

AMERICAN UNIVERSITY OF ARMENIA

**THE CONTROVERSY OVER THE CASPIAN SEA MINERAL RESOURCES  
AND ARMENIAN PERSPECTIVES**

A MASTER'S ESSAY SUBMITTED TO  
THE FACULTY OF THE CRADUATE SCHOOL OF  
POLITICAL SCIENCE AND INTERNATIONAL AFFAIRS  
FOR FULFILLMENT OF THE DEGREE OF MASTER OF ARTS

BY

ARMAN GHAZARYAN

YEREVAN, ARMENIA

NOVEMBER 2002

SIGNATURE PAGE

---

Faculty Advisor Date

---

Dean Date

American University of Armenia

November 2002

# ACKNOWLEDGEMENTS

*I am very grateful to Dr. Ashot Galoyan, whose contribution to the writing of this Master's Essay has been tremendous. He has diligently worked with me all the way along, and due to his efforts this work, connected with an interesting and also vital topic from Armenia's foreign policy perspective, has been created.*

*In addition, I am very grateful to my all IEP Instructors, who gave me the first classes in this University, as well as, to all members of the Faculty of Political Science and International Affairs for the years of study in the American University of Armenia, which have been years of hard work, learning, and new way of thinking.*

## TABLE OF CONTENTS

<b>Abstract.....</b>	<b>5</b>
<b>Part I .....</b>	<b>6</b>
<i>Introduction.....</i>	<i>6</i>
<i>Research Design .....</i>	<i>9</i>
<i>Literature Review.....</i>	<i>10</i>
<i>Research Questions.....</i>	<i>11</i>
<i>Methodology .....</i>	<i>11</i>
<b>Part II.....</b>	<b>13</b>
<b>The Caspian Chessboard: Interests of Major Players in the Region.....</b>	<b>13</b>
<i>Background.....</i>	<i>13</i>
<i>The Main Players Around the Caspian.....</i>	<i>14</i>
<i>Other Important Players .....</i>	<i>19</i>
<b>Part III .....</b>	<b>24</b>
<b>Main Issues in the Caspian Sea Region.....</b>	<b>24</b>
<i>Caspian Legal Status Unresolved.....</i>	<i>24</i>
<i>The Oil and Gas Pipeline Rivalry.....</i>	<i>27</i>
<i>Environmental Issues .....</i>	<i>38</i>
<b>Part IV.....</b>	<b>41</b>
<b>Developments in the Caspian after 11 September 2001 .....</b>	<b>41</b>
<b>Part V .....</b>	<b>46</b>
<b>The Impact of the Controversy over the Caspian Oil on Armenian Foreign Policy .....</b>	<b>46</b>
<i>Background.....</i>	<i>46</i>
<i>Implications to Armenia.....</i>	<i>48</i>
<b>Conclusion .....</b>	<b>51</b>
<b>References .....</b>	<b>54</b>

## *Abstract*

The purpose of this Master's Essay is to explore the rivalry over the Caspian Sea mineral resources and its implications for Armenian foreign policy making.

Several issues will be covered in this essay. First of all, since the controversy in the Caspian Sea region is connected with the interests and geopolitical calculations of several states inside and outside the region, the essay illustrates the main players and correspondingly their strategic interests in the region. Secondly, due to the fact, that several issues, such as the legal status of the Caspian Sea, export pipelines and freedom of transit, and environmental issues, have become vivid in recent years, they will be thoroughly covered in this essay. In the third part of this work, the developments in the Caspian after 11 September 2001 will be discussed, since it is apparent that new geopolitical situation has emerged in the region after terrorist attacks on the United States. In the fourth part of the essay, implications for Armenian foreign-policy making will be made. And finally, conclusion and recommendations of this study are followed.

## **Part I**

### ***Introduction***

In the twentieth century, bountiful fish stocks and oil and gas deposits gave great significance to the Caspian Sea (Blum 1998). It is located in northwest Asia, landlocked between Russia, Kazakhstan, Turkmenistan, Azerbaijan, and Iran. The Sea, which is 700 miles long, contains six separate identified hydrocarbon basins, although most of its oil and natural gas reserves have not been developed yet. Although the littoral states of the Caspian Sea are already major energy producers, many areas of the sea and the surrounding area remain unexplored (Country Analysis Briefs 2002).

During the Soviet period mainly the Soviet Union and Iran were involved in international regulations of the Caspian Sea, and in general, the legal status of it were stable from 1921 until 1991 (Blum 1998). “The USSR controlled exploitation of hydrocarbon reserves (located in the northern region of the sea), and Moscow and Tehran informally divided the sea into fishing zones” (Blum 1998, 138).

It is also worth mentioning that at the beginning of the twentieth century Baku gave 50 percent of the world’s oil production (International Finance Corporation 1998). Moreover, prior the Soviet period, the Caucasus had been rather freely connected to the world, long functioning as a central transit point between Mediterranean Europe and Central and East Asia. In fact, Silk Road passed right through this region (Hooson 1998).

However, the rapid growth of the oil production in Baku occurred after the establishment of the Soviet regime in Azerbaijan in 1920. In addition, in 1940 oil industry of Azerbaijan gave 70

percent of all oil production in the Soviet Union. During World War II Baku oil was piped to the Black Sea to aid allies. The region also attracted Nazi Germany, which repeatedly tried to capture Transcaucasia and cut-off the Soviet Union's oil lifeline.

However, since 1991 there have been continuous disputes and disagreements over the Caspian's legal status and regime between Russia and other states bordering the sea, "...with sharp disagreements surfacing over access to, and maintenance of, natural resources" (Blum 1998, 138).

Moreover, the region gained a great geopolitical significance in the early 1990s, after the discovery of huge deposits of oil and natural gas. Basically, the Caspian Sea basin was estimated to be the second largest in the world to have enormous and virtually untapped energy resources after the Persian Gulf (Blum 1998).

"The Caspian region contains 10 billion barrels of proven oil reserves; in addition, despite a string of disappointing recent drilling results, mostly in Azerbaijan, the region's possible oil reserves could yield another 233 billion barrels of oil" (Country Analysis Briefs 2002, 1). Overall, proven natural gas reserves in the Caspian region are estimated approximately 170 trillion cubic feet (Tcf). Possible natural gas reserves in the Caspian region are even larger, and could yield another 293 trillion cubic feet (Country Analysis Briefs 2002).

Certainly, these facts gave birth to important new avenues for multinational investment and the fulfillment of consumer demand (Bremmer 1998).

Predictably, this generated intense competition, since, on the one hand national interests of Russia, Kazakhstan, Turkmenistan, Azerbaijan, and Iran do not always coincide, on the other hand, some other major regional and world powers, such as the United States and Turkey in general, and different international oil companies in particular, were attracted into the region

(Ebel 1998). As Ebel (1998, 16) points out, “Caspian and Central Asian oil and natural gas have caught the attention of a broad array of nations and entrepreneurs, for reasons which mix politics and economics. It is, in sum, the power of oil.”

In short, since the early 1990s, the countries of the Caspian Sea region and Central Asia have been expected to become important players in the international oil and gas trade. Moreover, recent forecasts still expect net exports of the Caspian region to increase to 75-118 million tones of oil and 72-84 billion cubic meters of gas in 2010. However, the real development of the energy sector in these countries, since they gained national independence in 1991, has been disappointing (Hirschhausen and Engerer 1999). “Oil production so far has hardly recovered from the post-Soviet slump (52 mt in 1998) and oil exports have remained marginal (18 mt, i.e. just one per cent of international trade flows)” (Hirschhausen and Engerer 1999, 1). In addition, gas production in the region fell from 146 bn cu m in 1990 to 80 bn cu m in 1998 (Hirschhausen and Engerer 1999). “Net gas exports diminished from 61 bn cu m in 1990 to a mere 5 bn cu m in 1998” (Hirschhausen and Engerer 1999, 1).

In general, 150 years of intensive oil production in Baku has led to the consumption of 80% of initially proven reserves. Even Kazakhstan, which is considered to be the richest state with its hydrocarbon deposits among other Caspian littoral states, in the end of the 20<sup>th</sup> century had approximately 3 billion explored and proven oil reserves. Certainly, this is not a small amount, but it would be more appropriate to compare the Caspian with the North Sea rather than to the Persian Gulf, which has more than 90 000 billion ton of proven oil reserves (MFA, Political Bulletin #13, 26.04.1999).

But still, many states in and out of the region tend to increase their influence in the Caspian Basin; trying not only gain as much benefits as it possible from the oil and gas production and



transportation to world markets, but also to carry out their strategic and/or national interests in the region. Moreover, many international oil companies are still attracted into the region to make investments to carry Caspian oil to world markets.

Thus, Caspian Basin in particular, and Eurasia in general, is the chessboard on which the struggle for global primacy continues to be played. “Although geostrategy—the strategic management of geopolitical interests—may be compared to chess, the somewhat oval shaped Eurasian chessboard engages not just two but several players, each possessing differing amounts of power” (Brzezinski 1997, 1).

### ***Research Design***

The aim of this Master’s Essay is to explore the rivalry over the Caspian Sea mineral resources and the oil and gas export pipelines and geopolitics in the Caspian Basin in general. Moreover, Armenia, not possessing significant oil reserves, however, cannot avoid being involved in the regional political developments and should consider its foreign policy in the regional context, where the oil has a decisive role and an immense geopolitical importance. Therefore, this issue is of great significance for Armenian foreign policy and demands special attention and study.

It is important to mention that multiple researches have been done, as well as many books and articles have been written by several political scientist sand analysts regarding the complex issue that will be covered in this Essay. But still there are a number of questions, which require deeper research and new approaches to their solution.

