There is already a question about transportation through a new system of pipelines (even though none has been constructed) of Kazakh and Turkmen oil bypassing available Russian pipelines. It is nonsense that it is necessary to lay a pipeline on the bottom of the Caspian from Turkmenistan to Azerbaijan.

⁶² *Nezavisimaya Gazeta* No 101 (1426) of 4 June 1997, page 5, "Vo chto oboydetsa kaspiyskaya Neft" by Karine Gevorgyan. See also Blandy "The Caspian: A Sea of Troubles" S31 CSRC September 1997; "The Caspian: A Catastrophe in the Making" S32 CSRC October 1997.

⁶³ See Blandy "The Caspian: A Catastrophe in the Making" S32 CSRC October 1997.

⁶⁴ *Nezavisimaya Gazeta* No 220 (1791) of 25 November 1998 Vitaliy Vyacheslav Naumkin, President of the Russian Centre for Strategic and International Research.

⁶⁵ Maksimenko, *op cit*.

And later a heavenly life is promised: oil will go from Baku to Poti (or Supsa), avoiding of course Armenia, hateful to the Turkish and Azerbaijani leaderships, and then to Turkish Ceyhan.

Perhaps a further point which might add weight to the degree of scepticism already expressed by Valeriy Garipov, Russian Federation Deputy Minister of Fuel and Energy and Oleg Maksimenko, is the question of the Karabakh oil deposit. The Caspian International Petroleum Company (CIPCO) was formed to explore and develop Azerbaijan's offshore Karabakh field. The partners of CIPCO consist of Pennzoil (US), LUKoil (Russia) and Agip (Italy). In August 1998, reports were in circulation that they wished to terminate the exploratory operation and "*to cut their losses after spending US \$ 90 mln on the exploratory phase*"⁶⁶. The question that faced them was simply, should they drill a third well in the offshore Karabakh field after the failure of the two previous wells? The Azerbaijan State Oil Company (SOCAR) with a 7.5% share in CIPCO supported the Azerbaijan government in demanding that CIPCO fulfil its commitments. Whilst the announced reserves amounted to some 200 mln t, possibly less than 50 mln t were actually realisable, leading to the announcement on 30 November 1998 by the Azerbaijani Turan news agency that CIPCO's "*exploratory drilling has revealed that potential hydrocarbon deposits are not commercially advantageous*"⁶⁷ and that the operation would be closed with 40% of the staff being dismissed in December and the remainder in January 1999. Under the terms of the contract the Azeri side will not provide any compensation for monies expended in exploration. Another oil company, the North Apsheron Operating Company, led by US companies Amoco and Unocal, "*found only limited oil but more gas when drilling the first well in 1997*"⁶⁸, leaving the Shah-Deniz field as one of the main hopes, with announced reserves of 230 mln t.

Russian Views on Proposed Trans-Caspian Oil Pipeline The real Russian objections to the construction of the Kazakhstan/Turkmenistan pipeline to Azerbaijan along the seabed and connecting with the Baku-Ceyhan oil pipeline are centred on the fact that, even if there were no great reserves of oil in the Azerbaijani shelf, the Trans-Caspian pipeline not only provides an additional, more secure, route to the West, but it also lays firm foundations for the eastward projection and establishment of American and Turkish influence in Central Asia to the detriment of Russia. This eastward projection of American influence with Turkish support must also in some ways be seen as preparing for the possibility of collision with China, for China could pose a "*growing threat to the interests of the United States in the Asiatic-Pacific region and Central Asia*"⁶⁹. China is already being supplied with Tengiz oil from Kazakhstan. Since 1995 the import of oil and Chinese requirements in energy resources have steadily increased and are reflected in the large scale of Chinese capital investment in Kazakhstan, where the proposed "*construction of a*

⁶⁶ *Financial Times* of 5 August 1998 "*Reality may yet burst Baku's Oil expectations*" by Carlotta Gall.

⁶⁷ BBC Monitoring, "*Inside Central Asia*" Issue 252, 30 Nov-6 Dec 1998 page 5 "*Oil Consortium to wind up Azeri operation*".

⁶⁸ *Financial Times*, *op cit*.

⁶⁹ *Nezavisimaya Gazeta* No 220 (1791) of 25 November 1998.

pipeline Aktyubinsk-Sin'tszyan-Uygurskiy Autonomous Rayon of the CPR with an offshoot to the south to Iran through Turkmenistan"⁷⁰ should also be noted.

Despite a firm speech by the Russian Minister of Foreign Affairs in July 1998 against "*ecological risk-taking*" concerning the project of constructing a pipeline along the Caspian seabed, "*the realisation of a Trans-Caspian ("East-West") route is gathering speed*"⁷¹. Nevertheless the positions of Moscow and Teheran on the question of the Trans-Caspian pipeline coincide to the extent that they "*consider their next tasks are the preservation of the ecological system of the Caspian Sea and therefore not to implement any plan involving the laying of under-water pipelines*"⁷², for pipelaying would interfere in the migratory feeding and spawning movement of sturgeon as Map 3 shows below.

World experience shows that operations connected with the maritime extraction of oil undoubtedly have a negative effect on marine life, though this may only be in the initial period of drilling, extraction or pipelaying⁷³, as experience in the North Sea has shown. The Russians and Iranians have a point, but there is also a strong likelihood that even though the division of the seabed between Russia and Kazakhstan in an area of the northeast Caspian might well solve problems concerning disputed oil deposits, this part of the Caspian contains a conservation area, primarily established for the breeding and development of sturgeon. The result may be that not only will it have a debilitating effect on fish and wildlife conservation in this sector of the Caspian, but it could also tend to raise doubts concerning Russian sincerity and purposefulness on the question of conservation, thereby weakening Russian claims to be the protector of this unique ecosystem.

Minor Riparian States As seen from Moscow, the newly independent sovereign Caspian riparian states, one by one, under pressure from the United States are beginning to support this extremely expensive project. The USA is striving in every possible way to dissuade the Central Asian republics from dealing with Iran. Since

⁷⁰ *Nezavisimaya Gazeta* No 71 (1642) of 22 April 1998 page 12/13. "The Chinese People's Republic (CPR) bought controlling holdings (up to 60%) in two large-scale oil-extracting companies, Aktyubinskneft' (three oil deposits) and Uzen'munaygaz (Uzen is the largest in Republic of Kazakhstan (RK) after the Tengiz deposit of hydrocarbons). Then straight away it was announced that the Chinese National Oil/Gas Corporation (CNOC) had concluded an agreement on the construction of a pipeline Aktyubinsk-Sin'tszyan-Uygurskiy Autonomous Rayon of the CPR with an offshoot to the south to Iran through Turkmenistan. The period of construction has been defined as 60 months, the length is more than 2,500 km. In all the Chinese have promised to invest in the oil/gas sector of the republic approximately US \$ 9.5 mlrd, the largest overseas capital investment of the CPR. In the Kazakhstan mass media a discussion went on about Chinese influence in the RK (official organs invariably emphasised that relations with the 'great eastern neighbour' are being revived in accordance to the highest degree and restrain any kind of threat to the national security of Kazakhstan)".

