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BLOOD FOR OIL? IS THE CASPIAN SEA A FUTURE AREA OF INTERNATIONAL CONFLICT?

Major J.D. Marshall

JCSP 39

Master of Defence Studies

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CONFLICT?**

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**SANG POUR L'HUILE? EST DE LA MER CASPIENNE UNE FUTURE ZONE DE
CONFLIT INTERNATIONAL ?**

By Major J.D. Marshall
Par le major J.D. Marshall

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ABSTRACT

With the fall of the Soviet Union in 1991, the Caspian Sea saw its list of littoral countries rise from two to five. This change also created a new geopolitical dynamic in the region as the new countries struggled to find their identities and exert sovereignty over their territory. In addition, the explosion of resource wealth in the Sea made the stakes for territorial control higher than ever. With such high stakes, the reward of territorial gains often outweighs the risks of armed conflict to achieve those gains. This paper explores the geopolitical and cultural relationships in the region to determine if the regional dynamics impacts the stability of the region. It then explores the impact the influx of resource wealth has on the region, and determines if the legal ambiguity of the Sea and the power struggle for control of those resources has potential to contribute to armed conflict in the region. Finally, this paper investigates potential hotspots in the region and determines if they have spillover potential and ignite a greater Caspian conflict.

INTRODUCTION

When the Soviet Union collapsed in 1991, Azerbaijan, Turkmenistan and Kazakhstan emerged from the ashes of the USSR as independent countries, bringing the total number of littoral countries in the Caspian Sea from two to five. The Russian Federation was keen to dissolve itself of its peripheral territories, seen as administrative burdens on a dejected and bankrupt Russia. However, since that time, a lot has changed in the Caspian Region. Russia has regained some lost international stature and an abundance of resources has been discovered in the Caspian. Although energy has always been known to exist in the region, the extent of subsea oil and gas in the Caspian Sea is still being discovered with new drilling and exploration technologies. The Caspian Region has emerged as having the second largest energy reserves in the world, with an estimated 2-6% of the world's oil reserves and between 6-10% of the world's gas reserves.¹ In fact, some estimates have the value of Caspian energy reserves to be between \$3-4 trillion.^{2 3} With the prospect of peak oil being on everyone's radar and the instability of energy producing countries in the Persian Gulf and South America, the value of safe energy has never been more relevant. However, can the energy in the Caspian Region be classified as 'safe energy'? Or, can the region be categorized as having high potential for instability and conflict?

¹ Marlene Laruelle and Sebastien Peyrouse, "The Militarization of the Caspian Sea: Great Games and Small Games over the Caspian Fleets," *China & Eurasia Forum Quarterly* 7 no 2 (2009): 19. <http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?ots591=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&lng=en&id=105529>

² Radio Free Europe Radio Liberty, "Caspian Sea States On Course For Naval Arms Race," last accessed 17 Feb 2013. http://www.rferl.org/content/caspian_states_on_course_for_naval_arms_race/24278751.html

³ Michael T. Klare, *Resource Wars: The New Landscape of Global Conflict*. (New York: Metropolitan Books, 2001), 15.

Predicting future areas of conflict can be as challenging as predicting the weather. The mood of the masses is unpredictable and unstable governments can sometimes make wise decisions. For instance, the Arab Spring was not on anyone's radars, yet the populace used social media to spark a revolution across the Middle East. The masses were tired of old, corrupt regimes and it was thought that the Arab Spring would spark a new era in the Middle East. However, conflict continues in the Middle East and the Egyptians replaced Mubarak's repressive regime with the fundamental Muslim Brotherhood, proving the unpredictability of the masses. The totalitarian socialist Chinese government, once seen as having a high probability of future conflict has adopted a more stable, capitalist and globalized economy, thereby reducing the probability of international conflict. If predicting the propensity of individual leaders, countries or populace to engage in conflict is difficult, then perhaps a more holistic approach is warranted. Rather than look at specific countries to prophesize future conflict, investigating destabilizing elements in a region could indicate a region's probability of future conflict.

This paper will explore destabilizing elements and apply them to the current situation in the Caspian region. The first element to be discussed is the geopolitical stability in the region. Specifically, the variance in types of governments ranges from the pretend democracy of Russia, to the authoritarian theocracy of Iran, to the brutal totalitarian regime in Turkmenistan. Without exception, each of the Caspian littoral countries have power concentrated in one, autocratic leader. In democracies, the government's power is limited by check and balances, parliamentary voting, impeachments and elections. However, in autocracies, with power being centrally

concentrated, the populace has no protection from whimsical leaders who may succumb to corruption, overt ambition, or paranoia, as seen throughout the ages.

In addition to the types of governments, the inter-relationships within the region will also be explored. The post-Soviet era of the Caspian region saw the establishment of three 'new' countries who struggled to form their identity in the region. Now that these countries are more stable and able to defend their sovereignty, the dynamics in the region have changed. How the five countries adapt to the new dynamics in the region and to outside influences is a key indication if stability is to be maintained. Furthermore, cultural differences within the region are another component that could destabilize the region, specifically the Russian diaspora and multitudes of localized religion. How the governments behave towards conflicting ethnicities and religions is a key indicator of the region's ability to maintain peace and stability.

The second element used to discuss the stability of the Caspian Region is the potential for conflict over resources. The fight for resources in the Caspian has the most potential for a multitude of reasons. First, the legal status of the Sea is ambiguous, leaving multiple interpretations of the border and territorial claims. With oil and gas becoming rare commodities, never have the stakes been higher, leaving little room for negotiation as no state will be comfortable conceding territory or resources. Second, a result of the border ambiguity leaves multiple oil fields in dispute, making them potential sources of escalation and conflict, as recent history has shown. Finally, the location and routing of pipelines is a potentially destabilizing element in the Caspian Region. Not only do countries desire the transit commissions for hosting a pipeline in its territory, but denying rivals that opportunity also affects the decision making process. International players are also invested in pipeline selection, as the US and Europe have vested interests in pipeline

routes that circumvent Russia and Iran. In addition, pipelines that go through or adjacent to conflict zones have great potential to initiate localized conflict. The potential for an inordinate amount of revenue derived from the expropriation and transport of resources has added to the economic stakes in the Caspian.

Finally, this paper will also explore potential ignition points for conflict in the Caspian. The militarization of the Caspian is a fairly new concept and its impact on the stability of the region cannot be ignored. In addition, there are unresolved historical conflicts that could re-ignite and have spillover consequences in the region. The region is also susceptible to civil unrest caused by poor living conditions and undemocratic, corrupt governments. Finally, Azerbaijan's ties to the West make it prone to conflict with the anti-West governments in the Caspian. Looking at potential ignition areas for conflict in the Caspian region can be insightful and make prophesizing conflict easier.

Collectively, the five littoral countries of the Caspian Sea have a vested interest in peace and stability. Because the wealth of the subsea energy resources is so vast, it can ensure the long-term economic development of the area. Given the high stakes, being on the favourable end of treaties and agreements could translate into billions of dollars. If the perceived reward of victory overcomes the cost of war, conflict can be more logical than peace. Conversely, international investment will disappear should the region descend into instability and conflict, so international conflict can be viewed as illogical. However, governments, especially autocratic governments do not always act logically. The unresolved legal ambiguity of the Caspian can provide context for border disputes, providing an environment for the political game of brinkmanship. With the emergence of vast resource wealth, combined with undemocratic governments, tenuous international relationships, disputed territorial claims and unresolved historical conflicts, this paper will

prove that the geopolitical situation in the Caspian has created a region that is highly susceptible to international conflict.

CHAPTER 1: LITERATURE REVIEW

Before analyzing destabilizing elements and determining whether they apply to the Caspian's volatility, it is necessary to explore the prevailing literature on the subject. By comparing different viewpoints on the concept of resource wars, one could get a historical and geographical perspective on the subject, while providing an idea of where further research needs to be addressed. This section will discuss the validity of modern resource wars, how factors can contribute to or escalate conflict, and finally, whether or not the idea of modern resource wars can be applied to the geopolitical situation in the Caspian.

The idea of wars being fought over resources is not a new concept. Throughout history, wars have been fought over arable land, civilizations have been destroyed over the hope of finding gold deposits and empires have been built with resources of conquered territory. In general, prevailing literature follows the argument that resource wars have always occurred and will continue to occur as long as humans are greedy and self-serving. In today's world, the majority of the focus tends to be on African resource wars. With respect to Africa, Klare contends that "competition over resources, including mineral, gems and timber, has also led to conflict in some areas."⁴ However, Klare does not limit his arguments to Africa, nor conventional warfare. Concerning oil, Klare

⁴ Klare, *Resource Wars...*, 12.

believes that as the supply and demand gap widens, the risk of conflict across the spectrum of violence will increase.⁵

However, not all literature agrees with Klare, who is the leading proponent of the resource war concept. Fettweis argues that wars fought over oil are obsolete.⁶ Although his argument focusses on hydrocarbons, the foundation of his argument can be applied to all resources. His thesis relies on the notion that wars are obsolete for three main reasons. First, the cost of engaging in conflict to gain control of resources is higher than the costs of buying the resources. Second, buyers and sellers have a shared interest in keeping the trade flowing. Finally, Fettweis uses statistical data to show that war, in general, is becoming rare.⁷ However, this argument is outdated, as powerful states no longer engage in colonialism, especially with the United Nations (UN) preference for the status quo in international affairs. Arguments that deny the prospect of resource wars focus on a historical account of resource wars where an outside power conquers a state with the purpose of stealing their resources, rather than conflict caused by adjoining states disagreeing over the division of resources.

Detractors from the resource war theory fail to acknowledge that border conflicts tend to be more about the resources in the border areas, than about the land itself. For example, there are many areas with peaceful border disputes in the world (Canada/Denmark, China/Mongolia), but with no significant resources attached to those areas, little attention is paid to them, nor do the countries feel the need to initiate conflict

⁵ Michael T. Klare, "There Will be Blood: Political Violence, Regional Warfare, and the Risk of Great-Power Conflict over Contested Energy Sources," In *Energy Security Challenges for the 21st Century*, edited by Gal Luft and Anne Korin, (Santa Barbara: ABC- CLIO, 2009), 61.

⁶ Christopher J. Fettweis, "No Blood for Oil: Why Resource Wars are Obsolete," In *Energy Security Challenges for the 21st Century*, edited by Gal Luft and Anne Korin, (Santa Barbara: ABC- CLIO, 2009), 61.

⁷ *Ibid.*, 68.

over the dispute. However, as Klare argues, the likelihood of conflict increases if key resources are located in border areas or offshore economic zones, where there is increase chance of disagreement over ownership of said resources.⁸

Klare is not alone in this assertion. Aydin argues that the emergence of resource wealth, combined with regional conflict in the surrounding areas is a formula that threatens regional and international stability.⁹ Such disorder is especially prevalent in developing nations that rely solely on exploitation of resources as a main source of income.¹⁰ Overall, the literature on the resource war theory asserts that impoverished nations with border disputes in resource rich areas are more prone to engage in conflict over those areas.

The prevailing literature on this subject also concentrates on the political stability of resource-laden areas. Klare argues that “the prevalence of authoritarian regimes, long-standing regional rivalries, ethnic and religious conflicts”¹¹ are conditions that make conflict over resources more probable. He also argues that the ruling elites in authoritarian governments will use their power to make themselves wealthy at the expense of the citizenry. There is no need to placate the populace because revenue can be derived from resources, rather than taxation. Since the people cannot voice their disdain through elections, this leads to resentment, political unrest and armed revolt.¹² Examples proving this theory are numerous. Iraq’s invasion of Kuwait was instigated by an autocratic leader who saw Kuwait’s exploitation of border-area oil fields as infringement

⁸ Klare, *Resource Wars...*, 21.

⁹ Mustafa Aydin, “Oil, Pipelines and Security: The Geo-politics of the Caspian Region.” In *The Caspian Region Volume 1: A Re-emerging Region*, edited by Moshe Gammer, (London: Routledge, 2004), 6.

¹⁰ Klare, *Resource Wars...*, 24.

¹¹ Klare, *Resource Wars...*, 98.

¹² Klare, *There Will be Blood...*, 48.

on Iraqi economic territory. In the Democratic Republic of Congo, inter-tribal wars are often initiated over territory rich in mines and other resources. The literature shows us that often, religious or ethnic differences are often used as a premise for conflict over resource-laden border areas.

The literature also applies these theories to the Caspian region. Cohen asserts that the Caspian is a region that “lacks transparency, good governance and the rule of law.”¹³ But, will the fact that all five governments are authoritarian lead to conflict? Fettweis argues that the issues in the Caspian are not new, and have not led to conflict to date, so why would they lead to conflict in the future?¹⁴ In fact, he argues that the Caspian countries are good examples of the absence of military force during border disputes, instead relying on economic and diplomatic negotiation. However, his argument only looks at recent history and the present. Currently, the Caspian countries are content to leave disputed fields for future use, while exploiting only undisputed fields. What happens when hydrocarbons become rarer and the disputed fields need to be developed? Cohen addresses this by predicting that when demand increases and production slows down, Russia will increase pressure on Caspian countries and continue its stranglehold and the energy sector.¹⁵ Klare also compares potential for conflict in the Caspian region to the Persian Gulf. He states that “contested boundaries, severe economic disparities, long-standing regional rivalries, and a cauldron of ethnic and religious strife” makes the Caspian Sea as volatile as the Persian Gulf.¹⁶

¹³ Ariel Cohen, “Energy Security in the Caspian Basin,” In *Energy Security Challenges for the 21st Century*, edited by Gal Luft and Anne Korin, (Santa Barbara: ABC-CLIO, 2009), 124.

