GEOPOLITICS OF CENTRAL ASIA AND THE CAUCASUS; CONTINUITY AND CHANGE SINCE THE END OF THE COLD WAR

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ABSTRACT

The tremors experienced in international relations since 1989 have significantly altered political geography of Eurasia, sweeping away the international system that had been built up over may years. The sudden emergence of Central Asian and Caucasian states caught both the local populations and the world at large unprepared for the event. The fact that no major empire has dissolved in this century without their successor states undergoing civil wars or regional conflicts made the occasion more dramatic. Even in those newly independent states, which so far avoided unrest and conflicts, the competition between various outside powers for influence, threatened widespread disagreements, hostility, and possible armed interventions, There is a need for a new broader and more flexible analytical model for the former Soviet Central Asia and the Cacasus. This paper, in addition to suggesting an alternative geopolitical framework for analysis, will also try to identify the sources of unrest and possible threats to the stability of the region. And finally, mechanisms for diffusing at least some of the controversies and threats will be discussed within the context of the prospects awaiting the region in the mid-long term.

KEYWORDS

Central Asia; Caucasus; Capsian Basin; North Caucasus; Geopolitics; Energy Resources; Pipelines; "Great Game".
1. Introduction

The changes experienced in international relations since 1989 have significantly altered the political geography of Eurasia. The sudden emergence of the Central Asian and Caucasian states caught both the local populations and the world at large unprepared. During most of the twentieth century, the strategists and geopolitical experts considered these lands as the Soviet Union's hinterland. The US, on the other hand, simply tried to "contain" these areas by linking its various alignment systems. Thus, Turkey, Iran and Pakistan became important outposts of this policy, while Korea and Vietnam became its battleground, and China was useful in the chain insofar as it quarrelled with the Soviet Union.

However, the collapse of the Soviet Union has changed this situation dramatically, putting the newly independent states of Central Asia and the Caucasus (CA&C) firmly into geopolitical calculations. This is both because it was discovered that some of them sit on vast natural resources, notably oil and gas, and because some of them were immediately engulfed in what was described as ethnic conflicts. Even in those newly independent states that so far have avoided unrest and conflicts, the competition between various outside powers for influence threatened widespread disagreements, hostility and possible armed interventions. The fact that most of these people, in modern times, were not allowed to handle their problems independently from Moscow and thus did not amass experience of self-governance, made the situation more complex. Moreover, while Russia's power and influence weakened, the newly independent states of CA&C have taken different roads toward national consolidation, and regional economic and political alliances, thereby raising international security and policy issues that did not exist before the fall of Soviet power.

What is more, most of the boundary lines that eventually became international borders of the newly independent states in 1991, especially in CA&C, were drawn arbitrarily first in the 1920s and reshuffled again after the Second World War, with the aim of creating rifts between local people in order to facilitate the manipulation of ethnic differences and thereby strengthen the hand of the central authorities. These borders, which rarely coincided with any historic boundaries or with the linguistic and
cultural affinities of the different sub-groups, became, nevertheless, over the 70 years of Soviet rule, entrenched in the popular mind and acquired certain legitimacy. Many people, who had never in history considered themselves different from their neighbours beyond their household or clan structures, gradually developed a kind of national consciousness based on differences created artificially by the arbitrary border lines. Moreover, some ethnic groups were deported from their homelands on the basis of official nationalities during and after the Second World War. This event also helped to shape notions of different national identities, especially in the Northern Caucasus, where the entire populations of the Karachay, Balkar, Ingush and Chechen national groups were deported and resettled in Central Asia and Siberia. The sudden export of alien people to these areas, in turn, created local resentments and enforced their distinct identities from the newcomers. The return of these groups to their former homelands after Khrushchev granted the right to return in 1956 also created clashes between them and the new settlers of their former territories. Finally, the Russian conquest and prolonged rule of CA&C created a relationship of strong dependency between the peoples of these areas and the Russian state/Soviet Union that changed only slightly after the collapse of Soviet rule.

During the Cold War, the world's attention, preoccupied by the predictable results of a catastrophic nuclear confrontation between the two blocs, had naturally focused on the global balance of power and strategic stability. Today, on the other hand, as there is no longer a superpower rivalry, world attention has turned towards the unfolding complexities of ethnic-based regional conflicts. In this context, there is talk of the emergence of a new strategic region, encompassing most of Central Asia, the North Caucasus and Transcaucasia as well as such nearby states as Turkey, Iran, Afghanistan, Pakistan and even China.

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1 According to Paul Goble, "Can Republican Borders be Changed?", *Report on the USSR*, 28 September 1990, the number of territorial changes only among Union republics, not including territorial changes on other levels, between 1920 and the 1980s was around 90. Cited by V. Cheterian, *Dialectics of Ethnic Conflicts and Oil Projects in the Caucasus*, PSIS Occasional Paper, No. 1, Geneva: PSIS, 1997, p. 17.
There are number of reasons to link up these distinct geographic areas together while dealing with the security and geopolitics of the post-Soviet space throughout Eurasia. These areas remain a matter of profound interest and of vital concern for Russia, which is ever sensitive to external influence in or the possibility of physical threats to its southern "near abroad". For years, the region's outlets to the world were controlled by and from Moscow. Today, the number of political, economic and military actors who can influence the region's future has increased manifold. More importantly, within the emerging geopolitical equations, various factors contribute to the newly independent states' geopolitical reorientation away from their historic Russian bond. Among others, the combined effects of "geographic proximity, economic opportunity, ethnic and cultural ties, and religion" gently push the evolution of the new states "in a southerly direction, toward historical preferences and allegiances that were interrupted by Russia's sealing of Central Asia to its own advantage".2

These developments, however, have caused anxiety, to say the least, among Russian decision-makers, who by the end of 1992 came to the conclusion that "the continuing independence of the Transcaucasian and Central Asian nations and reorientation of their foreign policy, economic and transportation strategies toward the south will considerably undermine Russia's great power status".3 Losing its monopoly of regional transport and communications due to projects to build oil and gas pipelines and highways southward will also lead to the loss of direct access to the region's rich natural resources and strategic minerals. As Russia continues to depend heavily on supplies of raw materials from Central Asian states, disengagement from the region is not economically desirable either. Finally, in addition to the decrease in Russia's overall role in the region, many Russians seem psychologically incapable of accepting a change in the status of the newly

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independent states. They continue to see the former Soviet southern border as Russia's outer frontier. Consequently, Russia, since 1992, has been actively pursuing a policy to re-establish the economic, political and military control over Transcaucasia and Central Asia. In this context, Putin's latest overtures towards the region are by no means unique. They are the latest round of continues Russian effort to stage a come back.

However, for various reasons, the area is also of increased relevance to Turkey, Iran, China and, increasingly, the US and the Western European countries. Consequently, the conflicting interests of a number of regional and extra-regional powers give rise to new strains on regional peace and stability.

In a sense, the possibility of transferring large-scale oil and gas deposits to World markets raises hopes for regional economic development and prosperity. At the same time, however, "the belief that whoever secures the major share of oil pipeline transit will gain enhanced influence not only throughout the Caucasus and Central Asia but also on a global political scale", highlights the concerns about the future stability of the region. In terms of regional geopolitics, "control of the Caspian, or even freedom of movement upon it, represents a prize of considerable value", and the competition for influence among regional states, with its ideological, religious and political dimensions, lowers the threshold for possible armed conflicts erupting in the region. Consequently, the rivalry over the Caspian Basin's energy resources, interacting with many regional conflicts surrounding the area and with international efforts to bring peace to these conflicts, elevates the region to one of unique geopolitical interest that harbours various threats to regional and wider international peace and stability.

