The Southern Caucasus Pipelines and the Caspian “Oil Diplomacy”

The issue of transporting Caspian oil and natural gas to world markets

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Abstract: In this paper, our aim is to give the reader a unified overview of developments in discussions surrounding the transporting of Caspian mineral wealth. Indeed, it has been clear from the beginning of discussions on exploitation and transport of Caspian hydrocarbons that the question of the direction in which Azerbaijani (and Caspian generally) oil and gas would flow to world markets is, if not exclusively political, at least highly politicized. It was assumed that control over the transport channels for Azerbaijani or Caspian oil and natural gas would automatically secure the transit companies both stable and potentially significant revenue and an effective tool for influencing the politics of the producer itself.

Key words: Caspian oil and natural gas, hydrocarbons exploitation and transport channels

In this paper¹, our aim is to give the reader a unified overview of developments in discussions surrounding the transporting of Caspian mineral wealth. Indeed, it has been clear from the beginning of discussions on exploitation and transport of Caspian hydrocarbons that the question of the direction in which Azerbaijani (and Caspian generally) oil and gas would flow to world markets is, if not exclusively political, at least highly politicized. It was assumed that control over the transport channels for Azerbaijani or Caspian oil and natural gas would automatically secure the transit companies both stable and potentially significant revenue and an effective tool for influencing the politics of the producer itself. The question was all the more urgent because of Azerbaijan’s geographical location; Azerbaijan lacks access to the oceans, and therefore to the world’s markets as well. Caspian oil must either pass through the territory of Iran or of Russia or must pass through Georgia and Turkey to reach the market of a given region. Since the eastern (i.e. any exports across Cen-

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Central Asia to China, Japan and the markets of Southern Asia) and northern (exports to Russia) export routes can be ruled out because of the enormous distances and the presence of strong oil producers to the east and south of the Caspian Sea, the only directions left are towards the west (Europe) and south (Southern Asia). Therefore, there are two basic directions for the transporting of Caspian oil to world markets: either to the Black Sea/Mediterranean region or to the Persian Gulf region with subsequent transport to Southern Asia. With respect to this subject, we emphasize the understanding of motivations for the actions of the individual players in the region rather than a black-and-white representation of the ties among the players by looking at “who is on whose side.” We are giving readers a tool to help them understand basic aspects of a part of the adventure for which analysts of events in the region have revived the name “the new Big Game.” In this way, we are enabling our readers to formulate the basic questions concerning future developments, and we are offering them the equipment to find the answers.

The paper follows a primarily chronological line. The opening passages introduce the main variants under consideration, which were being discussed during the 1990s and at the start of the 21st century – approximately until 2005. That year saw the completion of the long discussed, heavily criticized and equally fiercely defended project of the Baku-Tbilisi-Ceyhan crude oil pipeline, which represents an important milestone in the efforts of the region’s countries to connect their oilfields to Western markets by some route other than through the old Soviet infrastructure network. From then on, as is introduced in the second half of this paper, the balance of the interest of politicians and economists tipped towards gas pipelines, and throughout the entire period we have been witness to rivalry over the gaining of decisive advantages in access to Caspian gas, because that above all is what will determine victory for a specific variant of the final pipeline. At the conclusion of the paper, we will briefly touch on the attention that the key powers – Russia and the USA – have been paying so far to the region. At the same time, there is a projection of the key elements of the expected direction of further developments arising from the current situation.

For transporting of Azerbaijan oil there were two main directions considered - transit across Iranian territory – by connecting to Iran’s internal branched infrastructure, which would take the oil from the Caspian Sea from Iranian Azerbaijan to one of the Iranian port terminals (Bandar-e Abbas or Bushehr); in that case it would be necessary to build a pipeline section from Baku to Tabriz. Alternatively, straight to the west, via neighbouring countries (as we see below, both Georgia and Armenia were taken into consideration) to Turkish ports, eventually further to Europe.

For the sake of completeness, it should be added that the South Caucasus was not the only area under consideration for the exporting of Caspian mineral wealth around the world. Without a doubt, the most important alternative is a line from
the oil and gas fields of the Caucasus around the northern edge of the Caspian Sea to Novorossiysk, Russia (used by the CPC project). The CPC project, which was put into operation in 2001, has seen long-term successful operation with a capacity of 450,000 barrels per day, with a possibility of an increase to as high as 1.2-1.6 million barrels per day by the year 2014.\(^2\) It makes use of the Kazakh oilfield and of the older, partially renovated Soviet infrastructure. It thus represents existing competition with the projects in the South Caucasus. In addition to that, during the 1990s there was also consideration of using the Turkmenistan-Afghanistan-Pakistan route leading to a terminal in Karachi, and possibly with an extension to India. This route through Afghan territory was never realized, however, for many reasons, although during the 1990s it was studied in relative detail, and several Western companies had entered into preliminary agreements regarding it.\(^3\)

### Developments until 2005

**Baku–Novorossiysk**

From the beginning of talks on the transporting of Caspian oil, and especially of Azerbaijani oil, Moscow was unwilling to accept any decision that did not take its interests into account. The reasons seems to have been that for Russia the question of transporting Caspian oil was less a matter of economics than an important geopolitical question that was expected, as has already been said, to have a far-reaching regional impact. Moscow therefore consistently pushed for the renewal of the already existing Baku–Grozny–Novorossiysk pipeline, which had been the main route during the Soviet era for exports of Azerbaijani oil to world markets (Igolkin, 2004).

In an effort to prevent the realization of the “Russian” route, which presumed subsequent transport by tankers through the Turkish straits, Ankara gradually escalated its demand for a reevaluation of the aforementioned Montreaux Convention (1936 (De Pauw, 1996) That treaty set a quota for ship traffic through the straits of Bosporus and the Dardanelles; during peacetime, Turkey was granted very little authority to regulate shipping traffic in the straits. Turkey declared that because of technological changes that had arrived nearly sixty years after the signing of the convention, it was necessary to limit the passage of modern supertankers through the straits.\(^4\)

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4. The argument seemed to be generally comprehensible: at the time when the Montreaux Convention was ratified, “large tankers had a capacity of 10,000 tons, while today’s supertankers have a capacity of over 500,000
Moscow repeatedly indicated that it regarded these efforts as impermissible, stating that the validity of the international treaty from Montreux was not to be questioned unilaterally. According to the Russian viewpoint, Ankara is not entitled to determine the regime for shipping through the straits, since “the Bosporus is a purely political problem. There is no technical or ecological problem that cannot be realistically overcome; The Turks simply intend to force the oil companies to chose Baku–Ceyhan for the exporting of the ‘main’ Azerbaijani oil” (Nezavisimaja gazeta, 20 May 1994).

