

THE NEW DYNAMICS IN THE CASPIAN SEA REGION: THE RIVALRY FOR HOLD ON THE REGION

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History bears witness to the fact that countries active in international politics are continuously preparing, or are actively involved in, or are recovering from organized violence in the form of war. These are the reflections of Hans J. Morgenthau one of the leading theorists of the Realist school of international relations.

Like previous centuries, the twentieth century too, went through cycles of war and peace. Since great advances in science and technology were made in this century, weapons of mass destruction were used in these wars, particularly the Second World War, and the result was an unprecedented scale of mass killing and destruction. During the Cold War, the two main protagonists – the US and the Soviet Union never faced each other on the battlefield, for each of them possessed vast arsenals of thermonuclear weapons which could destroy them and the world many times over; therefore they played out their rivalry and hostility by fighting proxy wars which caused much needless destruction and bloodshed. The strategic gains they supposedly made were really not worth all that bloodshed. It was thought that since the rivalries of the superpowers had ended with the Cold War, a new era of peace and stability would begin in the world. These expectations however, were not fulfilled, for violence and wars have marked the post-Cold War era and the start of the new millennium.

Nearly all states are of the opinion that the global geo-political environment demands that they rely on themselves for their security. The Realist school of thought teaches us that the drive for power and the domination of weak states by the strong ones has been, and remains, a universal and permanent feature of international relations. A survey of world history proves this contention. In the contemporary world new reasons for rivalry and hostility between states have arisen, that have the potential to cause more conflicts and wars.

Politics is the game of additions not subtractions. This article discusses how new dynamics have evolved and gradually changed the political

pathways in the post-Cold War era. Energy and security are the key issues that will determine the future strategic setting of the Caspian Sea region.

The scramble for oil and influence by the big powers in the Caspian Sea region can be compared to the discovery of vast sources of oil in the Middle East in the 1920s, and the consequent rise in the strategic importance of the region. But in today's milieu, in the Caspian Sea region, there is an even bigger and more complex quagmire of competing interests. The big powers such as Russia, the European Union, the US, and the regional countries such as Iran, Pakistan, Afghanistan and Turkey, the Central Asian states themselves and the most powerful players of all, the oil companies, are competing in what is being called "the New Great Game".

These were the opening lines of an article by this author published in 2008 on the geopolitical and economic importance of energy rich Central Asia. Since then things have not changed much, except for the emerging new dynamics of the Caspian region and the scramble for hold on this region. A new factor in the scenario is the emergence of China and the EU states as important actors.

The collapse of the Soviet Union was an event in world politics which took everyone by surprise; but a positive outcome was the end of the Cold War. In the years immediately following the end of the Cold War, the bipolar system was replaced by a unipolar one. Though the US apparently rules the roost as the sole superpower, with the passage of time, other great powers have begun vying for increased influence and visibility in world politics.

Now there is growing recognition of the fact that the distribution of power in the international system has begun to alter and as described by Samuel Huntington it has become "uni-multipolar". According to this perspective, although the US remains the only superpower, other states are not easily dominated.¹

A dispassionate assessment of contemporary politics indicates that US involvement remains a critical factor in key global issues, but the resolution of transnational problems in the resource rich regions also requires

¹ Charles W. Kegley, Jr. and Shannon L. Blanton, *World Politics: Trend and Transformation, 2013-2014* (Boston: Wadsworth, 2014), 109.

concerted action by other major powers. The quest for resources, particularly oil and gas and the potential for great power rivalry have increased simultaneously. The major powers in Europe and Asia have begun to resist American hegemony.