¹⁴ Fettweis, *No Blood for Oil...*, 69.

¹⁵ Cohen, *Energy Security...*, 119.

¹⁶ Klare, *Resource Wars...*, 81.

This paper will take the literature one step further. Although Klare addresses the concept of resource wars in his literature, he uses a macro approach to defining resource wars, whereas this paper will use his theory and apply it specifically to the Caspian region. Fettweis attempts to refute this theory, but only looks at the near past and near future. Cohen comes closest to predicting future conflict in the Caspian, but fails to address potential ignition points for conflict escalation. This paper will formulate a theory combining geopolitical relationships, the resource war theory, and the existence of potential escalation areas and use them as predictive tools for future conflict in the Caspian Sea.

CHAPTER 2: DEFINING THE CASPIAN REGION

Before comparing the current geopolitical status of the Caspian region, it is important to define the region for the purposes of this paper. The Caspian Sea is often called the largest lake in the world, as it is the world's largest inland body of water and does not have any outflows. The hydrology of the Sea is confusing, as it only contains 1/3 the salinity of the world's oceans. With inflows from the Volga and Ural rivers, the shallow north half of the sea contains most of the freshwater in the Sea, whereas the deeper south half contains more salinity. The majority of the oil and gas deposits are in the northern half of the Sea, but all five littoral countries have a perceived right to the wealth of the deposits.

Prior to the collapse of the Soviet Union, the region could have been defined by two countries: the USSR and Iran. However, with the break-up of the USSR, the Caspian region needed redefinition. From a geological perspective, an argument can be made that

the region includes most of Central Asia, North Caucasus, Transcaucasia, Turkey, Iran, Pakistan, Afghanistan and China.¹⁷ However accurate this may be from a geological perspective, it is not constructive for arguing the geopolitics of the Caspian region itself. Although China, Pakistan and India may have economic interests in the Sea, it would be a stretch to assume that they can influence the geopolitical and economic issues inherent with the region. In addition, one could argue that the region can be defined by countries included within the drainage basin, narrowing the region by removing such far off countries as Pakistan, India and China. However, this definition is too broad, as this would include countries with no access to the sea and therefore, no legal claim to the Sea's resources.

For the purpose of this paper, the best definition of the Caspian region is the 5 littoral countries: Russia, Kazakhstan, Azerbaijan, Turkmenistan and Iran, as seen in figure 1. The shared resources of the Sea, the legal discrepancies of the demarcation the Sea, and the political connection of these five countries make this description the most pertinent definition to determine if the region has high conflict potential. However, completely ignoring the neighbouring states would be short-sighted. The conflict to demonstrate the volatility of the region. However, this paper will concentrate primarily on the five littoral countries, but will reference other countries or conflicts if necessary and pertinent to the thesis of the paper.

¹⁷ Aydin, *Oil, Pipelines and Security...*, 3.



Figure 2.1 – Caspian Littoral Countries

Source: Armenia.az – All News from Azerbaijan in Armenia, “Presidents of Caspian Littoral Sates to Sign Two Documents in Baku Summit,” last accessed 19 April 2013, <http://www.news.az/articles/politics/26598>

CHAPTER 3: GEOPOLITICAL RELATIONSHIPS IN THE CASPIAN REGION

Introduction to Caspian Geopolitics

The political history of the region changed dramatically after the fall of the Soviet Union. Prior to this event, the Caspian was divided between the authoritarian communist Soviet Union in the north and the fundamental Islamist Iranian regime in the south.

These two countries coalesced fairly peacefully, having a common enemy in the Western world. Thus, the USSR and Iran had always honoured treaties agreed upon in 1921 and 1940 providing a 10 mile exclusive zone to littoral states, while employing shared

jurisdiction of the rest of the Sea.¹⁸ However, in 1991, the break-up of the USSR created three more littoral countries in the region. Although these new countries may have shed the Soviet flag, they did not lose the Soviet practice of rule. The Russian elite in these countries, having kept close ties with former Soviet ruling elites, maintained political and economic power, and continued the authoritarian practices of the Soviet Union.¹⁹ This dynamic created, the types of government in the region will be explored to assess its impact on international stability. Second, how the inter-relations of the various countries and specific outside players can contribute to predicting future conflict. Finally, the paper will explore the unique cultural relationships in the region and whether they are destabilizing elements.

Type of Government

The type of government is a strong indication of the stability of the region. Undemocratic governments have no incentive to hold free and fair elections, preferring to cling to power and accumulate wealth derived from resources.²⁰ Thus, autocratic leaders tend to abuses and infringements, a repression of opposition and criticism, no independent judiciary and widespread censorship.²¹ The subsequent corruption and suppression of

¹⁸ Ildiko Benke, "Power and Energy: Geopolitical Aspects of the Transnational Natural Gas Pipelines From the Caspian Sea Basin to Europe." (Masters of Science in Defense Analysis Paper, Naval Postgraduate School, 2010), 18.

¹⁹ *Ibid.*, 3.

²⁰ Klare, *There Will be Blood...*, 48.

²¹ The Economist Intelligence Unit, "Democracy Index 2011: Democracy Under Stress." Last accessed 22 Feb 2012, 30.

http://www.eiu.com/Handlers/WhitepaperHandler.ashx?fi=Democracy_Index_2011_Updated.pdf&mode=wp&campaignid=DemocracyIndex2011

rights within these regimes creates an instability that is susceptible to the whim of rogue autocratic leaders or civil unrest of an oppressed population.

Post-Soviet Russia under Gorbachev and Yeltsin tried to instill reforms and westernize itself. Russia was economically weak and politically divided and turned its attention to the West and neglected the south.²² In the post-Soviet 90's, Russia seldom made decisions that were opposed to the US and tended to ignore the countries in the 'near abroad' – a Democracy Index. Putin's decision to return to the Presidency, combined with flawed parliamentary elections resulted in Russia being declared an authoritarian regime in 2011.²³ Putin recognized the nationalistic feelings within his own country, focussing on restoring Russia's status as a great power abroad, while increasing centralization of power and authoritarianism domestically.²⁴ The democratic reforms of the post-Soviet years have been eroded by Putin and his centralized politics.

The corruption of Putin's authoritarian regime is also a destabilizing element in the region. A specific example of corruption is the amount of power and wealth the Russian Government al monopoly on Russian gas. But in 2006, once Putin signed a law giving Gazprom exclusive rights to export Russian natural gas, Gazprom also had a legal monopoly.²⁵ On the surface, this is not proof of corruption, but given the fact that

²² Marlene Laruelle, "Russia and Central Asia," In *The New Central Asia: The Regional Impact of International Actors*, edited by Emilian Kavlaski, (Singapore: World Scientific Publishing Co. Pte. Ltd., 2010), 151.

²³ The Economist Intelligence Unit..., 10.

²⁴ Charles E. Ziegler. "The Russian Diaspora in Central Asia: Russian Compatriots and Foreign Policy," *Demokratizatsiya* 14, no. 1 (2006): 116.
<http://ehis.ebscohost.com/ehost/detail?vid=4&sid=b35ca45a-9428-4a8c-ab50-3007b737271d%40sessionmgr111&hid=110&bdata=JnNpdGU9ZWwhvc3QtbGl2ZQ%3d%3d#db=aph&AN=21102645>

²⁵ Richard J. Anderson, "Europe's Dependence on Russian Natural Gas: Perspectives and Recommendations for a Long-term Strategy," (Senior Fellows Program Paper, Marshall European Center for Security Studies, 2008), 22.
http://www.marshallcenter.org/mcpublicweb/MCDocs/files/College/F_Publications/occPapers/occ-paper_19-en.pdf

Gazprom is 50% owned by the Russian government and six out of the 11 seats on the company's board of directives are reserved for government officials,²⁶ fears of corruption and impropriety are not unfounded. By giving so much power to Gazprom, Russia has created a foreign policy tool they can use to manipulate its neighbours. Gazprom and Russia have a history of using this clout, as they have aggressively attempted to ensure that competing as a foreign policy tool for the Russian government. Being the most powerful country in the region, Russia is in a position to be the most influencing country as well. However, Russia under Putin has devolved into a corrupt and authoritarian regime, creating a powerful, yet unstable element in the Caspian region.

Iran is the other powerful element in the region, yet no more stable than Russia. Iran is an authoritarian, theocratic republic, with a lifelong Supreme Leader and an elected figurehead President.²⁷ Its regime has been subject to multiple UN resolutions calling for the cessation of uranium enrichment and has also been subject to US sanctions for supporting terrorism and nuclear arms proliferation, yet the regime continues to act with impunity. The Iranian government holds its power by silencing opposition, restricting media freedom and violently suppressing protests.²⁸ One cause of concern for the regime is demographics. With 45% of its population under 24,²⁹ the people of Iran are prone to new ideas and change, a situation not conducive to a theocracy. The combination of international condemnation and sanctions, and a suppressed youthful citizenry creates a recipe for unrest and volatility. This is pertinent to the region, as autocratic regimes that perceive a loss of power tend to act irrationally, and could use

²⁶ *Ibid.*, 17.

²⁷ Central Intelligence Agency, "The World Factbook – Iran," <https://www.cia.gov/library/publications/the-world-factbook/geos/ir.html>. Last modified 5 Feb 2013.

²⁸ *Ibid.*

outside conflicts to distract its citizenry from declining living standards and internal conflicts.³⁰ Any internal there is a 16% Azeri population in Iran.³¹ Iran's regime has demonstrated its intent to maintain power at all costs, including suppressing rights and freedoms and pursuing nuclear proliferation; a situation making the southern coast of the Caspian as volatile as the northern coast.

The countries in the middle of the Caspian are no more stable. Although all three countries as listed as republics, democracy in Azerbaijan, Turkmenistan and Kazakhstan is tenuous at best, described as having "democratic window dressing."³² Azerbaijan tends to be viewed as the most democratic government, but only in comparison to its neighbours. It is labeled as suppresses its people and media, but amongst its citizenry, support for democracy is on the rise.³³ Similar to Iran, Azerbaijan has a high percentage of youth (42%);³⁴ a fact that supports a high potential for violent suppression of civil unrest. With closer ties to the US than other Caspian countries, the Azerbaijan government has the most potential to permit political freedom, but until Azerbaijan displays any indication of relaxing its authoritarian rule, this country is also seen as an unstable element.

The Central Intelligence Agency (CIA) describes the Kazakh government as:
"republic; authoritarian presidential rule, with little power outside the executive

²⁹ *Ibid.*

³⁰ Payvand Iran News, "Caspian Sea: Potentials for Conflict," last accessed 08 Feb 2013, <http://www.payvand.com/news/10/dec/1061.html>

³¹ Central Intelligence Agency, *The World Handbook – Iran...*

³² Klare, *Resource Wars...*, 105.

³³ *Ibid.*, 20.

³⁴ Central Intelligence Agency, "The World Factbook – Azerbaijan," <https://www.cia.gov/library/publications/the-world-factbook/geos/aj.html>. Last modified 14 Feb 2013.

branch.”³⁵ Although the population is young (41% under 24)³⁶, the Kazakhstan government enjoys popular support for its autocratic leadership, due to increased standard of living the Kazakhs have enjoyed as a result of energy revenues.³⁷ Despite buying off its people, the their leader are prone to elite in-fighting, civil and political unrest.³⁸ The stability Kazakhstan currently enjoys can quickly disappear due to uncontrollable influences, creating an uncertain future for its stability.

The CIA describes Turkmenistan’s government as “a secular democracy and a presidential republic”, but in reality, it is an “authoritarian presidential rule, with power concentrated within the presidential administration.”³⁹ It can be argued that Turkmenistan enjoys the most stability in the region. However, rather than achieving stability through a democratic and content citizenry, Turkmenistan achieves its stability through brutal government has the distinct honour of only surpassing North Korea and Chad on The Economist’s Democracy Index.⁴⁰ Turkmenistan is also sheltered from its neighbours’ instability by closing itself to outside influences with media restrictions and border control.⁴¹ With a young populace (49% under 24),⁴² Turkmenistan is prone to the youthful desire for liberty, and any civil unrest associated with that desire. Although the country currently enjoys the stability of a ruthless authoritarian regime, its existence in the region has great potential for becoming a de-stabilizing force.

³⁵ Central Intelligence Agency, “The World Factbook – Kazakhstan,” <https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html>. Last modified 5 Feb 2013.

³⁶ *Ibid.*

³⁷ The Economist Intelligence Unit..., 22.

³⁸ *Ibid.*

³⁹ Central Intelligence Agency, “The World Factbook – Turkmenistan,” <https://www.cia.gov/library/publications/the-world-factbook/geos/tx.html>. Last modified 5 Feb 2013.

⁴⁰ The Economist Intelligence Unit..., 8.

⁴¹ *Ibid.*, 22.

⁴² Central Intelligence Agency, The World Handbook – Turkmenistan...

Despite all Caspian countries having authoritarian regimes, there is one large stabilizing force that even fundamental autocracies recognize: economics. Signs of instability equate to potential loss of investment. This is especially true in the energy industry, where Western energy companies are weary of unstable regimes. Venezuela, Iraq and Kuwait are Iran-Libya Sanctions Act drove away investment in Iranian oil and gas fields. As a result, despite having an estimated 16% of the world's gas reserves, Iran's share of the market is negligible.⁴³ However, autocratic regimes are unpredictable and prone to greed and instability. If the regimes fail to use energy revenues to improve social institutions in their country, then corruption and greed will drive away foreign investment. Despite the economic reasons to temper instability, this could be overshadowed by the politics of greedy dictators and ruling elites.