Then on 14 March 1994, the Cyprian tanker Nassia collided with the cargo ship Ship Broker, sailing under the same flag. The accident caused 19 deaths and the spilling of tons of oil onto the surface of the water, and the Turkish side used the event as proof that its own position was justified (Newspot, 8 Apr. 1994) The incident confirmed Ankara’s fears that the movement of ships carrying hundreds of thousands of tons of oil in the direct vicinity of a city of fifteen million people represented a real and very dangerous ecological threat. According to the Straits Report, a document issued jointly on 14 April 1994 by the transportation ministry of the Republic of Turkey and the Turkish oil company BOTAŞ, the route through the straits is already overcrowded, and the passage of oil tankers should therefore be limited or, ideally, banned. This report indicated that the Baku–Supsa and Baku–Novorossiysk projects “have no future” (Hürriyet, 11 Aug. 1994). On 25 May of that same year, the International Maritime Organization of the UN acknowledged Turkey’s reasoning in regard to the transportation regime for the straits. It reported that in the Bosporus alone from 1952 to 1991 there had been 332 collisions; at the same time it spoke in favor of adopting the new regulations proposed by Ankara (Wanner 1998, pp. 152). The event has been called a triumph of Turkish diplomacy, although Moscow initially protested against the decision that would in practice bar a manifold increase of tanker traffic through the straits.

In an attempt to improve the prospects for the Baku–Novorossiysk route project, Moscow entered into negotiations with Chechnya’s leaders5. The state-owned Russian company Transneft managed to come to agreement with Grozny over the

5. Some are of the opinion that the Russian invasion of Chechnya as well as its efforts to end it two years later were caused by Moscow’s efforts to regain control over a section of the Baku–Novorossiysk oil pipeline that led through Chechen territory or an effort to stabilize the situation in that sector in order to gain the consent of the AIOC for the Russian route. We believe, however, that the causes and course of the Chechnya conflict are only marginally related to the Caspian projects if at all. For more detailed information, cf. Emil Souleimanov, An Endless War. The Russian-Chechen Conflict in Perspective (With a Preface by Anatol Lieven) (Frankfurt am Main: Peter Lang Publishing Group, 2007), 4. kap.
transporting of Azerbaijani oil through Chechen territory, for which the Chechens were to receive four dollars per ton, but it soon turned out that the intention of the Chechens was to make the uninterrupted functioning of the oil pipeline subject to a number of political and economic concessions by Moscow, and in the end this was unacceptable for the Russians. The decision was therefore made in Moscow in 1997 to build sections of the pipeline leading from Dagestan directly to Russia outside of Chechen territory (that section of the pipeline was built by the year 2000), although the ongoing instability in the northern Caucasus, sealed by the renewed fighting in Chechnya, reduced the projects attractiveness to a minimum.

Especially after the accident in the Bosporus, new, alternative projects began to surface for the exporting of Azerbaijani oil, collectively referred to as “Balkan transit.” For example, in 1995 the Bulgarian engineering minister Christo Totev made public a proposal for the transporting of Azerbaijani oil from the Bulgarian Black Sea port of Burgas by pipeline to the Greek port Alexandroupoli on the Aegean Sea (Ruseckas 1998, pp. 21). Next it was officials from Greece, Macedonia and Albania who came out with similar plans; all of these plans envisioned the transporting of Azerbaijani or Caspian oil by tankers from Novorossiysk to Burgas and then by pipelines to the southern Adriatic or Aegean. This possibility for avoiding the Turkish straits while also keeping Baku–Novorossiysk in play was not the subject of discussion by the AIOC, however, for a whole range of mainly political reasons. Some of these projects were resumed, as we will see below, as a consequence of seeking of new routes for Caspian gas in the second half of the first decade of the 21st century.

**Baku–Tbilisi–Supsa**

For purely economic reasons, one of the most acceptable variants would have been renovation of the already existing Baku–Tbilisi–Supsa oil pipeline or of the section of it between Tbilisi and Batumi. Tankers would then carry the oil through the Bosporus and Dardanelles to the Mediterranean region. The transporting of Azerbaijani oil through Georgian territory would have suited both Baku and Tbilisi. While during the 1990s, Georgia was the only neighboring country with which Azerbaijan did not have problematic relations and was also Azerbaijan’s “window to the West” and an important link to Turkey, Georgia would also have liked to join in the multi-

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7. Khozhakhmed Yarikhanov, the former energy advisor to the Chechen president, expressed his country’s categorical opposition to the building of a pipeline outside of Chechen territory. Even in Russia there were fears that the Chechens could threaten the security of a pipeline close to its borders.
8. The Baku–Supsa oil pipeline was built in 1912, five years after the Baku–Batumi pipeline.
billion-dollar Caspian projects; the status of a key transit country at the crossroads of the Caspian region and Europe would bring it economic and political gain. The joining of Georgia in the project for transporting Azerbaijani oil was also regarded as a necessity in Washington, especially after 1995, in light of the worsening American-Iranian and American-Russian relations. In the end, Washington supported the Baku–Tbilisi–Batumi/Supsa route.

A greater problem, however, was the stance of Ankara, which has traditionally had great reservations about projects based on transport through the straits. Above all, the choice of this route would in fact leave Turkey out of the project for transporting Caspian oil to world markets; according to the Montreaux Convention (1936) regulating navigation in the Bosporus and Dardanelles, Turkey may not charge fees just for passage through the straits; the dozens of tankers that sail every day from the Black Sea to the Mediterranean do not bring Turkey any profit. To the contrary, they greatly burden navigation through the straits, and in case of an accident they threaten Turkey’s largest city Istanbul with fifteen million inhabitants with an ecological that could have tragic consequences for the great city’s residents. Consent to the operation of the Baku–Tbilisi–Batumi/Supsa pipeline with subsequent transit through the straits for transporting of the expected large volume of Azerbaijani oil would also have hindered Turkish efforts to block the creation of a Baku–Novorossiysk route; as will be shown below in detail, ecological arguments were among the strongest weapons in the arsenal of the Turkish foreign ministry (Tutuncu 2005, pp. 105-119).

On 9 October 1995 the AIOC made public a decision on the transporting of “early” Azerbaijani oil (ca. 80,000 barrels a day) from the Azeri, Chyrag and Günesli oilfields by two routes; the choice fell to two competing pipelines, Baku–Tbilisi–Supsa and Baku–Novorossiysk (Sanjian, 1997). Eduard Shevardnadze and Heydär Aliyev signed the thirty-year agreement regulating the terms of transit and a number of other technical issues in March of the following year in Baku. More than 565 million dollars were allocated for major improvements to the pipeline and terminal in Supsa, and the capacity of the pipeline was raised from 100,000 to the current figure of 220,000 barrels per day. The volume of oil transported through the two pipelines was set at ca. 36–40 million barrels annually. According to calculations at the time, the transporting of the “main” Azerbaijani oil, expected for the years 2005–2006, was to bring up to ten times the volume of the “early”. The first Azerbaijani oil did not arrive at the Georgian port of Supsa until the spring of 1999; in 2005 the Baku–Supsa

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9. Constituting an insignificant exception are fees that tankers pay Turkish pilots for navigation through the straits.
pipeline represented approximately a 40% share of the total volume of oil exported from Azerbaijan. 