The focus of the article is oil politics in the context of economics, internal and external politics and the dynamics of the quest for influence in the Caspian/Central Asian region. The historical perspective reveals the fact that the collapse of the Soviet Union, followed by the eroding influence and presence of its successor the Russian Federation, left a power vacuum of major proportions in the Caucasus and Central Asia. Thus the last decade or so has been marked by the over-zealous and random attempts of rival powers to fill the regional power vacuum amid mushrooming ethnic and inter-state conflicts. As a result, external powers such as the United States, the European states, regional powers, oil companies, international financial institutions, religious and nationalist movements were all drawn into the Caspian basin's rivalries and disputes.²

The political geographers of the 19th and 20th centuries Friedrich Ratzel (1844-1940) and Rudolf Kjellen (1864-1922) highlighted the importance of geopolitics. Sir Halford Mackinder built his famous thesis around land power as being crucial for determining the outcome of the struggle for supremacy between the great powers. His political thoughts were particularly relevant to the Caspian basin / Central Asian region, which constituted an integral part of his "Heartland Theory", which he contended was the core or the pivotal area of the Eurasian landmass. While Mackinder had built his theory around "the Great Game" between Russia and Britain in the nineteenth century, a new contest was triggered in a more complicated manner in the 1990s after the collapse of the Soviet Union. This "new Great Game" is evidently a struggle for the control of the energy resources of "the Heartland", i.e. the Caspian basin and surrounding areas.

A survey of history reveals that the Caspian region has been a crossroads of various cultures and civilizations and the confluence of clashing imperial ambitions. The region is marked by a high degree of religious, tribal and ethnic heterogeneity. From the mid 15th century onwards till the collapse of the Soviet Union, the Caspian region remained a Russian zone. Though

² R. Hrair Dekmejian & Hovann H. Simonian, *Troubled Waters: The Geopolitics of the Caspian Region* (New York: I. B Tauris, 2001), 4.

Russia is still a littoral, Armenia, Turkmenistan and Kazakhstan are now independent states and so are the hinterland states. The quest for oil has been a source of friction for a long time. Baku, a port city of Azerbaijan became a magnet during the Second World War, when the German armies which faced an acute shortage of petroleum, briefly sought to conquer the region, and as a result Stalin deported several national minorities from the North Caucasus to Central Asia in 1944, on allegations of collaboration with Nazi Germany.

During the First World War Russia took over the northern parts of Iran, (on the south of the Caspian Sea) leaving the country with a reduced Caspian coastline. The discovery of oil in the southern part of Persia in 1888 enhanced the strategic importance of the country and the mineral was destined to shape its domestic affairs and international role. The discovery of oil by a British company accelerated Iran's transition into the twentieth century, besides enhancing its strategic importance.

In 1901, Muzaffar-al-Din Shah Qajar, King of Persia granted the British the first Persian oil concessions for a 60 year period, covering most of the country except for the provinces bordering Russia.³ Britain, hoped that oil from Persia would reduce the industrialized world's dependence on Russian oil.

Petroleum politics / Oil as a tool of power

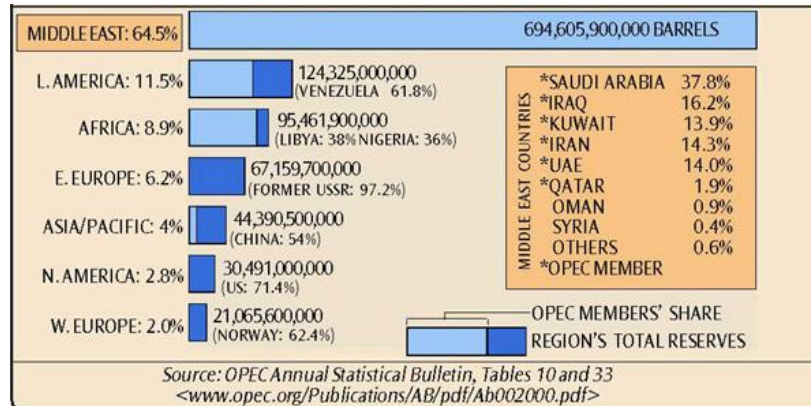
The quest for oil has led states, multinational oil companies and other stakeholders to pursue and defend their respective interests. Rivalry over control of energy sources also fuels the arm race. It is no longer just a commodity subject to the interplay of the traditional supply and demand. Oil has been transformed into a determinant of national security and international power and influence for those who are in possession of this vital resource, and the converse for those who do not. Now the Caspian basin is the epicenter of the new "Great Game", driving the regional and international powers to gain footholds in the region.