Authoritarian regimes can be a stabilizing force, albeit a temporary stability bought with fear and repression. As long as standard of living rises, the citizenry will remain calm and content. repression as the status quo. In the Caspian region, all five countries obtain their stability with a combination of repression and the use of energy revenues to placate the population. However, most Western energy companies see authoritarian rule as a stability as a contributing factor.⁴⁴ Loss of investment or a contraction in the world economy will result in decreased revenue in the region, potentially sparking civil unrest and a 'Caspian Spring'.

Political Relationships

⁴³ Pierre Pahlavi and Afshin Hojati, "Iran and Central Asia: The Smart Politics of Prudent Pragmatism," In *The New Central Asia: The Regional Impact of International Actors*, edited by Emilian Kavaski, (Singapore: World Scientific Publishing Co. Pte. Ltd., 2010), 230.

⁴⁴ Payvand Iran News, *Caspian Sea*....

Despite the fact that all five countries are considered authoritarian regimes, the level of cordiality between the five countries is a good indicator of the region's potential for stability, even if individual countries appear unstable. With the break-up of the Soviet Union, new relationships were developed and Iran and Russia had to get used to the new world order. In addition, the three countries that were created in the Caspian with the break-up of the USSR had to find their niche in the region, escaping from under the shadows of the big brother in the north, and the Islamist neighbour in the south. Although dialogue within these five countries continues, the difficulty in adjusting to the new Caspian order has created a region susceptible to conflict, especially if the inter-relationships and commonality of beliefs deteriorate.

Perhaps Russia had to make the largest adjustment in the post-Soviet era with respect to the near abroad. The failure of Russia's ability to dominate the region and the reorientation of Russian territories claim independence and establish their own foreign policy objectives. Under Yeltsin, Russia was content to disengage from the region, even transferring control of military equipment and bases to the former Soviet republics. Russia's eyes were looking Putin's determination to restore Russian power and influence in the world,⁴⁵ Russia had to re-establish its dominance over the smaller republics in the near abroad. Although the task would have been easy with the weak and fragmented states of 1992, the and Western influence in the region gave these countries the confidence to reject Russian dominance in the region.⁴⁶ Putin's Russia has exercised its

⁴⁵ Ziegler, *The Russian Diaspora...*, 104.

⁴⁶ Menon, *After Empire...*, 104.

influence in both the military-strategic and economic spheres, shaking up the post-Soviet order of the Caspian.⁴⁷

Putin realized that the near abroad contained Russian strategic interests and underwent a campaign to assert those interests. The region represents an opportunity where Putin could assert Russian power and influence, with little resistance from the US or Europe. Russia regards the near abroad as the greatest security challenge to Russia, as one Russian general claimed: “the greatest threat to Russia is not China or Islamists, but the States (CIS) ensured that Russia, and not the West, would be the primary source of influence in the region.”⁴⁸ Strategically, Putin understands Russian and Western power and influence in the region are inversely related. As previously stated, Russia’s government cannot be considered a stable influence in the region and any moves by Putin can only be considered detrimental to the peaceful prospects of the region. The Russians have used the apparent weakness and instability of the other states as a source of leverage,⁴⁹ creating an imbalance of power. Russia is not afraid to flex its muscle in the region, as demonstrated with its campaign in Dagestan and Chechnya in 1999 and its interference in Georgia in 2008. This had its intended effect, as Azerbaijan has slowed down its participation in regional projects, fearing Russian retaliation.⁵⁰ Since Putin came to power, Russia has shown a desire to reassert its domination of the region, to the detriment of the other Caspian countries.

⁴⁷ Jim Nichol, “Armenia, Azerbaijan and Georgia: Political Developments and Implications for U.S. Interests,” Issue Brief to Congress: Order Code IB95024, 15 Aug 2002.

⁴⁸ Emilian Kavalski, “Uncovering the New Central Asia: The Dynamics of External Agency in a Turbulent Region,” In *The New Central Asia: The Regional Impact of International Actors*, edited by Emilian Kavalski, (Singapore: World Scientific Publishing Co. Pte. Ltd., 2010), 11.

⁴⁹ Menon, *After Empire...*, 125.

⁵⁰ Anar Valiyev, “Azerbaijan and Turkmenistan’s Dispute over the Caspian Sea. Will it Impede the Nabucco Project?” *PONARS Eurasia Policy Memo*, No. 87 (Sept, 2009), 3.

http://www.gwu.edu/~ieresgwu/assets/docs/pepm_087.pdf

Russia's insistence on asserting its perceived authority could have negative repercussions for the region, especially if the other states reject unwanted Russian influence. Russia's exit from Caspian politics during the Yeltsin years permitted the new CIS countries to spread their wings and gain political and practical independence. This issue is only going to garner more attention as the other states increase their financial independence and individuality, becoming incongruent with Russian interests. For instance, a Russian attempt to create a combined Caspian Force to deal with the security of the sea was in the region has not always been rejected. In 2010, the Security Cooperation Agreement was signed by all five littoral countries, committing all countries to cooperate on maritime security and to combat all transnational threats.⁵¹ In addition, Russia was also able to convince the others that only military vessels of the littoral countries be permitted in Caspian waters. Putin has shown that he is not against forcefully exerting Russian internal or external rule (Georgia, Chechnya, Ukraine), and one has to wonder if the Caspian countries can continue resist overt Russian influence before a stronger Russian response is warranted.

The political game is not limited to Russia alone. Iran has also had to redefine itself in the region with new neighbours. After the break-up of the USSR, not only did Iran have to deal with new administrations in Kazakhstan, Turkmenistan and Azerbaijan, but it had to deal with a Western-looking Russia. With poor relations with the West, Iran has had no choice towards Russia in the Caspian. Due to the international community's interest in Iranian activities, Iran cannot afford to disrupt the status quo in the Caspian. This is not a new development. As far back as 1997, the Iran Minister of Foreign Affairs was quoted: "our highest foreign policy priority...is to strengthen trust and confidence

⁵¹ Radio Free Europe Radio Liberty, *Caspian Sea States...*

and peace in our immediate neighbourhood.”⁵² Thus, Iran’s goals in the region are very similar to Russian goals. Iran wants to curtail American involvement in the area, assert Iranian authority and provide Iran with a method of de-containment it encounters in the south.⁵³ With a ship is not a destabilizing element in the Caspian.

The same cannot be said for the Iranian attitude towards the lesser countries. Although still taking a pragmatic approach, Iran is not afraid to flex its muscle towards the weaker Caspian countries if necessary. Iran has enough oil deposits in other locations in their country and is not interested in immediately developing Caspian deposits, but is still agitated that others are benefiting from oil extraction.⁵⁴ For instance, in 2001, an Iranian warship expelled an Azeri exploration ship from a disputed oil field within Azeri territorial waters. Although this was not a tense international incident, Iran used this as an opportunity to assert its authority in that portion of the Caspian and was successful in convincing the Azeri and international oil company to stop exploring that area until all legal disputes are finalized. Turkmenistan and Azerbaijan rely on oil exploration as a sole source of income for their countries and would not respond well to further Iranian interference. Kazakhstan in an oil swap program to circumvent oil embargos and access transportation routes. In addition, Turkmenistan uses pipelines that cross Iranian territory,⁵⁵ so there is common ground within these countries. It could be argued that Iran would take the same pragmatic approach with all Caspian countries as it does with Russia, which could release some international pressure Iran is currently feeling. However, with diminishing clout in the Persian Gulf, Iran has shown its tendency to flex

⁵² *Ibid.*, 222.

⁵³ *Ibid.*, 225.

⁵⁴ Aydin, *Oil, Pipelines and Security...*, 7.

⁵⁵ Pahlavi and Hojati, *Iran and Central Asia...*, 229.

its muscle in the Caspian, specifically against Azerbaijan. With Iran being squeezed in the south by international oil embargoes and restrictions, it would be unwise for the Caspian countries to test their tense, yet mutually dependant relationships with Iran.

The potential areas of conflict. The personalities of all three countries are very distinct, which makes for difficulty in finding common ground. Azerbaijan is the most ‘western’ and democratic country with ties to the US and Europe. Kazakhstan has a large border and strong ties with Russia, plus a 23.7% ethnic Russia population.⁵⁶

Turkmenistan is isolationist and looks east as much as it looks west and north.

Representing the three weakest Caspian countries, it would be prudent for them to find common ground to combat the might of Russia and Iran, but this has not been the case. In 2002, an Azerbaijan tanker exploded in a Turkmen port, killing six Azeri sailors, further deteriorating lateral relations.⁵⁷ Azerbaijan and Kazakhstan are in favour of more oil exploration, but Turkmenistan has enough reserves that they are in no rush to exploit the reserves in the Caspian Sea, and tend to inhibit projects on shared oil fields.⁵⁸ As long as the three ‘lesser’ countries of the Caspian fail to achieve cordial and cooperative relationships, they will forever be at the mercy of the stronger countries influence and meddling.

The relationships between the five countries have gone through multiple changes since the fall of the USSR. Russia initially neglected the region, being preoccupied with the post-Soviet rting Russia’s role as big brother to the region, but this is met with suspicion by the lesser countries. Iran, having neither the capability, nor the interest to

⁵⁶ Central Intelligence Agency, *The World Handbook – Kazakhstan*.

⁵⁷ Valiyev, *Azerbaijan and Turkmenistan...*, 2.

⁵⁸ Aydin, *Oil, Pipelines and Security...*, 8.

impose its will on the region,⁵⁹ has taken a pragmatic approach to its interactions, placating Russia, while exerting its will on the lesser countries when it can. Meanwhile, the other three countries continue to remain minor players with petty grievances between them that they struggle to find their voice. Without defined structure and relationships in the region, the Caspian countries have no cooperative history to form a base for cordiality, leaving fragile connections and friendships based on economic means, rather than mutual respect.

US and NATO Influence

Restricting the discussion of politics in the Caspian region to only the littoral countries, without exploring outside influences, would be incomplete. Although China, Pakistan and India influence the region's affairs to a degree, their inclusion in Caspian affairs does not have the polarizing effect as does the United States and NATO. Both Russia and Iran are opposed to US involvement in their backyards, but with American companies heavily invested in Caspian oil, and the desire to minimize its reliance on Middle Eastern oil, the United States has made it a policy to promote the rapid development of Caspian energy resources.⁶⁰ In addition, Europe has an unhealthy reliance on Russian gas, with projected estimates seeing Russian gas reaching 50-60% of all European gas imports within the next two decades.⁶¹ The fact that American interests in the area are diametrically opposed to Russian and Iranian interests creates tension and political uncertainty. In addition to reducing its reliance on Middle Eastern oil,

⁵⁹ Pahlavi and Hojati, *Iran and Central Asia...*, 216.

⁶⁰ Klare, *Resource Wars...*, 3.

Washington want to ensure that Caspian oil and gas destined for western markets does not travel through Russia or Iran.⁶² NATO is also strategically involved in the region, declaring the Caspian a strategic sector of NATO and susceptible to long-term stability.⁶³ They plan to aid in the stability by helping the newly independent states resist Russian and Iranian interests.

Iran and Russia sees Western involvement as a destabilizing force in the region. Russia and Iran have traditionally been the foremost powers in the region and their rhetoric indicates they feel usurped by the West. The Russian Foreign Minister, Sergei Lavrov declared: “decisions that fail to take into account the opinions of all Caspian states, let alone in cooration with the European Union located far from the Caspian region are unacceptable.”⁶⁴ In Ira, an official in the Oil Ministry stated: “we are not pleased with activity of western companies in the Caspian Sea...Experience has shown that anywhere on earth the western states have stepped in, they have been after their own interests.”⁶⁵ Despite the rhetoric, this has not stopped Washington. In response, Washington promised \$130 million over the next 10 years to the Caspian Guard program, designed to increase security in the Caspian.⁶⁶ This program is provocatively headquartered in Baku and its only participants are Azerbaian and Kazakhstan. As previously stated, Iran has shown its willingness to use force to remove exploration ships from disputed oil fields, but in 2003, a combined US and Azeri excercise, GOPLAT, concentrated on defending those exact oil

⁶¹ Anderson, *Europe's Dependence...*, 5.

⁶² Klare, *Resource Wars...*, 90.

⁶³ Laruelle, *The Militarization...*, 29.

⁶⁴ “Decisions on the Caspian Sea that Ignore Caspian Countries’ Opinion Unacceptable - Larov,” *Interfax: Central Asia General Newswire*, 3 April 2012, n/a.

<http://search.proquest.com/docview/963818817/13C44B3ACCB252F2B9B/11?accountid=9867#>

⁶⁵ “Caspian Sea to turn into Major Gas, Energy Hub: Iran Official,” *Asia Pulse*, 14 June 2011, n/a.
<http://search.proquest.com/docview/871561847/13C44B3ACCB252F2B9B/13?accountid=9867#>

⁶⁶ Laruelle and Peyrouse, *The Militarization...*, 30.

deposits.⁶⁷ One could argue that American presence in the Caspian has a tempering effect on the region, as Russia or Iran would not be willing to counter American power.

However, the US has no military assets in the area, and although Washington and NATO have strategic and economic interests in the Caspian, how far are they willing to take this political game of brinkmanship with Russia and Iran? More importantly, how long can Azerbaijan exploit its ties with the US before Russian and Iran respond? The countries in the Caspian region are. The political presence of the US and NATO, to the chagrin of Russia and Iran, only adds to the instability of the region and hinders cooperation amongst the littoral countries.