Therefore, there is a need for a broader and more flexible analytical model for the former Soviet CA&C. As Clem puts it, "Regions are for the geographer a classification scheme, much as periods serve historians. As is true for chronology, there is no all-purpose definition for divisions of geographical space." For

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5Friedman/Wimbush, Central Asia and the West, p. 100.
political reasons and simplicity they provide, "regional definitions are often based on political boundaries, although these boundaries usually encompass important internal differences and frequently divide like places. Thus, the operational definition of a region may not be entirely satisfactory for one's specific needs." For the purpose of this paper, then, I will forego the simplistic version of geopolitical classification, and will refer to a vast region stretching from the Black Sea into western China and Mongolia as Central Eurasia, based on the assertion that, "notwithstanding the inherent problems of regionalisation, there is much that binds the region into a relatively coherent whole", especially in geo-political and geo-economic senses, though, at the same time, allowing identification of distinctive sub-regions. Hence, although there is no doubt that the Caucasus and Central Asia are two separate regions in the turbulent post-Soviet geopolitical space, with different political dynamics and plenty of internal diversity and conflicts, the working definition of "Central Asia and the Caucasus" used in this paper, seeking to trace the interplay of economic, political and strategic interests of the various actors across these areas, has considerable utility as a framework for describing and explaining the complex geopolitics of this important and dynamic area.

Indeed, CA&C share several common characteristics. Both regions are multiethnic in nature with contentious borders dividing interrelated ethnic groups. They are also experiencing similar economic, political, and social changes and difficulties that the end of totalitarian Soviet rule brought about. These regions, with more than 100 different ethnic and linguistic groups, now face newly unleashed forces of destruction that Soviet authoritarianism once contained. They remain as regions where the implications of sudden independence and titular nationalities' realisation of ethnic identities ensured the onset of severe ethnic strife, enforced migration, economic deprivation and widespread unemployment. Hence, it is no wonder that their transition from Soviet rule to independence has resulted in the eruption in Abkhazia, South

7Ibid., p. 167.
Ossetia, Karabakh and Tadjikistan of conflicts that have already claimed approximately 100,000 lives and created more than five million refugees across Eurasia.

The root causes of many of the recent conflicts in CA&C were largely planted during the Soviet era and, when the Soviet system collapsed suddenly in 1991, most of the people in the region were ill prepared for independence and in no position to control the emerging dangers. Thus, there are doubts today about the future stability of CA&C as these states are trying to achieve the unprecedented task of simultaneously adopting new economic systems, building democratic political institutions and creating new national identities. Within this grim picture, geopolitical domino theories for the region can readily suggest various scenarios of explosive instability. Given the unstable nature of the political situation within the region in general, the prospects for destabilisation are very real indeed. Economic difficulties, contested borders, mixed national groups and peoples, and outsiders' competition for influence, pose risks to regional security. Other volatile and widespread elements, such as poverty and territorial claims, threaten continuously to undermine both the existing regimes and equilibrium in the region.

The purpose of this paper, therefore, is to identify the sources of unrest and possible threats to the future stability of CA&C region. As a working hypothesis, we can project a number of interrelated and overlapping levels of threat to security and stability in the region, emanating from both within and without. First, domestic sources of conflicts in the area, such as ethnic diversity, religious differences, economic inequality and totalitarianism should be explored. Second, the influence and foreign policies of a number of countries active in CA&C should be dealt with, devoting particular attention to the attempts and inability of Russia to reconsolidate its power and hegemony in the region. Third, the legal quandary over the definition of the Caspian Sea's status and the controversy surrounding the issue of transporting its natural resources out of the region have to be explored. In this context, the serious questions concerning environmental and ecological issues arising from oil exploration activities in the Caspian Sea need to be elucidated. Finally, mechanisms for diffusing at least some of the controversies and
threats will be discussed within the context of the prospects awaiting the region in the mid-to long-term.

2. Domestic Sources of Instability

As the disintegration of the USSR became imminent, national minorities rediscovered long-suppressed identities and sought new rights. While the process of nation and state building in the western republics of the former Soviet Union was a quite straightforward matter and went smoothly, it has been a slow and agonising experience in CA&C, involving both domestic and regional rivalries as well as international influences and pressures. The main question is how the newly independent states of CA&C are responding to the strains of this transition in their domestic politics and external relations. In general terms, the two regions have dealt with the post-Soviet transition in different ways, and their divergent paths have resulted in different levels of conflict.

To a large extent, Central Asia has thus far avoided major violent upheavals, with the exception of Tadjikistan. This relative lack of tension could be attributed to the fact that all of the current heads of state in the region, again excluding Tadjikistan, have maintained a degree of continuity with the Soviet era, monopolising power and preserving many of the major institutions. However, their "success" so far in addressing the traumas of post-Soviet transition and ensuring short-term stability has often been dependent upon their well being and individual strength, which is not an adequate basis to ensure long-term stability. In fact, some of Central Asia's authoritarian regimes, seen as helpful for regional stability, may actually be concealing fundamental problems, allowing the seeds of future conflicts to grow.

In contrast, the newly emerged Caucasian leaders discarded the Soviet political tradition and the legacy of the old regime, and instead tried to create their own power bases and institutions. However, the new leaders who earlier nurtured the independence process or came to power immediately after independence, like Zviad Gamsakhurdia in Georgia and Abulfaz Elchibey in Azerbaijan, with their extreme nationalist rhetoric, were lacking both government experience and underlying connections to the
local élite and power brokers. Consequently, their challenges to the existing political order resulted in a number of violent clashes, upheavals and, in some cases, civil war, which has over the past decade overwhelmed the Caucasus. The factors that may yet come to prominence as the particular situation demands are outlined below.

a. Ethnic Diversity and Identity

In addition to the challenges of economic and political transition faced by the other newly independent states of the former Soviet Union, the Central Asian and Caucasian states have had to contend with populations searching for and developing a sense of national identity. Thus, from the first day of their independence, they faced the all-imposing necessity of replacing the now "discredited" socialist ideology and its social and economic model with a new thinking that could also help them to define their separate "identities".

Although Central Asia in general and the Caucasus in particular have a long and rich history, and various levels of identification are discernible among the people, the individual states as they arose from communist domination, especially in Central Asia, had no sense of their separate identities in the modern sense. Before the Russian conquest, people mainly identified themselves with their family, clan, tribe, locality and sometimes religion. The creation of five union republics in Central Asia and three in the Caucasus by the Soviet rule, on the other hand, complicated the issue of national identities. The borders of the union republics, especially in Central Asia, did not seek to create homogeneous republics or confirm with historic quasi-identities. Rather, they divided people and shattered whatever identity and "sense of belonging" existed hitherto, and attempted to replace them with identities flowing from officially recognised republic borders.

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The product of this "nationality engineering" was a poisonous mixture of various local, tribal and ethnic groups. Even a casual look today at "the ethnic overlap from one state to another as well as artificial nature of the boundaries between them" clearly indicates to potential crises based on nationality questions for nearly all the Central Asian and Caucasian states, which could easily "destroy whatever political equilibrium exists both within and between them." During the Soviet era, strict authoritarian control and suppression kept the destabilising character of ethnic and religious diversity under control. However, the root causes of instability were never dealt with, which eventually contributed to the region's turmoil as the forces of destruction were unleashed following the collapse of the Soviet Union without providing adequate mechanisms to cope with them.

When, in the early 1920s, the central authorities in Moscow drew the political boundaries of the then union republics of the USSR, they paid no attention to local ethnic identities. A number of territories that had existed as single social, political and economic units for centuries were divided among different republics. In contrast to this, many areas that had no previous unity of purpose were allocated to a single republic, causing problems of identity and integration. These policies naturally "exacerbated differences among peoples and regions" and have "contributed to" tension between the newly independent states of Eurasia.

Moreover, outside the borders of the CIS, there are over one million Uzbeks in Afghanistan, some 500,000 Turkmen in each of Afghanistan, Iran, Iraq and Turkey, and about two million Tadjiks in Afghanistan. Moreover, there are about two million Kazakhs living in the Xinjiang region of China, which is populated overwhelmingly by approximately eight million Uighurs, whose 250,000 kin are divided between Kazakhstan, Kyrgyzstan and Uzbekistan. Uighurs are known for their long-standing call for independence from China and the creation of "Eastern Turkestan", the west of which falls within the territories of contemporary

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9Ibid.
Uzbekistan and Kyrgyzstan. The Chinese are extremely agitated about the prospects of further instability spreading from, or being supported by, the newly independent states of Central Asia.¹¹

The same kind of ethnic mixture is present in both Transcaucasia and the Northern Caucasus, and these have already caused open conflicts. Although each of the independent Transcaucasian states has its own dominant titular nation, each also has a significant number of minorities.¹² The situation in the region is further complicated by the diversification of religious faiths that are closely related to the separate national-ethnic identities.