³ Daniel Yergin, *The Prize: The Epic Quest for Oil, Money and Power* (New York: Touchstone / Simon & Schuster, 1990), 137.

WORLD'S CRUDE OIL EXPORTS



WORLD'S PROVEN CRUDE OIL RESERVES BY REGION



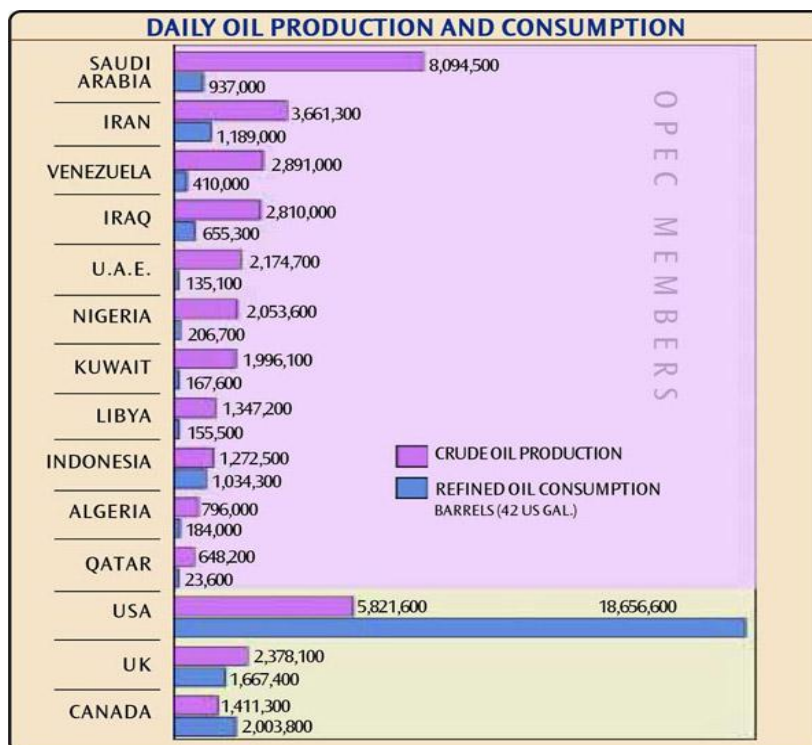
A comparison of the Middle East's proven oil reserves (billion barrels) per year are show in the following table:

Rank	Country	Reserves (billion barrels)
1	Saudi Arabia	268
	Saudi Arabia has 16% of the world's proved oil reserves, is the largest exporter of total petroleum liquids in the world and maintains the world's largest crude oil production capacity. With 27.663 Quadrillion Btu Saudi Arabia ranked 4 th in the world in Energy Production.	
2	Iran	155
	Iran holds the fourth largest proved crude oil reserves. Iran maintains 13.644 Quadrillion Btu and ranked 8 th in the world in energy production.	
3	Iraq	141
	Iraq has the fifth largest proved crude oil reserved in the world, and it is the second largest crude oil producer in OPEC. Iraq holds about 18% of proved crude oil reserves in the Middle East.	
4	Kuwait	104
	Kuwait holds the world's sixth largest oil reserves and is one of the top 10 global producers and exporters of total	

	petroleum liquids.	
5	United Arab Emirates	98
	The UAE is among the world's 10 largest oil producers and is a member of OPEC and GECF.	
6	Qatar	25
	Qatar is the largest exporter of LNG in the world. Three oil fields accounts for more than 85% of Qatar's crude oil production capacity.	

Source: www.eia.gov/beta/international.

According to British Petroleum (BP) statistics of world energy 2010, the big six minus Libya had 743 billion barrels (Gbs) of proven oil reserves, representing 56% of reported global oil reserves.