## *Literature Review*

The issues regarding this complex relationship between Russia, Turkey, Iran and also United States that finds its reflection in their respective stances regarding the status of the Caspian Sea, and in their rivalry over the future location of the pipelines, have always been of great interest to many politicians, diplomats, and historians. Thus, Bolukbasi (1998), in his article The Controversy over the Caspian Sea Mineral Resources: Conflicting Perceptions, Clashing Interests, discusses the complex rivalry between Turkey, Russia, and Iran over the future location of the pipelines, the status of the Caspian, and also domestic and foreign policy considerations of the Turkic Caspian states, which for sure have influence on Russia's, Turkey's, and Iran's policies. In addition, Blum (1998) presents important information connected with Russia's Caspian policy and also a trade-off that all of the littoral states face in regard of exploiting energy resources and taking concrete cooperative measures to safeguard the shared environment. The author also makes some good points that focus on geopolitical strategies: "...the extent to which Russia should pursue unilateral or multilateral policies; the extent to which it should tolerate the involvement of extra regional great powers in the area; and the extent to which it should seek to dominate whatever multilateral institutions are established in the region" (Blum 1998, 137). Schreiner (2002), in his report "Europe and the Development of Energy Resources in the Caspian Sea Region," presents valuable information concerned with the main issues around the Caspian as well as about the main players in this region. Moreover, the author discusses developments in the region after 11 September 2001, which gives the reader an opportunity to understand controversy in the Caspian over the pipeline routes and legal status of the sea in newly emerged international atmosphere. In general, Schreiner tends to present as neutral as possible a

picture of present and likely future developments around the Caspian and their implications for Europe, especially as concerns the security of Energy supplies. And finally, Bremmer (1998) discusses the United States interests in the Caspian Basin, which have been particularly intensified after the collapse of the Soviet Union.

### ***Research Questions***

This Master's Essay exploring the rivalry over the Caspian Sea mineral resources and the impact of this controversy on Armenia foreign policy is closely related to the studies of the above-mentioned authors.

So, the questions of this research are:

***Research Question 1-What are the main players around the Caspian?***

***Research Question 2-What are the main issues in the Caspian Sea region?***

***Research Question 3-How the Caspian region has been developed since 11 September 2001?***

***Research Question 4-How does the controversy over the oil factor in the Caspian basin affect the Armenian foreign policy?***

### ***Methodology***

To answer the above mentioned Research questions proposed for Master's Essay the following methodology will be employed: ***In-depth secondary analysis of different sources based on historical and comparative methods will be used.***

It should be emphasized that political scientists, historians, and analysts largely use historical and comparative method of research. It involves studies in finding out the development of different phenomena, in this case, political developments over time and /or across nations. The comparison of those findings allows drawing the pattern of political developments and revealing the purpose of the policies carried out by decision-makers of the respective nations (Babbie 1995).

## **Part II**

### **The Caspian Chessboard: Interests of Major Players in the Region**

#### ***Background***

The potential economic and strategic importance of the Caspian region and Central Asia made outside powers, whether they are neighboring or not, to show great interests in them. Indeed, the rivalry over Central Asia between Russia and the United Kingdom at late the 19<sup>th</sup> century seems to reappear over oil at the end of the 20<sup>th</sup> century (Noreng 1998). “This time, however, the United States appears as the chief contender to Russia’s interests, with Iran and Turkey in secondary roles” (Noreng 1998, 1).

It should be emphasized, that the major players of the region have often taken opposite and controversial views regarding the ways of addressing some of the most serious regional problems. Russia and Iran possess huge energy resources not linked directly to the Caspian region, as well as, has developed transport infrastructure and access to seaports. In general, these two countries play very important role in regional politics. Moreover, Russia’s political influence in former Soviet Republics of the region, particularly in Turkmenistan and Kazakhstan, is still significant.

Azerbaijan, which has close relations with Turkey, actively tries to develop new oil export routs, basically, passing not through the territory of Russia. In addition, the United States often supports Azerbaijan, as in the case of the Baku-Ceyhan pipeline project described in the next part of the Essay (Schreiner 2002).

## *The Main Players Around the Caspian*

**Russia:** Russia, the heir of the Soviet Union, is located on the northern part of the Caspian region, occupying 30% of Caspian Sea shores. Despite the fact, that Russia only holds 2.5 % of the total Caspian oil reserves, it still considers the Caspian region to be vital for the Russia's interests and tries to re-assert its influence in the region. Therefore, Russia is trying to have as many pipelines as possible to pass through its territory to enforce its influence (el-saghir 1998).

For Russia, getting oil from Azerbaijan and Central Asia could, thus, be a favorable alternative compared to expensive development in Eastern Siberia or in offshore Far Eastern Russia<sup>1</sup>. Moreover, Azerbaijan and Central Asia are connected to European Russia by oil and natural gas pipelines (Noreng 1998).

Thus, "Russia's economic interest is to capture part of the economic rent from the region's oil and gas through a preferential access and prices below those of the world market and eventually through transit fees" (Noreng 1998, 3).

Politically speaking, Russia mostly tries to deny other external powers, particularly Turkey's and the US's control of the region. Currently, due to Russia's President Vladimir Putin, Russia is more actively involved in the Caspian, and considers it as a priority. Putin places special attention on the Russia's Caspian policy and makes efforts to activate Russia's relations with Caspian states.

---

<sup>1</sup> Russia's main hydrocarbon producing is Siberia and not the Caspian (Noreng 1998).

*Iran:* Iran, as a second-rank external actor, has its political and economic interests in the region. Briefly, Iran's interests in the region are to get the Caspian and Central Asian oil to the Gulf and establish good political and economic relations with the region's governments. First, Iran having a need for foreign exchange would benefit from oil and gas transit fees. Second, oil and gas transit would enable Iran to develop trade with the region. Central Asia could be an important market for the consumption of Iranian manufactured goods (Noreng 1998). "In turn the combination of oil and gas transit and trade could establish Iran as regional power in Central Asia (Noreng 1998, 4). Third, oil transit from Central Asia to Iranian Gulf ports would strengthen Iran's positioning in the Gulf in general, and in relation to Saudi-Arabia in particular (Noreng 1998). " Emerging as a Central Asian power would also reinforce Iran's position in relation to the Gulf neighbors" (Noreng 1998, 5).

Political interests of Iran in the region, like Russia, are to pursue a policy to restrict a substantial Turkish and Western presence in the Caspian. As a result, Tehran initiated numerous cooperation plans with Kazakhstan, Turkmenistan, and Azerbaijan regarding the extraction of Caspian oil and gas resources, which, thus, would lead the extension of Iran's influence in the region (Bolukbasi 1998). "Yet the US opposition most of the projects Iran promoted has eventually led to Tehran to side increasingly with Moscow..." (Bolukbasi 1998, 398). Basically, Iran and Russia share the same position on many issues, and most importantly, they want to restrict the US and Turkish influence in the Caspian region and Central Asia.

This fact has led to the alliance between Russia and Iran. Moreover, in this context Armenia has become a logical part of the alliance, and in fact, a virtual Moscow-Yerevan-Tehran axis has emerged, main function of which is to counteract Turkish influence (Cornell 1999).

At present, Iran is in active discussions with Turkmenistan and Turkey in order to facilitate exports both of Turkmen and Iranian gas to the rapidly growing Turkish market (Schreiner 2002). “Furthermore, Iran continues to promote a north-south transport corridor to the Persian Gulf” (Schreiner 2002, 11). Therefore, Iran has proposed “...the construction of a 300 km oil pipeline meant to link Azeri oil exports with its pipeline network on towards export points in Southern Iran and the Gulf” (Schreiner 2002, 11). However, since the ILSA<sup>2</sup> is still in force, international consortia will hardly invest in pipelines passing through the territory of Iran (Schreiner 2002). Iran’s enmity with the US is significantly curtailing its ability to utilize its geopolitical advantage to gain more power in the region (el-saghir 1998).

**Azerbaijan:** Historically, Azerbaijan is Russia’s and then the Soviet Union’s first oil province (Noreng 1998). Oil production in Azerbaijan was peaked in 1940 when it supplied 70% of the total USSR crude oil production. Due to economic crises during the 1990-1996 oil production in Azerbaijan fell by almost 30% (Schreiner 2002). “After 1997, however production increased substantially...allowing for a marked increase in oil export<sup>3</sup>” (Schreiner 2002, 8).

Since 1995 several factors, such as President Heidar Alyev’s success in consolidating his position in the country, and a ceasefire reached in 1994 with Armenia over Nagorno-Karabakh, contributed to the stabilization of political and economic climate in the country (Schreiner 2002). These achievements were significant in the sense that Azerbaijan attracted the attention of foreign oil and gas consortia to make investments for extraction and exportation of Azerbaijani oil.

---

<sup>2</sup> Full name: the United States Iran and Libya Sanctions Act of 1996. ILSA provides that foreign companies that invest more than \$20 million in Iran’s energy sector are liable to sanctions.

<sup>3</sup> Azeri oil production increased from 9 million tons in 1997 to 13.5 million tons in 1999 (Schreiner 2002).



Currently, the aim of Azeri foreign policy remains to continue attracting foreign investment in the hydrocarbon sector. Moreover, Azerbaijan tries to diversify oil and gas export routes in order to avoid dependence on any one-transit country (Schreiner 2002). “Major oil export pipeline projects are connected with the Azerbaijan International Operating Company (AIOC), which has developed the Azeri, Chirag and deep- water Guneshli fields” (Schreiner 2002, 8).

***Kazakhstan:*** Kazakhstan is a state whose titular nationality represents only roughly of its population and includes substantial Russian-speaking community<sup>4</sup>.

Since independence in 1991, Kazakhstan desperately needs export earnings. The huge oil and gas reserves that Kazakhstan possesses could provide revenues for the country “...insofar as investments comes forth and outlets are available” (Noreng 1998, 14). Therefore, the Kazakh government has an interest to develop and export its oil and gas reserves as quickly as possible (Noreng 1998).