Cultural Relationships

Clausewitz famously theorized that war is an extension of politics, but can cultural differences contribute to war, or conversely, cultural similarities prevent war? In the Caspian, all five countries have different anthropological histories but also share cultural similarities. With the which has had an impact on their cultural composition. Cultural similarities can be used to unite a people, as seen with the ethnic melting pot of Canada and the United States of the 20th century. However, history often shows us the opposite, where cultural differences are used to ignite war and justify human atrocities, as in Rwanda and the former Yugoslavia. Two issues in the Caspian region that can be viewed as potential conflict inducing sparks are the status of the Russian diaspora throughout the region and the multitude of religions.

⁶⁷ *Ibid.*

With the fall of the Soviet Union, 25 million ethnic Russians were living outside Russian territory in neighbouring countries.⁶⁸ Although neglected under Yeltsin, these ethnic Russians were not ignored, as Russia has intervened when ethnic Russians were at risk. In addition, discriminatory practices against ethnic Russians in neighbouring countries have resulted in mass emigration. For instance, between 1990 and 1998, nearly 2 million Russians left Ce Asia for Russia, creating social concerns for the Russian government.⁶⁹ The former Soviet countries took advantage of the Yeltsin dissociative years to make government policies more nationalistic, and actively discriminate against ethnic Russians. For example, Russians living abroad were denied dual citizenship by their host countries⁷⁰ and political parties based on ethnic or religious grounds were forbidden.⁷¹ Ethnic Russians were being marginalized, and Russia's feeling of kinship demanded a response.

This response came once Putin came to power and Russian policy towards the Russian diaspora changed. He realized that the defence of Russian's abroad could be a political strategy used to exert Russian influence in the region.⁷² The 1999 Law on Compatriots defines Russian compatriots as those "who possess general familiarity with the language,. For example, Russia intervened in favour of ethnic Russians when Georgia launched an offensive against the breakaway territories South Ossetia and Abkhazia in 2008. In this example, the conflict did not escalate, nor involve other countries, but it is conceivable that this will not be the only occurrence in the region. Kazakhstan has a large

⁶⁸ Ziegler, *The Russian Diaspora*, 104.

⁶⁹ *Ibid.*, 110.

⁷⁰ *Ibid.*, 108.

⁷¹ *Ibid.*, 114.

⁷² *Ibid.*, 118.

Russian population (23.7%),⁷³ and in some regions in the north, there is a movement to secede from Kazakhstan and join Russia.⁷⁴ The other Caspian countries are left in a political conundrum. On the one hand, numerically substantial diaspora represent a strategic and economic threat to the state if they become disaffected and show more loyalty to their ethnic brothers rather than their national government.⁷⁵ On the other hand, Russia has expressed concern for the status of ethnic Russians in the Caspian Region and has also shown a willingness to respond militarily, as seen in Georgia and Tajikistan. Since the birthrate of non-Russians is greater than ethnic Russians in the area,⁷⁶ this issue could disappear naturally as the voice of ethnic Russians diminishes. However, as their numbers decrease, the discrimination against them could increase as the authoritative regimes gain more confidence in dealing with the Russian minority. The Caspian countries' treatment of the Russian diaspora and Russia's reaction to discriminatory practises of these

region that may contribute to instability of the Caspian region is the mix of religions. Not only does the region have to contend with potential Christian/ Muslim conflicts, but there is also an element of Sunni/Shia conflict in the region. Russia is a Christian country with a small, but vocal Sunni population; Kazakhstan is divided equally between Christian and Sunni; Iran and Azerbaijan are nearly 100% Shia, whereas Turkmenistan is nearly 100% Sunni.⁷⁷ The arguments presented concerning Russia's desire to defend the Russian diaspa can easily be applied to the region's Christians, but considering that the Christians population in that area are probably also in the diaspora

⁷³ Central Intelligence Agency, *The World Handbook – Kazakhstan*.

⁷⁴ Ziegler, *The Russian Diaspora...*, 111.

⁷⁵ *Ibid.*, 115.

⁷⁶ *Ibid.*, 105.

category, the issues are intertwined. However, Christian/Muslim violence is a real and likely scenario. Chechnya is an example of religion becoming a flashpoint for violence in the region. If Christians are persecuted in Kazakhstan or Muslims in southern Russia show rebelliousness again, will Russia respond the same way as it did in Chechnya? The mix of Christians and Muslims in Kazakhstan and Russia is another potential area of conflict in the Caspian region.

Even the Muslims in the area have potential for intra-faith conflict. Shias and Sunnis have been warring for centuries, specifically in Iran and Iraq. It is not inconceivable to argue that this could occur in the Caspian region. The Shia are the minority within the Muslim religion, but are the majority in the Caspian. It is unlikely that religious strife would start here, because the minority Shia are unlikely to feel threatened or marginalized, but it is not an issue ignored. Iran's goal was to establish a region-wide Islamist coalition to shield against US encroachment in the region, however this idea was ineffective as the Sunni countries would not agree to a Shia model.⁷⁷ Should conflict occur between Sunni and Shia elsewhere in the Middle East, would Iran use this as an opportunity to punish its Sunni neighbours? Although this region is unlikely to be the cause of strife, the differences cannot be ignored and any Middle Eastern conflict concerning these two sects of Islam

collection of countries, cultures, and religions. The Russian diaspora and Russia's determination to champion ethnic Russian's rights in other countries are potential destabilizing forces. The lesser Caspian countries have already shown a tendency for systemic discrimination against ethnic Russians. As the Russian diaspora becomes

⁷⁷ All references to religion are taken from: Central Intelligence Agency, *The World Handbook*.

⁷⁸ Pahlavi and Hojati, *Iran and Central Asia...*, 224.

numerically marginalized, if the remaining Russians become oppressed, the region can expect to see Russian intervention. It can ignite, or spillover from other regions. The regional cultural and religious diversity contributes to the overall political and ethnic volatility of the Caspian region.

Conclusion to Geopolitics

Since the fall of the Soviet Union, the countries of the Caspian Sea have had to contend with starting new governments, forming new relationships and dealing with the geopolitics of a region with mixed ethnicity and religion. Although some flirted with democracy, all countries have regressed to authoritarianism learned from the Soviet era. Authoritarian regimes, prone to the concentration of power to one pillar of government, rely on the complacency of its populace to exert its will. They are inherently unpredictable. In addition, the relationships within the region have no history, with all five countries trying to find their niche. The presence of the US and NATO, without the willingness of all five countries add to the uncertainty of international relations in the area. The absence of historical precedence, long-standing treaties and conventions make for inter-Caspian volatility. Also, the likelihood of Russian intervention in defence of the Russian diaspora and the conflicting religions in the area further adds to the instability of the Caspian region. The regional issue of corrupt, undemocratic governments, unsettled political relationships and cultural differences add to the argument that the Caspian has great potential to produce conflict and instability.

CHAPTER 4: THE ECONOMIC FIGHT IN THE CASPIAN

Introduction to Caspian Economics

Since the beginning of the however, only recently with new offshore drilling technologies, has the extent of the reserves been known. One estimate has the net worth of the Caspian's energy resources at \$3 trillion, including 2-6% of the world's oil reserves and 6-10% of the worlds' gas reserves.⁷⁹ With such high stakes, any legal victory, successful diplomatic pressure or territorial change would yield tremendous rewards. As such, very little concessions are given and the post-Soviet era has yet to yield a solution for dividing up the resources. The legal status of the sea is still unknown, creating ambiguity and preventing exploration and extraction. In addition, there have been multiple disputes over particular oil fields that have yet to be resolved. However, extracting oil and gas from the earth is not the only way to earn profit. Pipeline transit fees can be a large source of revenue for the contending countries. Thus, pipeline politics has become a high risk, high reward game of coercion, subterfuge and diplomacy. With so much money at stake, and ambiguous legality over the partition of the resources, the economics of the Caspian is a potential source of international conflict that could escalate and migrate throughout the region.

The Legal Status of the Caspian

With five littoral countries on the Caspian, there is sure to be five different opinions concerning the division of the Sea. After all, having an agreement in your favour

could mean a difference of billions of dollars. The main problem in the Caspian is that the legal status of the Sea may never be resolved because no solution is going to appeal to all parties. Competing arguments include the validity of Soviet-era treaties, the definition of the Caspian as a sea or lake, and how that definition helps in dividing the territorial waters. Until an agreement is reached, current exploration and extraction sites are disputed, with foreign companies probable that the unresolved legal ambiguity of the Sea will provide ongoing international tension that could escalate into conflict in the Caspian.

There are a number of treaties and conventions that put the legal status of the Caspian Sea in doubt. The Soviet Union and Iran agreed to the 1940 Treaty of Commerce and Navigation, which gave an exclusive fishing zone of 10 miles to each country, while providing shared rights beyond that distance.⁸⁰ However, once the Soviet Union collapsed, Turkmenistan, Azerbaijan, and Kazakhstan refused to honour the Soviet Union's treaties. Iran has two arguments in favour of enforcing those treaties. First, as former members of the Soviet Union, they are liable for those treaties, despite the Soviet Union no longer existing. Second, Iran contends that when those countries signed the Almaty Treaty (which had nothing to do.⁸¹ Those arguments are refuted by Kazakhstan, Azerbaijan and Turkmenistan and generally not acknowledged internationally. In reality, Iran is attempting to force them into treaties that were highly favourable to Iran. Iran has reason to take a hard stand with this opinion. After all, if Iran loses its argument, its share of the Caspian will decrease from 20% to 13%,⁸² most of which does not contain oil

⁷⁹ Radio Free Europe Radio Liberty, *Caspian Sea States...*

⁸⁰ "Validity of Treaties at Heart of Legal Disputes Over Caspian Sea Rights," *Oil & Gas Journal*, (Jan 1, 1996), 29.

<http://search.proquest.com/docview/274478858/13C44B3ACCB252F2B9B/14?accountid=9867#>

⁸¹ *Ibid.*

⁸² Laruelle and Peyrouse, *The Militarization...*, 21.

deposits. Without legal precedent of this sort, the ambiguous nature of the Caspian has been the source of disagreements and disputes over the years and is unlikely to go away.

Even if pre-1991 treaties are acknowledged, the Caspian states do not agree on the legal definition of the Caspian. The Russian and Iranian contention is that the Caspian is not subject to UNCLOS because the Caspian is a lake, and the UNCLOS excludes lakes and bodies of water with no outlets to seas or oceans.⁸³ The UNCLOS applies to seas and provides an exclusive economic zone of 200nm to coastal states, where they can claim unlimited rights to seabed development.⁸⁴ Even if the Caspian was declared a sea, it is just over 200nm at its widest, as a lake, Caspian resources outside the 10nm exclusive zone would fall under the condominium model, where all decisions on Caspian energy development would be taken jointly and resources outside of 10nm will be shared equally amongst the nations.⁸⁵ This is an important condition for Russia and Iran because it would give them veto power over foreign development, a condition necessary to block American interests in their backyards. Despite coming from the two largest and most powerful countries in the Caspian, this model did not gain much traction with Azerbaijan and Kazakhstan, and was not recognized by the international community. It was, however, endorsed by Turkmenistan. In a Machiavellian move, Russia strong-armed Turkmenistan into accepting their position by agreeing to remove Russian troops in Turkmenistan and threatening to deny Turkmen ships access to the Volga. This is a good example where Caspian states will use coercion and diplomacy to promote their agenda. If Russia and Iran continue their agenda that the Caspian is a lake, and the coercion continues, an agreement on the legal status of the Caspian is unlikely.

⁸³ *Validity of Treaties at Heart...*

⁸⁴ Klare, *Resource Wars...*, 12.

The other, more internationally recognized option for dividing the Caspian Sea is the division of the Caspian based on an equidistance median line.⁸⁶ This model, championed by Azerbaijan would divide up the Caspian Sea in national jurisdictions, allowing individual countries to make their own exploration and investment decisions. This model is gaining more traction, but also has the most potential for conflict. Russia was opposed to this, but has been gradually making concessions in exchange for preference to Russian oil exploration. In 2003, Russia, Kazakhstan and Azerbaijan divided the northern 64% of the Caspian using the equidistance median line principle, giving Russia 19%, Kazakhstan 27% and Azerbaijan 18%.⁸⁷ Under this model, Russia will lose some territory, but will remain heavily involved in the Caspian development.

The main source of opposition to the equidistance median line plan is Iran, followed closely by Turkmenistan. If this plan was applied to the whole sea, Kazakhstan would have 55% of the Sea's oil with Iran being the odd man out.⁸⁸ With restrictions on Persian Gulf oil, embargos endorsed by the UN, the Iranians cannot afford to give concessions in the Caspian. Iran has agreed to abandon the condo model, but has insisted on dividing the sea into equal parts, making a claim that under international law that their share should be 20.4%.⁸⁹ With conventions where their portion of the Caspian decreases. This puts the stability of the Caspian in question. After all, the risk of conflict increases when the source of resources comes from border areas, as seen with Kuwait and Iraq.⁹⁰

⁸⁵ Menon, *After Empire...*, 118.

⁸⁶ Payvand Iran News, *Caspian Sea...*

⁸⁷ "Not yet a Caspian Sea Change," *Petroleum Economist* (Oct, 2006).

<http://search.proquest.com/printviewfile?accountid=9867>

⁸⁸ Laruelle and Peyrouse, *The Militarization*, 30.

⁸⁹ Payvand Iran News, *Caspian Sea...*

⁹⁰ Klare, *Resource Wars...*, 22.

Without Iranian concurrence to any solution, the territorial waters of Caspian will forever be a source of instability.