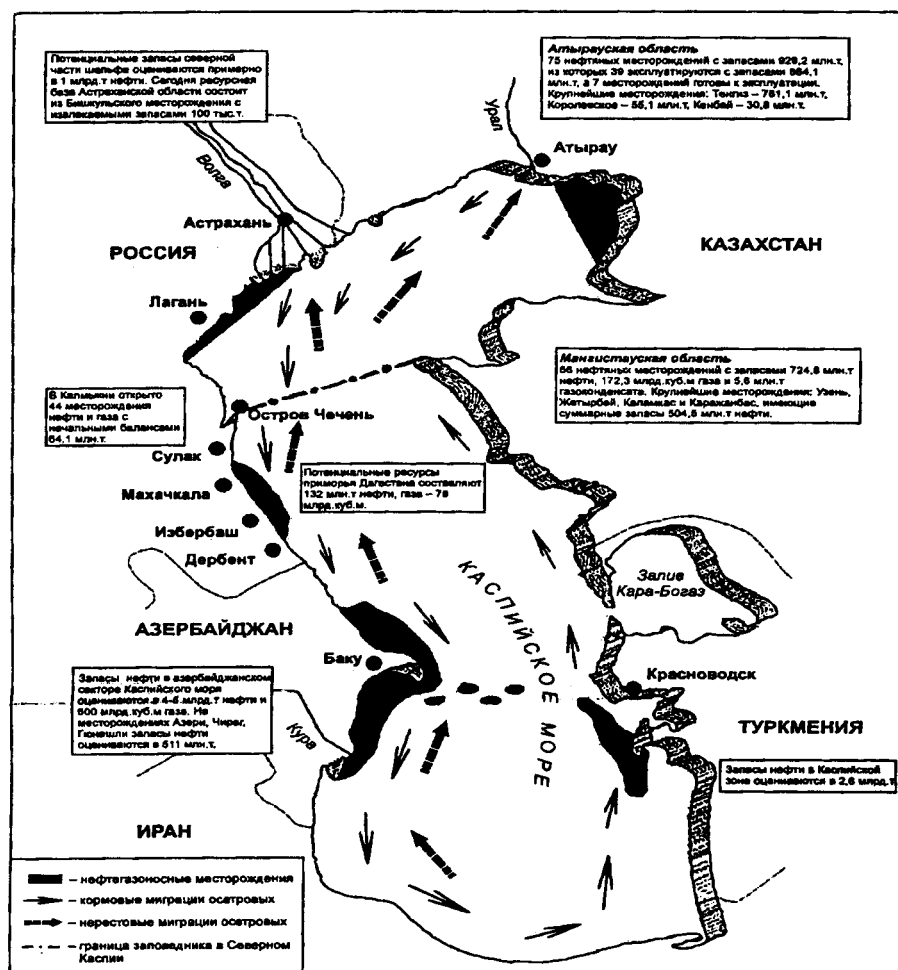
⁷¹ *Nezavisimaya Gazeta* No 124 (1695) of 11 July 1998 page 5 "*Transkspiyskiy proyekt protiv transiranskoyo* by Mekhman Gafarly.

⁷² *Izvestiya* No 139 (25239) of 24 July 1998 page 3 "*Sud'bu Kaspiya budut reshat' v Moskve* by Gayaz Alimov.

⁷³ See Blandy "*The Caspian: A Catstrophe in the Making*".

the USA considers the given region as a zone of its strategic interests, "*Washington is striving to weaken the influence of Iran in these newly independent states*"⁷⁴.

⁷⁴ *Nezavisimaya Gazeta* No 220 (1791) of 25 November 1998. President Clinton in his letter sent at the beginning of June to the President of Azerbaijan Geydar Aliyev in connection with the opening of the 5th International Exhibition and Conference "*Oil, Gas, Oil-Refining and Oil-Chemistry of the Caspian - 98*" once again emphasised the intention of Washington to maintain the embargo in relations of Iran.

Map 3 - The Feeding and Spawning Migration of Sturgeon in the Caspian⁷⁵

Key to map: ■ Oil and gas deposits.
➔ Feeding migration of sturgeon
➔ Spawning migration of sturgeon
- - - Boundary of conservation area in Northern Caspian.

From the beginning Azerbaijan and Kazakhstan have supported the laying of a Trans-Caspian oil pipeline from Shevchenko to Baku⁷⁶. After the visit of the Turkmen President Saparmurat Niyazov to the United States, this project is now also being supported by Ashkhabad, but with some reservations. 'Official Ashkhabad' is demonstrating its political will and independence by announcing that the Trans-Caspian pipeline will only be one of the routes for the transportation of raw hydrocarbon materials and gas from Central Asia, in particular from Turkmenistan, and will not become an alternative Caspian project. Ashkhabad for a long time has been expressing the belief that first, pipelines will be constructed

⁷⁵ *Nezavisimaya Gazeta* No 156 (1481) 22 August 1997 page 5 "Kaspiyskoye More: Ryba ili Neft'?" by Professor Vyacheslav Zilanov. In 1994-96 Zilanov was President of the International Commission on the preservation of aquatic biological research of the Caspian.

⁷⁶ See also Blandy "The Impact of Baku Oil on Nagornyy Karabakh" page 36.

from Turkmenistan to Pakistan through Afghanistan, and secondly to Turkey and Europe through the territory of Iran⁷⁷. In the course of a meeting with foreign ambassadors to Turkmenistan in the middle of May 1998, President Niyazov announced that despite the international Turkish-American agreement about the disposal of a grant of around US\$ 750,000 for the development of a technical-economic basis for a Trans-Caspian gas pipeline⁷⁸, this was not an alternative in relation to Trans-Iranian pipelines in the direction of Europe and the Persian Gulf. As the latest announcements from the Turkmenistan leadership show:

*“Ashkhabad has no intention of following any advice marring its relationship with Teheran and seeks to carry out a balanced foreign policy using its ‘neutral’ status”*⁷⁹.

On the other hand, whilst these projects have become matters of urgency, according to the Turkmen President the construction of a Trans-Caspian gas pipeline is out of the question whilst there is no solution to the dispute between Ashkhabad and Baku over the ownership of the Azeri and Chirag deposits in the central part of the Caspian Sea. It means that even after the visit of Niyazov to the USA at the end of April 1998 little has changed both in the approach of Ashkhabad in relation to agreements with Azerbaijan and on the construction of export pipelines through the Caspian.

According to *“the opinion of many leading analysts, gas is the fuel for the XXI Century, thus Russia and Iran are becoming leading energy suppliers who together could control 50% of the world’s supplies of gas in future years”*⁸⁰. With Turkmenistan possibly being more under the influence of Russia and Iran than any other power at present and owning significant reserves of gas⁸¹, the scales of which are shown in Table 6 below, from a Russian view *“then it is understandable why America has begun to play its game in this region”*⁸².

⁷⁷ For an example see *Nezavisimaya Gazeta* No 127 of 16 July 1998 page 4 *“Yeshche odin transportniy marshrut* by Aleksandr Vladimirov. “The American company Unocal announced the first stage of research on a project for the construction of a Central Asian oil pipeline. It is proposed that the pipeline diameter, 1067 mm and length 1667 km, will go from Chardzhoy in Turkmenistan through western Afghanistan and Pakistan to a maritime terminal on the Arabian Sea. 1 mln barrels in 24 hours (50 mln barrels per year) requires US \$ 2.5 mln capital investment. Together with Uzbekneftegaz corporation Unocal has researched the possibilities of using pipelines crossing the territory of Uzbekistan for the supply of oil to Chardzhoy, confirmed the representative of the American company”. However, it should be noted from BBC Monitoring, *“Inside Central Asia”* Issue 253 of 7 Dec-13 Dec 1998, page 1 that Unocal has now withdrawn from this project “prompted by the need to trim spending amid declining oil prices on world markets”.

⁷⁸ BBC Monitoring, *“Inside Central Asia”* Issue 254 of 14-20 Dec 1998 page 3 “The US government is to give Turkmenistan more money for a feasibility study on a project to build a gas pipeline across the Caspian Sea. . . . 590,000 dollars will be provided to Turkmenistan in addition to the 750,000 dollars already given for the feasibility study”.

⁷⁹ *Nezavisimaya Gazeta* No 220 (1791) of 25 November 1998.

⁸⁰ Maksimenko, *op cit*.

⁸¹ Ibid. “According to different estimates 10% of world supplies”.

⁸² Ibid.

But from the point of view of “*guaranteeing access to energy resources*” which is one of the strategic interests of the USA, the facts that Russia and Iran could control 50% of the world’s gas supplies and “*China’s rapidly developing market needs Turkmen gas*”⁸³ both underline the distinct possibility that under certain circumstances there might not be guaranteed access for the West to this energy resource at some time in the future.

Table 6 - Azerbaijani & Central Asian Gas Resources⁸⁴

State	Gas		
	Output Bln cu ft	Proven reserves trln cu ft	Additional estimated reserves trln cu ft
Azerbaijan	318	19	19
Kazakhstan	250	15	35
Kyrgyzstan	4	1	2
Tajikistan	7	1	2
Turkmenistan	3.101	189	175
Uzbekistan	1,441	88	80
Totals	5,121	313	313

Concerns, Confusion and Criticism over Criteria for Baku-Ceyhan Route

Whilst other riparian states such as Kazakhstan and Azerbaijan openly advance the realisation of a Trans-Caspian project and the Baku-Ceyhan route, there remains a coincidence of interests in the Iranian and Russian struggle for oil pipelines, particularly with regard to the Baku-Ceyhan route which would be in competition with the Baku-Novorossiysk route and perhaps the geographically most logical route, south through Iran to the Gulf which is currently under a United States embargo. Both countries are disenchanted with the prospect of the Baku-Ceyhan route. Leaving aside the southern route through Iran, Table 7 below shows the variations on costing of the three routes⁸⁵.