Despite the fact that there are strong tendencies among Turkic Caspian littoral states, including Kazakhstan, not to be dependent on sole country for the exportation of their natural recourses, however, one thing is clear for Kazakh government: basically, it is not real that Russia can be cut out of the Caspian oil profits “...because it is too easy for an excluded Russia to insure that no one else can have the oil either-pipeline or no pipeline (Olcott 1995, 4).

For Kazakhstan the only real choice is between giving Russia a share and having no oil profits at all, which leaves the republic with only one realistic goal in its negotiations: to extract the greatest possible benefit to itself in return for submitting to the inevitable.

But to tell that the Kazakh government has no interest in an alternative pipeline route would be wrong. President Nazarbaev has often emphasized the importance of an Iran or Turkish

---

<sup>4</sup> Out of 17 million only 8 million are Kazakh (Noreng 1998).

variant. However, this doesn't mean that Kazakhstan tries to avoid sharing with Russia"...but rather as a bargaining ploy, to raise the price what it might eventually be able to extract for the share it knows it must give" (Olcott 1995, 4).

Currently, the Atyrau-Samara pipeline is the main oil export route for Kazakhstan.

**Turkmenistan:** Turkmenistan's hydrocarbon resources consist mostly of natural gas. Prior to the collapse of the Soviet Union, after Russia, the US, and Canada, Turkmenistan was the fourth largest gas producer in the world.

Today, in Turkmenistan state interference in the oil and gas sector is significant. President Saparmurad Nyazov, former chairman of Turkmenistan's Supreme Council and the country's last First Secretary of the Communist Party (he is also called Turkmenbashi, i.e. the father of all Turkmen), is actively involved in the shaping of the national energy policy.

Despite the fact that until recently, Turkmenistan gas exports has been depended entirely on Russia Turkmen government is trying to convince foreign investors to invest in new gas export pipelines. Currently, there are three main routes under consideration: first, via Iran to Turkey (and possibly further west from there to Europe); second, via Afghanistan to Pakistan and possibly India; and third, across the Caspian to Azerbaijan, Georgia, and Turkey<sup>5</sup>.

However, there are immense legal, political, and financial obstacles involved, which make the realization of such projects impossible in coming one or two decades (Schreiner 2002). Moreover, "the slow pace of economic reform, and a not always transparent functioning of the government apparatus are held to be primarily responsible for the relative lack of investment in the country" (Schreiner 2002, 10).

---

<sup>5</sup> Other long-term projects considered tend to be east bound, multi-billion dollar schemes towards China and Japan, crossing Uzbekistan and Kazakhstan (Schreiner 2002).

### *Other Important Players*

*The United States:* After the collapse of the Soviet Union, particularly in the second half of 1990s, the United States Government has begun to show great interests in the countries of Caspian region and Central Asia (Bremmer 1998). Unheard of by most Americans in the days of communism, many regional leaders and officials have made high-profile visits to the United States (Barnes 2000). “Senior Administration officials have delivered well-publicized policy declarations on the importance of Central Asia and the Caucasus to the United States” (Barnes 2000, 1).

There has not still been any state visit by the US presidents Clinton and later Bush to the region. However, the Caspian Basin has gained new and surprising significance to the US government. Therefore, according to some observers, diplomats, and politicians, the importance of the region requires a new and more assertive US policy towards it (Barnes 2000).

In general, there are two kinds of factors explaining the United States interests in the Caspian region: *economic* and *strategic*.

#### *Economic Interests*

The Caspian Basin causes the interest of the US, first of all, for the region’s gas and, especially, oil reserves. The proven oil reserves in the Caspian Basin are significant. And it was already mentioned earlier, that in terms of oil, the region do not constitute a second Persian Gulf, however, it can be compared with the North Sea.

The fact remains that development of the region’s potential is a worthy goal of the US foreign policy. It would lead to significant commercial opportunities for American firms (Barnes 2000). “In addition, the flow of the region’s petroleum to world markets will tend over time to

depress the price of oil or restrain increases in it, a clear advantage to a petroleum-importing country like the United States (or, for that matter, Japan)” (Barnes 2000, 4). And finally, development and exportation of the Caspian oil would diversify world oil supply, thus, lessening the dependence of global oil markets on exports from the volatile Persian Gulf (Hamilton 1997).

Officially, the US policy on the Caspian region aimed to promote multiple pipelines. Diversification of pipelines is important for the United States since, first, the United States administration is against any export pipeline through Iran; second, the US would like to bypass Russia preferring to go through the Caucasus (Roberts 1996).

### *Strategic Interests*

*Russian Threat:* Since the break up of the Soviet Union the United States have took serious steps to prevent not only increasing Iranian influence in the region but also a return of Russian dominance in the Caucasus and Central Asia. The Caspian has become one of the highly restrained areas in the world, in which Russia and the US have been competing actively and openly (Cornell 1999).

It is evident that in the current decade the Bush administration is willing to send troops from Georgia to Uzbekistan and Kyrgystan, to neutralize Russian influence. The United States has already stationed 1,000 troops in Uzbekistan, and 300 close to the Chinese border in Kyrgystan, with more scheduled to arrive (Scott 2002).

Despite the opinions that at present Russia is constrained in its ability to exert influence in the region, however, “Russia, which by virtue of its proximity, size, and past dominance of the region, is clearly a serious contender for hegemony in the future” (Barnes 2000, 5).

*The Islamic Threat:* In all countries of the region, except Armenia and Georgia, muslims are a majority of the population. This has given a rise to talk about an Islamic threat in the region.

After the collapse of the Soviet Union, Islam, which was suppressed under Communist rule, has been undergoing revival throughout the Caspian Basin. On the one hand, Islamic fundamentalism doesn't have strong roots in the region at present, on the other hand, "in time radical Islam could become a form of alternate personal allegiance and a vehicle for political opposition, as it did in pre-Revolutionary Iran and does today in Egypt" (Barnes 2000, 6).

Moreover, terrorist attacks on the United States on 11 September 2001, have once again shown that the revival of Islam throughout the Caspian Basin could be real threat to the interests of the United States in the region (Valasek 2002).

*Stability and Sovereignty:* Finally, "the US would like to promote the sovereignty and independence of the countries in the region" (Forsythe 1996, 17).

There are several reasons for that. In general, many politicians and diplomats find that the United States is an essentially conservative power. The reason is simple: they have more to lose than gain by a change in the international status quo (Barnes 2000). Another reason explaining the US support of the sovereignty and independence in the region is the regional conflicts, such as war in Afghanistan, the Azerbaijan-Armenia war over Nagorno-Karabakh, conflicts in Abkhazia and Ossetia in Georgia, as well as, war in Chechnya, tensions between Pakistan and India, are impediments for the exportation of the region's oil in almost any direction (Country Analysis Briefs 2002). And finally, the United States does support national sovereignty since "Moscow might reassert its formal claim to the states of the Caspian Basin or that the region itself might fall into chaos" (Forsythe 1996, 17).

***Turkey:*** Turkey is another crucial player in the Caspian. It has strategically key location in the region being at the meeting point of Europe and Asia (Schreiner 2002). "Not only does it provide the only over-land link of the Caspian region to Europe that can bypass Russia, but it

also stands out as a rapidly expanding energy market with a voracious appetite for oil and gas” (Schreiner 2002, 4).

Despite its recent financial difficulties, Turkey has a relatively stable political regime and a developed banking system, which can support large infrastructure projects such as oil and gas pipelines across its territory.

Linguistically and ethnically, Turkey is closely linked with Azerbaijan and, to a lesser extent, Turkmenistan, where Turkish investment and a sizable Turkish labor force are involved in a number of projects (Schreiner 2002).

In short, Turkey’s interests are political and economic ties with Central Asia, as well, as transit revenues and access to oil and gas (Noreng 1998).

It is worth mentioning that Turkey is strongly Western oriented country with close military ties to the US (Cornell 1999). Moreover, “Turkey is sometimes seen as the prolonged arm of the US in Central Asia and the Caucasus” (Cornell 1999, 7). Turkey as the only NATO ally in the region serves as a mean for the US to excise Iran and limit Russian influence (Sampson 1999).

As it was already mentioned, Turkey’s Baku-Ceyhan pipeline, strongly promoted by the US, expresses the strategic interests of both countries in the region and aims to reduce Russia’s influence in the Caspian (Cornell 1999).

**Georgia:** Though Georgia itself contains limited oil and gas reserves, its territory is essential to both existing and proposed pipelines to carry oil and natural gas out of the Caspian basin West to Turkey and Europe (Scott 2002).

Several inter-governmental agreements have been reached between Georgia and its neighbors Azerbaijan and Turkey, regarding “...a number of route proposals, including the ‘Western’ route

for ‘early oil’ from Baku to Supsa, the Baku-Cayhan project, the gas pipeline Turkmenbashi-Baku-Tbilisi-Turkey and others” (Schreiner 2002, 4).

Currently, Georgian ports Supsa and Batumi, which has strategically highly significant locations, compete with the Russian port of Novorossiisk for oil exports across the Black Sea<sup>6</sup>. Feasibility studies are being carried out in order to establish which of these routes are economically viable (Schreiner 2002).

In the future Georgia hopes to get considerable revenues from the transit fees, which carry great importance for the strained Georgian economy (Scott 2002).

---

<sup>6</sup> In 2002, the overall transportation tariff from Baku to Supsa was reported at \$3.10 per tone of crude, compared to \$15.67 per tone for the transport to Novorossiisk (Schreiner 2002).

## **Part III**

### **Main Issues in the Caspian Sea Region**

#### *Caspian Legal Status Unresolved*

Talking about the Caspian legal status, one thing must be mentioned: this issue is still unresolved. However, one can state that, first of all, the Caspian littoral states' agreement on the legal status of the Sea is the most significant prerequisite for the Caspian Sea region to realize its full energy potential.

Prior to the break up of the Soviet Union in 1991, the legal status of the sea was resolved by 1921 and 1940 bilateral treaties between the Soviet Union and Iran (Country Analysis Briefs 2002). And from 1921 to 1991 the legal status of the sea remained essentially stable (Blum 1998).