It is no accident that the October 1995 decision has gone down in the history of Caspian diplomacy as a “compromise.” One way or another, it yielded to the interests of the key players involved in the drilling and transport of raw materials from the Caspian Sea; it was primarily a political decision. Regardless of the continuing war in Chechnya, through which the “Russian” pipeline led, which greatly weakened Moscow’s position in negotiations, it was an important message to Moscow that its interests in the region were still taken seriously.

Both routes presumed subsequent transport by tankers through the Turkish straits. It is, however, necessary to take into consideration the fact that at the time when the decision was made, there was no alternative to transporting Azerbaijani oil to the West through the Bosporus and Dardanelles to the Mediterranean; for Baku, of course, the sale of oil to Western markets was of vital importance as an important source of income. Moreover, this involved the transporting of small volumes of “early oil,” which was not contrary to the Turkish demands for limiting the quantity of raw materials transported across the straits in the middle-range horizon. The choice of the Azerbaijani-Georgian route for the pipeline, however, meant both the de facto and the de jure end to Moscow’s monopoly on the transporting of energy resources from the Caspian Basin, and for Ankara this was undoubtedly a promising and encouraging discovery.

While Tbilisi could count on at least 50 million dollars annually for the transit of “early” Azerbaijani oil (with prospects of a ten-fold increase over about ten years), the choosing of two pipelines guaranteed Baku more political maneuvering room in the following years. The putting of an alternative export route into operation meant another reason for the deepening of partnership ties between Georgia and Turkey and with key Western states as well, based on mutual economic benefit, while an important step was taken towards stabilization of relations with Russia. The key decision on determination of the direction of transit of higher volumes of the “main” Azerbaijani oil was still to come, however.

The “Iranian alternative”

From 1994 Azerbaijan considered Iranian territory for one of the possible oil export routes. The Iranian route could offer substantial advantages, which were not

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12. As is well known, the First Chechen War began in December 1994 and ended in August 1996.
available with other alternatives – lowest construction costs, comparatively stable political situation, oil infrastructure requiring only marginal investments and completed oil terminals on the Persian Gulf shores - was among the topics under discussion until the spring of 1995, when Washington forced Baku to cancel the contract on Iranian participation in the international oil consortium13.

While Washington's negative stance towards any transporting of Caspian oil through Iranian territory was understandable in the context of American-Iranian relations over the past decades, interestingly neither Baku nor Teheran were unrestrainedly enthusiastic about realization of this project.

The Azerbaijanis were concerned that transit across Iranian territory would give Teheran an effective tool for influencing Baku's foreign policy, whose interests and priorities were drastically different from Iran's; while Azerbaijan was desperately seeking allies in the West, especially in the USA (and Turkey), Teheran was trying to limit the standing of Washington (and Ankara) north of its own borders. The thought that the choice of the Iranian option would let Teheran pressure Azerbaijan regarding regulation of the participation of foreign firms in Azerbaijani oil consortiums was in the interest neither of the mostly Western oil companies nor of Baku. Any sort of “asymmetrical partnership” of Azerbaijan and powerful Iran, in light of their post-Soviet antagonism, was judged to represent a long-term security risk for the Azerbaijani state; the more significant participation of Iran in Azerbaijan's Caspian projects therefore did not appear to be a very good way to resolve transit issues.

On the other hand there were concerns in Iran itself that the building of an oil pipeline across the country's northwestern provinces (it was assumed that the pipeline would lead through the city of Tabriz, the capital of southern Azerbaijan) would become another stimulus for Iranian Azerbaijanis in their efforts towards rapprochement with the Azerbaijani Republic and Turkey. Still in 2000 during New York Forum held to oil-related issues in the region, the Iranian Foreign minister Kamal Kharzzi advocated the Iranian route as the „best, free of political pressure, flourish and uneconomic parameters “ (Alternatives: Turkish Journal of International Relations, 2006).

Because unwillingness of Americans with this route persisted, despite of its advantages, the combination of these factors finally led to refusal of the “Iranian alternative”14.

13. It is hardly necessary to emphasize that by taking this step under duress, Baku contributed to a drastic worsening Azerbaijani-Iranian relations, which thus found themselves at the lowest point since the fall of Elşibäy’s regime.

The “Peace Pipeline”

Perhaps the most noteworthy proposed transit route for Azerbaijani oil was the idea of building a pipeline from Azerbaijan to Armenia to the Turkish port in Ceyhan on the shore of the Mediterranean, possibly passing through the territory of the unrecognized Nagorno-Karabakh Republic (Maresca. 1995). The American State Department began to promote that route after the reaching of a cease-fire in Karabakh (May–June 1994) and the signing of the “contract of the century” (September 1994).

That proposal represented one of Washington’s first peace initiatives in the southern Caucasus, named the Goble Plan after its author15. It presupposed an Armenian-Azerbaijani territorial exchange, with Azerbaijan turning over to Armenia the Lachin Corridor connecting the territory of Nagorno-Karabakh with Armenia, in exchange for the Meghrin Corridor (connecting the Azerbaijani exclave Nakhichevan with “contiguous” Azerbaijan) (Azerbaijan News Agency, 2000). If the Goble Plan were to be realized, the pipeline would lead directly from Azerbaijan to Turkey. In that case, however, Armenia would lose its direct border with Iran and would be surrounded by “problematic” neighbors, Turkey and Azerbaijan, not only from the east and west, but also from the south. It turned out that the Armenians conquered the Lachin Corridor during the Karabakh war, so this proposal was not at all attractive to them (Yandunts, 2008).

Nonetheless, the basic American offer was not tied to acceptance of the plan for the exchange of territory, as it counted mainly on the building of the pipeline across Armenian territory. Washington was assuming that an Azerbaijani-Armenian-Turkish oil pipeline would contribute to solidifying peace and stability in the southern Caucasus. According to the American assumptions, profitable economic cooperation of the hostile parties in the conflict on this ambitious project would cause them to think more rationally and in time would contribute towards a definitive end to the Armenian-Azerbaijani dispute over Nagorno-Karabakh. Likewise expected was a major improvement to the mutual relations between Turkey and Azerbaijan on the one hand and Armenia on the other; that circumstance was also supposed to limit Russia’s influence on the southern Caucasus.