Source: OPEC Annual Statistical Bulletin, <http://www.opec.org/library/Annual%20Statistical%20Bulletin/asb2000.htm>

Historically, as an industry, oil production had started in the Baku area in the Caspian region, and slowly developed in the following decades. Until

1872, the oil industry of the Absheron peninsula functioned as a monopoly, under which the Russian government leased production to a single contractor of American origin – Ter-Gukasoy and Mirzoev.⁴

Many western analysts are of the opinion that the Soviet regime deliberately prevented the development of the Caspian region's energy resources and thus deprived Azerbaijan, Kazakhstan and Turkmenistan of the chance to improve their standards of living.⁵

When production began to decline in Azerbaijan, particularly in the 1970s, it began rising in Kazakhstan, another Soviet republic of the Caspian littoral. The reduction of oil production in Azerbaijan, despite the increase in offshore exploitation in the 1940s and 1950s, could be attributed to the lack of funding and appropriate technology to exploit fields that were more difficult to access.⁶

The United States began to support Caspian oil development as part of its national energy policy that is focusing on the expansion of oil production outside the US, but not in the Arab Gulf region. This shift in policy focus illustrates the fact that the US is dependent on cheap foreign oil and its reliance on oil imports is increasing day by day. So the US, like other important actors in international politics, seeks to enhance its national security by diversifying its sources of oil supply, and Caspian oil is clearly an excellent alternative.

The study of the Caspian geopolitics entails an analysis of the dynamic forces within the five littoral states and their respective national interests, which underpin interaction with one another and with the outside world.

The map of the region shows that the shoreline of the Caspian Sea is shared by Russia, Iran, Kazakhstan, Azerbaijan and Turkmenistan and with the exception of Iran in the south, the rest were all republics of the erstwhile Soviet Union. These countries face varying degrees of political uncertainty which has a direct impact on the geo-politics of the Caspian region.

⁴ R. Hrair Dekmejian and Horann H. Simonian, *Troubled Waters*, 15.

⁵ Robert V. Barylski, "Russia, the West, and the Caspian Energy Hub", *Middle East Journal* 49, no. 2 (Spring 1995): 218.

⁶ R. Hrair Dekmejian and Horann H. Simonian, *Troubled Waters*, 16.

The rise to prominence of Azerbaijan, Kazakhstan and Turkmenistan is owing to oil and gas. Thus international energy companies looking for new areas to explore for producing energy have been drawn to the Caspian region. From 1991 to 1997, in a span of six years, the region emerged as the world's most lucrative area for upstream oil investment. This has had an important effect on the attitudes of external powers towards the region. Oil has given the Caspian region a political and economic significance that it would not have enjoyed otherwise.⁷

Both Azerbaijan and Kazakhstan were quick to recognize the fact that their future well-being depended on the power of oil; they therefore sought the financial and technological help of the major international oil companies for the exploration and extraction of oil.

The post Cold War era brought many significant changes in international politics, but it could not alter the fact that Azerbaijan and Central Asia were still isolated from the very desirable western markets. The most urgent need therefore was to build pipelines across international boundaries which would have to transit through strife torn regions.

The issue of the routing and building of oil pipelines in the Caspian region soon converted into power politics and was dubbed as the 'New Great Game'. According to one observer, it is a game without an end. He points out that "operating pipelines and gas and oil flows will be enduring magnets, attracting states and MNCs alike. Stakes are high, well beyond the scope of simple additions to world crude oil and natural gas supply, well understood by the international players".⁸

Izvestia, the Russian newspaper opined that "control over pipelines will be the most important factor of geopolitical influence in the Transcaucasus and Central Asia in the next Century".⁹ These reserves have now become the apple of discord in the region, in fact signalling a renewal of the Great Game for control over Eurasia.

⁷ Robert Ebel, "Introduction" in *Caspian Energy Resources, Implications for the Arab Gulf* (Abu Dhabi: Emirates Centre for Strategic Studies, 2000), 13.

⁸ Ibid.