Table 1: The Populations of North Caucasian Ethnic Groups, 1989

<table>
<thead>
<tr>
<th>Ethnic Group</th>
<th>Population</th>
<th>Ethnic Group</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abazian</td>
<td>34,000</td>
<td>Kumyk</td>
<td>282,000</td>
</tr>
<tr>
<td>Avar</td>
<td>601,000</td>
<td>Lak</td>
<td>118,000</td>
</tr>
<tr>
<td>Agul</td>
<td>19,000</td>
<td>Lezgin</td>
<td>466,000</td>
</tr>
<tr>
<td>Adygei</td>
<td>125,000</td>
<td>Mountain Jews</td>
<td>19,000</td>
</tr>
<tr>
<td>Balkar</td>
<td>85,000</td>
<td>Nogai</td>
<td>75,000</td>
</tr>
<tr>
<td>Chechen</td>
<td>957,000</td>
<td>Ossetian</td>
<td>598,000</td>
</tr>
<tr>
<td>Dargin</td>
<td>365,000</td>
<td>Rutul'</td>
<td>20,000</td>
</tr>
<tr>
<td>Ingush</td>
<td>237,000</td>
<td>Tabasaran</td>
<td>98,000</td>
</tr>
<tr>
<td>Kabardin</td>
<td>391,000</td>
<td>Tsakhur</td>
<td>20,000</td>
</tr>
<tr>
<td>Karachai</td>
<td>156,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


More complicated than this is the existing situation in the North Caucasus, astride the southern boundary of the Russian

¹²Azeris make-up 75-83 per cent of the population of Azerbaijan, Armenians constitute 93-95 per cent of the population of Armenia, and the Georgians hold a 70 per cent share of the population of Georgia.
Federation and the Transcaucasus. With its nineteen native national groups (as the last Soviet census recognised in 1989) and a significant ethnic Russian Diaspora as well as non-titular populations of Cossacks, Nogai and a number of others, the North Caucasus is one of the most ethnically and linguistically diverse regions of the world. Embracing three main linguistic groups and almost all religious nuances, the North Caucasus presents a complicated situation where a number of minorities and more than one titular nationality share the same territory. Obviously, all of the North Caucasian "nationalities" are prone to instability and conflict in future, which makes it very difficult for both Russia and external states to come to an understanding of the regional realities.

Table 2: Concentration of ethnic groups in North Caucasus and Dagestan, 1989

<table>
<thead>
<tr>
<th>Territory</th>
<th>National group</th>
<th>% of territorial population</th>
<th>Territory</th>
<th>National group</th>
<th>% of territorial population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dagestan</td>
<td>Avar</td>
<td>27.5</td>
<td>Chechen-</td>
<td>Chechen</td>
<td>57.8</td>
</tr>
<tr>
<td></td>
<td>Agul</td>
<td>0.8</td>
<td>Ingushetia</td>
<td>Ingush</td>
<td>12.9</td>
</tr>
<tr>
<td></td>
<td>Dargin</td>
<td>15.6</td>
<td>Russian</td>
<td>23.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Kumyk</td>
<td>12.9</td>
<td>Ukrainian</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lak</td>
<td>5.1</td>
<td>Armenian</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lezgin</td>
<td>11.3</td>
<td>Other</td>
<td>4.2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nogai</td>
<td>1.6</td>
<td>Kabardino-</td>
<td>Kabardin</td>
<td>48.2</td>
</tr>
<tr>
<td></td>
<td>Rutul'</td>
<td>0.8</td>
<td>Balkaria</td>
<td>Balkar</td>
<td>9.4</td>
</tr>
<tr>
<td></td>
<td>Chechen</td>
<td>3.0</td>
<td>Ossetian</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Azeri</td>
<td>4.0</td>
<td>Ukrainian</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jew+Tat</td>
<td>1.0</td>
<td>German</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tabasaran</td>
<td>4.0</td>
<td>Russian</td>
<td>32.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tsakhur</td>
<td>0.3</td>
<td>Other</td>
<td>6.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Russian</td>
<td>9.2</td>
<td>Ossetian</td>
<td>53.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>2.9</td>
<td>Russian</td>
<td>29.9</td>
<td></td>
</tr>
<tr>
<td>Adygei</td>
<td>Adygei</td>
<td>22.1</td>
<td>Georgian</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Russian</td>
<td>68.0</td>
<td>Armenian</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>9.9</td>
<td>Ukrainian</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Karachaev-</td>
<td>Karachai</td>
<td>31.2</td>
<td>Ingush</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Cherkessia</td>
<td>Cherkess</td>
<td>9.7</td>
<td>Other</td>
<td>6.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Russian</td>
<td>42.4</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

b. Religious Differences and the Rise of Islam

It is obvious today that the long periods of Russian imperial rule and atheistic Soviet-era indoctrination failed to eliminate the influence of Islam from the Muslim-populated lands of the former Soviet Union. Islam's position as an important element of individual and collective self-identity in the region guaranteed its survival and present strength, which has become, since the late 1980s, an increasingly politicised vehicle.

Generally, programme of nation building throughout the region since the independence has been represented by the largely secular elites, who almost from the beginning faced a dilemma, especially in Central Asia. They soon realised, on the one hand, that Islam remained an important part of the region's social and cultural life, and, if exploited as a political tool, offered various advantages to them. Consequently, all the regional leaders have sought to introduce an Islamic dimension into their policies.

At the same time, however, they also feared too great a tilt toward Islam in their respective states, which could have ousted them at any time. As they "had no intention of allowing Islamic activism to challenge their own positions", all the post-independence constitutions of the Muslim republics emphasise their secular nature, as well as the principle of separation of religion and state. In an attempt to combine these conflicting positions, the Central Asian leaderships, since gaining independence, have embarked on a policy of co-habitation with a moderate type of Islam while preventing all political manifestations of political Islam. The rationale behind this co-habitation is that,

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"since there is a demand, it is better that this demand is met" by the state to prevent hard-liners stepping in to meet it.\textsuperscript{16} However, the strategy of simultaneous repression and co-habitation by no means insulates the existing regimes from the challenges of Islam, especially if secular political institutions are also not allowed to develop.\textsuperscript{17}

There is of course a similar danger in the North Caucasus that political Islam could grow because of the unpredictable changes, disillusioned hopes, economic deprivation and lack of opportunities for employment.\textsuperscript{18} This possibility has been of special interest to international and regional actors, in addition to the local political élite. And at times, the prevention of an upsurge in Islamic militancy and the emergence of Islamic-oriented governments in CA&C was put forward as a primary objective of both Russia and the West.

The idea of establishing a single Islamic state in Central Asia or in the Caucasus, on the other hand, is unacceptable to the existing leadership of those republics. Opposition to the idea also comes from Russia and Turkey, whose combined influence is considerable in both regions. Moreover, the presence of a large Russian Diaspora throughout the area makes any attempt to establish an Islamic state even more difficult.\textsuperscript{19} Though religious fanaticism could turn out to be a dangerous factor in the future,

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\textsuperscript{17}Hunter, \textit{Central Asia since Independence}, p. 37.
\textsuperscript{18}According to Fuller, op. cit., p. 147, political Islam flourishes under certain conditions: political repression, economic hardship, social grievance, state suppression of Islamist political activity, and repression of all alternative political movements that might also express economic, political and cultural grievances. These conditions exist in varying degrees throughout Central Asia and the Caucasus. In Chechnya, for example, only 10 per cent of the population have legal employment, while in Dagestan 40 per cent is unemployed. In Dagestan, over 60 per cent of the population live below the poverty line, and unless practical steps are undertaken now these problems are likely to deteriorate further.
\end{flushleft}
especially as an ideological vehicle for counter-élites trying to mobilise the masses, so far it has not been a significant source of conflict in CA&C. But, Islam as a cultural phenomenon "remains a potent force...albeit underground. Therefore, it is conceivable that in the future it may yet come to play an important social and political role." Above all, if the development of secular democratic institutions and channels of popular expression are blocked while current governments fail to improve their people's living conditions, then "Islam may emerge as the only vehicle for the expression of grievance and dissent."20

**c. Economic Inequality, Poverty and Corruption**

Central Asia and the Caucasus offer tremendous economic opportunities in the post-Soviet world. Oil, natural gas and the gold industry are the most attractive areas for foreign investment. The regions can serve as a potentially valuable transit corridor. However, possible uneven development patterns are a significant potential source of instability in both CA&C. Differences in the natural resource bases could provoke economically driven migration, polarise ethnic groups and cause increased tensions. This, combined with widespread unemployment creates potential for conflict.