Washington’s proposal was received euphorically in Ankara. The Turkish newspaper Sabah was bursting with optimism: “Between the two countries [Azerbaijan and Armenia] a new era of mutual relations is beginning.” Immediately after the peaceful solution of the Karabakh conflict and the laying of the oil pipeline across Armenian territory to Turkey, there would supposedly follow “the withdrawal of

15. see eg. “How the Goble plan was born and how it remains a political factor”, available from: http://reliefweb.int/node/65016 (accessed on 6.9.2011)
Armenian troops from occupied Azerbaijani territory, the lifting of the blockade against Azerbaijan by the USA, Turkey and Azerbaijan would also lift the blockade against Armenia, diplomatic relations would be established between Baku and Yerevan, both hostile parties would start talks on the autonomous status of Nagorno-Karabakh and the influence of the USA and Turkey in the southern Caucasus would be greatly increased” (Sabah, 9 June 1994).

This rather idealistic expectation, however, failed to take into account the fact that the “Armenian” variant had been introduced soon after the end of fighting in Karabakh. In spite of his pragmatism, Aliyev could not accept this proposal; in the eyes of Azerbaijani public opinion, it would be interpreted as Baku’s final resignation over the renewal of Azerbaijani rule in Karabakh. The memories of war and the immediacy of the suffering it had caused to hundreds of thousands of Azerbaijanis were too fresh; this involved a conflict of values, not of interests that could have been solved effectively by the finding of a mutually advantageous economic departure point. Also causing considerable concern in Azerbaijan was the fact that the exporting of Azerbaijani oil across Armenian territory might greatly solidify Armenia’s position with respect to Azerbaijan: by control over the transporting of oil, Armenia, occupying nearly one fifth of Azerbaijan’s territory, would gain another effective tool for pressuring Baku, not to mention a constant source of revenue (Bakinskij rabočij, 24 Sept. 1994).

The American proposal was not welcomed in Yerevan either. After its victory in the Karabakh war, Armenia was in the grips of societal euphoria; the Armenians then resolutely rejected any form of a joint state arrangement for Nagorno-Karabakh and Azerbaijan, and this was a conceptual component of the American proposal. Although Yerevan did not reject this project categorically, the Armenians repeatedly indicated that they had no intention of paying a price for peace and economic progress as high as the loss of Karabakh sovereignty would be. In this connection, Zhirayr Liparityan, an advisor to the President of Armenia, expressed the opinion that “the question of building an oil pipeline would not influence Armenia’s position” (Shorokov, 1996). The de facto rejections by Baku and Yerevan forced the Americans to withdraw their proposal. In this connection, Robert Ebel expressed a formulation that became notoriously well known during the subsequent talks on the peacemaking

16. The form of the relations between Nagorno-Karabakh and Azerbaijan was not supposed to be detailed until during later negotiations; it might have involved a federation, confederation or some other arrangement, with Nagorno-Karabakh outwardly remaining a part of the Azerbaijani state, but de facto having the broadest possible sovereignty. There were fears in Armenia that Baku would attempt to condition the building of the oil pipeline on the greatest possible concessions by the Armenians. In Azerbaijan, on the other hand, the prevailing opinion was that the Armenians would attempt the same thing, etc.
potential of Caspian projects: “Peace may bring the pipeline, but the pipeline cannot bring peace” (Jofi, 1 Jan. 1999).

**Baku–Tbilisi–Ceyhan**

After the definitive rejection of the Iranian branch, an important topic of international discussions became the Baku–Tbilisi–Ceyhan route. The start of international talks concerning this route had an interesting prelude. The project was formally begun back during the second half of 1995; visiting the Georgian capital on 24th August was a leading advisor of Turkey’s president Emre Gönensay who, after intensive consultations, obtained Shevardnadze’s consent for the construction of a pipeline along the Baku–Georgia (Tbilisi)–Ceyhan route. Just five days later, a bomb exploded very near the Georgian president, who managed to escape death by the skin of his teeth17.

Although Moscow (and Teheran) objected, both the perspective transit countries Turkey and Georgia as well as Azerbaijan were interested in promoting the Baku–Tbilisi–Ceyhan route. With the realization of that route, Azerbaijan could escape from depending on Russia for transport, while strengthening its political and economic ties both to the transit countries and, of no less importance, to key Western countries and the USA.

From the beginning, Baku was aware of how problematic the whole Baku–Tbilisi–Ceyhan project was; the prospects for building that pipeline were dimmed by its enormous cost and technical difficulty. The amount of money that would have to be spent to build such a long connecting pipeline mostly through difficult, mountainous terrain was estimated to be several billion dollars, and that would not be the most economically attractive alternative for possible investors; there were some doubts about the appropriateness of that route even in Washington (Field, Apr. 2000).

In late 1996 and early 1997, under the influence, among other things, of complications in American-Russian relations, the development of America’s diplomatic stance towards Caspian affairs passed another important milestone (the previous one had been in 1994). Washington came to the conclusion that the Baku–Tbilisi–Ceyhan

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17. Regarding the question of whether he thought that the attack was connected with the direction of the pipeline, Shevardnadze himself reacted by saying: “Now you are asking the right question!” Quoted by Griffith, Brent, “Back Yard Politics: Russia’s Foreign Policy toward the Caspian Basin”, _Demokratizatsiya_, 6:2 (1998), 14. Moscow believed that the Georgian president himself had staged the assassination so that he could “purge” those closest to him, in particular ridding himself of Jaba Ioseliani, commander of the increasingly powerful Mkhedrioni paramilitary groups that were not completely under control. Among other things, this was supposed to open the door for his military reforms. It is interesting, however, that Igor Giorgadze, the Georgian president’s security chief, who was accused (together with Ioseliani) of organizing the assassination, soon escaped to Moscow; he fled in a Russian plane from the Russian military base in Vaziani near Tbilisi. Despite repeated pleas by Georgian authorities, the Kremlin still has refused his extradition to Georgia.
route by best suit American interests in the Caspian region (MacDougall 1997, pp. 86). Growing in proportion to American support for the Baku–Tbilisi–Ceyhan route was the determination of Baku, Tbilisi and Ankara to see through the realization of the project for a pipeline link in that direction. In retrospect it turned out that it was geopolitical reasons that had finally forced the United States to settle on the choice of this project, which was from an economic viewpoint clearly the most difficult.

Economics also played a certain role in the final choice of the Baku–Tbilisi–Ceyhan route for the exporting of the “main” Azerbaijani oil. In 1999 Ankara presented the participating companies with the results of its latest financial analysis, according to which building the pipeline would cost “only” USD 2.4 billion, and not USD 3.7 billion, as had originally been estimated (Richter, 1999). At the same time, Turkey undertook to secure financing for the building of the pipeline on its own territory. Turkey and Ukraine furthermore declared their intention of buying Caspian oil.