According to another Western source, “*the quantities of oil currently being produced in the Caspian do not justify the construction of the Baku-Ceyhan oil pipeline even with a lower projected cost of £ 2.5 bln*”⁸⁶. Oil companies in the choice of the transit route prefer to be directed by economic interests and not by the political arrangements of governments, although it has meant active lobbying on the part of

⁸³ BBC Monitoring, “*Inside Central Asia*” Issue 239, 31 Aug-6 Sep 1998 page 6.

⁸⁴ John Roberts “*Caspian Pipelines*” Royal Institute of International Affairs, London, page 4.

⁸⁵ See also Blandy “*The Impact of Baku Oil on Nagornyy Karabakh*” which provides additional information on the variations of the Baku-Ceyhan routes.

⁸⁶ *The Guardian* 30 October 1998 “*Turkey wins backing for pipeline plan*” by Chris Morris. £2.5 bln are the equivalent of US \$ 4.15 bln at US\$ 1.66 to £1.

the USA government for the Turkish route. Taking the recent Ankara declaration, it still does not signify that the pipeline will actually become the main one, for “*Most shareholders in the British-led AIOC are said to favour the Supsa route, although John Leggate, AIOC president, told a conference in London that all options are still open, including a possible northern one to Novorossiysk*”⁸⁷. Oil monopolies in general prefer a diversification of main pipeline transit routes to energy consumers so that interruption by one state will not stop the oil supply. In the Russian view, the concept of diversified routes can also reconcile potential rivals and competitors.

**Table 7 - Capital Construction and Refurbishment Costs
Baku-Novorossiysk, Baku-Supsa and Baku-Ceyhan Oil Pipelines**⁸⁸

Oil Pipeline Route	Capital Cost	Remarks
Baku-Novorossiysk	US \$ 2.5 bln	
Baku-Supsa	US \$ 1.8 bln	Transport cost: US \$ 2 per barrel
Baku-Ceyhan	US \$ 3.75 bln	Transport cost: US \$ 4 per barrel

The Factors of Cost, Glut and Aspiration There are three other factors connected with the cost of extraction and transportation to world markets in the West, namely the price of oil on the world market, secondly the quantity of oil which is allowed to be produced and released onto the world market and thirdly the aspirations of the newly-independent Caspian riparian republics. However, at the present time the ‘independence’ of these republics has produced a real revolution in the minds of their leaders, for they talk about the following parallels: “*in Turkmeniya - about a second Kuwait, in Azerbaijan - about a second Eldorado and in Kazakhstan - about a second Oklakhoma*”⁸⁹. However, the present drop in the price of oil on the world market “*begs the actual question: will it not depreciate with the appearance on the market of countries from the Caspian region - Azerbaijan, Kazakhstan and Turkmeniya?*”⁹⁰, particularly when the price has gone down to US \$10/11 per barrel, “*its lowest since 1976, reflecting fears that the oil cartel will be unable to take*

⁸⁷ *Financial Times* 24 November 1998 page 8.

⁸⁸ *Financial Times* 24 November 1998 page 8 “*Azerbaijan ‘faces loss’ if Turkey pipeline is chosen*” by Robert Corzine.

⁸⁹ *Rossiyskiye Vesti* No 58 (1468) of 29 April 1998 page 7 “*Morskoy Uzel Kaspiya*” by Yuriy Nikolayev.

⁹⁰ *Nezavisimaya Gazeta* No 71 (1642) page 9 “*Neft’ Kaspiya - problema i politiki, il ekonomiki*” by Mekhman Gafarly. “President of Turkmeniya Niyazov promises that by the year 2010 his country will increase its oil extraction from 7 to 50 mln t per annum. Kazakhstan’s Prime Minister Balgimbayev, the former President of the Kazakhstan national oil company Kazakhoil, believes that his country in the next century will achieve 6th place in the world amongst the oil producing countries, having guaranteed extraction of 170 mln t of oil per year by the years 2008-2010 instead of the present 26 mln t per annum. Despite everything last year Azerbaijan extracted in all 9.2 mln t of oil; in the event of the realisation of all its contracts by 2010 this indicator could achieve 60 mln t of oil”.

*action to reduce the supply glut*⁹¹. This is even without Iraqi oil quotas free and unshackled by UN sanctions.

Mention has already been made of oil companies having to reduce costs and retrim their operations, as in the case of Unocal. Oil companies have had to do more than just trim budgets: amalgamation and merger with other companies, utilising the particular strengths and expertise of one to cut the top-heavy bureaucracy of another, resulting in staff cuts and rationlisation, for example the mergers of British Petroleum and Amoco, and secondly, Exxon and Mobil. It is all an indication that *“companies like Shell, Exxon and BP face a difficult future if oil remains at US \$10-US \$12, as increasingly their operations will resemble utilities, pruning costs and chasing deals in the lower cost Gulf as contractors for OPEC producers”*⁹².

OPEC's Problems Finally, there is the question of OPEC. There is already too much oil in the world market system. Table 8 produces some past figures showing over-production of oil.

Table 8 - Examples of Oil Production exceeding OPEC Quotas in 1981⁹³

Month	Venezuela mln b/d	Nigeria mln b/d	Qatar mln b/d	Iraq mln b/d
Jan 81	3.310	2.170	0.700	1.400
OPEC quota	2.583	2.042	0.414	1.314
Feb 81	3.350	2.210	0.710	1.800
OPEC quota	2.583	2.042	0.414	1.314

Saudi Arabia, OPEC's largest producer, in November 1998 insisted that other members of the cartel adhere to the 2.6 mln barrel per day output cut agreed in June 1998. Further details are in Table 9 below.

But two important questions remain: will there be a sufficient return on investment using the Baku-Ceyhan route? Furthermore, will there be enough in the price of oil to satisfy the expectations and aspirations of the leaders of the newly independent Caspian riparian states, let alone to ease the burden of their luckless subjects, for example such as those living or just surviving in the northern Azerbaijani towns of Sheki, Zakataly and Belokany⁹⁴? Maybe, the best solution in order to obtain the maximum benefit would be to leave the oil in the ground for the time being; there may well be enough money accruing from current oil-related activities to raise the

⁹¹ *The Times* 26 November 1998 page 29 “*Brent crude tumbles to 22-year low as rift within OPEC widens*” by Carl Mortishead, International Business Editor.

⁹² *The Times* 31 December 1998 page 29 “*Oil giants need a richer mixture*” by Our City Editor.

⁹³ *Nezavisimaya Gazeta* No 71 (1642) 22 April 1998 page 9 “*Neft' Kaspiya - problema i politiki, i ekonomiki*” by Mekhman Gafarly. Besides exceeding the OPEC quota “the world market fluctuated and a new agreement between Iraq and the UNO envisaged an export of oil for a sum of US\$4-5.26 mlrd in the course of 180 days. This is 2-2.5 times larger than the norm laid down by the UNO Security Council”.

⁹⁴ See Blandy “*Dagestan: The Gathering Storm*” S38 CSRC June 1998 page 20 Box 11 “*The Joyless Life of the Azerbaijan Depths*”.

standards of living, provided corruption, nepotism and personal aggrandisement does not take too large a share.

Table 9 - OPEC's Requirements to cut Oil Production⁹⁵

Country	Production Cut Required in mln barrels per day	Additional Remarks
Saudi Arabia	Argued for 2.6 mln b/d cut.	
Libya	Argued for a cut of 1 mln b/d from the 75 mln b/d world market.	
Algeria		Has called for OPEC summit next year to address problem.
Venezuela and Iran		Both these countries have failed to cut production.
Venezuela, Iran and Nigeria		Price slump has already slashed incomes of OPEC countries such as Venezuela, Iran and Nigeria.

Security Problems over Baku-Ceyhan Route Russian views are simply that security of this route is not guaranteed, certainly neither in the area of Nagornyy Karabakh⁹⁶ (*and will not be guaranteed whilst peace does not come to this land*)⁹⁷, nor in Armenian Dzhavakhetiya, a Georgian district where there is a question about Armenian autonomy, nor in Mingrelia, where Tbilisi has been unable to pacify the Zviyadists⁹⁸, nor farther away in Turkey itself, where the Turks have not been able

⁹⁵ *The Times* 26 November 1998 page 29 "Brent crude tumbles to 22-year low as rift within OPEC widens" by Carl Mortishead, International Business Editor.