It is also worth considering what effect the anticipated wealth resulting from these natural resources will have on regional problems and the potential for confrontation. There are concerns, for example, that countries gaining most from the exploitation of natural resources might use their newly gained wealth to increase their military spending, thus creating a destabilising change in the regional balance of power.

The redistribution of wealth within societies is another potential source of conflict. There is no doubt that wealth from natural resources can offer a means for future regional development. If mismanaged, however, it could be tremendously destabilising. For example, there is a real possibility of élitist

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societies emerging along the lines of those commonly found on the Arabian Peninsula.

On the other hand, the extreme poverty found in parts of Central Asia has been and will continue to be a destabilising factor in the region. The rapid economic and social changes since the collapse of the Soviet Union have left many people with a much lower standard of living than they previously had and without the social safety net the Soviet regime provided. These rapid changes and economic pressures have already led to a marked increase in personal corruption and, consequently, a negative impact on regional stability.

Another problem connected with the regional economic downturn is drug trafficking and related criminal activities. Although it has not yet played a very substantial role in regional politics, the rate at which drug trafficking is spreading, especially in Central Asia, is worry, which brings with it corruption, arms dealing and possibilities of conflict, thereby threatening a general breakdown of social order and unstable political systems.

d. Lack of Democracy and Authoritarianism

The political ideology that has replaced communism in CA&C can best be described as "secular authoritarianism" with a dose of free market philosophy. The regional leaders have all concluded that, given present conditions in their countries, a period of authoritarian rule is a necessary stage in the transition from communist totalitarianism to liberal democracy. While the struggle for national identification goes on within each republic, authoritarianism provides a tempting solution as "the only way to keep the country together". That, of course, was the justification for the Soviet iron hand. It is disappointing to see the authoritarian approaches of most of the Central Asian and Caucasian leaders are presented as the sole rational response to potential ethnic divisions within their republics and as a rationalisation for their hold on power. Also, this may be a source of long-term trouble as it puts a

lid on boiling problems, preventing ventilation and possibly causing violent eruptions in the longer term.

As a result of continued authoritarianism in the region, the increasing number of people are alienated from their governments. The growing number of people, especially in Uzbekistan and Tajikistan, see "no avenue for political expression" in their countries. As every shades of political opposition is being suppressed, "the opposition [goes] underground...radicalising along the way...and [coming] under the influence of network of mosques and madrasas...and become Islamicised".22

3. International Dimension of Instability

When the Soviet Union disintegrated, a simple model for understanding emerging Eurasian geopolitics was widely put forward. It was essentially a new version of the nineteenth century "Great Game", with Turkey and Iran replacing Russia and Great Britain for influence in the region.23 However, this model was overly simplistic. "Unlike the original nineteenth century "Great Game", the twentieth century version has a number of players", including Russia, Turkey, Iran, China and the West. Also, "not only governments were involved, but foreign and multinational corporations as well." Today, for the most part, the "Great Game", if we may still use the same phraseology, "consists of economic competition for jobs, pipelines, and new markets" as well as political influence and strategic advantages. As for the states of CA&C, in contrast to the situation in the nineteenth century, national leaders now have little objection to foreign involvement in the region. That is, they are actively seeking foreign investors as well as models and guidance on which to base their development.24

24CPSS Washington Workshop, pp. 3-5.
In this context, external involvement can have a positive impact on regional conflict resolution by providing investment, creating employment and supplying much-needed foreign aid to regional markets. However, profit margins that many believe will accrue from the region's natural resources, combined with geopolitical and strategic factors, lure external players into a dangerous game, played out within and throughout the region.

**a. Weakening of Russian Power and Influence**

Russia wishes to keep its presence in the area and is likely to remain engaged for the foreseeable future. But, its own serious economic problems and political weaknesses, which are exacerbated by internal power struggles, have hampered Russia's efforts to restore its hegemony. Thus, while Russia is ever sensitive to the growing foreign presence and influence in the region and tries to curb both, its influence continues to decline and is constantly being undermined.

Russia's most notable activity in post-Soviet Central Asia has took place in Tadjikistan. It's military intervention on behalf of the Tadjik government, also supported by Uzbekistan, contributed to regional stability by helping to contain the conflict, regardless whether the official justification of thwarting the spread of Islamic extremism was warranted. It was also Russian pressure that forced the Tadjik government to negotiate with the opposition groups, thus contributing to the peace deal signed in June 1997. Even so, the intervention created tension between the Tadjiks and Uzbeks living in Tadjikistan, and the fact that the success of the peace process largely depends on Russian co-operation and goodwill carries within it the seeds of instability.25

Similarly, Russian manoeuvring in the Caucasus has been the most important destabilising factor in the region.26 Despite dire

25*CPSS Bishkek Workshop*, pp. 5-6.
26For evaluations of Russian interventions into the Caucasus, both in historic and contemporary terms, see P. Henze, "Russia and the Caucasus", and D. Nissman, "Russia and the Caucasus: Maintaining the Imbalance of Power", both in *Perceptions*, Vol. 1 (2), June-August 1996; P. Baev,
consequences, because of competing power structures within the Russian Federation (including the military, the Ministry of Foreign Affairs, the Ministry of Internal Affairs and the oil and gas lobby), there flow, not surprisingly, contradictory and uncoordinated actions towards the region up until 1995. Since then, however, Russians have been able to put together a more coherent policy, aimed at stopping the further weakening of Russian power and influence.

Though the Russian presence and pressure has been, at times, perhaps the single greatest destabilising factor throughout CA&C, it is clear now that a further Russian withdrawal from the region could also have a negative impact by creating a power vacuum, which in turn could lead to chaos and instability. After all, it was in the void following the collapse of the USSR that numerous disturbances arose throughout the newly independent states. Judging from the positive examples of Georgia and Tadjikistan, where Russia has managed to provide tentative and precarious security through the armed forces it maintains in the region, it could be argued that a healthy amount of contact with Russia would help to solve the problems related to active conflicts. In the meantime, however, the Russian position against the influences of regional powers, titular nationalism and Western economic penetration is increasingly pronounced and sometimes gives the impression that it may overreact to the perceived threats to, or the loss of, its traditional sphere of influence, possibly even resorting to the use of armed force. The bottom line is that as geography cannot be changed and Russia will maintain, or at any rate attempt to maintain, a presence in the region, the key to regional peace and stability is in Russian hands.

b. Turkish Influence and Foreign Policy

Immediately after the collapse of the USSR, while the identity question was discussed earnestly among the locals and by outsiders interested in the outcome, Turkey was cited as an important actor because of its strong historical, cultural, ethnic and

"Can Russia Do It Alone in the Caucasus?", Perceptions, Vol. 2 (3), September-November 1997. Also see pp. 32-36 of this paper.
linguistic bonds with the newly independent states of Central Asia (plus Azerbaijan). Thus the positive role Turkey might play in this region was extensively discussed not only within Turkey but also in the West, whose fear that radical Islam might fill the power vacuum that emerged in the region led to strong encouragement to these states to adopt a "Turkish model" of secular democracy combined with a liberal economy.

Turkey too, wanted to act as a window or link to the international community. Moreover, their emergence as independent states at a time when Turkey was experiencing the negative effects of the end of the Cold War on its security and foreign policies was looked upon as a welcome break and an unprecedented historical opportunity to be utilised for political, economic and psychological gains. However, blown-up expectations and euphoric pronouncements were soon modified by reality and Turkey has had to backtrack on some of its earlier pledges regarding extensive economic aid. Then, disappointment followed on both sides. In particular, the Central Asian states doubted Turkey's ability to provide models for education and economic development, while the Turks have become irritated by the half-hearted responses they received from Central Asians to Turkish overtures.

Moreover, Turkey's eager moves in the region to forge closer relations made its rivals question whether Turkey was aiming for regional hegemony. Although Turkish leaders have repeatedly articulated that the fear of a revival of pan-Turkism as an extension of Turkey's efforts in CA&C is unfounded, its neighbours' suspicions continued to hound Turkey. Turkey's emphasis on commonalities between the Turks and the Turkic-speakers of CA&C, also created resentment among them, since it was in direct conflict with "the individual and separate self-identity and national awareness formulated by each of these people."