Likewise not without importance for the choice of the southern Caucasus-Anatolian route was the capture and subsequent imprisonment of the leader of the separatists Kurdistan Workers Party (PKK) Abdullah Öcalan, whom the Turkish intelligence managed to catch in early 1999 with the aid of the Americans and the Israelis (The Sunday Herald, 21 Feb. 1999). Soon there was a sharp decline in the activity of the PKK, whose leadership publicly renounced their armed struggle at the end of that year. While attacks by Kurdish separatists on the pipeline could not be ruled out entirely, Ankara repeatedly emphasized that it was capable of ensuring the uninterrupted operation of the pipeline on its territory. In August 1999, an armed conflict broke out in the mountains of western Dagestan, leading to the Second Chechen War after the subsequent invasion of Chechnya by Russian troops that autumn. The renewed, intense fighting in the northern Caucasus deteriorated Russian-American relations and further reduced the interest of western governments in the support of transport of Caspian oil in the direction of Russia (Nichol, 2000).

Already in October 1998 was the signing of the Ankara Protocol in anticipation of the transporting of Azerbaijani oil to the west. On 18 November 1999 was the ceremonial signing of the Istanbul Agreement on transporting of Azerbaijani oil over the Baku–Tbilisi–Ceyhan route by the presidents of Azerbaijan, Georgia and Turkey with the American president also in attendance. Simultaneously with that document, the presidents of Azerbaijan, Georgia, Turkey and Kazakhstan signed the Istanbul Declaration, which envisioned the transit of Kazakh oil along the floor of the Caspian Sea to Baku and its subsequent transporting along the Baku–Tbilisi–Ceyhan route (known as the Trans-Caspian Project) (Diba, 2002).

18. During the year 2000 the parliaments of the signatory countries ratified the Istanbul Agreement.
The Baku–Tbilisi–Ceyhan oil pipeline, the largest shares of which belong to BP (30%) and SOCAR (25%)\(^{19}\), was festively put into operation in May 2005 after two-year construction and is supposed to have a service life of forty years. The final cost of building the pipeline went over USD 3.6 billion\(^{20}\). Almost two thirds of that amount was financed by external creditors – the World Bank, the European Bank for Reconstruction and Development, state credit agencies of seven countries and a total of fifteen financial institutions\(^{21}\).

The capacity of the crude oil pipeline, which was originally expected to reach one million barrels, was reached only very gradually, however (Gadžijev 2003, pp. 438)\(^ {22}\). The key (and still unanswered) question for the project’s commercial success is still the connection of Kazakhstan. It was Kazakh crude oil from the promising geological structure at Kashagan that was to have been transported from the Kazakh port Aktau by oil pipeline, which was to have been built along the bottom of the Caspian Sea (known as the Transcaspian Oil Pipeline) and was to lead to a terminal near Baku with a direct connection to Baku–Tbilisi–Ceyhan. Although Astana repeatedly confirmed its participation in this project (for example back in June 2006 when the BTC oil pipeline was launched)\(^ {23}\), it is under heavy pressure from Moscow, which has expressed its strongly negative stance towards the building of the oil pipeline primarily in terms of arguments concerning the undecided legal status of the Caspian Sea and concerns of an environmental nature.

This question of the legal status of the Caspian Sea is a striking example of the use of international law for the furthering or defending of a country’s own economic and political interests. Since the breakup of the Soviet Union, the most important parts of the Caspian Sea with respect to raw materials fell to successor states, but the efforts of those states to capitalize on the oil and gas fields have met from the beginning with the unwillingness of Russia and especially of Iran to define the final form of the national sectors. In spite of this, the use of various oil and gas fields in the shelf

\(^{19}\) For more details on shareholders’ structure please see eg. http://en.wikipedia.org/wiki/Baku-Tbilisi-Ceyhan. SOCAR = State Oil Company of Azerbaijan, considered as one of the biggest oil companies in the world.


\(^{23}\) The building of the Transcaspian Oil Pipeline should cost nearly four billion dollars, and Astana has expressed interest in supplying the Baku–Tbilisi–Ceyhan oil pipeline with 150,000 barrels of crude per day, with a possible increase of that quantity to 400,000 barrels in 2010. This would amount to at least a third of the crude oil exports of Astana. RFE/RL, 14. 1. 2007.
areas has proceeded relatively peacefully, as discussion has been postponed until it shall become necessary to determine the rights of the countries to individual gas and oil fields that are located in disputed or border areas. Some of the countries have dealt with the lack of a legal accord on the use of the Caspian Sea by entering into separate bilateral agreements, as was the case of the 1998 treaty between Russia and Kazakhstan on the dividing of the northern part of the sea (Kurtov, 2001), or the similar demarcation agreement between Kazakhstan and Azerbaijan and the trilateral accord on the defining of border areas in May 2003.

Since 2002, the littoral states have been trying to find consensus at intergovernmental summits. Already at the first summit of this kind in Turkmenistan, it began to be apparent that the status of the sea was not so much a key issue because of the use of its mineral wealth (which is in any case already being extracted), but because of the routes of possible pipelines through which raw materials are to be transported from Kazakhstan and Turkmenistan onwards to the west. During the second summit in Teheran in October 2007, it was in this question that the participating states agreed in the end that an important pipeline of any kind would require the consent of all littoral states (RFE/RL, 2010). It was the Kazakhs and the Turkmen who had the greatest interest in this, as it was from their countries and their national sectors of the sea that crude oil and natural gas were to be transported to the west. In view of other projects under preparation, the European Union and the United States were also among those pushing for an agreement in this matter, while it is obvious that mainly Russia and Iran represent the chief opponents of a final accord. Meanwhile, as Russia is going the route of separate agreements with its neighbors on the defining of border zones, Iran is so far insisting on an overall accord of all of the countries, ideally in the form of the dividing of the sea into five equal parts. At the same time, the absence of such an accord is allowing Russia to block the construction of pipelines (for which the consent of all of the countries would be required). On the other hand, it is denying Iran access to a greater share of the mineral wealth than it now gets in view of the size of its national sector.

Because of the constant delays, Kazakhstan has focused on a new initiative, the Kazakh-Caspian Transportation System, the goal of which is to ship smaller volumes of oil in tankers to Baku, with a subsequent connection to Baku–Tbilisi–Ceyhan.

24. The legal status issue of the sea is more complex than it may seem at the first look. It includes eg. the right to use Volga-Don channel, fishing right etc. For more details please see eg.: Janusz, B.:„The Caspian Sea, Legal status and regime problems“, available from:: http://www.isn.ethz.ch/isn/Digital-Library/Policy-Briefs/Detail/?lng=en&id=18937 (accessed on 2.9.2011)

25. Already in January 2008 Astana pledged to transport as much crude oil through Russia as its transport system would permit, meaning in practice a strategic wager on the oil pipeline of the Caspian Pipeline Consortium (Tengiz–Novorossiysk) leading through Russian territory; meanwhile, in future the capacity of that pipeline shall
The initial volume of 7 million metric tons annually should be increased gradually to 20 million tons annually, whereby the share of Kazakh oil would reach approximately 40% of the volume transported by the BTC (Socor, 2006). The plan presupposes the renovation and expanding of the present Kazakh fleet of small and medium tankers, including investments in shore terminals, but this step still regards tanker transport as a compromise and a temporary solution until construction of a pipeline along the seabed will be permitted. The presidents of the two countries involved have agreed on this plan, as they affirmed in a framework agreement in 2006 (Socor, 2006).