⁹ Robert O. Freedom, "Russia's Middle East Ambitions", *The Middle Eastern Quarterly* 5, no. 3 (September 1998).

Another important country in the Caspian region is Kyrgyzstan. Experts of energy-related matters are speculating that it may hold some of the largest unexplored reserves of oil and natural gas in the world; thus it may be destined to become the most coveted pawn in the “New Great Game” in Eurasia.¹⁰

The new Great Game in the Caspian region has two main aspects: first; the control of oil and gas production, and second, control of the pipelines which transfer the oil to the western markets.

If we take a look at the history of international politics from the mid-twentieth century onwards, it becomes quite apparent that a geopolitical game has been going on ever since oil became a strategic commodity. Geologists estimate that the oil deposits of the Caspian Sea are not as large compared to the deposits of the Persian Gulf, but they are considered of high quality and would provide a significant alternative source of energy in the 21st century.

“The Caspian Sea is a basin full of oil and natural gas starting from Azerbaijan and continuing to the opposite shore in the territory of Kazakhstan and Turkmenistan. These deposits take on an enormous importance because of the expected exhaustion of the deposits of Alaska and the North Sea in the coming years”. These were the reflections of Robert E. Ebel in his presentation on “The Dynamics of Caspian Resources”, in 1996.

According to Ebel, “once the production of the Caspian region reaches its peak – and that will be of the order of several million barrels per day – its contribution to the world oil supply may not be decisive but it will certainly be important”.¹¹

The economic interests of the United States

The only superpower is in the quest for harnessing new sources of energy. An energy revolution is unfolding in the United States. There have not been

¹⁰ *Daily Times*, 1 March 2013.

¹¹ Robert E. Ebel, “Introduction: Energy, Conflict and development in the Caspian Sea Region”, in Robert Ebel and Rajan Menon (eds.), *Energy and Conflict in Central Asia and the Caucasus* (Maryland: Roman and Littlefield, 2000).

such drastic changes in the realm of energy since the decades of the 1960s and 70s, which witnessed the harnessing of nuclear power, the peaking of Americans oil production and two oil crises connected with the situation in the Middle East.

The fact is that to strengthen the American economy, bolster its national security and at the same time to protect the environment, the superpower has to take advantage of all the new energy opportunities. No single fuel or technology can solve the country's energy problems. The focus of the US policy makers, therefore, is to determine how to capitalize and exploit all the new opportunities.

In the last five years, American influence in the Caspian region has suffered losses to Russia, particularly on the issue of the critical airbase in Manas in Kyrgyzstan which is a refueling base for fighter jets and a place where American troops could stop over. The new geopolitical situation that developed in the 1990s after the disintegration of the Soviet Union can be characterized firstly, as a process of Russian retreat from the Caucasus and Central Asia in the economic, political and military realms, secondly the influx of external actors, both state and non state to fill the vacuum, thirdly heightened competition and tensions between Russia and the US.

Caspian Sea geopolitics is marked by the efforts of the littorals and hinterland states to weaken their dependence on Russia and on each other. This situation has triggered strategic rivalry between the US and Russia and between, and with, other actors. Uzbekistan remains an asset for the US military and economic interests, but not necessarily for US political interests. It is noteworthy that China too has begun to exploit the escalating tensions between the US and Russia and has become very active in the region, somewhat placing the two powers in a defensive position.¹² Also pipelines from Kyrgyzstan to the western markets, bypassing both Russia and Iran, may become the top priority of the Obama administration in its efforts to shift the "strategic pivot from the Middle East to Asia".¹³

The quest for dominance of energy rich regions can be traced back several decades. Interestingly in 1944, US President Roosevelt sketched a map of

¹² *Daily Times*, 7 September 2013.