It became clear that, though they shared a common Turkic origin, the Turkic peoples of Central Asia had a strong sense of distinctiveness and preferred to assert their own individual identity rather than be submerged within a broader cultural and political umbrella.

Source: From different country reports of TICA which were published in Ankara in 2000.

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Table 3: Aids by TICA (USD)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Azerbaijan</td>
<td>457,642</td>
<td>783,317</td>
<td>453,192</td>
<td>324,547</td>
<td>243,948</td>
<td>886,606</td>
<td>309,455</td>
</tr>
<tr>
<td>Georgia</td>
<td>-</td>
<td>300,407</td>
<td>276,831</td>
<td>166,163</td>
<td>87,494</td>
<td>140,038</td>
<td>214,451</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>1,412,397</td>
<td>5,026,288</td>
<td>4,931,744</td>
<td>1,001,940</td>
<td>2,877,038</td>
<td>1,045,185</td>
<td>3,696,507</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>160,705</td>
<td>994,427</td>
<td>1,074,761</td>
<td>524,063</td>
<td>305,538</td>
<td>4,044,254</td>
<td>566,871</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>130,004</td>
<td>38,205</td>
<td>171,392</td>
<td>384,793</td>
<td>151,373</td>
<td>271,682</td>
<td>356,312</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>134,196</td>
<td>651,993</td>
<td>1,021,286</td>
<td>774,735</td>
<td>321,780</td>
<td>218,014</td>
<td>324,343</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>31,073</td>
<td>271,800</td>
<td>212,245</td>
<td>147,427</td>
<td>124,803</td>
<td>156,358</td>
<td></td>
</tr>
</tbody>
</table>

Source: From different country reports of TICA which were published in Ankara in 2000.

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Table 4: Turkish Educational Institutions in Turkic Republics, 2000

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Schools</th>
<th>Number of Students</th>
<th>Number of Course Centers</th>
<th>Number of Course Attendants</th>
<th>Number of Teachers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MNE</td>
<td>Other</td>
<td></td>
<td>MNE</td>
<td>Other</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>1</td>
<td>14</td>
<td>291</td>
<td>1</td>
<td>654</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>160</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>2</td>
<td>1</td>
<td>183</td>
<td>1</td>
<td>257</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>7</td>
<td>144</td>
<td>1228</td>
<td>1</td>
<td>32</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>2</td>
<td>211</td>
<td>413</td>
<td>2</td>
<td>580</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>82</td>
</tr>
<tr>
<td>TOTAL</td>
<td>12</td>
<td>370</td>
<td>2115</td>
<td>8</td>
<td>1765</td>
</tr>
</tbody>
</table>

Source: Turkish Ministry for National Education (MNE).

Perhaps resulting from this disappointment, Turkey has since then increasingly moved its attention to the Caucasus, a region that may yet prove more promising for partnership than did Central Asia. In addition to geographic proximity, which Turkey can utilise successfully for its benefit, the lures of the Caspian oil potential and the need to transfer it to Western markets provide an added incentive for closer involvement.

Table 5: Number of Students from Caucasian, Central Asia and Balkan Countries in Turkey, 2000.

<table>
<thead>
<tr>
<th>Country</th>
<th>Secondary Education</th>
<th>TÖMER</th>
<th>Diploma</th>
<th>University</th>
<th>Masters</th>
<th>Doctorate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azerbaijan</td>
<td>2</td>
<td>38</td>
<td>99</td>
<td>865</td>
<td>156</td>
<td>9</td>
<td>1169</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>-</td>
<td>59</td>
<td>74</td>
<td>546</td>
<td>80</td>
<td>16</td>
<td>775</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>20</td>
<td>77</td>
<td>104</td>
<td>457</td>
<td>71</td>
<td>33</td>
<td>762</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>-</td>
<td>15</td>
<td>131</td>
<td>47</td>
<td>2</td>
<td>195</td>
<td></td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>27</td>
<td>8</td>
<td>146</td>
<td>1147</td>
<td>37</td>
<td>3</td>
<td>1368</td>
</tr>
<tr>
<td>Asian Countries</td>
<td>3</td>
<td>143</td>
<td>153</td>
<td>1165</td>
<td>143</td>
<td>6</td>
<td>1613</td>
</tr>
<tr>
<td>Balkan Countries</td>
<td>64</td>
<td>194</td>
<td>91</td>
<td>1153</td>
<td>37</td>
<td>4</td>
<td>1543</td>
</tr>
<tr>
<td>TOTAL</td>
<td>116</td>
<td>519</td>
<td>682</td>
<td>5464</td>
<td>571</td>
<td>73</td>
<td>7425</td>
</tr>
</tbody>
</table>

Source: Center for Turkish Language Education of Ankara University

However, any possibility of an armed clash with the Russian Federation is particularly disturbing from the Turkish perspective. Since Russia is still the only great power in the Caucasus theatre,
Turkey, understandably, tries to avoid alienating or alarming Moscow, taking care in its rhetoric and activities as the Russians are acutely sensitive to any pan-Turkic, as well as Islamic, trends in the area.

On the other hand, Turkey and Iran also became rivals for a while in trying to create spheres of influence at the southern portions of the former Soviet Empire. In spite of their initial enthusiasm in approaching these republics, however, it has become increasingly apparent that both Turkey and Iran lacked the economic resources that would enable either of them to exercise a dominating influence in the region, and it was the Russian assertiveness since 1995 that put an end to this flourishing rivalry.

c. Iranian Influence and Policy

Iran has thus far been less of a player in the new "Great Game" though its presence in the region has taken an upturn in recent years. There were many reasons for Iran's bad start. Among the factors that prevented further expansion of Iranian influence in the region are: its overwhelming Shi'ite population while the majority of Moslems in CA&C are Sunnis; its openly theocratic character, which is unacceptable to the region's secular leaders; and its policy of confrontation with the West, to whom the newly independent states of CA&C continue to appeal for aid and assistance.

Consequently, Iran's influence in Central Asia extended only as far as Tadjikistan because Islam's attraction has been stronger there than anywhere else in Central Asia, and because of the ethnic, cultural and linguistic closeness of the two states. Iran's other close affiliation has been with Turkmenistan, utilising their long common border. From this position, "Iran has subsequently had some success in projecting a more positive image in the region."30 Most importantly, Iran's policies in the region have been more moderate than was originally anticipated. It has been quite careful

not to give the image of trying to destabilise the region by its revolutionary rhetoric. In this, Iran's close relationship with Russia and understanding regarding preservation of stability on the southern border of the Russian Federation has played an important part.

Iran's engagement in the Caucasus has been less gratifying, with Armenia the only part of the region where it has had some influence. Although at first it appears anomalous that the Islamic Republic of Iran should make successful inroads in Christian Armenia while its relations with Shi'ite Azerbaijan remains tense at best, economic interests and geopolitical calculations, not religion, dominates this complicated triangle. In general, however, Iran's internal economic problems give it little to offer CA&C in terms of money and technology, and its international isolation cripples its capabilities.

d. China and Central Asia

Motivated by its increasing demand for energy, China has already begun to invest heavily in the oil-rich states of CA&C, especially in Kazakhstan. Trade between China and the Central Asian states are also flourishing. Moreover, for the authoritarian Central Asian leaders, China's development strategy, mixing communist ideology with a gradual transition to a market economy in parts of the country, is an attractive model. Further, close relations with China may also help the Central Asians to counter the Russian post-Soviet hegemonic drive in the region. At the same time, conversely, the Central Asian's are attempting to preserve some Russian presence in the region as a strategic protection against possible future Chinese demands and pressures.

For its part, China fears that its Uighur minority, influenced by the liberation of their "Turkic brethren" across the border, might resort to increasingly violent means to achieve independence themselves and perhaps even organise a rebellion from bases in Central Asia, where many Uighurs live.