However, since 1991, when new independent states, such as Kazakhstan, Turkmenistan, and Azerbaijan, emerged in the region, "...ownership and development rights in the sea have been called into question" (Country Analysis Briefs 2002, 1).

The most important legal dispute over the Caspian has focused on the permissibility of dividing the sea into exclusive zones for each sovereign state bordering the sea to be used for its own goals. Here, the key legal debate is whether the Caspian should be defined as a sea or a lake. The essential complexity is that "...if the Caspian is defined as a sea then international law implies certain distributional arrangements, including the establishment of an exclusive economic zone for each bordering state. A lake, on the other hand, is not subject to any presumed



mode of delimitation, and as such requires mutual consent for the division of resources” (Blum 1998, 138).

In addition, if the Caspian is defined as a sea, all states will be able to pass freely through channels and waterways connecting Caspian Sea to the Baltic, White, and Black Seas. On the other hand, defining Caspian as a lake will create obstacles for free passage through the sea (Blum 1998).

It must be emphasized, that most of Azerbaijan’s oil resources, and perhaps 30% to 40% of the total oil resources of Kazakhstan and Turkmenistan as well are located offshore (Country Analysis Briefs 2002). “Certainly, there is no agreed-upon convention that delineates the littoral states’ ownership of the Sea’s resources or their development rights. The potential oil and natural gas wealth, along with the corresponding environmental risks of resource development in the Caspian, have heightened the stakes for each country” (Country Analysis Briefs 2002, 2).

As a result, in recent years there have been several conflicts over mutual claims to different regions of the sea, particularly in its southern waters. For example, in July 2001 Iranian military gunboats confronted a British Petroleum (BP) Azeri research vessel, exploring the Araz-Alov Sharg structure, and demanded the ship out of waters, which Iran claims to be its own (Country Analysis Briefs 2002). “Azerbaijan, for its part, has objected to Iran’s decision to award Royal Dutch/Shell and Lasmoo a license to conduct seismic surveys in a region that Azerbaijan considers to fall in its territory” (Country Analysis Briefs 2002, 2). Moreover, there is a dispute between Turkmenistan and Azerbaijan over the Serdar/Kyapaz field, “...while Turkmenistan claims that portions of Azerbaijan’s Azeri and Chirag fields-which Turkmen officials call Khazar and Osman, respectively-lie within its territorial waters” (Country Analysis Briefs 2002, 2).

Currently, Iran maintains the position that the Caspian should be defined as a lake (Schreiner 2002). “This would mean either joint control or a 20% share of the Caspian for each of the littoral states” (Schreiner 2002, 3). Russia, in its turn, supports the view that the Caspian should be considered as a closed sea “...with resulting rights for each littoral state to exploit the seabed within a national zone that may be defined within median delimitation boundaries” (Schreiner 2002, 3). According to this formula, which is also supported by Azerbaijan and Kazakhstan, Iran would possess only 13% share off its coast (Schreiner 2002). “Turkmenistan has stayed in the middle, seeking to balance both sides” (Schreiner 2002, 3).

Basically, as Blum (1998) points out, Russia’s such position is explained by the fact that it is against any outside interference in Caspian affairs by states not bordering the sea. This has been clear reference to American diplomacy and the inclusion of Western firms in development consortia. Moreover, Russia’s such position is also directed against Turkey, “...since its influence was widely blamed for driving a wedge between Russia and its formerly docile neighbors” (Blum 1998, 140).

Anyway, the unresolved status of the Caspian Sea has become a significant impediment for further development of the Caspian region’s oil and natural gas resources. Moreover, it has hindered the construction of potential export pipelines from the region (Country Analysis Briefs 2002). Negotiations between the littoral states have given little results for reaching a common agreement between them.

Despite the fact that in April 2002 there was a summit of the Caspian littoral heads of state, it didn’t promote a multinational agreement on the sea’s legal status, and the Caspian littoral states failed to sign bilateral agreements in an effort to solve the problem (Country Analysis Briefs

2002). Yet, according to Blum (1998), without a mutually satisfactory resolution of the legal issue, foreign investment, and therefore development, likely to remain risky.

### ***The Oil and Gas Pipeline Rivalry***

***Azerbaijani oil and Turco-Russian-Iranian rivalry:*** The rivalry over the possible routings for a delivery system that would carry the Caspian basin countries' abundant oil and gas to world markets is not so much about "best routs" as much as it is about "least worst" routes (Olcott 1995). "Whether such a system run through Russia, Iran or Turkey, the geo-political realities of this landlocked region would give enormous influence to the state or states through which the oil must pass on its way to market" (Olcott 1995, 1). Moscow wants the pipelines to be routed through Russia; the US favors a route under the Caspian, through Azerbaijan and Georgia, to Turkey; and Tehran wants the pipelines to be routed through its territory (Bolukbasi 1998).

There are three reasons explaining why countries seek the construction of pipelines across their territories: First, transit fees, which can be considerable over time; second, anticipated economic stimulus to the regions; and third, the political and economic leverage a pipeline confers (Ebel 1998).

Development and exportation of oil and gas from the Caspian region face a number of issues that must be addressed. During the Soviet period, all oil and natural gas pipelines in the region (aside from those in northern Iran) were designed to link the Soviet Union internally and were routed through Russia. Prior to 1997, there was only one major pipeline option available to the exporters of the Caspian region oil: that was the 240, 000-bbl/d Atyrau-Samara pipeline from Kazakhstan to Russia. In 1990s, several new oil export pipelines were constructed: the Baku-

Novorossiisk, the Tengiz-Novorossiisk, and Baku-Supsa pipelines (Country Analysis Briefs 2002). In addition, "...the Atyrau-Samara pipeline recently was upgraded to increase its capacity to 300, 000 bbl/d" (Country Analysis Briefs 2002, 4).

However, several important factors, such as the Caspian region's relative isolation from world markets, as well as, the relative lack of export options are great obstacles for the exportation of the oil from the region outside of the former Soviet republics (Country Analysis Briefs 2002). "Of the 920,000 bbl/d exported from the region in 2001, only about 400,000 was exported to consumers outside of the former Soviet Union" (Country Analysis Briefs 2002, 4). Exportation of the region's natural gas to world markets has been even more limited.

Due to the fact that all of the export pipelines from the region pass through Russia, Caspian region natural gas exporters, to export their natural gas, had to come to an agreement with Gazprom, the Russian monopoly that owns the pipelines (Country Analysis Briefs 2002). "Since Gazprom has reserved the hard currency markets of Europe for itself by limiting pipeline access for Caspian region natural gas producers, most exports from the region have remained in the Newly Independent States" (Country Analysis Briefs 2002, 4).

Thus, there have been two alternatives for the Caspian region's producers in order to export their natural gas at all: "...either sell their natural gas to Russia at below-market price or pay Gazprom a transit fee, then export those supplies via the Russian pipeline system to ex-Soviet states that cannot pay fully in cash or are tardy with payments for supplies already received" (Country Analysis Briefs 2002, 4).

In general, Soviet-era infrastructure, combined with geopolitical instability, means that there is no easy link between Caspian resources and consumers. To have political objectives fulfilled and to flow oil to the world markets and avoid Russia, new pipelines should have been built. And

the rivalry over the future location of the oil and gas pipelines, that would help Caspian region countries to export their natural resources, as many analysts like to call, has become a “great game,” with its players, presenting their pipeline options. Since the break up of the Soviet Union the main competitors over the route selection have become Moscow, Ankara, and Tehran (Brzezinski 1997).

Particularly, talking about the Turkish-Russian rivalry over the oil pipelines, an important event must be addressed: it has to do with “The Contract of the Century” signed on 20 September 1994, in Baku (Bolukbasi 1998). According to this contract:

...A consortium of oil companies led by the British Petroleum Company (BP) signed a \$8 billion production sharing deal with the Azerbaijani state oil company SOCAR (State Oil Company of the Azerbaijan Republic). The 30-year contract called for production of 80 000 barrels per day (b/d) by 1997; output was expected to reach an eventual peak of 700 000b/d. The contract provided for the development of the Azeri Chirag and Guneshli offshore oil fields in the Caspian Sea, which are estimated to contain reserves of 3.8 billion barrels” (Bolukbasi 1998, 398).

The point is that particularly after “The Contract of the Century” relations between Moscow and Ankara were strained. This is explained by the fact that since then two basic pipeline routs have been in competition, presented respectively by Russia and Turkey, which would help both Azerbaijan and Kazakhstan to export their oil.

The route promoted by Russia would consist of two branches (Bolukbasi 1998). “One requires construction of a 1500-kilometre \$1.8 billion pipeline from the Kazakh Tengiz fields through Tihoretsk (120 km east of Novorossiisk) to the Russian Black Sea port of Novorossiisk” (Bolukbasi 1998, 402). In further plans, this pipeline, which would have a 600 000 b/d capacity, joining with the existing 1400-km Baku- Tihoretsk pipeline could carry the Azeri oil from the Caspian Sea.

In short, Russia's goal is to ensure that most of the Caspian oil would pass through its territories. Since the safety of the Baku-Novorossiisk pipeline in volatile Chechnya is under great doubt, Russia is considering a bypass around the secessionist region (el-saghir 1998). "However, the psychological damage, along with the United States insisting on multiple routes, proved more influential" (el-saghir 1998). Various oil companies has already suggested their alternative routs for pipelines and entered into negotiations with the region's governments for the construction of these pipelines (el-saghir 1998).