**Developments since 2005**

There has been and still persists a greater lack of clarity around the participation of Turkmenistan and Kazakhstan in the case of the Trans-Caspian Gas Pipeline, which had also been preliminarily approved by Astana and Ashkhabad in 1999 Istanbul. An important step forward, however, was made in 2006, with the launch of operation of the *South Caucasus Gas Pipeline* Baku–Tbilisi–Erzurum, which runs parallel to the route of the Baku–Ceyhan oil pipeline. The gas pipeline serves for the exporting of natural gas from the Azerbaijani Shah-Deniz gas field towards the west. In the future, the aforementioned countries of Central Asia can connect to this gas pipeline, which today has the capacity of 16 billion cubic meters and is controlled by the British firm BP (25.5%) and the Norwegian company StatoilHydro (25.5%). A precondition for such a step, however, would be the building of an appropriate gas pipeline along the floor of the Caspian Sea, but this is accompanied by even bigger complications than the similar oil pipeline project. Gas cannot be transported easily with a fleet of ships as is the case with oil, so its exporting from individual countries is dependent to a far greater degree on Russia’s transit routes and to a lesser extent also on Iran. For this reason, their negative stance in the case of a gas pipeline is also much more fierce, as the two countries demonstrated at the last summit of Caspian littoral states in November 2010 in Baku. In their arguments, the lack of a settlement of

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26. The pipeline project, with a budget estimated at two billion dollars, was temporarily put on ice in 2001 because of the inability of Baku and Ashkhabad to agree to specific quotas of natural gas that both of the countries wanted to transport through the pipeline; also playing a role was the personal antipathy between Heydər Əliyev and Saparmurat Niyazov. An agreement between the new Azerbaijani and Turkmen presidents seems so far to be more probable, although there are no concrete results on the table. The projects that have been prepared nonetheless count on Turkmen gas.

the legal status is accompanied by environmental concerns. Nonetheless, it is slowly becoming clear in both Moscow and Teheran that the long-term maintaining of the status quo is impossible, and if the two powers are to be a part of the solution for dividing the sea, an agreement must come about very soon – no later than by the next summit, which should affirm the final solution, on which an intergovernmental committee has been working intensively. Until then, however, Russia in particular will not hesitate to increase the value of its shares in the region strengthened by its military presence, including the building of a naval fleet (Blank, 2011). One may, however, rate positively the fact that although the summits have not yet brought much movement in economic questions, there have often been breakthroughs in military and political matters. The participating states have promised to abide by the principle of non-aggression against another littoral state, including an obligation to refrain from providing their territory to a third party for an attack – with the obvious political motivation of Iran, which could be worried about a possible attack by the United States in the case of deepening military and strategic overtures by Azerbaijani with Western military structures (Blagov, 2007).

At the end of the first decade of the 21st century, the attention of government leaders and economists shifted more and more towards gas, gas pipelines and the transporting of that raw material to Western markets. After the BTC oil pipeline was put into operation in 2005, instantly solving the problem of the transport of a significant portion of the crude oil from the region to the world’s markets28, a year later came the successful realization of the first gas supply through the parallel Baku-Tbilisi-Erzurum gas pipeline (http://www.bp.com/sectiongenericarticle.do?categoryId=9006670&contentId=7015095, 1996-2012). The importance of this gas pipeline, the capacity of which is to be increased to as high as 20 bcm/a29, consists mainly in its connection with other energy projects under preparation that are of importance for the energy security of the European continent. This question has gradually been becoming more urgent as “gas crises” began to occur because of Russia’s conflicts with transit countries (the most serious crisis of this kind occurred in 2009 because of disputes between Russia and Ukraine, but that crisis was not unique) revealing the insufficient diversification of Europe’s sources of gas and distribution channels, and this further intensified discussion on possible alternative routes for the supply of gas. It is not without interest that certain such alternatives count on the exclusion of the present transit countries (especially Ukraine and Belarus) while maintaining

29. bcm = billion cubic meters, a unit of measurement to express a volume of natural gas; bcm/a then expresses the volume supplied/received during one year.
the existing source country (Russia), while others are striving to the contrary for the exclusion of Russia as a supplier, and in their variants, the existing transit countries are under consideration. Further developments, however, have again confirmed the fact that the planning and construction of gas pipeline routes has been, is and will continue to be a very basic political topic, in which a purely rational view of the economics of a concrete project will not always be playing a key role.

Probably the most visible project, especially in the European media, is the planned Nabucco gas pipeline, connecting the area of the Caspian basin with the markets of southeastern and central Europe, which are in relative terms the most dependent on present Russian supplies through the existing gas pipeline network, some of those countries being nearly 100% dependent (Bulgaria, Slovakia)\textsuperscript{30}. Older ideas about the project assumed concrete features in 2006, when an agreement was signed on the establishing of a joint venture with five participants (OMV, MOL, Transgaz, Bulgargaz, BOTAS), with the addition of the German company RWE in 2008\textsuperscript{31}. From the beginning, the gas pipeline was primarily envisioned for Azerbaijani gas, which was to account for approximately one third of its capacity, but the remainder of the capacity was to be filled from the gas fields of other Caspian littoral states, especially Turkmenistan. Azerbaijan itself, however, is refusing to undertake the obligation of covering unused capacity, because its primary interest is to use Nabucco as one of its transport routes, but not as the only one\textsuperscript{32}. Moreover, it is the Shaz Deniz II gas field that is to be used for exports, and of its planned annual capacity of 16.7 bcm\textsuperscript{33}, only 10 can be released for Nabucco\textsuperscript{34}, while the remainder is intended for the Turkish market. The gas field is also just being developed on the basis of a decision on terms of delivery to the world’s markets and the amounts of transport fees – a decision on the final customer has been deferred several times\textsuperscript{35}.

Russia has had to react actively to this development in order to see that its interests in the region continue to be taken into consideration. For this reason, in June 2007 a memorandum was signed by Gazprom and the Italian company ENI on a


\textsuperscript{31.} Project information are available at Nabucco home page: http://www.nabucco-pipeline.com/ (accessed on 1.6.2011).

\textsuperscript{32.} see eg., interview with Azerbaijani mediator Elshad Nassirov. “We don’t want to depend on only one pipeline, available from:: http://www.europeanenergyreview.eu/site/pagina.php?id=2528 (accessed on 1.6.2011).

\textsuperscript{33.} see interview with E. Nassirov.