On the wider geopolitical scene, China might become a major long-term threat to Central Asia if only because of its massive power potential and insistence on continuing its nuclear
test programme in the areas bordering Central Asia. Moreover, Kazakhstan, Kyrgyzstan and Tadjikistan are especially suspicious about Chinese objectives because it laid claims to large parts of their territory during the 1970s and 1980s, while the area was still part of the Soviet Union.  

\[31\]  

\[e. Extension of Western Influence\]

There are various opportunities for Western investment and expertise in the region, and hence the possibility of clashes of interest. There is also a real possibility that the resultant economic benefits in time could also alter or even reverse the traditional orientation of the regional countries towards Russia. However, Russia is not likely to welcome Western economic involvement in, assistance to and exploitation of resources in the region, any of which may run counter to its perceived interests there.  

The Russians are already concerned because they perceive that American influence in the whole of CA&C expands proportionally to the reduction of Russian weight and influence. In this context, Turkey's position, too, comes under suspicion as an agent of the West in the region, aiming to dislodge and displace Russian influence.  

On the other side of the coin, the US has also become more active in CA&C in recent years. The openly stated US interest in the region comprises "strengthening regional economic [and political] mechanisms, developing east-west energy and transportation processes, and providing support to conflict resolution efforts." However, there are other geo-strategic and geo-economic priorities for further US involvement, such as "containing Iran's influence in the region" and promoting

\[31\] Ibid., pp. 63-64.  
\[33\] For an elaboration of this view, see A. Ehteshami and E. C. Murphy, "The Non-Arab Middle Eastern States and the Caucasian/Central Asian Republics: Turkey", International Relations., 1993, pp. 531-533.
"American business interests and strategic plans." Moreover, American policymakers are also concerned about the possibility of proliferation of weapons of mass destruction and Central Asia's growing drug trade.

4. Caspian Basin Resource Management

The attention of the wider international community has turned to CA&C in part because of its rich natural resources. The international competition for access to oil and gas reserves and the need to bring them to world markets, however, has had both positive and negative effects on regional conflicts.

Map 1: Caspian Region

The realisation that the full potential of regional wealth can only be enjoyed widely if its energy resources have stable access to international markets motivates regional co-operation and provides an incentive for international efforts to resolve the region's conflicts. At the same time, competition between those countries wishing to host the pipelines out of the region creates numerous possibilities for conflict.

a. Importance of Energy Resources in the Caspian Region

The full development of Caspian Sea reserves is only at its initial stage and the majority of gas and oil reserves in this region
have yet to be developed. During the Soviet era, most of the Caspian remained unexplored. Nevertheless, major discoveries made in Azerbaijan and Kazakhstan during the Soviet period indicate large reserves of oil, the production of which will increase with additional investment, new technology and the development of new export outlets. With its proven and prospective reserves, the area, although not another Middle East as some had hoped, could well be another North Sea.

Among the littorals of the Caspian Sea, Iran is the least interested in the immediate development of Caspian oil deposits because of its oil reserves elsewhere and its inability to utilise even them to their full potential due to the American embargo. Nevertheless, Iran is extremely interested in the distribution and the transportation of Caspian energy resources.

Russia's attitude is similar to Iran in that it does not feel the haste to develop the Caspian Sea's reserves as it already has large proven oil and gas reserves and production capacity in other parts of the country. Moreover, the Russian part of the Caspian shelf, provided it is eventually divided into national sectors, does not have promising oil reserves, though they are not yet fully developed and further exploration may still uncover rich deposits. Furthermore, as it is already one of the more important oil-exporting countries, Russia, like Iran, would not be happy to see new oil export rivals emerging, especially out of its control.

Turkmenistan, like Russia and Iran, is not concerned for the urgent development of its Caspian oil reserves. Its Caspian coast is the least explored of all and it has large natural gas reserves elsewhere in the country. Therefore, Turkmenistan's short- to mid-term objective is to develop an independent natural gas export infrastructure that does not have to pass through Russian territory. Azerbaijan and Kazakhstan, on the other hand, are more interested than the others are in the immediate development and export of Caspian oil. This is because most of the proven oil resources in the area are concentrated near their shores and "they are in greater need of [the] hard-currency funds that will come from the export
of oil”, which would also enhance their economic and political independence from Russia.34

Table 6: Estimates of Recoverable Oil and Gas Resources in the Caspian Region

<table>
<thead>
<tr>
<th>Countries</th>
<th>Proven Oil (blll. barrels)</th>
<th>Possible Oil (blll. barrels)</th>
<th>Total (blll. barrels)</th>
<th>Proven Gas (trill. m³)</th>
<th>Possible Gas (trill. m³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azerbaijan</td>
<td>3.6</td>
<td>27.0</td>
<td>31.0</td>
<td>0.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>10.0</td>
<td>85.0</td>
<td>95.0</td>
<td>1.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>1.5</td>
<td>32.0</td>
<td>33.5</td>
<td>4.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>0.2</td>
<td>1.0</td>
<td>1.2</td>
<td>2.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Russia</td>
<td>0.2</td>
<td>5.0</td>
<td>5.0</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Iran</td>
<td>na</td>
<td>12.0</td>
<td>12.0</td>
<td>0</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>15.6</td>
<td>163.0</td>
<td>178.0</td>
<td>8.3</td>
<td>9.3</td>
</tr>
</tbody>
</table>

Source: U.S. Department of State, Caspian Region Energy Development Report (as required by HR 3610), undated report attached to letter from Barbara Larkin, Assistant Secretary for Legislative Affairs, to Senator Robert Byrd, 15 April 1997, p. 3.

However, none of the littorals of the Caspian Sea have the necessary capital to explore and exploit the regional hydrocarbon resources and they will need foreign investment for the foreseeable future. Moreover, the technological complexity of extracting the oil deposits from sub-sea reservoirs further complicates the exploration in the Caspian Sea. Developments in international oil markets may also unfavourably affect the development of Caspian Basin oil and gas projects, especially if world oil prices decrease or world oil supply is boosted by increases in oil extraction in the newly developed fields or from the traditional suppliers. Changes in international politics, such as the lifting of international sanctions against Iraq or a softening of the US position towards Iran, would also have an affect.35

In any case, apart from the Caspian Sea littorals, a number of countries will have to be included in any project because of either the possible transit of oil through their territory or the need for

investment. Therefore, before tapping the full benefits of Caspian oil and gas reserves, various legal, political and strategic issues have to be tackled and solved to the satisfaction of at least the majority of the littoral states, regional countries, Western oil companies and their governments.

b. Legal Status of the Caspian

During the Soviet period, most of the Caspian Sea coastline, apart from a small Iranian portion in the south, belonged to the Soviet Union. The collapse of the Soviet Union, however, brought about five states sharing the coastline and claiming jurisdiction over parts of the Sea. Although it is not difficult to see the urgent need for an explicit definition of the legal status of Caspian, the ongoing discussion among the littoral states has tended to dwell on the definition of the Caspian as a sea or a lake, while the real problem appears to be one of sharing the profit.36

In general, the choices regarding the status of the Caspian Sea under international law is between common ownership of the Caspian, thus subject to the joint sovereignty of all the littoral states, and delimitation based on some sort of formula to be agreed on. Russia has argued that the Caspian is an object of common use by the littoral states on an equal basis. According to Russia's original position on the status of the Caspian, which Iran and Turkmenistan supported, the Law of Sea could not apply to the Caspian since it has no natural connection with other seas. Russia argued that it was an inland lake and should be governed as such and that joint utilisation was the only way forward. Further, the Russians argued, the legal regime of the Caspian could not be changed unilaterally. They also advocated 20-mile territorial waters plus an additional 20-mile exclusive economic zone, with common ownership of the central area of the Caspian.

In November 1996, however, Russia declared that, as a 'compromise', it was ready to recognise a 45-mile "off-shore economic zone for each country" and "the littoral states jurisdiction over the oil fields whose development has already started or is about to start." This apparent "softening" in the Russian position was mainly due to the realisation that "it cannot stop the division of the sea." Russia's position regarding the legal status of the Caspian has further wavered with the passage of time and there have been conflicting signals from different government agencies. Notably, the position of the Russian Foreign Ministry contradicts the position of the Russian Ministry of Fuel and Energy, which supports the signing of contracts in which the Russian oil companies are participating.