Of course, Turkish officials understood clearly, that a single Russian pipeline to carry the Azeri and the Kazakh oil would Strengthen Russia's position in the region. Hence, Turkey proposed its own pipeline option (Bolukbasi 1998). The project, promoted by Turkey, is for Azeri and eventually Kazakh crude through Georgia to the Turkish Mediterranean port of Ceyhan (Noreng 1998). "The point is to avoid Armenia, Iran, and Russia, all of which are actually or potentially on less than good neighborly terms with Azerbaijan" (Noreng 1998, 2). The pipeline, costing at least \$2.5 billion, possibly much more, is 1700 km. However, Baku-Ceyhan pipeline, supported also by the US, is the most expensive way out for Azeri and Central Azian oil (Noreng 1998). "Hence it is justified by political considerations, hardly by economics" (Noreng 1998, 3). Turkey and its regional rivals Iran and Russia understand clearly, that the control of the pipeline routs is of great significance for strengthening their influence in the Caspian region.

The United States support of Baku-Ceyhan pipeline clearly reflects its efforts to reduce Russia's influence in the region and prevent Iran from participating in the development of Caspian energy resources (Noreng 1998). Therefore, since September 1994, Turkey has begun intensively to convince AIOC to choose Baku-Cyhan as the main export pipeline claiming that it

would be the most commercially sound option. In November 1999, the agreement on Baku-Ceyhan was eventually signed, yet the construction has not yet begun due to various political, economic, and legal differences among the signatories (Bolukbasi 1998).

Basically, this benefit may be more apparent than real. This route promoted by Turkey and the US would have to pass fairly close to the Armenian border, which has comparatively strong armed forces, being Russia's traditional ally in the region. Moreover, during Armenian-Azerbaijani conflict Iran supported Armenia. By contrast, Georgia is politically and militarily a weak state, although there are elements of democratic consolidation in the country. In addition, Russian pressure on Georgia is still significant (Noreng 1998). "Hence the pipeline proposed would run the risk of interruption by Armenian forces, directly or by proxy, if desiring to cut Azerbaijan's revenues. For such a purpose, Iran or Russia might also act through a Armenia proxy" (Noreng 1998, 3).

Iran, as another crucial player in this game, wants the pipelines to be routed through its territory (IEA Report 1998). Economically transit routes through Iran would be the cheapest way to export Azeri and Central Asian oil to world markets, by contrast, to the Georgia-Turkey route or any easterly route to China, India or Pakistan. Certainly, this fact strengthens Iran's position in the region. Not only Azerbaijan, but also Central Asian countries can avoid Russian interference and pressure if they use Iran's territory as an export route for their oil and gas (Noreng 1998). "Both Azerbaijan and Turkmenistan have a common border with Iran. Turkmenistan could eventually transit Kazakh and Uzbek oil and gas to Iran" (Noreng 1998, 5).

However, the cheapest pipelines that could pass through the territory of Iran, carrying Caspian oil to the world markets, face the greatest diplomatic obstacles (Bremmer 1998). This is so since one of the main strategies of the United States in the region has been to appose

increasing Iranian influence (Valasek 2002). In other words, Washington is against the alternative that Caspian oil could pass through Iran. As a result, in 1996 Congress passed the Iran-Libya Sanctions Act (ILSA), according to which foreign companies are forbidden to invest more than \$20 million in Iran's energy sector. Otherwise, they are liable to sanctions.

However, the United State's backed route from Azerbaijan through Georgia and Turkey is not a sufficient and reliable solution, because of high cost and political risks of disruption. Therefore, the United States as Russia's and Iran's main opponent in this game will face a difficult choice, favoring either Iran or Russia (Noreng 1998).

Thus, it must be said that there is great interest in extracting oil in the Caspian Sea (Roberts 1996). "The major cause of contention, however is what route the pipeline would travel out of the Caspian, and eventually out of the Black Sea" (Roberts 1996, 8).

It becomes clear that, generally, there are three promoted options for exportation of Baku oil: first, the Northern (or Russian) option; second, the Central (or Caucasus) option, and third, the Southern (or Iranian) option (Roberts 1996).

According to Kasenov (1996), there is a great doubt regarding the security of the Northern option, which assumes that oil would pass through southern Russia. The US backed alternative going through the Caucasus also presents a problem itself. The Central or Caucasus option is a politically unstable alternative. Oil pipeline would pass from Azerbaijan to Georgia, Turkey, or Armenia. However, conflict between Armenia and Azerbaijan over Nagorno-Karabakh makes this option unstable. Both Turkey and Azerbaijan has closed their borders to Armenia. And finally, the third route, passing through the territory of Iran, as already has been mentioned, does not coincide with the US interests, considering tensions between Tehran and Washington. Therefore, realizing this option would face great diplomatic obstacles.



***Turco-Russian-Iranian rivalry over the Kazakh oil and Turkmen gas:*** After the break up of the Soviet Union, the Turco-Russian-Iranian tensions have also been reflected in the rivalry over the Kazakh oil and Turkmen gas (Bolukbasi 1998).

Even prior to the collapse of the Soviet Union, development of the Tengiz field attracted the highest interest in the region. Already during the existence of the Soviet Union, an American corporation Chevron had tended to invest \$40 billion in order to develop the unexplored oil of the Tengiz fields; with estimated reserves of up to 1.5 bn. t. (Hirschhausen and Engerer 1999). “As soon as Kazakhstan became independent, it promoted the creation of “Tengizchevroil” (created in April 1993), a joint venture between Kazakhstan and Chevron to develop the field under a 40-year production-sharing agreement” (Hirschhausen and Engerer 1999, 4). In the first years of independence, Tengizchevroil was against joining the Russian-led Caspian pipeline Consortium (CPC), “...which sought to export Kazakh oil via Russia, and tried to develop alternative outlets, e.g. direct sales to Azerbaijan across the Caspian Sea (Aktau-Baku), transport by rail to Latvia and Estonia, and swaps with Iran (Uzen-Turkmenbasi) (Christan and Engerer 1999, 4). The Kazakh government tried to develop an independent oil and gas industry. Production was to rise to 30 mt per year by 2010.

However, Tengiz field development faced great obstacles, which were due to the difficult political environment, transport restrictions, and the low quality of Tengiz crude oil, requiring additional treatment before shipping. Therefore, the Kazakh government tried to find other alternative outlets, which basically led to nothing, because of high expenses. These facts made Tengizchevroil to join the CPC in 1996 (Hirschhausen and Engerer 1999). CPC and Tengizchevroil reached an agreement to build a 1500 km pipeline from Tengiz to Novorossiisk.

Yet still in 1999, "...political quarrels over the composition of the consortium and the financing of the \$4 bn pipeline project (for shipping 67 mt/y to the Russian port of Novorossiisk) have delayed construction thus far. Tengiz output has only reached 7 mt, with investment of around \$500m (Hirschhausen and Engerer 1999).

Turkey, on its side, tried to convince Almaty to opt for a Turkish pipeline. However, President of Kazakhstan Nursultan Nazarbaev many times emphasized the importance of initial transportation of Kazakh oil to Russia's Black Sea terminals (Bolukbasi 1998). "Only later, he said, could there be a diversion pipeline from the main line to Turkey. The Kazakh side suggested that the Russians should be involved even in the Turkish pipeline (Bolukbasi 1998, 406).

Despite the fact, that there has been discussions among the Kazakh officials regarding the necessity of an additional pipeline going through Azerbaijan, Georgia, and Turkey, yet in near future Ankara will have little, if any, chance to be involved in the Tengiz project (Bolukbasi 1998, 406). "Since Almaty will rely on the Tengiz-Novorossiisk pipeline for the Tengiz oil, its offshore Caspian oil, once extracted, would also be exported through the same route until an additional pipeline becomes necessary" (Bolukbasi 1998, 406).

In June 2002, Tengizchevroil was producing approximately 250 000 bbl/d "...and the consortium is planning to invest \$3 billion over the next three years to boost production capacity at the field now that Caspian Pipeline Consortium's Tengiz-Novorossiisk export pipeline is operational" (Country Analysis Briefs 2002, 2). Given adequate export outlets, the Tengizchevroil joint venture could reach peak production of 750 000 bbl/d by 2010.

Iran has been another competitor with Russia and Turkey regarding the exportation of Kazakh oil via its territory. According to the agreement between Tehran and Almaty in late

October 1996, initially 40 000 b/d of Kazakh crude would be shipped via the Caspian to the Iranian harbors of Bandar Anzali and Neka to be delivered through the existing Iranian pipeline network to the Tabrizad Tehran refineries for refining (Bolukbasi 1998). “In the long run the amount exported is projected to increase to 120 000 b/d, twice the amount which the Kazakhs have exported through the Russian pipeline in recent years (Bolukbasi 1998, 406).

During the Soviet era, the Turkmen Socialist Republic had been a medium-sized gas producer. Therefore, after the collapse of the Soviet Union it was reasonably expected newly independent Turkmenistan to continue its role as a supplier of gas to Eastern Europe (Hirschhausen and Engerer 1999). Hence, Turco-Russian-Iranian rivalry has also been reflected over the pipelines that would carry the Turkmen gas to world markets.

Turkmenrosgas, established in February 1996 by the Russian company Gazprom and the Turkmenistan Ministry of Oil and Gas “...not only obtained the sole right to prospect for and extract hydrocarbon deposits but has also acquired the right to make agreements with CIS countries for the delivery of Turkmen natural gas” (Finansovye Izvestiya 1996 quoted in Bolukbasi 1998). Moreover, in August 1996 the Turkmen-Russian joint stock company (TRAO) came into existence, with 45% of its shares held by Russia. Despite the fact that Ashgabat holds the majority of shares, TRAO has the right to sell all of Turkmen natural gas within and outside CIS.

Tehran also was able to end up with a deal with Ashgabat. According to the agreement between the two countries in August 1996, a 40-inch gas pipeline would be built from the onshore Turkmen gas field of Korpeje to north Iran. That was a 180 km pipeline costing \$200 million and would be constructed in two years.