¹³ The Foreign Policy Initiative, "Bulletin the Obama Administration's Pivot to Asia", online available at www.foreignpolicyi.org/content/obama-administrations-pivot-asia.

the Middle East and shared it with the British Ambassador. Roosevelt reportedly said "Persian oil is ... yours. We share the oil of Iraq and Kuwait. As for Saudi Arabian oil it's ours".¹⁴ On August 8, 1944, the US and Britain split Middle East oil under the Anglo-American Petroleum Agreement. Besides other American interests in the Caspian basin, a very important one is the considerable investment opportunities for American energy companies like Chevron Corporation, for the countries of the region lack the capital and technical know how for developing oilfields.

"Our security is tied to a stable Central Asia and at the same time we see it as a region of enormous potential, a region that could act as an economic bridge from Istanbul to Shanghai and provide opportunities for our own businesses. It offers goods and energy to the booming economies of South and East Asia, that could also serve as a stabilizing force for Afghanistan's transition and can be a indispensable partner in the fight against terrorism".¹⁵ These are the recent reflections of Antony Blinken, the US Deputy Secretary of State, while he was delivering a lecture at the Brookings Institute in Washington D.C.

The key to controlling Eurasia, is controlling the Central Asian Republics. And the key to controlling the Central Asian countries is Uzbekistan. This is the reason why Uzbekistan was particularly mentioned by US President Bush in his address to a joint session of Congress after 9/11.¹⁶

American interests and motives in the region are quite well known. The US wants to control regimes to a maximum and hinder the rise of any popular movements that might threaten American control in the region.

Brazilian Journalist Pep Escobar dubbed the whole scenario of regional politics as "pipelineistan", and the players involved in it as bad guys who are fighting to protect their own interests.

The Caspian basin and the former republics of Central Asia offer a paradise of opportunity in the form of US \$5 trillion worth of oil and gas. In Washington's global energy strategy, this would herald the end of

¹⁴ Visit at www.jdnews.com/opinion/letters/mideast.policy.

¹⁵ Remarks of Antony J. Blinken, An Enduring Vision for Central Asia, 31 March 2015. Available from www.state.gov/s/d/2015/240013.htm.

¹⁶ Visit at <https://socioecohistory.wordpress.com/2013/12/12/>.

America's dependence on OPEC oil. This is at the core of the so-called "New Great Game".¹⁷

Russian and Iranian interests in the region

Iran and Russia share common interests and have achieved consensus among the Caspian states in early 2015 over the inadmissibility of extra-regional military presence in the Caspian region. A foreign policy expert pointed out that "Both Russia and Iran have interests in keeping under control a military presence of western countries in the basin".¹⁸

Looking back into history, we can see that the land-locked energy rich region had forged close ties with Iran, for the latter provided the cheapest and shortest export route for the region's oil and gas to international markets.

On the other hand, littoral states such as Azerbaijan, Kazakhstan and Turkmenistan are supposed to distance themselves from their pre-Soviet culture and historical roots, but they would not want to get rid of their Russian-Soviet legacy for it constitutes a bridge to European culture. Western experts opine that owing to troubles with the former Soviet republics such as Georgia and Ukraine, Russia has revived a policy that reminds one of the Cold War era. Iranian policy makers on the other hand are of the opinion that the West may use these countries to put pressure on it with regard to its nuclear programme.

In the geo-political context, Russia claims that the Caspian Sea is more of an inland lake and therefore the Laws of the Sea are not applicable to it. The exploitation of the Caspian energy resources must therefore be subject to an agreement among all five countries that border the Caspian. Russia no doubt wants to maximize its political influence and economic power through pipeline diplomacy. The pipelines are expected to connect the region to Europe via Russia.

The control or dominance of the Caspian basin by Russia will ensure Moscow's control of the major oil and gas distribution systems from the region to the rest of the world. The instability and internal strife in the entire region, including North Caucasus, Transcaucasia and Afghanistan

¹⁷ Pep Escobar, "Roving Eye, Pipelineistan", online *Asia Times*, 26 January 2002.