The ambiguous and disputed legal status of the Sea is the greatest threat to stability and prosperity in the region. Conflict over resources is more likely to occur in developing countries where the natural resource is its primary or sole source of significant revenue.⁹¹ This is especially true in the Caspian, where energy is the main driving force in the economies of all five Caspian countries.⁹² It is unlikely that countries would give concessions when they depend on black gold. One could argue that negotiation is more profitable than conflict. So far, this has been the case as Russia, Kazakhstan and Azerbaijan have all come to agreements on the delineation of their parts of the Sea.⁹³ However, it is more likely that conflict will come from those countries that lose in negotiation, specifically Iran. In this case, until the legal ambiguity is solved, drilling in the disputed areas could lead to conflict.

Disputed Oil Fields

By having no legal definition of the Caspian and no universal territorial waters division, the oil fields located in potential border areas are in dispute, as seen in figure 2. Currently, the Iran/Azerbaijan, Iran/Turkmenistan and Turkmenistan/Iran borders are all undefined. Therefore, any oil fields that are situated in the disputed area are flashpoints for conflict. Any country with a claimed right to those fields will want to exploit those

⁹¹ Klare, *Resource Wars...*, 12.

⁹² Central Intelligence Agency, *The World Factbook...*

resources for themselves, but also prevent their neighbours from using those fields. In particular, three oil fields have been disputed and have been subject to confrontations between neighbouring countries. As peak oil arrives and oil becomes scarcer, these disputed areas will become more contentious, potentially representing a major contributor to the instability of the region.

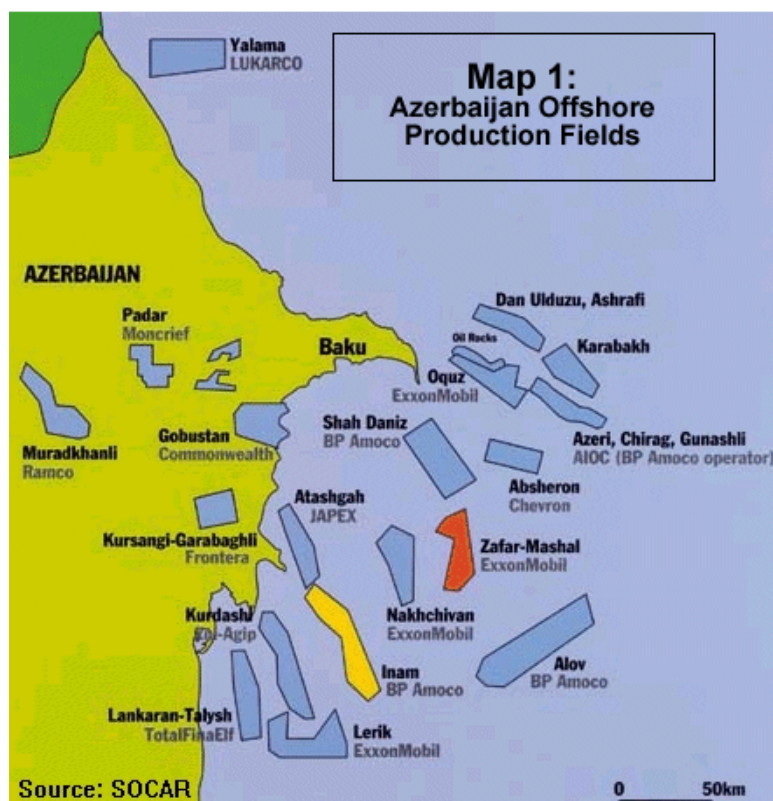


Figure 4.1 – Azerbaijan Offshore Production Fields

Source: U.S. Energy Information Administration, “Country Analysis Brief Overview – Azerbaijan.” Last modified 19 April 2013, <http://www.eia.gov/countries/country-data.cfm?fips=AJ>

⁹³ S. Agayeva, “Caspian Littoral Countries Intend to Solve Military Cooperation Issues in Caspian Sea by Consensus,” *McClatchy – Tribune Business News*, 27 April 2011, n/a. <http://search.proquest.com/docview/863581049/13C44B3ACCB252F2B9B/8?accountid=9867#>

Azerbaijan and Turkmenistan have been arguing over the Azeri/Chirag and Kyapaz⁹⁴ oil fields since the collapse of the Soviet Union. The stakes are high, as Azeri/Chirag has an estimated 620 million tons in oil reserves and Kyapaz has an estimated 50 million tons.⁹⁵ Although within the disputed region, Azerbaijan has been exploiting the Azeri/Chirag fields for years, despite Turkmenistan claiming they are in Turkmen territory. Going to war over national interests and resources is not a new phenomenon to humans and has been repeatedly used as justification for armed conflict.⁹⁶ If Azerbaijan real, tangible action to prevent further Azeri exploitation? As long as Azerbaijan is exploiting resources in the disputed area, then do they have any motivation to solve the legal ambiguity of the Caspian? Using this tactic is sure to irritate the Turkmen government, who is building its naval presence in the Sea. Perhaps the clearest indicator of Turkmenistan's response came in 2012 when they announced plans to start exploration on the Kyapaz oil field, despite already agreeing with Azerbaijan to suspend exploration of that field until an agreement was made. Predictably, this was met with resistance by Azerbaijan, who dispatched a border patrol ship to expel the Turkmen vessel.⁹⁷ To add fuel to the fire, some experts believe that Russia was behind this provocation, attempting to create instability between the two countries in an effort to prevent Turkmen/Azerbaijan cooperation in the Caspian.⁹⁸ In an area rich with oil trapped in border disputes, Russia is once again, using a Machiavellian approach to create

⁹⁴ Azeri/Chirag and Kyapaz are the Azeri names for the fields. Turkmenistan refers to the fields as Omar/ Osman and Serdar.

⁹⁵ Oil Price.com. The No. 1 Source for Oil and Energy News, Public Service Europe, "Conflict in the Caspian?" last accessed 8 Feb 2013, <http://oilprice.com/Energy/Energy-General/Conflict-In-The-Caspian.html>.

⁹⁶ Klare, *Resource Wars...*, 14.

⁹⁷ Oil Price.com. *Conflict in the Caspian?*

⁹⁸ Kavkaza Vestnik, "What is Behind Azerbaijan-Turkmen Relations," last accessed 12 March 2013. <http://vestnikkavkaza.net/analysis/politics/28006.html>

dissent among its competitors. As long as these fields remain in dispute, tensions will rise, suspicion will continue and diplomacy will fail.

Azerbaijan is also in dispute with Iran over oil fields, specifically the Alov oil field.⁹⁹ In 2001, when British Petroleum (BP) vessels started exploring the Alov field with Azerbaijan, it was met on the field is tenuous, but this is an example of Iran's refusal to give in to concessions. Another troubling fact is that in 2009, Iran is launched its semi-submersible drilling platform, named Iran-Alborz. Although not drilling in Alov/Alborz, the name Iran chose is worrisome. As previously stated, Iran is gradually becoming the odd man out in the Caspian with other countries coming to agreements and prospering from Caspian resources. In light of this fact, Iran is unlikely to abandon their stake on this field completely. However, if Iran finds itself relying on weak legal arguments and without Russian support in the dispute, international pressure will mount against Iran. Russia is keen to keep its southern. On the other hand, Russia has already demonstrated that they are willing to spur disagreement to keep its Caspian's competitors weak, so perhaps Russia is content to allow Iranian aggression in the southern Caspian. One cannot help but wonder if, with 4 billion barrels of oil at stake, is Alov/Alborz Iran's line in the sand.

The legal status and territorial rights over oil fields represent a great threat to Caspian security and stability. Azeri and Turkmen relations have been hostile over the exploitation of oil fields in their border areas, going as far as expelling diplomats and escorting research vessels out of the. Iran is playing a dangerous game, infringing on Azeri sovereignty and clinging to an unrecognized Caspian delineation model. Although some of the fields in dispute are not being developed until an agreement has been reached

amongst the countries, they will not remain untouched forever. As oil becomes scarcer and the price rises, the rewards of exploiting the disputed fields becomes greater than the risk. Without a legal agreement, will military force be the deciding factor over who gets the resources in the disputed areas?

Pipeline Politics

Extraction of resources is not the only lucrative source of income in the Caspian. The transportation of resources and the fees associated with hosting a pipeline can be a significant source of revenue. However, economics is not the only contributing factor for deciding on pipeline location. Political and strategic implications are also significant factors. Russia's dominance on oil and gas transportation from the Caspian has created an unequal power relationship in the region. Countries are actively participating in talks to alleviate the unequal distribution network of Caspian hydrocarbons. In addition to unequal regional resource control, the location of pipelines through unstable areas provides opportunities for individual countries to play pipeline politics, further destabilizing the region. These issues culminate with the controversy surrounding a trans-Caspian pipeline from Turkmenistan to Azerbaijan, representing a significant potential threat to the political stability of the Caspian Sea. A map of current and planned pipelines can be found in figure 3. The economic, political and strategic implications of any decision regarding pipeline politics can be a destabilizing force in the region.

⁹⁹ Alov is the Azeri name for the field. Iran refers to the field as Alborz.

With Russia becoming a major world exporter of oil and gas, Russia uses this status to exhibit great power and influence. For example, unless European energy policies change, it is estimated that Europe's reliance on Russian gas will increase to 50-

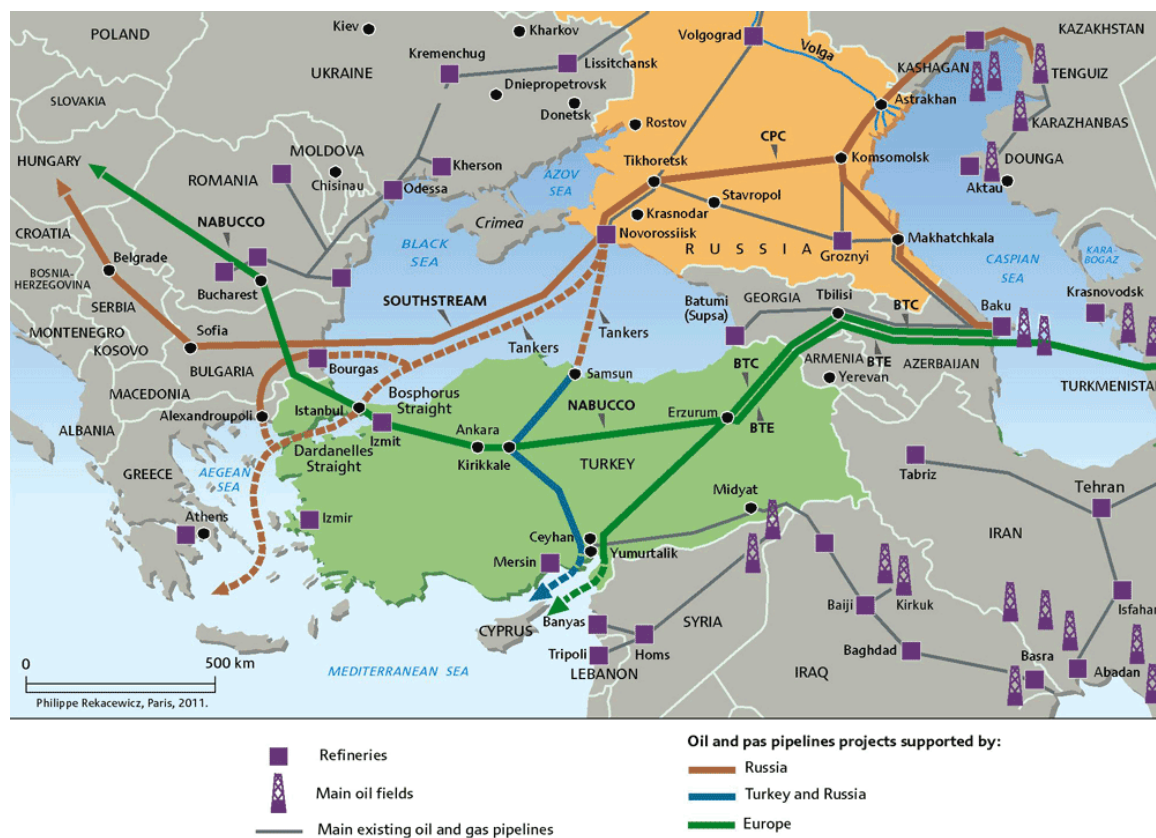


Figure 4.2 – Current and Planned Caspian Pipelines

Source: Le Monde Diplomatique, “Pipeline Chess Across the Black Sea,” last accessed 19 April 2013, <http://mondediplo.com/blogs/pipeline-chess-across-the-black-sea>.

60% of all European imports in the next two decades.¹⁰⁰ Not only does Russia export a large amount of oil and gas, but it is also responsible for transporting other Caspian countries hydrocarbons. The fact that 85% of Kazakh oil and 78% of Turkmen oil

¹⁰⁰ Anderson, *Europe's Dependence...*, 5.

transits through Russia,¹⁰¹ gives Russia the ability to exert influence on those countries. Some may argue that Russia's near monopoly on transporting hydrocarbons from the Caspian Sea is economic and Russia has no desire to use this monopoly as a diplomatic tool. However, Russia has shown an ability to use its oil and gas as an instrument to ensure its neighbours do not stray too far from Russian interests, as seen in 2006 and 2008 when Russia stopped gas flow. Russia has created the oil stabilization fund ensures they can withstand market volatility and tolerate interruptions in delivery, increasing its ability to exert influence on Caspian countries that use Russian pipelines.¹⁰² As long as Russia maintains its majority share of oil and gas transport from the Caspian basin, it can continue to influence other countries decision making.