Moreover, opening of the Mashad (Iran)-Saraks-Tejen (Turkmenistan) railway in May 1996, linking Iran with Turkmenistan was another “victory” for Iran. Turks could take advantage of this new railway link with Central Asia “...by linking their domestic network with that of Iran by constructing some 100 kilometers of railway around Lake Van in eastern Turkey” (Bolukbasi 1998, 408). Basically, Ankara, in order to have an access to the Caspian and Central Asian markets, has become dependent on the goodwill of a third party. In other words, Iran’s cooperation is necessary (Bolukbasi 1998).

In general, it must be said that “with high world natural gas prices and a Turkmen-Russian agreement on Turkmen exports in place, the country’s natural gas production rebounded to 788 Bcf in 1999, then skyrocketed to 1.64 Tcf in 2000” (Country Analysis Briefs 2002, 3). In future plans Turkmenistan has a goal to boost natural gas exportation substantially over the next decade, contingent on securing adequate export routes, such as the proposed Trans-Caspian Gas Pipeline (Country Analysis Briefs 2002).

***New Export Options:*** In order to bring much-needed hard currency into their economies, oil and natural gas producers in Caspian region has always tried to diversify their export outlets to reach new markets. Therefore, to handle all the regions oil and gas that is slated for export, a number of Caspian region oil as well as natural gas export pipelines have been proposed or are under consideration. Yet, an important question still remains open: where all these exports should go?

***West?*** A European Union (EU) conference in 1993 gave birth to the TRACECA Program<sup>7</sup>. This conference brought together trade and transport ministers from the Central Asian and Caucasian republics and initiated a transport corridor on an West-East axis from Europe, across the Black Sea, through the Caucasus and the Caspian Sea to Central Asia. In addition, in

---

<sup>7</sup> Full name: Transport System Europe-Caucasus-Asia, informally known as the Great Silk Road.

September 1998 twelve countries, including Azerbaijan, Bulgaria, Kazakhstan, Romania, Turkey, and Uzbekistan signed a multilateral agreement known as the Baku Declaration "...to develop the transport corridor through closer economic integration of member countries, rehabilitation and development of new transportation infrastructure, and by fostering stability and trust in the region (Country Analysis Briefs 2002, 5).

The most important initiative of this cooperation is the planned Baku-Ceyhan pipeline, which would transport oil from Azerbaijan to Turkey and then to European consumers.

And finally, the EU has sponsored the Interstate Oil and Gas Transport to Europe (INOGATE) program, which appraises oil and gas export routes from Central Asia and the Caspian, and routes for shipping energy to Europe. INOGATE is run through the EU's Technical Assistance to the Commonwealth of Independent States (TACIS) program.

*East?* However, an important question arises: whether Caspian oil and natural gas should be exported mainly Europe since oil demand during the next 10 or 15 years in Europe is expected to grow by little more than 1 million bbl/d. Oil exportation eastward to Asian markets could be more reasonable, where demand for oil is expected to grow by 10 million bbl/d over the next 10 to 15 years. In particular, oil consumption in China is expected to grow dramatically (Country Analysis Briefs 2002). However, to supply this Asian demand requires building some of the world's longest pipelines, because of geographical obstacles.

*South?* There is also an alternative for Caspian region exporters to pipe oil and natural gas south, mainly, through either Afghanistan or Iran. The Afghanistan option, promoted by Turkmenistan, requires building pipelines across war-ravaged Afghan territory to reach markets in Pakistan and possibly India (el-saghir 1998). With the elimination of Taliban regime in Afghanistan in December 2001, "...proposals to build a Trans-Afghan natural gas pipeline and

the Central Asian Oil Pipeline have re-emerged, but neither pipeline is realistic in the short-term” (Country Analysis Briefs 2002).

Both, the Iranian route for natural gas that would carry Caspian region natural gas through Iran’s southern coast to Pakistan, and the oil route, which would take oil to the Persian Gulf for further trans-shipment, however, are problematic due to the sanctions imposed by the US on Iran mentioned earlier.

*North?* Russia, in its turn, has proposed to transport oil through new outlets being developed on the Baltic and Black Seas. Particularly, Russia’s Baltic Pipeline System became operational in December 2001, and the country is working with Croatia to connect the Adria pipeline with the Southern Druzhba pipeline. Reversing the flows in the Adria pipeline and tying it to the Southern Druzhba route will allow oil exports from the Caspian to run via Russia’s Pipeline System, across Ukraine and Hungary, and then terminate at the Croatia deep-sea Adriatic port of Omisalj.

Moreover, Russia has the most extensive natural gas network in the region, and it is possible to increase the system’s capacity to export additional Caspian region natural gas through the territory of Russia.

However, hardly any newly independent state of the former Soviet Union would rely on Russia as their sole export outlet and Caspian region producers have desire to diversify their export options (Country Analysis Briefs 2002).

### ***Environmental Issues***

“The Caspian Sea is a unique ecosystem with a rich aquatic, aerial and terrestrial wild life” (Schreiner 2002, 5). Despite the fact that media and governments have much emphasized on the

political and economic developments surrounding the Caspian, however, there has been little attention paid to environmental risks connected with oil extraction and transportation (Schreiner 2002, 5).

In general, there are three main categories of environmental problems in the Caspian Sea: water pollution, fisheries depletion, and a rise in sea level. Pollution threatens potable water sources and tourism, creates problems for massive public health (Nezavismaya Gazeta 1993 quoted in Blum 1998). Over fishing and pollution in the Caspian has resulted to the depletion of fish stocks, which "...endangers an important social commodity in the region, as well as, a significant source of state hand currency earnings<sup>8</sup>" (Blum 1998, 142).

But perhaps, the rise of the sea level is the most dramatic environmental issue in the Caspian. Since 1978 for unknown reasons the Caspian has risen by almost 3 meters flooding coastal areas and oil platforms, and further polluting the surrounding area (Schreiner 2002, 5).

Besides, the Caspian faces other environmental challenges, like the poor condition of northern pipeline route, although the Azerbaijan International Oil Company (AIOC) has proposed \$50 million to repair it. The pipeline route near Chechnya, for example, is hazardous and needs repair and renovation (Platt 1995).

In addition, in recent years Turkey has regularly stated its environmental concerns about a possible collision in the straits as a result of increased tanker traffic from the launch of the Caspian Pipeline Consortium's Tengiz-Novorossiisk pipeline (Country Analysis Briefs 2002). Certainly, Turkey's claims are explained, first of all, by their political interests<sup>9</sup>, however, there is no reason to underestimate environmental side of the problem.

---

<sup>8</sup> The decline of Caspian Sea fisheries has been part of a broader decline in Russian fisheries production, which began to recover only in 1996 (Interfax 1996 quoted in Blum 1998).

<sup>9</sup> Turkey tries to reduce oil flow from the pipelines, which pass through Russia's territory.

As Schreiner (2002, 6) points out, “since the currently used national and international environmental and technical standards are hopelessly outdated and still not uniform among the Caspian littoral states,” there is an urgent need to examine and adopt an international law and good international practice in order to prevent and avoid any possible future ecological disaster.



## **Part IV**

### **Developments in the Caspian after 11 September 2001**

The terrorist attacks on the United States on 11 September 2001 and the following events in world politics have been expected to have significant impact on the geo-politics of the Caspian Sea region. Most of the Caspian Sea littoral states, including Russia provided strong support for the broad coalition against international terrorism<sup>10</sup>. It has led to the assumption that there is a favorable opportunity to bring the Caspian states closer together. Moreover, it seems that shifts in strategic thinking may lead to stronger US-Russian co-operation and agreement over the transit routs of Caspian oil and gas exports (Schreiner 2002).

However, there is little evidence that legal, economic, and political disputes in the Caspian Sea region can be solved so easily (Rashed 2001). It was already mentioned earlier, that the major Caspian Summit among the leaders of the five littoral states (Azerbaijan, Russia, Kazakhstan, Turkmenistan, and Iran), held in Ashgabat in April 2002, failed to achieve a multinational agreement on the Sea's legal status (Country Analysis Briefs 2002).

Basically, the failure to reach to an agreement over the legal regime for the Caspian Sea has created uncertainties about the ownership of many offshore oil fields and prevented their development. Certainly, such kind of situation creates tension and hostility among the five littoral states, which can easily lead into military confrontation between them, since each of these countries has its political concerns and military/security considerations. In particular, currently there are disputes between Azerbaijan and its two Caspian neighbors, Iran and Turkmenistan, which have reached a dangerous level. Moreover, tension of hostility in the

---

<sup>10</sup> Iran was an exception, which declared support but opposed the armed intervention in Afghanistan (Schreiner 2002).

Caspian region has strained since both Turkey and the United States support Azerbaijan politically and militarily. Particularly, there was simultaneous official visit of the Turkish top military official to Azerbaijan this year. Besides, a small number of Turkish fighter jets were sent to Azerbaijan under the pretext of participation in a previously arranged air show.

The recent turns include the conclusion of military cooperation agreements between Azerbaijan and the United States. In addition, the US is prone to improve Azerbaijan's military capability to meet any future Iranian military challenge (Peimani 2002). Especially, "the United States' arming and taking sides with the Azeries in their disputes with Iran will likely widen the scope of any future arms race and military confrontation to include Russia, a regional power that shares Iran's concern about a US presence in its neighborhood" (Peimani 2002, 2).

There are a number of questions illustration of which could shed some light on the current geo-politics of the Caspian Sea region. First, the strategists of the campaign against Afghanistan have talked about a long-drawn, ten-year time horizon for their planned military, diplomatic, financial, and political operations in the Central Asia region. One is tempted to ask why? Because that is how long it takes to build an economically viable and politically controllable Eurasian Pipeline Network. Second; from the first day of the war in Afghanistan Russia has showed its eagerness to participate in the US-led campaign. Russia's such position is explained by the fact that if, on the one hand, Russia wants to fight against international terrorism, on the other hand, alliance with the major Western powers can give an opportunity to recoup its lost ground in the region. And finally, after September 11 events there has been real evidence that "...the West could count on Iran as its starechest Muslim ally in the fight against terrorism" (Yannopoulos 2001, 2). Again, a question arises-why? The answer is that several factors such as Tehran's existing oil drilling, refinery and pipeline infrastructure, the new found oil reserves in

Southern Iran, "...as well as the country's direct access to Caspian energy reserves and outlets to the Persian Gulf give Iran the greatest comparative advantage in a regional oil-producing alliance capable of competing effectively with the Saudi-led Mideast producers' cartel" (Yannopoulos 2001, 2).