In contrast to Russian position, the Azeri position was described as the "border lake" concept, with national sectors formed by central median line and the extension of international borders into the Caspian. Accordingly, each littoral state in its own sector would have exclusive sovereignty over biological resources, water surface, navigation and exploitation of the seabed. At times, it has also aired the "open sea" concept with 12-mile territorial waters and adjoining exclusive economic zones not exceeding 200 miles, in agreement with a central line principle. Kazakhstan generally supports Azerbaijan's position. Accordingly, Azerbaijan and Kazakhstan in a unilateral manner have already divided the Caspian to suit to their own designs, though Iran, Russia and Turkmenistan object to such moves.

38G. Bout, "Russia, Iran Agree that Rules on Caspian Sea are Affair of Littoral States, None of Which Should Take Unilateral Steps", Current Digest of the Soviet Press, Vol. 47, No. 44, November 1995, p. 15.
39For differences of opinion between various interest groups in Russian foreign policy making regarding Caspian region, see F. Fedorov, "Russia's Policies Toward Caspian Region Oil: Neo-Imperial or Pragmatic?", Perspectives on Central Asia, Vol. 1 (6), September 1996, at: [http://www.cpss.org/caspianw/septpers.html].
40Shimizu, IDE Spot Survey, p. 11; Blandy, The Caucasus Region, p. 15.
Recent negotiations between the Russian Federation and Azerbaijan have indicated that, perhaps as a result of pressure from the Russian oil company Lukoil, there is a possibility that Russia's stance on common ownership may become less rigid, moving towards the Azeri "border lake" concept, even though "the joint operation of an exploitation project in the central part of the Caspian is still, in essence, a projection of the common usage approach."\(^{41}\) The Russian approach to Azerbaijan could be further modified.

Although Turkmenistan had earlier supported the Russia's Caspian position, its position has remained ambiguous since February 1997, when Turkmenistan's President, Saparmurad Niyazov, announced that the Azeri and Chirag oil deposits, which Azerbaijan had exploited unilaterally, were on Turkmenistan's territory. A fierce disagreement between the two countries ensued since then.\(^{42}\) However, Azerbaijan and Turkmenistan issued a statement in February 1998 to the effect that both countries agreed that the Caspian Sea area between them would be divided along the median line, but disagreements over where to draw that line continue.

Iran continues to insist on a condominium solution, protesting against plans to construct underwater pipelines across the Caspian, favouring the transportation of oil by the existing pipelines through Iranian and Russian territory. Nevertheless, Iran could accept a sectoral principle of Caspian Sea division if its interests are taken into account. Indeed, it has already softened towards Azerbaijan after the latter awarded exploration rights in Shah-Deniz to Iran.

Behind all these controversies lies the fact that the yields from exploitation rights for individual states would greatly differ depending on the status of the Caspian. Were the Caspian to be divided among the littoral states, Azerbaijan and Kazakhstan would have the largest share of proven oil deposits and exploitation rights and, in particular, under the "border lake" concept, they would


obtain more than twice the amount that Russia would enjoy under the same concept of allocation.\(^5\) Under the Russian 45-mile proposal, however, most Azeri offshore oil would be transferred to collective ownership.\(^4\)

Moreover, underpinning the Russian position is the argument that it has certain "rights" in the newly independent states because their economies were developed with Russian financial support and expertise.\(^5\) If Russia succeeds in its arguments, then it would also negatively affect the political independence of the other former Soviet countries because the condominium approach would definitely strengthen the dominant regional actor, giving it a veto power to undercut all the independent international investment that would enable these countries to break free from Russian political and economic pressures.\(^6\) Other littoral states, however, are eager to realise their potential wealth from the Caspian in order to stabilise their shaky economies and domestic politics, as well as enabling them to distance themselves from the Russian sphere of influence, an endeavour that the US supports. The US also continues to strongly object to the condominium approach since it would bring Iran and Russia into the picture.\(^7\)

\(^{43}\) If Azerbaijan's arguments were accepted eventually, then Azerbaijan's "sector" of the Caspian would contain 25 of the 32 known oil and gas fields of the Caspian as well as about 40 per cent of the prospective fields. See, J. Delay, "Azerbaijan Has Lion's Share of Caspian Blocks, SOCAR Official", Pipeline News, No. 52, 22-28 March 1997.

\(^{44}\) Calculations are based on the figures given by Blandy, The Caucasus Region, p. 16. Almost 80 per cent of current Azeri oil production comes from offshore fields, and, with two exceptions, all the contracts signed with international oil companies are for offshore oil fields. See M. P. Croissant and C. M. Croissant, "The Caspian Sea Status Dispute: Azerbaijani Perspectives", Caucasian Regional Studies, Vol. 3 (1), 1998, at: [http://poli.vub.ac.be/publi/crs/eng/0301-01.htm], 30 December 1999, p. 9.


\(^{46}\) For the same argument see Croissant/Croissant, The Caspian Sea Status Dispute, pp. 7-10.

\(^{47}\) In response to Russia's above-mentioned November 1996 proposal, the United States Special Envoy to the Newly Independent States, James
It is obvious that any Caspian compromise will require the agreement of five littoral states and at least half a dozen other regional players with conflicting political and economic goals. In the absence of an agreement, however, a worst-case scenario might even include the possibility of a military confrontation between rival states.48

**c. Pipeline Routes and International Rivalries**

One of the peculiar features of the Caspian oil picture is that the regional countries most interested in the early exploration and transportation of oil and natural gas are landlocked and have to rely on the goodwill and co-operation of their neighbours. As each country has a preference about how the oil and natural gas should be transported to market and external powers are trying to exert influence to ensure that the selected route best meets their needs, the issue assumes an importance quite separate from that of production.

Under the current geopolitical calculations, Russia is keenly interested in retaining, or recovering, its political influence in the Caspian Basin. In order to acquire this advantage, Russia has insisted that the northern pipeline from Baku, Azerbaijan, to the Russian Black Sea port of Novorossiysk should be the main transit route for oil from the Caspian. This would ensure Moscow's exclusive and strategic control over the region's resources. Opposing Russian insistence on the northern route, the US and Turkey as well as the Caucasian states of Georgia and Azerbaijan prefer a western route through Georgia to the Turkish

Collins, wrote in a letter to Azeri President Aliyev that the United States "upholds the idea of the sectoral division of the Caspian Sea". This letter marked a change in the United States position, which hitherto did not take part in discussion and argued that the legal status of the Caspian should be decided between the littoral states. See: "US Official Arrives in Azerbaijan", *United Press International*, 13 November 1996; and J. Delay, "United States May Finally Be Taking Sides in the Dispute Over Ownership of Caspian Oil", *Pipeline News*, No. 38, part II, 25-30 November 1996.

48 Schofield/Pratt, *Claims to the Caspian Sea*, p. 79.
Mediterranean port of Ceyhan. What is at stake is not only oil and gas transit revenues that host countries can extract from pipelines passing through their respective territories, but more importantly, the pipeline network is one of the key factors in securing and maintaining influence throughout the region. Quite clearly, usage of the western route would give Turkey a greater influence than Russia, which, on the other hand, would benefit greatly from the northern route.

Map 1: Oil and Natural Gas Export Infrastructure from Caspian Basin

United States' support for the western route is firmly embedded in its wider Eurasian and Middle Eastern strategic priorities. One of them is to prop up the independence of the newly independent countries of CA&C against the influence of Russia.\(^5^0\) Another strategic goal of the US is to "exclude Iran from participation in the production of Caspian oil and gas, and to prevent the development of transportation routes or pipelines that would lead from the Caspian region to either the Gulf or the Indian Ocean via Iran". This objective is, on the one hand, closely intertwined with the dual containment policy of the US against Iran and Iraq, and, on the other, "connected with the fundamental US strategy in the Middle East of not permitting the emergence of any dominant regional power capable of influencing the oil market in the Gulf."\(^5^1\)

Moreover, the US favours the Baku-Ceyhan route because it passes through pro-American countries and would bind them closer to each other and to Western interests. Moreover, it would also secure Turkey's role as a major player in the Caspian region, which, in turn, "would boost the status of a loyal NATO ally whose secular, moderate government could", after all, "serve as a model for post-Soviet states such as Georgia, Azerbaijan, and Turkmenistan" and could check the influences of Iran and Russia in the region.\(^5^2\)

If the Baku-Ceyhan pipeline was built and put into operation, its main effect would be to weaken or even cut off Central Asian and the Caucasian states' economic and transportation dependence on Russia. Azerbaijan, Kazakhstan and Turkmenistan would appear as new competitors to Russia in the export of oil and gas to the world market, and would use the money thus obtained to enhance

\(^5^0\)For discussion of American policy towards Central Asia and the Caucasus, see United States House of Representatives, Committee on International Relations, Staff Report, Major Setbacks Looming for American Interests in the Caucasus Region, 6 September 1996. Also see A. Cohen, "United States Policy in the Caucasus and Central Asia: Building a New "Silk Road" to Economic Prosperity", Heritage Foundation Backgrounder, No. 1132, 24 July 1997.