⁹⁶ *Nezavisimaya Gazeta* No 71 (1642) of 22 April 1998 page 12/13. The decision itself on the question of the 'Turkish pipeline' is not possible without Armenia. The shortest route from Azerbaijan to Turkey is through the territory of Armenia or Iran. The leadership of NKAO have already said more than once that not under any guise will it allow the interests of the Karabakhis to be dependent on a pipeline and they will not yield control over the Lachin corridor connecting them to Armenia. The dismissal of the 'moderate' President of Armenia Levon Ter-Petrosyan and the election of Robert Kocharyan, possessing very direct and close relations with Nagornyy Karabakh testifies to the above mentioned view.

⁹⁷ Vladimir Stupishin *Rossiyskaya Gazeta* 28 November 1998.

⁹⁸ *Nezavisimaya Gazeta* No 71 (1642) of 22 April 1998 "The presence of the unrecognised states of Abkhazia and South Osetia potentially weakens the prospects of a Trans-Caucasus pipeline. Although the path itself passes through only a small part of

to conquer and subdue Kurdistan⁹⁹. “All this is well known by everyone who is interested in Caspian Oil”¹⁰⁰.

Finally, in the opinion of Russia¹⁰¹: “‘The Kurdish Card’ for the allies of a ‘seriously losing Russia’ is becoming one of the effective levers of influence on Turkish oil ambitions. The same thing applies to Abkhazia and South Osetia (in relation to Tbilisi), to Armenia, Nagornyy Karabakh and the Lezghins (in relation to Baku)”.

Comment on Baku-Ceyhan Oil Pipeline

Two aspects to some degree have become contradictory, namely the economic criteria of the present time and a future political situation which might arise preventing free access to energy resources.

The Short Term In the short term, related to the question of how stable and consistent will be the demand for oil from the Caspian, lies the additional question of the ratio between the capital outlay and the actual benefit to be attained from the construction of new pipelines in the region. Consistent with the slump in oil prices, the glut of fossil fuels on the world market and the high cost of the Baku-Ceyhan pipeline, is the requirement for a realistic commercial approach which pays attention to the financial estimates of the consortia working in the region and which produces a mathematical and economically-based decision. It is apparent that this decision, if taken on economic grounds, will not favour the great financial outlays involved in the construction of new pipelines such as Baku-Ceyhan. In all probability, the northern route of the Baku-Groznyy-Novorossiysk pipeline together with the Caspian Pipeline Consortium (CPC)¹⁰² delivering oil from western

Abkhaz territory, the possibilities of a partisan war in Georgia are unrestricted and the infrastructure for it has long been created”.

⁹⁹ Ibid. “It must also be remembered that the east of Turkey is very far from being in a stable state. The Armenian fighters of the ‘*Secret Army for the Liberation of Armenia*’ (SALA) and Kurdish insurgents could be operating there. The wide-scale many month-long operation “Zarya”, from the spring of 1995 with aviation, armoured vehicles and thousands of servicemen, which Turkey carried out in the north of Iraq against the Kurds, was first and foremost directed at demonstrating the capability of controlling the territory along which an oil pipeline might go. Precisely with the aim of ‘finally solving the Kurdish problem’ a series of interested countries - USA, Turkey and Britain throughout the whole of 1996 actively lobbied the UNO with a project which envisaged the division of Iraqi Kurdistan into a special UN mandated zone where the USA was to play the first fiddle in the actual control. The firm wish of the State Department to sweep away Butros Ghali was explained exactly by the absence of enthusiasm from the UN side in carrying out this plan”.

¹⁰⁰ Vladimir Stupishin *Rossiyskaya Gazeta* 28 November 1998.

¹⁰¹ *Nezavisimaya Gazeta* No 71 (1642) of 22 April 1998.

¹⁰² Ibid. “CPC was created in June 1992 by Kazakhstan and Oman for the transportation of North Caspian oil extracted by the joint stock company Tengishevroil. According to the plans of the participants, the 1,500 km pipeline must be for the transportation of crude oil from Western Kazakhstan (first and foremost from the area of the Tengiz deposit) to the area of the sea port of Novorossiysk. CPC was created on equal footings at the outset: the share of the RF and the RK consisted of the already-available pipelines belonging to the actors, and Oman took upon itself the overall financing of construction. CPC Restructuring in March 1996: Chevron - 15%; Russian-American joint stock company LUKArko - 12.5%; Mobil Oil - 7.5%, Russian-British joint stock company Rosneft’ - 7.5%, Shell Caspian Venture 7.5%; Agip - 2%; British Gas - 2%; Kazakhstan holding company Kazakhstan Pipeline and Orix 1.75% each. The track of the route was not

Kazakhstan to Novorossiysk and the recently refurbished Baku-Supsa oil pipeline under AIOC control¹⁰³ will be sufficient for all oil transportation to Western markets from the Caspian Basin in the short term. Even disregarding the factor of a reduction in Russian influence should the political decision be made and construction carried out, there are currently insuperable and insurmountable problems connected with distinct zones of conflict and tension along the path of the proposed route, as exemplified by Box 4 below.

Box 4 - Tension and Conflict on Baku-Ceyhan Route

1. Nagornyy Karabakh - activities of Armenian Karabakhtsy and occupation of Azerbaijani territory.
2. Armenia - Dashnak extremists and throughout the Caucasus-Caspian Region, Middle East and Levant, terrorist activities of the SALA could again become a possibility.
3. Georgia¹⁰⁴, in Armenian Dzhavakhetiya unrest, in Abkhazia - separatism, in Adzharia - a knot of strained relations between Batumi and Tbilisi, in Mingrelia dissatisfied and belligerent Zviyadists.
4. In Anatolian Turkey, the Kurdish problem remains an unresolved issue.

Out of all of these manifestations of conflict and tension, the two most serious 'ulcers' which threaten stability, peace and security in the region are the problems of Nagornyy Karabakh, where the Karabakhtsy will not accept vertical control under Baku and the Turkish-Kurd 'impasse' which both tend to point away from the Baku-Ceyhan route in the short term.

liable to change. The construction of the oil pipeline was to be from August 1998 until September 2000. On the first stage of the oil pipeline it is planned to transport 28 mln t of oil (1999), later volume will grow to a maximum of 67 mln t by 2013. The approximate cost of the 'pipes' is estimated at US \$ 4 mlrd. The period of exploitation of the Tengiz deposit and estimated work of CPC is 40 years. The expected tax revenue in the Russian Federation and local budgets is estimated at US \$ 23.3 mlrd".

¹⁰³ *Financial Times* of 27 July 1998 page 3 "Falling Price of Oil spotlights perils of Caspian investments in the pipeline" by Anthony Roberts and Selina Williams. "Originally conceived as a cheap, ephemeral method of transporting 5 mln t of Baku early oil from the Caspian shelf to the West, requiring refurbishment of the unfinished sectors of Soviet era pipeline from Baku to Georgian border and the unused section between the small Georgian Santori oil field northeast of Tbilisi to the Black Sea ending at the obsolescent Batumi refinery. Costs were expected to be US \$ 310 mln covering: cleaning and repair of pipelines, pumping stations and laying 39 km of new pipes to complete sections unfinished at the time of the fall of the Soviet Union. Pipeline became a leaking colander - theft by locals. Failed pressure tests of pipeline meant building a virtually new pipeline at a cost of US \$ 590 mln with the money being put up by AIOC. Pipeline is planned to deliver 15-18 mln t of oil per annum. The new US \$ 100 mln complex of storage tanks and pumps at Supsa is planned to load one 150,000 dwt tanker every six days when the project comes on stream in April 1999. The uprated Baku-Supsa pipeline starts from Chirag No 1 with a 20 in diameter pipe to land at Sangachal and then 820 km through Azerbaijan/Georgia to Supsa. Chevron currently ships 1.5 mln t of Kazakhstan oil through Baku-Batumi. Poti already takes AIOC's 95% incoming stores and equipment".

¹⁰⁴ The problem concerning South Osetia has not been included.