It should be emphasized that, on the one hand, Washington, on the other hand, Moscow and Tehran have a common interest in the war in Afghanistan. The three states see the Taliban regime in Afghanistan in way or another as an enemy. The same is true for Osama bin Laden. Thus, it is not accident that Iran and Russia "support" the current American arrangements in the Afghanistan, and will likely do so in the future.

However, it is totally clear for Iran and Russia that after the war the future of Afghanistan will be totally different from its present condition. Regardless the fact whether the Taliban government is overthrown or replaced with another, there are signs indicating that the US forces will be stationed in Afghanistan or on its parameters for a long time, until Taliban government and Bin Laden's camps are destroyed totally. Basically, it means that Iran and Russia will face great impediments to realize their calculations toward the future of the Caspian Sea resources and wealth made before the American intervention (Rashed 2001). "Washington has tried to interfere to influence the situations in the Caspian region through either the representation of Turkey, or through direct coordination with Azerbaijan" (Rashed 2001, 3). Things will be completely different, "...particularly the war in Afghanistan will only help Washington to in utilizing its military bases and installing forces in the ex-Soviet republics, some are Caspian and others are Caucasian" (Rashed 2001, 3).

It is also worth mentioning, that in recent months the most important changes are in Moscow's policy. After years of resistance, the Russian government seems ready to give the

green light to a key oil pipeline that the United States has supported for a long time. The talk is about 1750 km long Baku-Ceyhan pipeline, which is expected to be operational in 2005. The pipeline would carry up to 1 million barrels of oil per day. The other pipeline from the region, which was opened in November 2001, "...starches from Kazakhstan to the Russian port of Novorossiisk on the Black Sea, and requires companies to ship oil on tankers through the Bosphorus to the Mediterranean" (Starobin 2001, 2).

Baku-Cayhan route would be a second, secure option for oil producers. It is likely to reduce the West's dependence on OPEC<sup>11</sup> (Starobin 2001).

"Moscow's backing of the Baku-Ceyhan pipeline also would send a strong political message to Iran and Central Asia, countries that Russia broadly shares American goals in the region" (Starobin 2001, 3). Basically, this is likely to dash Tehran's hope for yet another pipeline stretching from Kazakhstan through Iran to Persian Gulf.

In general, there is no doubt that the Caspian has immense potential to provide large quantities of energy to world market in coming decades (Schreiner 2002). "On the other hand, the uncertainties that surrounds the future course of the international war against terrorism and the risk that it may spill-over into other parts of the region may influence investors negatively" (Schreiner 2002, 12).

Moreover, today, when the war still continues, and one can hardly tell how long it will last, it is to early to make predictions what is going to be the new geopolitical balance between the various countries of the Caspian Sea region at the end of it. However, these uncertainties may

---

<sup>11</sup> OPEC-Organization of the Petroleum Exporting Countries-consists of eleven oil-producing and exporting countries from Africa, Asia, the Middle East, and Latin America: Algeria, Indonesia, Iraq, Iran, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela (Starobin 2001).

increase the attractiveness of Russia, Georgia, and Turkey as more secure pathways for the pipelines, which would carry oil and gas of the Caspian region to world markets.

## **Part V**

### **The Impact of the Controversy over the Caspian Oil on Armenian Foreign Policy**

#### ***Background***

“Time is not on Armenian’s side,” said a Western political analyst in 1998 (Levine 1998). Then, why was it the case? Was it so because of so called “Oil Boom”-flow of international oil companies to the Caspian region and large investments in Azerbaijan, and relative isolation or attempts to keep Armenia away from regional developments? The same Western political analysts, for sure, would say-yes.

The basic argument is that Baku with 1,3 million people is a distant neighbor of the Caspian Sea Basin, which is expected to become a major exporter of oil and natural gas in the 21st century (Levine 1998). It has been conventional wisdom in recent years that Azerbaijan has become the darling of the West due to its huge oil reserves, “...and that international speculation around this oil has an enormous impact on Karabakh’s future and Armenia’s as well” (Armenian Forum 1998, 1).

Therefore, based on the analysis of foreign policy development in the region one can see the noticeable changes in political environment for Armenia connected with the oil factor activeness. When oil factor is active, political and economic conditions for Armenia are unfavorable and just the opposite; when the oil factor is passive Armenia more freely maneuvers in both regional and international arena.

To study foreign policy developments of the Republic of Armenia since the mid 1990s, two phases must be distinguished: first, 1994-97-Oil Boom, mentioned earlier, with its consequences;

and second, 1997- until now-Oil Boom decline-characterized as a period of delayed investments and continuing withdrawal of especially American oil companies from non-economic pipeline projects, weakened Azerbaijani influence in Nagorno-Karabakh conflict negotiations and diminished international significance. In this phase, Armenia, in contrast, more actively gets involved in the regional developments, and is released from high political pressure from the US and Turkey on the Karabakh issue.

Despite the fact that Armenia does not border the Caspian Sea and possess significant oil reserves, it is, indeed, positioned on the routes through which transporting pipelines are planned (el-saghir 1998). While some countries in the Caspian region try to expand international export of their oil and gas, Armenia could, thus, take advantage of these developments since it has strategically important geographic location. Basically, participation in the expanding network of oil and gas export is important in the sense that it strengthens the nation's own economy and political presence in the region (Martirosyan 2001). "However, good intentions may be overwhelmed if unresolved conflict and ensuing reluctance of neighbors constrain efforts in regional cooperation" (Martirosyan 2001). Some analysts and politicians think that in due time oil will become a stabilizing factor in the region. According to them, if the countries of oil origin, such as Azerbaijan, will use oil as a tool of tangible peace rather than a weapon of war, it can become an instrumental factor promoting economic integration and stability in the region (Martirosyan 2001). "However, at present, oil seems to be a zero-sum game in the region, as if a country takes is at the expense of another" (Martirosyan 2001). Moreover, involvement of several countries, such as the US, Russia, Turkey, and Iran in the intensifying competition over the oil and gas resources, distorts regional stability and cooperation.

## *Implications to Armenia*

In 1994, Armenian forces liberated not only Nagorno-Karabakh, but also took 20% of Azerbaijani territory surrounding it. Officials in the United States and other countries with stakes in the Caspian region, required from Armenia to reconcile with Azerbaijan or risk isolation and erosion of political and financial support<sup>12</sup>.

In November 1997, former president of Armenia Levon Ter-Petrossian, who was forced out after he urged Armenians in Nagorno-Karabakh to accept effective independence and stay within Azerbaijan, said: “We must be realistic and understand that the international community will not for long time tolerate the situation created around Nagorno-Karabakh, because that is threatening regional cooperation and security as well as the West’s oil interest” (Levine 1998, 2).

Harvard political scientists Arthur Martirosyan points out that oil money may cause a disequilibrium among the countries of the region; Azerbaijan with “an army trained on oil profits” will try to resolve conflicts by force. It is exactly this prospect that some Western diplomats and state officials use as an argument to frighten Armenia. They have emphasized that Armenia has to make a deal with Azerbaijan at present, otherwise, Azerbaijan will soon get very rich and then it will be time for Azerbaijani revanchism.

However, Martirosyan assumes that hostilities and war in the region would not be in the interests of the oil companies, just the opposite; they will suffer while fighting occurs. In other words, the Azerbaijan’s interest to solve the problem militarily doesn’t coincide with the interests of any oil company. Therefore, Azerbaijan and its allies try to establish a lasting, stable peace in the region as soon as possible (Armenian Forum 1998).

---

<sup>12</sup> It should be emphasized that Armenia is still among the largest per capita recipients of American foreign aid. For example, it was \$87.5 million in 1998 (Armenian Forum 1998).



As Cutler (1996) points out, the experience in Saudi Arabia, Alaska and elsewhere shows that three conditions are essential for oil and gas deposits to be exploited successfully and brought to market: political stability, secure and cost-effective transport, and most important, a positive financial and investment climate.

It should be emphasized, that Azerbaijan already tried to solve the conflict by military force, however, it failed. Now it is to be by oil diplomacy, which assumes, that Azerbaijan gives its oil to Western companies, and oil companies through their governments will put serious pressure on Armenia making it to give Karabakh back to Azerbaijan. However, this is fundamentally wrong, and things hardly will happen that way. It is true, that there has been great pressure on Armenia, but to tell, that Armenia is going to give Karabakh back to Azerbaijan would be naïve (Armenian Forum 1998).

In general, Nagorno-Karabakh conflict is of great significance for the development of oil pipelines (Martirosyan 2001). “Until a peaceful solution is in place, pipelines will continue to be vulnerable to the conflict, because political action, and not terrorism, is generally the cause of pipeline cutoffs” (Martirosyan 2001, 2). Settling the conflict would be step forward for Armenia and Azerbaijan to reap the profits of Caspian oil and gas resources more advantageously. It gives the sense to believe, that first of all, there must be a peace in the region and then it will be possible to build and maintain the safety of the pipelines (Martirosyan 2001).

And as Byrd (1997) mentions, the settling of territorial disputes between Armenia and Azerbaijan, as well as, the development of more democratic, legally grounded, open, and vigorous political and economic systems are of utmost importance for a stable investment climate in the region.

Routing the pipeline from Baku to the Turkish Mediterranean coast through Armenia has been excluded from almost all the economic projects for transport of Caspian oil due to the political situation in the Caucasus, though Armenia would be the most cost-effective route (Martirosyan 2001). But it must be said, that the Azerbaijani leadership favors the route passing through Armenia, which will enable them to provide energy needs of Nakhichevan enclave, which is presently dependent upon Iran (Cutler 1996).