\textsuperscript{34.} “SOCAR considers Nabucco’s proposal to lay pipeline to Baku”, available from: http://en.trend.az/capital/energy/1889805.html (accessed on 18. 6. 2011)
declaration of joint interest in building a gas pipeline, which was given the name South Stream as a parallel to the analogous project in the Baltic Sea. Its goal was to secure the supply of natural gas to the markets of the Balkan Peninsula and Italy, with the possibility of later connecting the countries of Central Europe and even France. That the Russians are serious about squeezing out the competing Nabucco project is also shown by the fact that the capacity of the gas pipeline is planned to be twice as great (63 as opposed to 31 bcm/a)\(^{36}\), and the timetable for the project’s construction is more ambitious. The Russians alone, unlike Nabucco, also have no problem with filling the capacity of this pipeline with gas, and they have also been more effective at negotiating price terms with countries transporting and purchasing the gas. From the beginning, however, the disadvantage of the project has been that in view of the long submarine portion of the project that is more difficult to build, the cost of its construction is rising, and the amount of investment costs will also necessarily be reflected in the price paid by the final consumer – that price may be up to one-third higher than is the case with Nabucco (Aliyev, 15 Jan. 2010). Another problem with the project is the fact that while it deals with the dependence of buyers and suppliers on unreliable transit countries, on the other hand it does not represent a real tool for increasing the supply capacity of the European Union, because there are prevalent concerns that a large part of the gas in South Stream will be represented by capacity that is already flowing into Europe now by other routes.

For both projects, although probably as variants of Nabucco, gas pipeline routes are also being prepared quietly from Greece to Italy through Albania (Trans Adriatic Pipeline, TAP) along with a gas pipeline also connecting these two countries, bypassing Albania through the Ionian Sea (Interconnector Greece-Italy, ITGI). The first of these projects has somewhat stronger backers (incl. Statoil, E.ON), and it also has a slight head start on preparations, but both projects are dependent on gas supplies from existing Turkish infrastructure, from the new Nabucco pipeline or from a similar project. In view of the delays with the defining of the final form of Nabucco (especially the price and duration of the contract), the government of Azerbaijan has gradually been losing its patience, and it has also presented its own project for supplies to Europe. This plan envisions the transit of gas through Georgian ports, where the gas would be liquefied and then transported to Romania, from where it could be transported onwards to final customers through the existing network (Azerbaijan-Georgia-Romania Interconnector, AGRI) (Osgood, 12 Jun 2011). Although the plan has so far attracted little attention among consumers and transit countries, it considers the interesting alternative of liquefied natural gas (LNG), which would be much simpler to transport and could be distributed onwards if needed. LNG is in general

an important competitor to any gas pipeline routes, because according to a number of analysts, it represents an opportunity that has so far been utilized only partially as a way to transport gas to the consumer markets of Europe from less accessible gas fields. Alternatives to Nabucco are being discussed with growing frequency in Azerbaijan. In view of the growing pressure for further use of the Shah Deniz gas field, government representatives are becoming ever more inclined towards the TAP and ITGI projects – for the reason that their estimated capacity corresponds to the anticipated obligation of the government oil company SOCAR (Geropulos, 2011).

Also somewhat weakening the position of alternative routes avoiding Russia is the trilateral Russian-Turkmen-Kazakh agreement on the purchasing and transporting of gas, from which there arises an obligation for the building of new infrastructure for the transport of Turkmen gas to the Russian network (Jones, 2007) – and a minimum reserve for future supply by the South Corridor (a general term for the area of pipelines leading to Europe from the basin of the Caspian and the Near East, referring mainly to the territory of Turkey and the Black Sea), signed at the time when the plans for Nabucco were taking shape (Bhadrahkumar, 30 Jul 2008). The capacity of Turkmen gas fields so far under consideration would thus remain available to Nabucco to a limited extent.

With much less public interest in Europe, during the first half of the first decade of the 21st century, the Blue Stream gas pipeline was put into operation, laid beneath the surface of the Black Sea. Its basic mission is to connect Russian and Turkish gas pipeline infrastructure while securing gas supplies for the growing Turkish economy. The project was already finished in 2003, with an available annual capacity of 16 bcm/a (an amount comparable to the Baku-Tbilisi-Erzurum gas pipeline)37, but because it uses exclusively Russian gas sources, it does not represent a major solution to the problem of transporting gas from the area of the Caspian Sea. Its importance for the purposes of this paper, however, is based on the fact that through this channel, Turkey should have a significant part of its gas needs covered, so it would not be in competition with consumer countries of the EU for exploitation of mineral wealth from the Caspian region.

**Anticipated further developments**

Doubt is constantly being raised as to whether Nabucco makes sense economically, and it appears that it will be necessary to find another source region, from which the remaining capacity of the gas pipeline would be filled. There is ever grow-

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37. For key data of the project see eg.: http://www.offshore-technology.com/projects/blue_stream/ (accessed on 2.9.2011)
ing support for the idea that supplies could be renewed by a gas pipeline running from northern Iraq, which was disrupted by the civil war. The present pipeline route, however, is not suitable with respect to the security situation in transit areas, so construction of a detour route is being considered that would avoid the areas that are not entirely under the control of the security forces (UPI, 26 Sept. 2007). Another possible alternative would be supplies from Egyptian gas fields that are taken through Jordan and Syria to Turkey by a freshly laid Arab gas pipeline. Its capacity, however, is not sufficient, as it primarily serves the countries in question, and it is also vulnerable to risks from the status of the security situation at the moment – as was shown by attacks in February and April last year during the revolution in Egypt (Reuters, 5 Feb. 2011) and the unrest in Syria. The determination of the countries in question still has not been broken by these events, because last June, a long-anticipated agreement was signed in support of the Nabucco project, co-signed by the governments of the transit countries and adjusting the schedule of subsequent work so that construction should begin in 2013, and the whole system should be put into operation in 2017 (Nabucco Gas pipeline, 8 Jun 2011). Even from the official project materials, however, it is obvious that the project is counting on supplies from the Kirkuk region of Iraq or from Turkmenistan, without which the gas pipeline will be only partially filled. In spite of the agreements between Turkmenistan and Russia dated 2007 on the transport of gas through the Russian system, there still should be sufficient gas in Turkmen gas fields, although the independent verification of Turkmen supplies is very difficult given the accessibility of the regime and the openness of the country (Radio Free Europe Radio Liberty, 12 May 2007) – in spite of the fact that the President of Turkmenistan remains interested in diversification of export routes (as is the case with Azerbaijan).

Nabucco’s most serious competitor, South Stream supported by Russia, is better prepared in this respect, and it is more ambitious with regards to its timing. The launching of its operation is already planned for 2015, and construction work should already begin this year. Not even that project, however, has escaped necessary uncertainties about the supply of gas, and it is not clear whether enough gas will be available, taking into consideration the project being finished for the supply of gas to China (from the same areas as those mentioned above for crude oil) and the already launched Nord Stream project, which is supplying gas of nearly the same capacity as South Stream along the floor of the Baltic Sea to Germany. On

the other hand, construction of the project probably will not be delayed very much by the hesitant negotiations of Bulgaria, where the political establishment has been exchanged in favor of strongly pro-Western oriented leadership, and this could cause serious complications for another project with the support of Russia and Greece, the Burgas-Alexandropolis Pipeline (Trans-Balkan Pipeline). The purpose of that project is primarily to bypass the Turkish straits, which are under increasing threat from the heavy, growing ship traffic, and with the help of this crude oil pipeline, crude oil (mostly Russian) would be transported around the world from ports in the Black Sea. Preparatory work has essentially been halted because of environmental risks (Gero-poulos, 2011), and although the project also has European Union support, its fate, along with the fate of possible variants, still remains unclear (Tsakiris, 17 Feb. 2011).