The Longer Term In the longer term the situation appears to be very different for a number of reasons. The future would appear to hold the threat of very real dangers of miscalculation and collision, not only from the effects of a diminution of Russian power and influence, in turn tending to encourage feelings of irredentism in the minds of those controlling the power wielding structures and policies in Moscow, but from the lengthening shadow of China now not so far away in the east, as it begins to loom over the Central Asian space, which provides the foundation for longterm American concerns. Cognisance should be given to the fact that not only would the Trans-Caspian oil and gas pipeline projects and, secondly, the Baku-Ceyhan oil and gas pipeline project secure free access to these hydrocarbon reserves for the West without the possible threat of Russian interference, tariff reprisals or other disruptive action, but it also takes into account the need to counter the possible growing threat of future Chinese energy demands which could become a barrier, denying Western access.

Therefore, in the longer term a dual energy pipeline capable of delivering oil and gas to Ceyhan may well be justified. The Baku-Ceyhan pipeline system would be an additional factor in anchoring Turkey in the West. However, it should also be remembered that Turkey belongs to Asia Minor, reflecting the various nuances and shades of Western and Eastern cultures and religions in their various forms, creating a summation of all these multifarious factors that in the final analysis is neither wholly Eastern or Western. In essence, Turkey will need far more than pipeline benefits to secure her to the West, such as acceptance and invitation to a seat on the 'High Table' of the European Union in part-acknowledgement of her service as a loyal member and partner of the Western NATO Alliance, as opposed to suffering the present position of observer status, being allocated a humiliating seat 'below the salt'.

Western Cooperation with Georgia and Azerbaijan on Security Problems
View of the United States on Georgia and Azerbaijan

Georgia is a key ally of the USA in the region, but there are insufficient forces even to protect its own borders. As Ariel Cohen states¹⁰⁵: “*Such weakness inspires and encourages separatist tendencies and elements supported by Moscow*”. Cohen continues that the USA must act with Georgia in the strengthening of the Republic’s armed forces through the creation of command posts and communications systems, by augmenting and increasing the intelligence gathering and processing capabilities of the republic, by providing military instructors for Georgian military training establishments and providing the opportunity for Georgian officers to undergo training in the United States. In particular, special officer training needs to be devoted to budgetary planning and logistic support of the armed forces.

Georgia has historically for too long been under threat, occupation or the direct influence of the regional powers, Russia, Turkey and Iran. It is probably only by utilising the advice and assistance of the ‘Free World’, in particular, making use of Western¹⁰⁶ and other international military advisers, that Georgia can build its own modest, national security system and modernise its armed forces within the context of civilian control, through the development of a democratic government, so that Georgia once again has the opportunity to become in its own right a nation state possessing untrammelled sovereignty and not restricted by any form, image or vestige of vassalage. Considerable economic assistance under the overall aegis of Washington already comes from Turkey¹⁰⁷ and Israel, where “*Georgia’s special relationship with Israel goes back to the 1970s when the large community of Georgian Jews, which dates back to the 6th Century BC, spearheaded the movement to emigrate to Israel*”¹⁰⁸. For Israel, the Caucasus region is of importance, particularly with the reported quantities of oil in the Azerbaijani Caspian shelf, as Israel lacks natural resources and sees the need to diversify sources of supply. Assisting in the rehabilitation of Georgia, under the auspices of the United States, also serves to enhance friendship and partnership with Turkey which acts as a counter weight to Syria.

Proceeding further along the theme of United States assistance to strengthen the Georgian military, Cohen urges the United States to give Moscow to understand

¹⁰⁵ Ariel Cohen, *op cit*.

¹⁰⁶ Interfax of 12 November 1998 “The advice of retired Generals Garry Johnson of Britain, Henning von Ondartz of Germany and David Okmanek of the USA who arrived in Tbilisi earlier Thursday, will within the next few days be considered at Georgia’s National Security Council”.

¹⁰⁷ See Blandy “*Oil is not the Only Stake*” S28 CSRC February 1997. Since Georgian independence Turkey has provided \$ US 18 mln in humanitarian aid and assistance to Georgia in overcoming its energy shortfalls by the provision of electricity to the value of \$ US 80 million; Turkey is also setting up with Georgia long term cooperation programmes as a basis for further economic links and mutual participation in the fields of energy, transport, telecommunications, trade and the opening of new border crossings.

¹⁰⁸ *Financial Times* of 15 September 1998. “Telrad, the Israeli telecommunication group, has installed five new exchanges in Georgia and an Israeli business woman won the tender last year for Rustavi metallurgical plant - the largest factory in the country. About 30% of products on sale in Tbilisi’s new supermarkets are Israeli products ranging from Dead Sea cosmetics to orange juice and biscuits brought over by shuttle traders on the weekly two hour flight from Tel Aviv. Even Georgia’s fast food chain, the falafel-selling Pita-Hut, is Israeli”.

that further assistance to separatist causes in the Southern Caucasus would mean the termination of American aid and assistance. Because of the difficult economic situation in Russia, the Kremlin is interested in receiving increased amounts of financial aid from the USA and international financial organisations, such as the MBF, and the World Bank. But the need for Washington to take action remains in Ariel Cohen's eyes, if Moscow continues to support Abkhaz separatists and Karabakh Armenians in the struggle against the official governments of Tbilisi and Baku¹⁰⁹. According to Cohen *"Many people in Russia consider that the instability in the Caucasus enables the enhancement of Russia's influence in the region. Moscow has even supplied Armenia and Abkhazia weapons to the value of US\$1 mlrd"*. In his opinion Washington must unequivocally state that equally any assistance to Russia, any action or influence on lobbying for Russian interests in international financial institutions cannot continue whilst she does not terminate the action of her forces in the destabilisation of the situation in the Caucasus. There is a movement in Washington campaigning for lifting sanctions against Azerbaijan.

Russian Views on Western Involvement in the Region

Basically, the outward Russian view is that parallels can be found in the situation in the Americas, where there would be more than just queries from Washington about the position of Mexico should the Mexican government for some reason or other wish to have an economic and political relationship with Cuba. However in the Transcaucasus, Georgia is actively not only allowing American and Western penetration of her territory for economic and political purposes but also very much beginning to be a factor in the game of NATO expansion.

From the Russian point of view, the champion, facilitator or conductor of these plans to oust Russia from the region is Turkey. Whilst enjoying the position of being a strategic ally of the USA and its partner in the NATO bloc, it also has its own extremely ambitious plans in the region which in no way contradict or run counter to the interests of its patron. Azerbaijan, whose protector Turkey has become in the last few years, has in this game its own important role to *"agitate world society with information about the 'Great Caspian' oil and the unprepossessing role of Russia in regional conflicts"*¹¹⁰.

The interests of Russia on all main positions and issues coincide with those of Iran, with the exception of the Treaty dividing the Caspian seabed between Russia and Kazakhstan. For both Russia and Iran, the *"USA is the main strategic enemy, the strengthening of whose influence in the Transcaucasus and Central Asia runs counter to Russian and Iranian national interests"*¹¹¹. In practice too, Iran is not a rival to Russia on questions of influence in the former republics of the Soviet Union¹¹². Without doubt Iran has its own defined economic interests, wherein *"Iran will be guided in accordance with economic expediency and not by the political situation in*

¹⁰⁹ To these must be added the suspicion surrounding the events leading to the ousting of President Elchibey in 1993, the Gyandzha mutiny against President Aliyev in 1994 and the various assassination attempts against President Shevardnadze of Georgia, that Moscow's hidden hand could be seen somewhere in the background.

¹¹⁰ *Nezavisimaya Gazeta* No 220 (1791) of 25 November 1998.

¹¹¹ *Ibid.*

¹¹² For details see Blandy *"The Impact of Baku Oil on Nagornyy Karabakh"* pages 38-

the solution of problems concerning participation in projects exploiting the oil and gas deposits of the Caspian"¹¹³.

To counterbalance Azerbaijan, which is "a protégé of the USA and Turkey in the Transcaucasus, Russia has two allies, namely Armenia and Nagornyy Karabakh, who demonstrated not so long ago their military superiority over Azerbaijan"¹¹⁴. Moreover, at the same time Armenia is a strategic ally of Iran on the questions of withstanding the imperialistic ambitions of Pan-Turkism and expansion of Turkey through the Transcaucasus to Central Asia.