This is precisely why the US and Europe have made efforts to reduce the region's dependence on the Russian transportation network. Recent pipeline projects are being pursued with the sole intention of avoiding Russian and Iranian territory. Prior to 2005, the only pipeline that did not transverse Russia or Iran was the Baku-Supsa pipeline through Azerbaijan and Georgia. Yet, the Baku-Supsa pipeline is limited in use because of its size and the fact that it is susceptible to conflict in South Ossetia and Russian interference, as seen with the Russian-Georgian war of 2008.¹⁰³ Europe has mitigated Russian dominance in this sector pipeline provide a conduit for Caspian oil to reach the Mediterranean Sea without passing through Russian or Iranian territory, it avoids the volatile regions in South Ossetia and Armenia. In addition, Europe is pursuing the Nabucco pipeline, which will transport Caspian hydrocarbons directly to Europe via

¹⁰¹ Laruelle, *Russia and Central Asia...*, 164.

¹⁰² Anderson, *Europe's Dependence...*, 11.

Georgia and Turkey. It will ease the reliance Europe has on Russian oil and gas, and provide alternatives should Russia decide to use its monopoly as a foreign policy tool. These efforts by the US and Europe to avoid Russian territory put them at odds with Russia concerning pipeline politics.

The dichotomy of ideas between the West and Russia is a significant source of tension, manifesting itself in a struggle for influence in the region. Especially under Putin, Russia has enjoyed its rising stature and its ability to flex its political muscle in the Caspian. As the West continues to support pipeline projects that circumvent Russia, Russia will continue to prevent their construction in an attempt to maintain Russian influence. Russia has been actively preventing Nabucco, going as far as proposing to buy Azeri gas intended for Nabucco at higher prices.¹⁰⁴ Nabucco is such a great threat to Russia's near monopoly on the region, in a prime example of pipeline politics, Russia's is using their support of Armenia's stance in Nagorno-Karabakh as leverage to influence Azerbaijan policy. This has created increased instability and an uneasy truce between Azerbaijan and Armenia, forcing pipelines to avoid Armenia, thereby increasing costs and decreasing competition for Russian prices.¹⁰⁵ As Azerbaijan continues to rub shoulders with West and work on shedding itself from Russian influence, they should fear additional Russian politicking.

This politicking has also influenced the plans to build a trans-Caspian pipeline between Turkmenistan and Azerbaijan, which has the potential to be a significant source of tension in the area. The pipeline, in conjunction with Nabucco, is designed to diminish

¹⁰³ PetroleumIran, "Caspian Sea Region: Regional Conflicts," last accessed 08 Feb 2013, http://www.petroleumiran.com/index.php?option=com_content&view=article&id=87:caspian-sea-region-regional-conflicts&catid=32:caspian-sea-region&Itemid=37

¹⁰⁴ Valiyev, *Azerbaijan and Turkmenistan*....

Russian's influence in the transportation of Caspian hydrocarbons to Europe.¹⁰⁶ In response, Russia and Iran have opposed the construction of the pipeline with fragile legal arguments. The first argument that a trans-Caspian pipeline would have negative environmental impact on the Sea is scientifically weak, as pipeline construction on the seabed is a proven method, including a Gazprom pipeline traversing the Black Sea.¹⁰⁷ Iran and Russia's second argument that no construction of seabed pipelines should commence until the legal status of the Caspian is resolved has some merit. A Trans-Caspian pipeline would contradict agreements made at the littoral summit in 2007, where the participants agreed that any seabed construction required the consent of all five countries.¹⁰⁸ However, since Russia agreed in 2003 to the division of the northern portion of the Sea, it is widely accepted that its opposition to the trans-Caspian pipeline has less to do with the legal ambiguity than an attempt at preserving its economic dominant position in the region.¹⁰⁹ With, the construction of the trans-Caspian would represent a great threat to peace and stability in the region.

Turkmenistan has the most to gain from the construction of the trans-Caspian pipeline, but also has the most risk. The fact that Turkmenistan has had no choice but to use Gazprom pipelines for transportation of its oil and gas to Europe has caused an unequal relationship between Turkmenistan and Russia, a relationship that is quite satisfactory to Russia. However, should Turkmenistan finds an alternative route to get its oil and gas to the European market, Russia's economic and political influence will be

¹⁰⁵ Aydin, *Oil, Pipelines and Security*..., 16.

¹⁰⁶ Pitts Report: National International News, "War for Caspian Sea Inevitable?" last accessed 17 Feb 2013. <http://www.pittsreport.com/2010/11/war-for-caspian-sea-inevitable/>.

¹⁰⁷ Petroleum Iran, *Caspian Sea Region*...

¹⁰⁸ Caucasian Review of International Affairs, "Caspian Compromise Backfires for Russia, Iran," last accessed 17 Feb 2013. <http://cria-online.org/CU-file-article-sid-103.html>

¹⁰⁹ Cohen, *Energy Security*..., 119.

greatly diminished. The creation of a trans-Caspian pipeline has two negative outcomes for Russia. Not only will Turkmenistan have an alternate route for its oil and gas, but the amount of potential oil and gas transiting through Baku would make the creation of Nabucco economically viable.¹¹⁰ Russia relations with Turkmenistan would deteriorate further should the trans-Caspian be built and it is inevitable that Russia will exert its influence in Turkmenistan in order to halt construction.

Influencing Turkmenistan is not the only method Russia can use to prevent the construction of the trans-Caspian pipeline. Russian and Azeri relations have deteriorated in recent years with Azerbaijan making closer ties to the West and gaining independence from Russian influence. The construction of the trans-Caspian and Nabucco pipelines, widely acknowledge as anti-Russian solutions, will further deteriorate relations.¹¹¹ In addition, the move will put Baku in closer ties with Tblisi, who already have tense relations with Russia, stemming from the 2008 conflict in South Ossetia. Azerbaijan would be playing a very dangerous game should they continue to pursue these pipelines. Russia has already shown a willingness to use their power in the region to change policy. For instance, some view Russian support of Armenia in its conflict with Azerbaijan as tool to prevent Baku from pursuing new pipelines.¹¹² Russia has no incentive to have this conflict resolved because the continuation of any conflict in Transcaucasia is a good strategy to prevent the necessary foreign investment for any pipeline project. Thus, any strategy to commence the construction of the trans-Caspian and Nabucco pipelines will result in Russian displeasure, potentially leading to active Russian influence to destabilize the region.

¹¹⁰ Eurasian Energy Analysis....

¹¹¹ Valiyev, *Azerbaijan and Turkmenistan*....

Baku does not want to further irritate Russia, but this may come at the cost of deteriorating relations with Ashgabat. As previously stated, Turkmenistan needs to diversify its export routes to Europe and unless Turkmenistan constructs a pipeline to safely transport its oil and gas to China; the route through Baku is its only option. With relations between Baku and Ashgabat already tense over disputed oil fields, Baku's withdrawal from pursuing these pipelines will only intensify the mistrust between these two countries.¹¹³ With Russia already wielding an unhealthy amount of power over Turkmen oil and gas exports, if Baku succumbs to Russian interference and withdraws from the pipeline projects, this would put Turkmenistan in a weakened position. Since they are not strong enough to combat Russia, their frustration at being at Russia's mercy could be directed at Azerbaijan. Failing to pursue the trans-Caspian and Nabucco solution in order to circumvent the Russian monopoly on oil and gas transport from Central Asia could have a negative impact on Baku-Ashgabat relations, further contributing to the uncertainty in the peace of the region.

Some may argue that conflict over pipeline construction is unlikely, considering the economic repercussions of the instability wrought by conflict. The argument contends that historically, disagreement over Caspian pipeline route selection is not a new argument and since no conflict has been instigated to date, then it is unlikely to be a future concurrence.¹¹⁴ This argument is inherently flawed because prophecies that rely on recent history to predict the future are only correct until the moment they are wrong. As stated in chapter two, authoritarian governments do not always act rationally. Therefore, historical recency is a poor predictor of authoritarian decision making. Conversely,

¹¹² *Ibid.*

¹¹³ Vestnik, *What is Behind...*

arguments against conflict in the Caspian argue that with the slightest hint of instability, investment dollars will flee.¹¹⁵ Without foreign investment, their economies will falter, giving them more incentive for cooperation aggression. However, with respect to pipelines, the construction of pipelines circumventing Russia has immensely negative consequences for Russia. Although Russia does not need to engage in direct conflict to prevent pipeline construction, facilitating instability achieves the same aim, a strategy that Russia has been pursuing to date.

Caspian pipeline politics is about more than simple economics. The power Russia wields from having a near monopoly on oil and gas transit opportunities is an influencing element in the region. Russia has shown its willingness to engage in politicking to maintain influence and to prevent alternate pipeline routes. The West would like to disrupt that unhealthy monopoly by pursuing and financing alternative routes to the energy hungry European market. After all, “the completion of Nabucco and a trans-Caspian pipeline are vitally istence on maintaining its power to the detriment of other Caspian countries creates an uneasy peace in the region, where other Caspian countries can enjoy peace and stability as long as their policies are in congruence with Russian policy. As the other Caspian countries gain independence with stronger ties to the West and a better economical footing, their policies will be in direct competition with Russia. This competition is sure to result in political pressure and manipulation by Russia on its Caspian neighbours. In order to prevent competing pipelines from being built, Russia will continue to support actions that undermine the stability of the region.

Conclusion to Caspian Economics

¹¹⁴ Fettweis, *No Blood for Oil...*, 69.

¹¹⁵ *Ibid.*

The concept of resource wars is not a new phenomenon. From the beginning of time, natural resources associated with territorial rights have been a commodity coveted by neighbours. Greed overcomes morality, often leading to conflict caused by attempting to take resources that belong to another person, village or state. In the Caspian, the abundance of subsea resources makes for covetous neighbours. The argument that neighbours can be covetous can flict over resources? First, the legal status of the Sea creates ambiguity, leading to disagreement over how to divide the newfound wealth in the Sea. This creates tension and animosity, especially if countries perceive an unfair division of the resource wealth. In addition, the ambiguous definition of the Sea can give legal pretext for claiming ownership to resources in disputed border areas. The disagreements over ownership of oil fields in the centre of the Caspian have already resulted in armed confrontation between Iran and Azerbaijan and also Turkmenistan and Azerbaijan. With unsolved legal status of those disputed oil fields, the region could descend into armed conflict once again. Finally, Russia's near-monopoly on the transport of oil and gas from the Caspian gives Russia a powerful foreign policy tool that it has already shown it is willing to wield. Any new pipeline proposals results in Russia condemnation and interference. New pipeline projects will cause Russia to see its power in the region diminishing in favour of Western power and money. With such high stakes, and an unresolved legally recognized delineation of the Sea, the Caspian Sea is prone to resource wars that have been plaguing humanity for millennia.

CHAPTER 5 – POTENTIAL HOTSPOTS IN THE CASPIAN REGION

Introduction to Potential Hotspots in the Caspian Region

In previous chapters, the formula for potential conflict was discussed. Unstable totalitarian governments, combined with localized cultural and religious differences, in addition to an enormous amount of resource wealth in disputed areas create a recipe for conflict. However, although the Caspian region contains the fuel and oxygen necessary for conflict, an ignition point is required if that potential is to be sparked into armed conflict. Conflict in the area has great potential to escalate and spillover to other Caspian countries. Russian intervention in near abroad. The near abroad is seen as vital for Russian national security, that it would be difficult for Russia to ignore localized conflict.¹¹⁶ The militarization of the Caspian creates a new element in the region that could escalate otherwise benign minor disturbances. This chapter will concentrate on three areas with great potential as ignition points: the Caucasus, Turkmenistan and Azerbaijan. With the Caspian region having many potential ignition points, one incidence of conflict in the region could have spillover effects, leading to civil unrest, territorial grievances and power grabbing occurring throughout the region.

The Militarization of the Caspian

With only two allied countries in the Caspian prior to the fall of the Soviet Union, there was little need to arm the Caspian, with the exception of patrol boats to ward off smugglers and poachers. In fact, prior to the 1991, Iran and USSR agreed to a treaty where Iran was not able to establish itself militarily in the Caspian, but this treaty has since been ignored by Iran. Presently, with five littoral countries vying for territory and resources, a need to increase a military presence in the area has been seen by all five

countries. The militarization of the Caspian will have a destabilizing effect for three reasons. First, it provides countries the means to enforce their territorial rights militarily, rather than relying on legal or diplomatic methods. Second, the involvement of outside governments in military armament adds to the distrust and coexistence of the Caspian countries. Finally, it provides a method to engage in exercises for the sole purpose of posturing, which can alter the diplomatic discourse in the region.

In 2001, two British Petroleum (BP) ships that were launched from Baku to explore the disputed Alov oil field were intercepted by Iranian naval and air assets and forced to leave the area. In response, Azerbaijan and BP cancelled all plans to exploit that field. Although there was a military presence in the Caspian prior to this event, it is seen as a cornerstone event, as the first time in the modern era¹¹⁷ that military force was used in the Caspian in order to influence the policy making of a neighbouring country.¹¹⁸ Since this event, all five countries have increased their military spending and armed forces in the Caspian Sea. Since 2006, Azerbaijan, Turkmenistan and Kazakhstan increased their military budgets by more than 50% in an attempt to preserve their sovereignty and avoid Russian and Iranian dominance on the Sea.¹¹⁹ The escalation that has occurred has been magnified with the amount of newfound resource wealth in the area. Kazakhstan, Turkmenistan and Azerbaijan have all used this wealth to purchase equipment, and open naval and air bases in the area.¹²⁰ Russia, not content to have military equals in the region, is also boosting its military presence. Stephen Blank, a professor of national security affairs at the US Army War College argues that Russia intends to maintain its status

¹¹⁶ Menon, *After Empire...*, 110.