### Conclusion

It would seem that we have a feverish year to look forward to in matters concerning the geopolitical maneuverings in the Caspian region. The definitive decision should be made in the near future about the routing of the South Stream project (Geopoulos, 2011), while construction work on certain sections will begin at the same time or has already begun. During this period, the decision should also be made about who will be buying Azerbaijan’s gas41. And what will be the direction taken by developments on the playing field of the Caspian region and access to its mineral wealth? In light of recent developments, the following trends can be clearly identified:

1) the continuing diversification of sources and transport routes is primarily in the interests of the destination countries, and transport routes are also of interest to producers (especially Russia),

2) it is probable that from a geopolitical and geostrategic perspective, the importance of Ukraine and Belarus will gradually decline, while on the other hand the importance of the standing of Turkey and Bulgaria will grow,

3) from among the competing projects currently under preparation, there probably will not emerge a clear winner, because several projects will be realized (e.g. Nabucco and South Stream) – the market is sufficiently prepared for such a volume from an intermediate range perspective, and additionally, the motivation for the realization of individual projects will be supported not only by the mere attaining of economic profitability, but also by aspects of political influence,

4) if Europe as a whole is to play a more significant role in individual regional affairs, it will have to engage itself much more actively, which as a consequence

41. see Osgood, P.
means with greater unity. The EU has largely lost the opportunities it had in the 1990s for access to the mineral wealth of the Caspian region through its inability to find an effective and united policy with respect to the East, at the expense of much more active players – especially China, but also Turkey,

5) in spite of tense relations among the individual neighboring countries of the region, a rational approach will probably continue to prevail, as will cooperation that is the key to maintaining and attracting more foreign investments needed for the development of mineral extraction. According to some sources, the total costs for development and renovation of necessary infrastructure will be as high as 200 billion dollars (Litera 2007, pp. 352), and securing those funds would be beyond the means of the local economies.

Energy policy in the Caucasus-Caspian region has never had clear-cut winners and losers. This can also be the key to the explanation of the fact that the conflict between the states of the Caspian region that was foreseen by many commentators in the 1990s did not take place42. From a purely economic standpoint, while the success of the United States in the Caucasus-Caspian region has been noteworthy in comparison with the situation during the first half of the previous decade, it has nonetheless proven to remain limited by Azerbaijan’s energy potential. Once more precise estimates were made of the supplies of mineral wealth in Kazakhstan, and promising oil and gas fields were discovered, the emphasis of Caspian policy has shifted to the northeastern shores of the Caspian Sea. Also in view of the flexible policy of Moscow, which has incomparably stronger influence in Astana than in Baku for a large number of reasons, Russia has benefitted from the developments in question far more than the Western countries43. Looking back at Caspian policy of the past decade reveals that the economic successes of Moscow in the region have on the whole balanced Washington’s shrewd energy initiatives. It will be this decade that provides the definitive answer to the question of the direction – whether to the west, north or east – that will be taken by the most promising producer of Caspian crude oil, Kazakhstan; today it seems that Astana, its raw material exports being dependent on Russian pipelines, has not been extricated from its tight orbit around Moscow in spite of considerable efforts.


43. Indicative of this is the Russian-Kazakh agreement from 1998 on factual delimitation of northern Caspian sea, after which followed construction of Tengiz–Novorossijsk pipeline by Caspian Pipeline Consortium, whose majority belongs to Russian oil companies.
Another important factor that explains the generally peaceful interaction of the United States and Russia in the region is the fact that until 2001, the United States had carefully avoided any tangible steps leading to a military presence in the region. Throughout the 1990s, in spite of intensive engagement, hardly a word was heard from Washington about any deployment of NATO or American military units in the Caspian region, as opposed to the situation in Central Europe and the Baltic States. As Olga Oliker put it, “The United States hoped that they would manage to limit Russian influence in Central Asia and the Southern Caucasus, although their need to maintain good relations with Russia complicated these efforts, because they had to pursue two contrary goals at the same time,” but “the United States were very careful not to take a stance in the area that was clearly in opposition to Russia. Although there was a strengthening of cooperation with the Caspian states, the United States avoided any kinds of promises or guarantees of security [for the region]” (Oliker 2003, pp. 38). In spite of – or precisely because of – the fact that the Americans were aware of the importance that Russia places on the Caucasus-Central Asian region, they were not interested in a confrontation with Moscow. The goal of the United States in the Caspian region and in post-Soviet territory in general was rather to obtain and solidify uninterrupted access, which was supposed to make an effective defense possible against Moscow’s efforts to achieve hegemony; characteristic has been the hindering of Moscow’s efforts towards integration within the framework of the CIS, which was to be aided by initiatives supported by Washington like GU(U)AM.

After President Obama’s administration took office at the start of 2009, one could sense that a more diplomatic and rational style of relations with Russia would remain in accordance with the policies of Democrats in the White House, and this soon began to be confirmed. Although the main lines of American policy in the Caspian region have been preserved (including in particular the war on terrorism and drug smuggling, the restraining of Iran’s influence, peaceful solutions to the existing regional conflicts, access to raw materials and the securing of supply routes for the fighting in Afghanistan), there is now additionally an effort towards rebuilding relations with Russia, which had been damaged by Russia’s invasion of Georgia. Meanwhile, Russia is still viewed as a key partner for the attaining of the aforementioned priorities in the area (Meister, 27 Feb. 2011). Understandably, this does not involve support for Southern Corridor projects, aimed at strengthening European energy security, but in that direction the White House will be more respectful of opinions and will rely on the influence of Turkey. Unlike the European Union, however, for the Americans no variant of possible participation of the present Iranian regime in the solution for the transit question is permissible. With respect to the Southern Caucasus, however, the EU lacks any coherent strategy that would determine the long-term directions of
foreign policy with respect to the region's individual countries. The interests of the Member States in relation to the region are heterogeneous, and even the relations of the individual states with Russia as a key player are divergent, and this ambivalence in European policy has remained constant basically from the moment that the EU began to expand towards the East (Meister, 27 Feb. 2011).

The White House, however, has broader goals in the region than Brussels, but at the same time it has been obvious that for their attaining, there is no room for a more serious confrontation with Moscow. This has not been changed in the least even by the rivalry over the routes of pipelines for Caspian mineral wealth.

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