Commencement of Talks with Leaders of North Caucasus Ethnic Groups

United States View

As Ariel Cohen observes "the North Caucasus today is a cauldron of inter-ethnic conflicts and contradictions which are situated on the brink of an explosion"¹¹⁵. He continues that the United States must increase and enhance its information and analytical capabilities in the region and organise a dialogue with the leaders of the autonomous North Caucasus Republics which will "guarantee stability, mutual understanding and peace".

Russian Views

An immediate Russian response is directed at the American reaction, if Russia should even consider interfering in the internal affairs of the USA, for instance, by starting negotiations with Indians, Armenians, Latin-Americans and Africans resident in the United States¹¹⁶. In the opinion of Stupishin similar viewpoints and concepts of American analysts must be stopped at the embryonic stage, as coarse and blundering interference in Russian internal affairs. But the important point that he makes is that Russia must become a "stepmother to the ethnic autonomies"¹¹⁷. However, from experience and not only that of Cinderella, perhaps he had chosen to forget the fact that quite often stepmothers do not enjoy harmonious relationships with their stepchildren. Stupishin's further thoughts are contained in Box 5 below:

¹¹³ *Nezavisimaya Gazeta* No 101(1426) 4 June 1997, article by Kamilzhan Kalandarov.

¹¹⁴ *Nezavisimaya Gazeta* No 220 (1791) of 25 November 1998.

¹¹⁵ See also Blandy "Compendium of Conflict in the Caucasus" N8 CSRC March 1993.

¹¹⁶ *Bol'shaya Sovetskaya Entsiklopediya*, Moskva 1974, Third Edition, Volume 16, page 541 "The Monroe Doctrine, declaration of principles of external policy of the USA, proclaimed in a declaration of the United States President G Monroe to Congress on 2 December 1823. The Doctrine was developed in connection with the threat of the Holy Alliance's intervention into Latin America in the interests of restoring the dominion of Spain in its American possessions. In the declaration Monroe advanced the principle of dividing the world into European and American systems, the idea was enunciated of non interference by the USA into the internal affairs of European countries and likewise no interference in the internal affairs of countries of the American continent by European states".

¹¹⁷ *Rossiyskaya Gazeta* 28 November 1998.

Box 5 - Measures Russia should adopt in the North Caucasus¹¹⁸

1. It is important for Russia to show that despite the evil and villainous acts carried out in the name of the Russian state in Chechnya there is aid to rebuild houses, schools, museums, mosques, establishments, to heal a land covered in wounds, to support the old and children with pensions, to exchange the automatics and grenades held in the hands of Chechen youth for the weapon of work, as “the clever man” Valentin Vlasov proposes.
2. To negotiate with the Chechens concerning the Baku-Groznyy-Novorossiysk pipeline; to support the project of transporting Caspian oil through Groznyy and Rostov to the ‘Druzhba’ oil pipeline to Ukraine and Poland in which British and French business circles are expressing interests.
3. Moscow must help Kal’mykiya to carry out the Lagan project of a ferry crossing to Iran.
4. Of course, it is necessary to use boldly such means of pressure, on those who follow in the wake of the USA and Turkey, for the transportation of freight through the territory of Russia, and in particular along its waterways.
5. It is necessary to turn very special attention to the completion and refurbishment of a transcontinental railway magistral Tokyo-Dublin via Moscow and Paris which will be considerably more cost-effective than the Silk Route (TRACECA).

Comment

Whilst no one can be in any doubt about the requirement for generous aid, injection of capital investment and provision of professional expertise at the grass-roots level in the North Caucasus, particularly in the North East Caucasus, there is a particular need to tread with caution. Not only are there legitimate Russian sensitivities based on the fact that these different North Caucasus nations and peoples, profess and practise their Muslim faith along various ‘tarikats’, albeit in straightened circumstances, but they also reside in established administrative-territorial entities within the bounds of the Russian Federation, on Russian soil. There is also the pertinent fact that Westerners themselves are not necessarily welcome in the place of Russians amongst the Muslim peoples of the North Caucasus, for often people from the West, or any outsider for that matter, are regarded with a suspicion amounting almost to dislike by the indigenous peoples.

In the case of Abkhaz separatism, it is true that Moscow undoubtedly turned this situation to its advantage in forcing Georgia to join the CIS. However, Moscow too is in a difficult position because the Abkhaz are related to the Abkho-Adyg peoples of the North Caucasus; Abkhazians are not Georgians. Moscow has, as everyone knows, its own problems in keeping control in the North Caucasus, not only in the northeast Caucasus on account of the situation over Prigorodnyy rayon, Chechnya and Dagestan¹¹⁹, but also in the Kuban’, Krasnodar¹²⁰ and Adygeya¹²¹ tension also

¹¹⁸ Ibid.

¹¹⁹ *Nezavisimaya Gazeta* No 4 (1820) of 14 January 1999 page 1 “*Aleksandr Lebed’ preduprezhdayet ob opastnosti novoy voyny*”. Aleksandr Lebed’, Governor of Krasnoyarsk Krai; Chairman of the Peacekeeping Mission to the North Caucasus “has information that several thousand fighters are ready at any moment to be thrown into the border districts of Dagestan and Ichkeria to begin an armed rebellion having been trained at Khattab’s sabotage school, the minimum task - the overthrow of Maskhadov, the maximum task - an exit to the Caspian Sea and Vladikavkaz”.

simmers, as a result of inequality of rights¹²². Moscow in reality finds its hands are tied, for Chechen fighters could be back fighting for Abkhaz independence with the prospect of the Islamic movement spreading throughout the North Caucasus¹²³, so Moscow has to play the game very quietly. There are other factors too: would Moscow want an influx of the Cherkess¹²⁴ diaspora currently resident in Turkey to swarm into the North Caucasus and Abkhazia? The answer to that point must be 'no', for unemployment, lack of opportunity and overcrowding are everyday factors

¹²⁰ *Project Prognoz*, Volume 4, "Russian Federation - North Caucasus", Issue 18, Level 2 "Adygeya was formerly an autonomous oblast within Krasnodar Kray. It was upgraded to an autonomous republic in July 1991 and transferred from the Kray's jurisdiction".

¹²¹ *Nezavisimaya Gazeta* No 223 (1794) of 28 November 1998 page 5 "Ethonkraticheskiye modeli v Rossii by Igor' Rotar'. "In the Republic of Adygeya representatives of the titular nation consist of 23%, Russians 70% of the population. However, in the power structures the correlation between the two numerically largest peoples is in principle quite another thing. Thus, representatives of the titular nation are: the president of the Republic, the prime minister, the speaker of the Constitutional Chamber, chairmen of the arbitration high court and the supreme court. Russians head only 6 out of 20 ministries in the republic and only 11 out of 33 councils/committees". See also *NG-Regiony* No 21 (24) of 8 December 1998 page 14 "Russkiye bunt v Adygeye Shestogo Dekabrya zakonchitsya ul'timatuma "Soyuza slavyan Respubliki Adygeya", vydvnutogo respublikanskim vlastyam" by Valeriy Nikolayev. "Russians are the majority in Adygeya - we feel ourselves to be disadvantaged; to be a Presidential candidate there is a requirement to speak two languages, but the majority of Adygey do not know their own native language. This brings forward the danger of a division in the republic of being an 'indigenous' or non-indigenous' inhabitant; conforming to the Ukaz of President Dzharimov "Concerning the restriction of migration", Russians unlike the Adygey cannot easily acquire residence in the republic. However, recently in Adygeya the Law on "Repatriation" was adopted which brought one more problem with the return of Kosovan Adygey from the Balkans at Russian expense. This also raises the question of the return of the Adyg Kase not only from Kosovo but also from Turkey, Jordan, Syria to be resettled in the territory of Maikop rayon, an area which is fully populated with Slavs".

¹²² *NG-Regiony* No 21 (24) of 8 December 1998 page 14, taking a statement from Nina Konovalova, the chairman of "The Union of Slavs of the Republic of Adygeya", "I don't understand why the question of inclusion in Krasnodar Kray is considered extremist and separatist. That the majority of people already understand the ruinous situation of Adygeya leaving Krasnodar Kray - this is no secret to anyone. An interview with the assistant of the governor of Krasnodar Kray, Aytech Khagurov in *Argumenty i Fakty* No 45 on the Kuban' serves to underline this. According to his data 80-90% of the population of all the rayony of Adygeya wish to return to Krasnodar Kray".