¹⁸ Bahman Diba, *The Law and Politics of the Caspian Sea* (Book Surge, 2006).

pose potential threats to the various pipeline routes that have been built or are under construction. The existing oil pipeline routes from Azerbaijan and Kazakhstan run through Russia to the port of Novorossiysk on the Black Sea, giving Moscow a considerable advantage in pipeline politics.¹⁹

The China factor in the region

China, like Russia and Iran has direct national security concerns in the region as it shares borders with states in the region. There are also Chinese minorities living in the Caucasus and Central Asia. After the demise of the Soviet Union, China and Iran were not considered as major actors in the Caspian region. Their interests have evolved over the years. China and Iran are now involved in efforts to prevent the consolidation of US influence. Both consider the US as an outsider, which has been trying to shift the strategic balance in the region in its own favour. The increasing involvement of the US in the region, has raised concerns in China, Iran and Russia.

Geographically, China is not very near the Caspian Sea, but it is concerned about stability in the region for it shares long borders with Kazakhstan, Kyrgyzstan and Tajikistan and as pointed out earlier, Chinese minorities are living in the region in considerable numbers. Since 1996 tensions have been reduced in the region owing to agreements on China's borders with Russia and the Central Asian states. Demilitarization of borders has contributed to further reduction in tensions.

China perceives this region as offering lots of economic opportunities, besides energy resources, which can fulfill China's increasing need for energy. Its interest in maintaining the region's stability has made China acknowledge that Russia has interests in the region.

Over the years, China and the Central Asia states have been making efforts to create new or improve the existing communication network which would be like the old Silk Route. They are building new air transport facilities in the region, to expand day-to-day cooperation. The planned China-Kyrgyzstan-Uzbekistan railway would lessen the distance between China and Europe, North Africa and the Middle East, and is an important part of the Chinese strategy.

¹⁹ www.hir.org/MFA/thesis/winter98/geopolitics.

Chinese leaders claim that they adhere to the policy of peaceful coexistence and the principles of equality and mutual benefit in the wider region.

The Central Asians have generally welcomed Chinese investments and other economic activities. China's National Petroleum Company bought a 60 percent share in the Kazakh State Oil Company in Aktyubinsk and helped to develop the oil field at Uzen in 1997. Besides, China has also become an important trade partner of Kazakhstan and Kyrgyzstan. To develop a strong strategic partnership, in 2014 China and Turkmenistan also signed several deals. Energy cooperation has resulted in growth of the trade volume between China and the Central Asian states. The trade volume grew by 13 percent year on year to US \$40.2 billion in 2013.²⁰ The dynamics that are emerging in the region are indicative of the fact that the players in the region have varying interests, but these coincide in certain respects. In the security arena for instance there is international cooperation. China, Russia and the Central Asians have formed the Shanghai Forum for tackling extremism and terrorism. Energy, on the other hand, is a field where the interests of Russia, China, Iran and Europe may clash, but it has also opened the way for international cooperation.

Jeffrey Mankoff argues that the US is not in a position to use hard power in the region and that it can deal with the domestic political faultlines in the region through diplomacy. The strategic space in Central Asia, can easily accommodate big powers such as Russia, China, and the US and they do not have to quarrel over control of the region.²¹

International politics is hardly ever static. The geopolitical situation in the Caspian region too is continuously changing. Whether the external powers and the regional players are able to respond to the challenges of the ongoing transformation in the region, keeping in view their respective national interests is a crucial question, the answer to which may appear in coming years.

²⁰ *Daily Times*, 29 August 2014.

²¹ Jeffrey Mankoff, *The United States and Central Asia after 2014*, Report, Centre for Strategic and International Studies (CSIS).

The presence of substantial energy resources are reshaping the map of Mackinder's "Eurasian Heartland" in the milieu of contemporary politics. Who eventually controls the oil and gas deposits and the pipeline routeing will determine to a considerable extent the future political and economic scenarios in Russia and Central Asia. It will be a decisive factor in shaping Iran's position in the region and most importantly it may realign the strategic triangle between the US, Russia and China. It will of course have the strategic consequence of lessening the world's, particularly the West's dependence on Persian Gulf oil.