¹¹⁷ For the purposes of this paper, the modern era is post-1991.

¹¹⁸ Laruelle and Peyrouse, *The Militarization...*, 21.

¹¹⁹ *Ibid.*, 18.

as the strongest naval power in the Caspian as a means to impose its will on the other Caspian countries.¹²¹ This argument is further strengthened with the words of President Putin, who believes that the role of the Russian armed forces is to create a condition capable of securing and protecting Russian economic interests in its territorial seas and in its exclusive economic zones.¹²² Iran also feels the need to bolster its Caspian force in response to the Azeri and Turkmen naval growth.¹²³ With the second largest navy in the Caspian, Iran is planning to increase its capability in the Caspian by deploying Ghabir-class midget subs in o Azeri cooperation with Israel.¹²⁴ With the exception of Russia, no other country has an anti-submarine capability, so this new development is sure to keep Iran as a strong force in the Caspian. With this development, it is unlikely that Azerbaijan will explore the Alov oil field any time soon.

As the Caspian countries pursue militarization, the influx of foreign hardware and influence is a destabilizing element in the region. With a strong relationship with Azerbaijan, the US is seen as the main competition to Russia for influence in the region. Although bolstering Azeri forces would seem to stabilize the region by weakening Russian military dominance, in reality, it has the opposite effect. Russia has repeatedly shown displeasure at foreign influence in its backyard and in response to US influence in Azerbaijan, a Kremlin aide I to guarantee a reliable security system themselves without attracting third countries.”¹²⁵ In other words, Russia is content to remain the dominant military power in the Caspian without the US helping the weaker countries to balance that

¹²⁰ Radio Free Europe Radio Liberty.

¹²¹ Radio Free Europe Radio Liberty.

¹²² Klare, *Resource Wars...*, 11.

¹²³ Jeremy Binnie, “Iran Threatens to Deploy Subs to the Caspian Sea,” *Jane’s Defence Weekly* 49 no. 33 (2012): 24.

¹²⁴ *Ibid.*, 24.

¹²⁵ *Caspian Sea Countries....*

power. Russia's fears are not unfounded. The US has dedicated a tremendous amount of aid in modernizing the Azeri forces and in 2005, created the Caspian Guard, which is a joint American, Azeri and Turkmen force to enhance Caspian security.¹²⁶ This is especially insulting to Russia considering their proposal to create a Caspian Force was rejected by the other Azeri and Turkmen forces may have the unintended effect of driving Russia and Iran towards each other. Despite uneasiness about each other's Caspian naval presence, both countries agree that the biggest threat is increased US and NATO military influence in the Caspian.¹²⁷

The increased militarization and foreign influence in the Caspian has resulted in stronger discourse, manifested with more aggressive military exercises and posturing. This has caused the militarization of the Caspian to become a localized arms race. Russia has recently committed to sending more ships, including a complete overhaul of its Caspian fleet, modernizing its ports and has stationed a marine brigade at Karpiisk.¹²⁸ Iran originally ignored its northern coast, concentrating its resources on its fragile Persian Gulf coast, but in response to the overall arms race in the Caspian, Iran had no choice but to join. In 2004, Iran started its buildup of its Caspian naval capabilities, adding fast attack craft, a Mowj class frigate and is building its Caspian submarine fleet.¹²⁹ Although starting the arms race in a deficit, the other Caspian countries have been busy spending its resource wealth to bolster its forces. Turkmenistan has decided to bolster its naval force in 2000, culminating in 2011 with the addition of corvettes and armed patrol craft.¹³⁰ With influx of NATO aid and training, Azerbaijan has conducted a naval modernization

¹²⁶ Laruelle and Peyrouse, *The Militarization...*, 29.

¹²⁷ Caucasian Review of International Affairs.

¹²⁸ Laruelle and Peyrouse, *The Militarization...*, 23.

¹²⁹ Binnie, *Iran Threatens...*, 1.

campaign with a network of coastal radars and anti-ship missiles.¹³¹ Traditionally under the Russian defence umbrella, Kazakhstan has addressed its lack of military strength in the Caspian by aggressively building its Caspian force, with the President declaring that Kazakhstan will have an advanced navy by 2015.¹³²

The increased military force in the Caspian is a sign of distrust amongst the newfound littoral countries. After all, the Soviet Union and Iran did not have a significant military force in the Caspian prior to 1991. But with this current uncertainty and distrust, Caspian nations feel the need to arm themselves, creating a localized arms race. However, the posturing is not limited to an arms race. Exercises designed to send messages are prevalent. Joint American and Azerbaijan exercises are clearly designed to send Iran a message that their northern neighbour is not a target for covetous eyes. Even Russia, with its joint Russian/Kazakh exercise “Tsentr 2011,” has demonstrated that it is not against sending a message to Iran and other littoral states.¹³³ In the scenario, a hypothetical state was attempting to take over Caspian territory known for its oil fields, targeting US oil interests in Kazakhstan. Russian planners understand the destabilizing element the wealth of the oil fields can represent, and plan accordingly. The militarization of the Caspian has also brought an increase in provocative exercises designed to posture and deter, thereby increasing the culture of conflict, giving the opportunity to escalate otherwise benign events.

The Caucasus

¹³⁰ *Ibid.*, 2.

¹³¹ *Ibid.*

¹³² Laruelle and Peyrouse, *The Militarization...*, 27.

¹³³ Oil Price.com, *Conflict in the Caspian?*

Although not technically a part of the Caspian region as defined in this paper, it would be foolish not to include the instability of the Caucasus as a potential hotspot in the region. The Russians fought two wars with Chechnya, with the second ending in 2009. With counter insurgency operations still continuing in Chechnya and Dagestan, the volatility of the region has not relented. In Georgia, conflict erupted in 2008 between Georgia and Russia over the breakaway Georgian provinces of South Ossetia and Abkhazia. Because the region has strategic importance for Russia in the southern near abroad, the more unstable, nationistic and undemocratic the regime, the more likely Russian intervention is to occur.¹³⁴ The primary reasons for Russian intervention in the Caucasus are the fear of contagion, the fear of foreign influence and pipeline security.

Spillover from Chechnya and Dagestan is a viable concern in the region. A terrorist threat exists in North Caucasus and could easily migrate to other areas should the Russian government decide to crack down on its terrorist problem in the south.¹³⁵ This was evident in Chechnya as rebels used other provinces as safe havens and potential target areas against the Russian forces. With a Muslim population in the region, one could surmise that conflict against Muslims in North Caucasus would warrant a response from the Muslim world, especially Russia's neighbours. However, with the exception of the influx of non-state actors, this did not occur during the other Chechen wars, so it would be a stretch to envision occurring in future conflicts. What is more likely is that terrorist attacks on Russian infrastructure, specifically pipelines, will result in a strong reaction from the Russian military. Attacks on pipelines have strategic implications on the region,

¹³⁴ Menon, *After Empire...*, 109.

and would put the security of transporting Caspian oil and gas through Russia in doubt. This would reignite plans for the Nabucco and trans-Caspian pipelines, which are in opposition to Russian strategic plans. With this knowledge, the best way for terrorists to hurt Russia and disrupt their economy in Caucasia is to disrupt the oil flow, making other, non-Russian, routes more viable.

One of these routes goes through Georgia, who is also not immune from internal violence. There are underlying issues from the Georgian/Russian war in 2008 that have not been resolved, making this area highly susceptible to reigniting conflict. Georgia's flirtation with NATO membership has angered Russia. In fact, it has been theorized that Georgia's flirtation with NATO is one of the hidden reasons for Russian intervention in South Ossetia.¹³⁶ As long as Georgia strengthens its ties to the West, Russia will see this as foreign infringement on Russia's dominance in the near abroad, and Russia will use any political tool to prevent it. In addition, with the Baku-Ceyhan pipeline going through Georgia, instability in Georgia will have a negative effect on the perceived safety of trans-Georgian pipelines. As long as Russia supports South Ossetian and Abkhazian separatists, the stability of Georgia will be questioned. This will affect Georgia's NATO aspirations and the ability to serve as a reliable pipeline transit site.¹³⁷ Russia has not adhered to the conditions of Russian power in the region. Because of the geographical location of Georgia, Russia can use it as a means of inflicting its influence on Caspian geopolitical affairs. Since the cease fire did not solve anything, except mark a temporary

¹³⁵ Ali M. Kokner, "The Epidemic of Energy Terrorism," In *Energy Security Challenges for the 21st Century*, edited by Gal Luft and Anne Korin, (Santa Barbara: ABC-CLIO, 2009), 24.

¹³⁶ Cohen, *Energy Security*..., 122.

¹³⁷ Cohen, *Energy Security*..., 122.

end to armed conflict, Georgia will continue to be a potential ignition point for regional conflict.

The Caucasus and Transcaucasia are not technically a part of the Caspian region as defined in this paper. However, as seen, the geopolitical situation in that region has spillover effects to the Caspian that cannot be ignored. Terrorist activities in North Caucasus and the Russian response to attacks on its infrastructure are destabilizing elements. Furthermore, the security of Russian pipelines affects the economy and security of the other Caspian countries as well. In addition, as long as Russia benefits from Georgian instability, it will forever favour actions that would keep Georgia from securing its borders, making the Caucasus a potential ignition point for conflict.

Turkmenistan

Turkmenistan's geopolitical position in the Caspian makes it a prime candidate for future conflict. Turkmenistan's brutal regime is a cause for concern and is potentially the country most prone to civil unrest. The advent of oil revenues has only made things worse for the Turkmen population. Turkmenistan suffers from what is termed the resource curse: "the tendency for resource-rich states to generate wealth amidst unrelieved poverty."¹³⁸ Using revenues generated from oil and gas exploitation, as opposed to taxation, the government has little need to placate the population in order to generate support. With no way to express dissent, opposition in totalitarian regimes tend to respond to oppression with armed revolt.¹³⁹ The Turkmen government has attempted to

¹³⁸ Klare, *There Will be Blood...*, 48.

¹³⁹ *Ibid.*

placate its population with subsidies on utilities and basic foodstuffs, but despite this fact, Turkmenistan is still plagued by a declining standard of living and brutal suppression of opposition.¹⁴⁰ As an regime, suppression of dissent would be directed towards the minority population. Russia has already demonstrated its willingness to intervene on behalf of ethnic Russians, as seen in Tajikistan in 1994, in Georgia in 2008, and with the implementation of its 1999 Law on Compatriots. In addition, with a predominantly Sunni Muslim population, any violence against Shi'a Muslims could anger Iran, a Shi'a nation. Suppression of the opposition and minorities could result in mass emigration, which would have a spillover effect on other areas and prevent the economic development of the region, which could result in Russian and/or Iranian intervention.

Turkmenistan also has disagreements with its neighbours that could spark conflict in the Caspian Sea. Turkmenistan is in dispute with Azerbaijan over the Azeri/Chirag and Kyapaz oil fields and with Iran over the Ashgabat field. Although no exploration of these fields is currently planned, rhetoric suggests that ownership of these fields could become a point of conflict. Gunboat diplomacy has occurred in the central Caspian between Azerbaijan, Turkmenistan and Iran, with attempted exploration of disputed oil fields being met with armed expulsion.¹⁴¹ As oil demand increases and new sources of oil decrease, the desire to exploit ship of the oil fields is resolved, the disputed oil fields will forever be a source of potential conflict in Turkmenistan.

With the exception of the Caspian Sea, Turkmenistan is essentially a landlocked country. It relies on other countries as transit routes for its oil and gas, and not all of its neighbours are considered safe countries for pipeline routing. It cannot rely on Iran for

¹⁴⁰ Pavyrand Iran news, *Caspian Sea*....

¹⁴¹ Klare, *There Will be Blood*..., 53.

transport, as the UN embargos on Iran make it a difficult business partner. In addition, the easterly route to the Chinese market long and must pass through such unstable countries as Uzbekistan, Tajikistan, Afghanistan, and western China. These facts, combined with an asymmetric trade relationship with Russia, where the majority of Turkmen oil and gas are transported, create a situation where Russia has a viable means to exert political leverage in Turkmenistan.¹⁴² Turkmenistan has looked westward for transportation of its energy to the energy hungry European market in order to alleviate this Russian leverage. But, the cessation of the trans-Caspian pipeline has given Turkmenistan cause to be worried about Russian intervention in its internal dealings with Azerbaijan. Turkmenistan has suspected that Baku's withdrawal was due to Russian promises of peace between Azerbaijan and Armenia.¹⁴³ Turkmenistan's unequal political status caused by a reliance on outside countries for transportation of its oil and gas, combined with an authoritarian regime, makes for a tense situation with a high potential to be a catalyst to conflict in the Caspian.

Azerbaijan

Azerbaijan's position in the region is the most precarious of all the Caspian countries. It has ongoing disputes with all of its neighbours, making Azerbaijan on a metaphorical island, surrounded malcontents. Similar to Turkmenistan, disputes over Caspian Sea oil fields has caused Azerbaijan to have tense relationships with its neighbours to the east and south. To the west, Azerbaijan has a history of violence with

¹⁴² Menon, *After Empire...*, 109.

¹⁴³ Valiyev, *Azerbaijan and Turkmenistan...*

Armenia, and the conflict over the Azeri territory of Nagorno-Karabakh, still under Armenian control, remains unresolved to this day. Although a totalitarian government, Azerbaijan is still seen as the most liberal of the Caspian nations, with the most Western ties. These ties have been with its neighbours, specifically with Russia. Their alliance with the US combined with an unsteady relationship with its neighbours on all four fronts make Azerbaijan the country most likely to be the starting point for a great Caspian conflict.