¹²³ *Ibid.* "And what is written in newspapers today? "Basayev - The friend of the Adygey peoples".

¹²⁴ *Project Prognoz*, Volume 4, "Russian Federation - North Caucasus", Issue 18, Level 2 and Issue 19 Level 2 "The ancestors of the Adygei Peoples were the indigenous population of the northwestern Caucasus. During the 13th and 14th Centuries some of the Adygei, the Kabardins, migrated to the Terek River basin. Most of the Adygei remained on the Black Sea coast and in the Trans-Kuban' region (Krasnodar kray). This western group of Adygei tribes, known as the Cherkess (Circassians), are the direct ancestors of the present Adygei Peoples. It must also be remembered that when reference is made to the Adygei it does not just include the people concentrated in Adygeya, but also the Abkhaz, Abazas, Cherkess and Kabardins. Other minor tribes under the blanket title of Adygei include the Shapsugs, Abadzekh, Natkhudzh, Termigoi, Bzhedukh and Belsen".

of life in the northwest Caucasus¹²⁵. Whilst noting Ariel Cohen's requirement for the United States to organise a dialogue with the leaders of the North Caucasus ethnic groups, there are already too many elements from outside exercising their influence within the North Caucasus. One has only to note the actions of the Wahhabis, funded with Saudi money, which are not only anti-Russian but have also shown themselves to be a disruptive force against the legitimately elected President and government of Chechnya. Once again one returns to the point articulated by Nina Konovalova that "*Whilst there are Russians in the North Caucasus, it is a guarantee of the fact that the North Caucasus is Russia*"¹²⁶.

THE FUTURE

From the Russian point of view, Russia cannot remain a 'sidelined observer' in the process of the redistribution of CIS energy resources in the interests of the United States or, in a wider sense, those of the West. Box 6 below outlines possible Russian thoughts on how to counter the Western Bloc.

Other steps would appear to include real progress along the path of integrated efforts within the framework of the CIS, in the first place in relations with Belarus. Only in this event does it appear that the Russian Federation has guarantees of preserving its influence in the regions of its national interests. It also is necessary to draw closer to Kazakhstan, Turkmeniya, Kirgiziya and Armenia, even if at the beginning this is connected solely with economic outlays.

Further actions in the sphere of geostrategic aspects of Russian national security which are adumbrated in Box 7 below range from an ideological campaign through the mass media, to working out a proper concept of threats from the 'south' and identifying what states in the Caucasus, Central Asia, the Balkans and Near East "*could become a counterweight to anti-Russian impulses*".

Box 6 - Russian Action to Counter the Western Bloc¹²⁷

1. Initiate a policy of searching for potential allies in key regions of the world and strengthen relations with leading regional powers, Iran, India, Iraq and China, for that will not only be an adequate reply to NATO, but it will also neutralise an anti-Russian 'Southern Axis' project.

2. Along the export routes from the Caspian energy-holding region to world markets:

a. It is necessary to speed up the introduction into service of the main Tengiz-Novorossiysk pipeline, for only in this event, will the alternative paths of export of early Caspian oil not have a serious influence on the political and economic interests of Russia. It must not be forgotten that between certain western participants of CPC inveterate and unchanging antagonisms exist, presenting a wide field for manoeuvre for the RF.

b. Russia must take a clear and unequivocal course on the active construction of the pipeline, avoiding the territory of Chechnya.

¹²⁵ *NG-Regiony* No 21 (24) of 8 December 1998 page 14.

¹²⁶ *Ibid.*

¹²⁷ *Nezavisimaya Gazeta* No 71 (1642) of 22 April 1998 page 12/13.

c. The Azerbaijano-Kazakhstan-Turkish project for the route out from the Caspian to the world market is unacceptable to the Russian Federation, presenting a direct threat to Russian interests, and therefore Russia will be fully justified in using all possible means for the removal from the day's agenda of the Turkish pipeline route through **political-economic pressure on neighbours, a diplomatic campaign, the activation of an information-psychological influence on ethnic Russians beyond the borders of Russia, the support of national-liberation movements in the Transcaucasus and in the Near East, the closure to movement of the Volga-Don water system.**

Box 7 – Further Actions in Geostrategic Sphere of Russian National Security¹²⁸

1. A goal-orientated ideological campaign through the mass media to form a more responsive reality of the limit in which a further retreat is fatal for the integrity of the state. Not only the political elite, but also a wide swathe of Russian society must understand this. The fracture on the southern boundaries of Russia deserves great attention, more than the characterised “Drang nach Osten” from the West.

2. To work out both a concept and an applied, practical system of adequate measures to counteract the different variants of threat and the degrees of risk “from the South”. It is a task first and foremost for the Russian Federation Security Council, the Ministry of Defence, the Federal Security Service, the Ministry of Internal Affairs and other structures whose task it is to safeguard the interests of the state.

3. To produce a special conception of a “Southern Policy” in an overall doctrine of National Security of the Russian Federation. The essence of this is the idea of a “Livened up active presence” in the region (conforming to the capabilities and results desired), with reference to each country, its strategy and tactics. Within the framework of this concept it must be determined, what states (both legitimised and self-governing) of the Caucasus, Central Asia, the Balkans and Near East could become a counterweight to anti-Russian impulses.

4. Both sides in Caspian affairs, Russia and the USA, have strong geopolitical trump cards. The fact of the matter is how to play them. It is certainly a question of political will and determination to fight for the national interests of the country. Although in this plan the United States gives us an example of “National egotism”, it would not be bad to adopt that assertiveness for a regenerated Russia (and often also the “unscrupulousness”) with which this regional super-power worries about its own future.

CONCLUSIONS

There is no doubt that Operation ‘Desert Fox’ and the possibility of further continued aerial and missile action against Baghdad as instanced by “*the large scale military operation being prepared by the Pentagon to destroy the air defence system in the north of Iraq could become the peak of a crisis in Russo-American relations,*”¹²⁹ together with the news that “*in the event of continued collaboration of Russia with Iran the USA is threatening to withdraw from the joint programme in the sphere of launching space vehicles*”¹³⁰ can only serve to increase tension, suspicion

¹²⁸ Ibid.

¹²⁹ *Nezavisimaya Gazeta* No 6 (1822) of 16 January 1999 page 1 “*Partnerstvy Moskvyy i Vashingtona prikhodit konets?*” by Yuliya Petrovskaya and Dmitriy Gornostayev.

¹³⁰ *Nezavisimaya Gazeta* No 5 (1821) of 15 January 1999 page 1 “*Geopoliticheskiy shantazh*” by Andrey Vaganov on “The scandal around the decision of the US Administration to introduce strict sanctions on any export-import operations with three Russian academic

and intractability between the two informal, political alignments taking shape in and around the Caucasus-Caspian Basin. These two events must be seen as factors over and above the traditional Russian perceptions, seemingly negative concerns and sensitivities towards penetration of the region by any external influence.

It is likely that the United States-British action in “Desert Fox’ together with the threat of US action over Russo-Iranian collaboration and cooperation, in more concrete terms, will act as ‘intensifiers’ in Russia’s initiation of a policy to search for potential allies in key regions of the world and to strengthen relations with leading regional powers, Iran, India, Iraq¹³¹ and China. Russia has already indicated her readiness to form a strategic triangle Moscow-Peking-Delhi. Table 10 below summarises alignments and factors linking states in the Caucasus-Caspian Region.

External Interference in the North Caucasus

Within the dangers of miscalculation there is a tendency in some circles in the West to disregard or even dismiss Russia on the grounds that she is a ‘spent force’ and, as a consequence, a belief exists that Russia is no longer capable of maintaining an effective presence in the North Caucasus and subsequently unable exert serious influence in the Transcaucasus. However, dismissing Russia in such a way ignores the depth and force of Russia’s attachment and interest in the Caucasus, where her security interests, military occupation and colonial settlement have taken shape over an extended period of at least two and a half centuries with firm land-based links to the seat of imperial power in St Petersburg or the latter day Soviet or post-Soviet governments and power-wielding structures in Moscow.