## *Conclusion*

Thus, the collapse of the Soviet Union opened a new era in the Caspian Sea region. Since then, among other factors, the Caspian oil and gas recourses have heightened the region's international status, while pitting its littoral states (Azerbaijan, Kazakhstan, Iran, Russia, and Turkmenistan) against one another over their division (Peimani 2002).

The Caspian Sea region is an outstanding oil area with complex econo-and geo-strategic conflicts of interest and corresponding competing policies among surrounding states and the West, particularly the United States. "The keen interest of major economic powers such as the European Union, the United States, China and Japan, illustrates the geopolitical importance of the region" (Schreiner 2002, 13). The issues are not only the oil per se, but also the related conflicts of interest over pipeline routes and the US (also Turkish) intent to deny them to Russia and Iran (Frank 2000). "The rule of law, democracy and human rights come in at the tail end" (Frank 2000, 1).

In general, the issues dividing the Caspian region and frustrating the completion of major energy projects are many and complex. As Schreiner (2002) points out, they include:

- legal disputes over the status and the sharing of the Caspian
- an uncertain investment climate that inhibits the arrival of capital and the completion of energy projects
- uncertain legal and regulatory regimes
- political tensions and economic difficulties in some countries of the region
- the continued dominant role of Russia and its opposition to some investment projects
- the continued isolation of Iran despite recent moderation of its policies

Since politics is the struggle for wealth and power, and compromise is required to build the Caspian oil regime, solutions that give more states a definite stake in peaceful development make sense. “The predicted solution will have something for Russia, something for Turkey, and something for all the Caspian states, and much for the main oil producers-Azerbaijan and Kazakhstan” (Barylski 2002, 4). This means at least three pipeline routes: one to Russian ports, one to Georgian ports, and one to Turkish ports. Further, since Iran has a national interest in building diversified routes for its own trade to Europe through Russia, the Caucasus, and Turkey, it will also side the regional system sooner or later. If military-political ranking determines such outcomes, existing Russian lines will be used first. Turkey will be added second, and Iran at a later date (Barylski 2002).

Talking about the Armenian perspectives, it should be emphasized that the Caucasus states having long history of interaction and dependency, can get political stability and stable economic growth only with the end of devastating conflicts. Azerbaijan can maximize its oil developments only after a solution on Nagorno-Karabakh based on mutual compromise is achieved. Open borders and a refreshed regional trade could make Armenia develop further. The pipelines carrying Caspian oil and gas through or to Armenia are not only essential for Armenia’s further development, but also could evidently consolidate the economic and security interests of the whole region (Martirosyan 2001). In addition, “Caspian oil developments represent a vigorous opportunity for Armenia to participate in the projects by having an alternative pipeline or a spur coming off the pipeline to supply the country. With peace in Nagorno-Karabakh, the likelihood of participation will increase manifold” (Cutler 1996, 2).

Basically, all existing and proposed pipeline routes promoted by the West are within Armenia’s eyesight. It gives Armenia not only a strong negotiating position, but also puts

Armenia in a position to guarantee the security of the pipelines, as reliability of oil supplies particularly depends on the political stability in the countries of transverse.

Decisions regarding the routing of Caspian oil and gas pipelines through Armenia must, first of all, take into consideration that an all-inclusive, grand cooperation strategy is preferred over alliance making and 'win-lose' games. And one can state that settlement of conflicts and overall political stabilization are the most essential preconditions for the safe regional operation of pipelines in the region (Cutler 1996).

## *References*

- Armenian Forum. (1998) "Caspian Oil and Karabakh's Future." September 25. (Webpage: <http://www.gomidias.org>).
- Babbie, Earl. (1995) The Practice of Social Research. Seventh Edition. Belmont: Wadsworth Publishing Company.
- Barnes, Joe. (2000) "US National Interests in the Caspian Basin: Getting Beyond the Hype." August 8. (Webpage: <http://www.rice.edu>).
- Barylski, Robert V. (2002) "The Caspian Oil Regime: Military Dimensions." September 25. (Webpage: <http://ourworld.compuserve.com>).
- Blum, Douglas W. (1998) Domestic Politics and Russia's Caspian Policy. Post-Soviet Affairs. PP. 137-164.
- Bolukbasi, Suha. (1998) The Controversy over the Caspian Sea Mineral Resources: Conflicting Perceptions, Clashing Interests. Europe-Asia Studies. Vol.50, No.3., pp. 397-414. University of Glasgow.
- Bremmer, Ian. (1998) Oil Politics: America and the Riches of the Caspian Basin. World Policy Journal. New York.
- Brzezinski, Zbigniew. (1997) "The Eurasian Balkans: The Grand Chessboard." Basic Books. August 7. (Webpage: <http://www.treemedia.com>).
- Byrd, Robert C. (1997) "America's Policy toward the Caspian Region." September 25. (Webpage: <http://www.brittany-net.com>).
- Cornell, Svante E. (1999) Geopolitics and Strategic Alignments in the Caucasus and Central Asia. Perceptions Journal of International Affairs. Vol.4, No.2.
- Country Analysis Briefs. (2002) "Caspian Sea Region." August 7. (Webpage: <http://www.eia.doe.gov>).
- Cutler, Robert M. (1996) "The Real Requirements for Energy Security: A New Trial." September 27. (Webpage: <http://www.robertcutler.org>).
- Ebel, Roberts. (1998) The Geopolitics of Oil in the Caucasus. In "The Geopolitics of Oil, Gas, and Ecology in the Caucasus and Caspian Basin." Conference Report, May 1998. Berkeley: University of California.

el-saghir, khalil. (1998) "Caspian Sea Region: The Checkerboard of Oil and Minefields." September 3. (Webpage: <http://members.tripod.com>).

Finansovye Izvestiya. February 27, 1996, p.2. Quoted in Bolukbasi, Suha. (1998) The Controversy over the Caspian Sea Mineral Resources: Conflicting Perceptions, Clashing Interests. Europe-Asia Studies. Vol.50, No.3., pp. 397-414. University of Glasgow.

Forsythe, Rosemarie. (1996) "The Politics of Oil in the Caucasus and Central Asia." London: Oxford University Press.

Frank, Andre Gunder. (2000) "Oil and Geopolitics in the Caspian Sea Region." September 25. (Webpage: <http://csf.colorado.edu>).

Hamilton, Lee H. (1997) "Toward Peace in the Caucasus." Christian Science Monitor. July 3.

Hirschhausen, Christian von and Hella Engerer. (1999) "Energy in the Caspian Region in Late 1990s: the End of the Boom?" Energy Economics and Related Issues. Vol. 23, Issue 4. August 7. (Webpage: <http://www.azecon.aznet.org>).

Hooson, David. (1998) Politics and Environment in the Caucasus and Caspian. In "The Geopolitics of Oil, Gas, and Ecology in the Caucasus and Caspian Basin." Conference Report, May 1998. Berkeley: University of California.

Kasenov, Oumerserik. (1996) "Russia and Transcaucasia: Oil, Pipelines, and Geopolitics."

Interfax. December 6, 1996. Quoted in Blum, Douglas W. (1998) Domestic Politics and Russia's Caspian Policy. Post-Soviet Affairs. PP. 137-164.

International Energy Agency Report. (1998) "Caspian Oil and Gas: The Supply Potential of Central Asia and Transcaucasia." August 7. (Webpage: <http://www.iea.org>).

International Finance Corporation. Azerbaij-Georgi Early Oil Environmental Assessment (EA) Executive Summary. March 2, 1998.

Levine, Steve. (1998) "Oil-Rich Neighbor Eclipsing Armenia." September 25. (Webpage: <http://www.mtholyoke.edu>).

MFA, Political Bulletin #13, 26.04.1999.

Martirosyan, Tigran. (2001) "Armenia and Caspian Oil Pipelines." September 27. (Webpage: <http://www.cornellcaspien.com>).

Nezavisimaya Gazeta. April 3, 1993, p.1. Quoted in Blum, Douglas W. (1998) Domestic Politics and Russia's Caspian Policy. Post-Soviet Affairs. PP. 137-164.

Noreng, Uystein. (1998) "Oil in the Caspian Region and Central Asia: The Political Risk of the Great Game Continued." Contribution at a Conference Held in Boulder, USA, April 11<sup>th</sup>. August 7. (Webpage: <http://www.caucasus.dk>).

Olcott, Martha Brill. (1995) "Oil and Politics in Kazakhstan." Caspian Crossroads Magazine, Num.1. August 8. (Webpage: <http://ourworld.compuserve.com>).

Platt, Anne. (1995) "Reversing Our Path to Destruction." People and the Planet. Vol. 4, No. 2.

Peimani, Hooman. (2002) "Caspian Sea Divide no Closer to Closer." September 29. (Webpage: <http://www.cdi.org>).

Rashed, Sameh. (2001) "Afghanistan War and the Caspian Sea Conflict." September 29. (Webpage: <http://198.65.147.194>).

Roberts, John. (1996) "Caspian Pipelines." London: The Royal Institute Of International Affairs.

Sampson, Paul. (1999) "Lubricating the Caspian." Transitions, Vol.6, No.2.

Schreiner. (2002) "Europe and the Development of Energy Resources in the Caspian Sea Region." Parliamentary Assembly.

Scott, Peter Dale. (2002) "Pipeline Politics: Oil Behind Plan For U.S. Troops in Georgia." Pacific News Service. August 8. (Webpage: <http://www.pacificnews.org>).

Starobin, Paul. (2001) "Opening the Caspian Oil Tap." September 27. (Webpage: <http://www.businessweek.com>).

Valasek, Tomas. (2002) "Terror and Oil in Central Asia." August 8. (Webpage: <http://www.cdi.org>).

Yannopoulos, Dmitris. (2001) "Chequerboard of Oil, Minefields." September 29. (Webpage: <http://www.globalexchange.org>).