As discussed earlier in this chapter, the unresolved disputes over oil fields in the central Caspian is a potential ignition point for conflict. The situation with Azerbaijan is more volatile than Turkmenistan because of the poor relations Azerbaijan currently has with Iran in addition to Iranian posturing towards the disputed Alove/Alborz oil field. Much is still made about the 2001 incident where the Iranian navy expelled a BP exploration ship from the field, citing the unresolved legal status of the sea. Although the field has been left unexplored, Iran has escalated its rhetoric recently with its 2009 deployment of its semi-submersible drilling rig, named the 'Iran-Alborz.'¹⁴⁴ Although not a clear indication of Iran's intention to drill in Alove/Alborz, the nomenclature of the rig is a worrisome development. Iran's only legal claim on the field would be if the condominium model of delineation is adopted, giving Iran 20% share of the seabed.¹⁴⁵ In addition, recent Iranian rhetoric against Israel in the Middle East has spilled over into the Caspian, with Iran claiming that Israel is planning espionage operations out of Azerbaijan.¹⁴⁶ Conflict with Iran has great potential to escalate, as there is a large Azeri

¹⁴⁴ *Not Yet a Caspian Sea Change.*

¹⁴⁵ Cutler, Robert M., Asia Times Online. "The Caspian Boils Again." Last accessed 12 March 2013. http://www.atimes.com/atimes/Central_Asia/KG31Ag03.html

¹⁴⁶ Binnie, *Iran Threatens...*, 1.

population in northern Iran to such an extent that the northern Iranian province is called Azerbaijan. Recently, that it is actually northern Iran that needs to be annexed to Azerbaijan.¹⁴⁷ Evidently, the rhetoric between these two countries is escalating and one cannot help but speculate on the connection between increased Iranian rhetoric and the fact that Iran is being shut out Caspian resource windfall. With Iran actively arming the Caspian with mini-submersibles and a growing Caspian navy, combined with increasing disputes and rhetoric, it is likely that any conflict in Azerbaijan will have larger, strategic implications along the Iranian-Azeri border.

Intra-Azeri conflict is likely to commence in the Nagorno-Karabakh region. To date, the Azeri enclave of Nagorno-Karabakh and seven surrounding territories are under Armenian control with a tense cease fire preventing conflict escalation, but the prospect for future conflict is far from dead. When the territory was first annexed by Armenia in 1993, Azerbaijan was a new country with little military capability after the departure of the Soviet Union forces. At the time, Armenia had remnants of the Soviet army hired as mercenaries and was the stronger force.¹⁴⁸ However, since then, Azerbaijan has acquired an immense amount of oil and gas wealth, has befriended the US and has rearmed its military. In fact, Azerbaijan spends an enormous 20% of its budget on military equipment¹⁴⁹ and has diverted all Azeri pipelines around Armenia. Now that Azerbaijan is the superior force and has the capability to regain its territory, the only thing stopping them from attacking is the fact that Armenia has Iranian and Russian support, followed by

¹⁴⁷ "Iran Considers Annexing Azerbaijan," *Eurasianet.org*. Last accessed 11 April, 2013. <http://www.eurasianet.org/node/66812>

¹⁴⁸ Menon, *After Empire...*, 133.

¹⁴⁹ Public Service Europe, "Caspian's Conflict May Hit Europe's Energy Ambitions," last accessed 8 Feb 2013, <http://www.publicserviceeurope.com/article/2276/caspian-conflict-may-hit-europes-energy-ambitions>.

partial US and French support due to the growing and powerful Armenian diaspora.¹⁵⁰ However, as previously stated, totalitarian governments do not always behave logically. The loss of territory is a slight on the Azeri government and violence has continued as recently as June 2012 when 9 soldiers were killed in international clashes. The Madrid Principles of 2007, in enia to withdraw forces, but to no avail. In response, Azerbaijan has declared its intention to use force and one has to wonder how long this tenuous cease fire will last. Recently, Hillary Clinton expressed her concern for peace in the region: “there is a danger that it could escalate into a much broader conflict that would be tragic for everyone involved.”¹⁵¹

Should the conflict in Azerbaijan occur, it is likely to escalate, with potential to involve other actors. With Russia and Iran putting significant pressure on Azerbaijan, including blocking Azeri oil claims and allying with Armenia, Baku has aligned itself with the West in order to, which warrants the use of force to defend US energy interests, the US declared it has no intention of leaving the Caspian region. In fact, the US has been active in Azerbaijan, arming its military, engaging in training and military exercises. There is also a growing risk of a proxy war in the region, pitting Russia and/or Iran against the West, with the battleground likely being Azerbaijan and the Caspian Sea. It has even been theorized that recent Chinese efforts to defend its energy interests in the Sea could create a competitive stance between the West and China, potentially sparking a dangerous confrontation.¹⁵² As the only country capable of transporting oil and gas to the hungry European market without involving Russia or Iran, the geographical position of Azerbaijan puts them at a strategic crossroads As a result, outside players are heavily

¹⁵⁰ *Ibid.*

¹⁵¹ *Ibid.*

involved in this region, making the prospect for international proxy wars a realistic scenario.

Azerbaijan has potential enemies on all four points on the compass. It has ongoing disputes with Turkmenistan and Iran over oil deposits that have been a target of gunboat diplomacy in the past. To date, the potential of these deposits remain untapped, due to forceful expulsion and the fear of further aggression. However, with oil becoming scarce, how long can these oil fields remain undisturbed? To the East, the ongoing conflict with Armenia in the Naorno-Karabakh region is a source of tension and conflict to this day. With growing wealth, manifested in increasing military expenditures, one has to wonder if the Azeri government is readying for counter-offensive to reclaim its lost territory. With the multitude of players concerned with Azerbaijan, it has a high likelihood of foreign intervention, spillover in neighbouring regions, and potentially the location of proxy wars. Therefore, in the event of conflict in the Caspian, the most likely ignition point for a greater Caspian conflict is Azerbaijan.

Conclusion to Potential Hotspots in the Caspian Region

The militarization of the Caspian is a new phenomenon occurring as a result of the influx of resource wealth in otherwise impoverished countries. This race to arm the Caspian adds a new element where untested navies must cohabit the Sea with no tradition of coexistence or ces with uneasy truces that could easily spark into armed conflict. Although not technically the Caspian region, the unstable peace in Caucasus could easily collapse and have geopolitical ramifications in the Caspian. Terrorist activities in

¹⁵² Klare, *There Will be Blood...*, 59.

Chechnya and Dagestan has potential to destabilize the region, especially is the terrorist target pipelines traversing the Caucasus. Georgia is not immune to conflict. With Russian interference and politicking in the internal Georgian conflict in South Ossetia and Abkhazia, Georgia has potential for further strife. Another spark that could ignite conflict in the region is the potential for civil unrest in totalitarian countries, especially Turkmenistan. With ongoing disputes with Iran and Azerbaijan, and an unhealthy reliance on Russian pipelines to export Turkmen oil and gas, Turkmenistan's current stability is fragile. It has resulted in armed conflict in the past. The Azeri conflict with Armenia over the Nagorno-Karabakh enclave has great potential to reignite and spill over to other countries. With its ties to the west and a history of conflict with all of its neighbours, Azerbaijan represents the greatest threat to regional stability in the Caspian.

CONCLUSION

Over a century ago, Alfred Nobel saw a picture of oil, blood and politics threatening the peace of humanity.¹⁵³ However, the concept of fighting a war to accumulate resources is not a new concept to humanity. It can be argued that wars fought for resources have been occurring throughout the world since the beginning of humanity. The first recorded civilization, the Sumerians, fought wars in search of slaves and arable land in an effort to consolidate power. It can even be argued that religious wars are veiled resource wars. Accumulating converts and the associated tithes grows wealth, prestige and legitimacy. Muhammad and his followers were impoverished and landless until their conquest of Mecca, increasing their wealth, followers and legitimised the new Islamic

religion. In modern times, resource wars abound throughout the world, whether its wars fought for minerals in, like Canada and Norway, enjoy lasting peace and stability. Why are some countries prone to resource wars, whereas others descend into conflict and chaos?

Predicting future zones of conflict can be hit and miss. Many volatile regions predictably descend into chaos and conflict, as seen in Haiti, sub-Saharan Africa and the Middle East, whereas other regions have enjoyed domestic and international stability despite showing all the warnings signs of conflict, as witnessed in Cuba and Taiwan. Although not all predictions come true, they are necessary to narrow down the odds of conflict and identify where future conflict may commence. By combining the concept of resource wars with signs, one can appreciate which regions are most prone to international conflict and whether or not the Caspian region is included in the list of conflict prone regions. The potential for conflict in the Caspian derives from a combination of many facets. The emergence of vast resource wealth, combined with undemocratic governments, tenuous international relationships, disputed territorial claims and unresolved historical conflicts, makes the Caspian a region that is highly susceptible to international conflict.

The first element of volatility this paper explored was the geopolitics of the region. Specifically, the prevalence of authoritarian and autocratic regimes makes a region susceptible to conflict.¹⁵⁴ According to The Economist's Democracy Index, all five littoral countries in the Caspian have authoritarian regimes, making them inherently volatile. In addition, the relationships between the five countries are unstable. With the

¹⁵³ Payvand Iran News, *Caspian Sea...*

¹⁵⁴ Klare, *Resource Wars...*, 81.

fall of the Soviet Union in 1991, the Caspian Sea increased its list of littoral countries from two to five. With the introduction of these new countries came new relationships, partnerships and grievances. Without long-standing traditions, agreements and treaties, the way in which these countries exert their independence can be a disruptive force. As they exercise their newfound sovereignty and challenge the old power hierarchy, this has great potential to escalate into armed conflict.

In addition to political relationships having a disrupting effect on the stability of the Caspian region, cultural relationships can also play a volatile role. The Russian diaspora in the region is a diminishing population who is clinging to the past glory as Russian overlords. As the diaspora become marginalized by the new, non-Russian governments of the Caspian, the Russian government has a responsibility to their compatriots. This has become more evident since Vladimir Putin gained power. He altered the Russian political landscape in the region by exerting Russian influence and vowing to defend ethnic Russians in the area. He backed up this promise in 2008 when he defended the rights of the ethnic Russian province of South Ossetia in Georgia. As the Russian diaspora becomes more marginalized and persecuted in the Caspian region, the world can expect Russian to intervention.

There is also a religious element in the region that has potential to have a destabilizing effect. Christian/Muslim and Sunni/Shi'a violence is well documented throughout the world. With the exception of the war in Chechnya, the Caspian region has been immune to religious violence to date. But with fundamentalism on the rise and increasing non-state actors interfering in world affairs, how long can this region be immune to religious strife?

The second element of volatility investigated was the possibility of Caspian states engaging in resource wars. The legal ambiguity of the Sea has created multiple interpretations of the division of the Sea and its resources. Until that issue is resolved, border clashes and gunboat diplomacy has been prevalent in the Sea. The uncertain status has already caused conflict between Caspian states over oil fields in disputed areas, making resource laden oil fields remain unexploited. As hydrocarbons become rarer, the need to resolve the Sea's legal status will increase, putting pressure on states to persist and solidify their claims.

In addition, the politics of pipeline location and usage has a negative influence on the stability of the region. With so much at stake, projects for new pipelines circumventing Russia and Iran have been met with suspicion, opposition and obstruction. With the US and Europe interfering in pipeline politics, the region has become a hotspot for potential conflict over pipelines. Specifically, the trans-Caspian and Nabucco pipelines have such a history of pipeline politics. As other Caspian countries attempt to diversify its transportation options for oil and gas, Russian interference is probable, potentially leading to armed conflict.

Finally, this paper explored potential ignition points for conflict in the Caspian region. The Caucasus, with recent conflict in Georgia and Chechnya is a volatile region that could easily descend into conflict and chaos. Terrorist attacks on pipelines in Chechnya or Dagestan is sure to ignite Russian retaliation and reinvigorate counter insurgency operations. The 2008 war between Georgia and Russia is proof that Russia is not against armed conflict and provides pipeline transit for oil and gas destined for Europe, the possibility of Russian interference will increase. Turkmenistan is also a country that is a potential ignition point. It has an oppressed and youthful populace who have a lower

standard of living than, despite the country benefitting from Caspian resource wealth. Suffering from the resource curse, Turkmenistan is prone to civil unrest. In addition, border disputes over contested oil fields with Azerbaijan and Iran has already been met with gunboat diplomacy, and will always be a potential hot spot. Finally, Azerbaijan presents the greatest threat to stability and security in the Caspian. With strong ties to the West, it has potential to be the object of proxy wars between the West and Iran and/or Russia. It also has great potential to migrate to other countries. As Azerbaijan is the transit point for a great amount of Caspian oil and gas, any conflict in Azerbaijan can directly affect all Caspian countries. One scenario that has already happened, and could occur again, is an armed response over disputed oil fields. However, the likely scenario is that conflict will escalate in the Nagorno-Karabakh region. The conflict in Nagorno-Karabakh is far from resolved, and with growing Azeri military expenditures, Azerbaijan now has the ability to reclaim its lost territory. Russian and Iranian support of the Armenian position, combined with Azerbaijan's growing ability to retake its territory represents the most likely ignition point for conflict in the Caspian.

This paper examined characteristics that make a region prone to conflict, applied that formula to the Caspian region and determined that the Caspian region has a high probability to become a conflict zone. This paper lightly touches specific countries, preferring to explore the Caspian region as a whole. Further research could do a more detailed analysis on ung populace. In addition, there is an abundance of research on resource wars and their causes, but most research focusses specifically on war for oil or minerals. With global warming and a diminishing fresh water supply, further research could focus on areas prone to resource wars over fresh water.

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