Therefore, “interference” by any external power in the North Caucasus, such as opening a dialogue with the leaders of the North Caucasus autonomous republics, will produce a sharp reaction from Moscow, particularly if these overtures are put forward in a manner which does not take account of Russian sensitivities. Whilst Russia may be weak, she still possesses the ability to introduce disruptive mechanisms in other international forums and elsewhere running counter to Western objectives. A more conciliatory approach might reap greater dividends, where there is an acknowledgement of the need to accord attention to Russian sensitivities, accepting that perhaps much time, patient understanding and positive, but tactful confidence-building measures by the West will be required before these concerns evaporate and a more congenial atmosphere and less confrontational environment can be created.

External Influence in The Transcaucasus

Russia has strong concerns about the presence and influence of the United States, Turkey and Israel in the Transcaucasus and in particular about the fact that Georgia is becoming part of the “game of NATO expansion”. The establishment of any Western military presence either under NATO auspices or by the United States as some newspaper reports suggest¹³² in the fulfilment of US active interests would

and scientific organisations: the Scientific-Research and Constructor Institute of Energy Equipment, the Mendeleev Chemical-Technological University and the Moscow Aviation Institute (MAI). These organisations are accused of selling missile and nuclear technology to Iran”.

¹³¹ See Blandy “*Oil is not the Only Stake*” pages 7 and 23.

¹³² *Nezavisimaya Gazeta* No 8 (1824) of 20 January 1999 page 2 “*Rezkiy demarsh Baku*” by Asya Gadzhizadye, quoting an extract from the Baku agency Turan on 18 January

be the epitome of insensitivity, leading to the strengthening of the Russo-Iranian axis.

Still concerned with the penetration of external influence in the Caucasus, some speculation could be centred around the activities of the Israeli firm 'Telerad'¹³³ which has constructed five telecommunication exchanges in Georgia. Whilst outwardly this would not appear to have any direct connection with the North Caucasus, the installation of other "telecommunication facilities" cannot be discounted for there could certainly be an American interest in knowing the real position in and around the North Caucasus and the Israeli secret service may have the need to monitor Fundamentalist Islamic groups. Alternatively, illustrating to some extent the complicated knot of coincidental interests of peoples and states in the Caucasus, information concerning Fundamentalist Islamic groups might also be of assistance to the Russian Federal authorities.

Pipelines and CIS Energy Resources

From the Russian point of view, Russia cannot remain a 'sidelined observer' in the process of the redistribution of CIS energy resources in the interests of the United States or, in a wider sense, those of the West. The active interests of the United States in the Caucasus-Caspian Region are diametrically opposed to the vital interests of Russia and Iran, in particular, over the question of oil pipeline routes along the Caspian seabed and those out of the Caucasus-Caspian Region, to the extent that Russia will oppose in any way possible the construction of the Trans-Caspian and Baku-Ceyhan pipelines, possibly resorting to the implementation of proxy action along the pipeline routes, for instance around Nagornyy Karabakh and Georgia. An American presence would certainly harden the attitude of Russia and Iran and be seen to give the other regional power Turkey an unfair advantage and lead to an intensification over pipeline routes.

There would also appear to be some doubt concerning the actual quantity of oil present in the Azerbaijan part of the Caspian shelf. From a Russian point of view the Azeri figures simply do not add up. To the doubts concerning the actual quantities of realisable oil reserves must be added the factors of cost of transportation, glut on the world market and timeframe of actual realisation of the benefits, resulting in a mismatch between the aspirations of minor regional leaderships, in particular

1999 "In order to counter the Russo-Armenia alliance, it is necessary to deploy in a NATO base in Azerbaijan". See also *Nezavisimaya Gazeta* No 11 (1827) of 23 January 1999 page 5 "Amerikanskiye Voyska - v Azerbaizhane?" by Mekhman Gafarly.

¹³³ See *Financial Times* of 15 September 1998 article by Selena Williams.

Table 10 - Summary of Alignments and Factors in Caucasus-Caspian Region

Serial	Alignment between States		Linkage Factor Present (P) and Future (F)	
1.	Russia	Iran	Detestation of US and Western policy Views coincide on Turkey as a threat Threat of Turkic space in Central Asia Threat of US interest in Central Asia Threat of NATO expansion Views almost coincide on Caspian status Views coincide on Caspian ecology Views coincide on Baku-Ceyhan Both support Armenia and NK Views coincide on present TRACECA	(P)(F) (P)(F) (P)(F) (P)(F) (P)(F) (P) (P) (P) (P)(F)
2.	Russia	Armenia	Treaty of Friendship, Cooperation and Mutual Assistance signed 29 Aug 97 Supporter of Armenia against Turkey Military eqpt incl S-300 & MiG-29s	(P)(F) (P) (P)
3.	Russia	China	'Desert Fox' mutual interests against USA	(P)(F)
4.	Russia	India	Provision of military equipment - Su-33s Support against Pakistan	(P)(F) (P)
5.	Russia	Iraq	North Rumaylah & West Qurnah oilfields Partial counter to Israeli-Turkish axis	(F) (P)
6.	Russia	Syria	Foothold in Near East Partial counter to Israeli-Turkish axis	(P)(F) (P)
7.	USA	Turkey	NATO Alliance Coincidence of interest Baku-Ceyhan Support for Azerbaijan and Kazakhstan See Russia and Iran as threats to interests Threat of Iranian Fundamentalist Islam Support for US policy in Georgia	(P)(F) (P)(F) (P)(F) (P)(F) (P) (P)(F)
8.	USA	Azerbaijan	Oil and mineral interests Base for influence in Central Asia	(P)(F) (P)(F)
9.	USA	Georgia	Oil pipeline Baku-Supsa Oil pipeline Baku-Tbilisi-Ceyhan TRACECA influence in Central Asia	(P)(F) (F) (F)
10.	USA	Israel	Supports US & Turkish policy in Georgia Enemy of Iran and Iraq	(P)(F) (P)

Azerbaijan directly concerning oil deposits and to an extent Georgia on the expected revenues accruing from transportation. Failure of these aspirations could lead to significant civil unrest in Azerbaijan and Georgia, particularly when account is taken of the respective ages of the two Presidents, Geydar Aliyev and Eduard Shevardnadze.

The real prize in terms of energy supply is Central Asia. The proposed Baku-Ceyhan oil and gas pipelines are not so much associated with Baku as with Central Asia, of which the Trans-Caspian pipes are an integral part. In the short term purely on economic grounds, they cannot be justified. Taking a long term view, the construction of these pipelines on political grounds might be justified from a Western viewpoint, particularly on account of the rapid development of China and the seriousness of Chinese efforts to gain a reliable energy supply. This may in time precipitate a confrontation between China and the West.

However, one cannot but come to a different view and conclude that there is perhaps another way to reduce the tension in the region. Perhaps the number of existing pipelines together with those that are actually under construction at the present provide sufficient elasticity and flexibility within the system already. Box 8 below sets out these routes. At the present time these routes do not include the possibility of using the most logical route as seen from geographical criteria, ie through Iran.

**Box 8 - Pipelines - Existing and Under-Construction
from Caucasus-Caspian Region**

1. Baku-Groznyy-Novorossiysk.
2. CPC pipeline from Tengiz to Novorossiysk [under construction].
3. Baku-Tbilisi-Supsa.

Restrictions on Development of Region

In some respects the position and policy of the United States can be seen to be counter-productive. In one regard America is striving to build up and preserve the territorial integrity and economies of Georgia and Azerbaijan but in another way she is supplanting the Russian 'Big Brother' syndrome with a different type of relative, a newly found 'Big Brother', whose intentions are undoubtedly benign and honourable in the search for greater stability and security in the region, but perhaps do not give sufficient weight to the fact that there are people, such as the Karabakh Armenians chiselled by the vicissitudes of oppression, conflict and poverty, who value the freedom to live their own lives without interference over and above the promise of economic prosperity.

It is possible to support a view that America is not allowing the region to develop naturally. The exclusion of Iran, which possesses one of the most geographically favourable and logical routes out of the region through the Gulf and furthermore a developing railway network providing a link to the former Soviet Central Asian railway system, underlines the restrictions which could seriously distort and impair the natural development of the whole region.

Finally, it is not demonstrations of global reach which help to develop ties between peoples and create firm, lasting relationships and solid foundations for mutual economic benefit. It is the quiet, patient but nevertheless positive application of steps to reassure, building on the basis of understanding and mutual trust, mindful of the sensitivities of other peoples and cognisant of the fact, too, that it takes far longer for a 'newcomer' to be accepted by the peoples in the Caucasus-Caspian Region than is the case in the West.

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