\(^5^1\)Shimizu, IDE Spot Survey, p. 30.

their political independence from Russia. The role of the Western states, whose oil and gas companies would eventually provide the necessary investment, would increase, as would the role of Turkey. On the other hand, the perceived decrease in Russian influence or outside attempts to isolate or eliminate Russia in the Caspian region could easily become counter-productive, and may quickly encounter an asymmetric response potentially destructive to the stability of regional security.

Obviously, the choice of directions for oil and gas transportation from the Caspian Sea region depends on a number of factors. Among them, the geopolitical considerations of the major world powers and local security problems are at least as important as the financial considerations, geographic location of the main consumers and the existing infrastructure. Obviously, regional conflicts, political instability and a lack of regional cooperation have slowed the development of Caspian oil and gas resources and export routes.

\textit{d. Environment and Ecology}

The World's attention is attracted to the region by regional rivalries over the highly explosive issues of oil extraction, transportation and profit sharing, and occasionally by ethnic tensions. However, there is another important danger about which politicians and oil-interests generally remain silent, namely the ruination of the Caspian's ecosystem and an accompanying irreversible environmental damage.

The general ecological situation is already beyond recovery throughout the region. In addition to the rising sea level and the flooding of coastal areas, the problem of the increasing saturation and greasiness of the soil further worsens the conditions.\textsuperscript{53} Because of rising pollution, disturbances caused by the hasty exploration of the coastal shelf and the development of offshore oilfields, various}

\textsuperscript{53}In addition to the flooding of arable land and the problem of an overall population of 700,000 people presently in need evacuation, it is predicted that, by the year 2010, the water level will rise by a further 25 metres. Blandy, \textit{The Caucasus Region}, p. 25.
forms of aquatic life face the threat of extinction in the Caspian. Moreover, because of the concentration of hydrocarbon waste, the Azerbaijani coastline is now declared unsafe for humans.\textsuperscript{54}

This large-scale environmental and ecological damage underlines the need for an international authority to enforce compliance with appropriate environmental norms in the Caspian Basin. However, as the negotiations on legal issues surrounding the Caspian Sea are intermingled with the resolution of environmental concerns, the ongoing dispute over access to resources presents a major obstacle to the effective management of such problems, particularly at the supranational level.

Environmental questions surrounding the Bosphorus in particular and the Black Sea in general have also begun to weigh heavily in the choice of export routes for Caspian oil. Exports through the Bosphorus have grown since the break-up of the Soviet Union in 1991, and there is increasing concern that projected Caspian Sea export volumes will exceed the ability of the Bosphorus to accommodate the tanker traffic.\textsuperscript{55}

5. Conflict and/or Co-operation?

It is often argued that Central Asia's relative stability during the years of transition since independence has been due, in


\textsuperscript{55}Already 60 per cent of the 50,000 ships a year that pass through the Straits are tankers. If Novorossiysk is chosen for the main AIOC line, this will add to the oil already coming from Kazakhstan by road and the projected CPC line between Tengiz and Novorossiysk. Taken together with the Baku-Supsa line, the number of tankers will increase sharply causing more risks and delays. See, P. Crow, "Pipeline Politics",\textit{Oil and Gas Journal}, Vol. 96, No. 11, 16 March 1998. Also see B. Aliriza, "Clear and Present Danger in the Turkish Straits",\textit{CSIS Caspian Energy Update}, 3 February 2000, at [http://www.csis.org/turkey/CEU000115.htm].
addition to the continuity of leadership since the Soviet period, to established communal social structures and a tradition of tolerance.\textsuperscript{56} However, regardless whether this assessment is correct, the effort to define national identities while struggling with post-Soviet economic and political transitions is placing that tradition of tolerance, to the extent that it exists, under great strain.

One way to strengthen the culture of tolerance and help cultivate stability is to encourage regional interactions and cooperation. One of the first examples of regional cooperation was the establishment of the Central Asian Union in 1994 between Kazakhstan, Kyrgyzstan and Uzbekistan, which they formed to provide the institutional means to address shared economic problems and to promote economic and political stability in the region. Tajikistan recently joined this organisation, now known as the Central Asian Economic Community. Another emerging example of cooperation within CA&C region, with links to the outside world as well, is the establishment of TRACECA (TRAnsport Corridor Europe Caucasus Asia). It is hoped that this European Union-funded project will enhance regional stability by facilitating the regional exchange of goods and creating a land-based link between Europe and the region.

One of the most efficient ways to deal with regional security problems would of course be an arrangement for a region-wide common security organisation (such as recent Turkish proposal for Caucasian Stability Pact) along the lines of the OSCE, with maybe a standing peacekeeping force.\textsuperscript{57} However, there are various

\textsuperscript{56}During the CPSS Workshops mentioned earlier, all the participants from Central Asia insisted that this was the case and argued that perhaps the most important factor contributing to this tolerance was Central Asia's sharing of a common ancestry; that they are all "brethren".

\textsuperscript{57}I proposed this arrangement to deal with the instability in the region at a conference on "Central Asia and the Caucasus: The Role of Regional Power in Conflict Resolution and Economic Development", Tehran, Institute for Political and International Studies, 27-28 April 1998. See M. Aydin, "Ethnic Conflict and Security in Central Asia and Caucasus: the Role of Turkey", Marco Polo Magazine, 1998 (3). In this context, the recent Turkish proposal for establishing a "Caucasian Stability Pact" is an interesting attempt that needs to be followed up. For developments surrounding the Turkish proposal see: "Caucasian Strife and Caspian Oil
obstacles to overcome before such an arrangement can be applied to CA&C. First, there is the probable Russian resistance to sharing its much-sought role of "peacemaker" for the region. Second, it would be difficult to find regional states that would send and pay the costs of its soldiers in rather far away parts of Central Asia or the Caucasus to make or keep peace in conflicts that pose little immediate danger to their interests. Third, and maybe most importantly, the regional countries, both the older and newer ones, are not known for their co-operative tendencies, and they look at each other today with suspicion about intentions. So, almost none of the pre-conditions for setting up a regional common security organisation and conflict prevention mechanism exist within the region.

With this background, the outlook is not so bright and there are number of flash points that may erupt into an open armed conflict at any given time. Tension will continue to exist along the international borders between the Transcaucasian republics and the Russian Federation. Namely, stability in the Caucasus will continue to be poisoned by: The state of continuing unease between Georgia and Abkhazia, on the one hand, and between Georgia and South Ossetia on the other; The Armenian occupation of the 20 percent Azeri territory in and around Nagorno-Karabakh; and the tension along the Dagestan-Azerbaijan border, where the Lezgins spread across both sides of the border.

Other conflict situations could include: disputes between the Ingush and the North Ossetians; continued unrest in Chechnya; ethnic boundary disputes in Dagestan; a rekindling of Tadjikistan's civil war; and the possibility of the Afghan civil war spilling over into neighbouring areas of Central Asia.

New trouble spots might also emerge along the proposed pipeline routes from the Caspian, both along the northern route through Chechnya and the southern route through eastern Turkey. In addition, the following aspects of regional affairs should be watched concerning future trends in CA&C:

* Weakening of Russian power and influence

A further weakening of Russia's ability to cope with the increasing crime rates in the Northern Caucasus, when coupled with its inability to turn the economic trends around, poses a serious immediate threat to the stability of the whole region. Moreover, if Russia's present financial and economic problems forces it to withdraw completely from the area, this would open up further possibilities for rivalries, even conflict between (extra) regional powers.

* The democratisation process

None of the major players in Central Asia or the Caucasus are fully democratic or stable. Their stability, to the extent that it exists, depends on one man's political and physical health, leaving them prone to protracted instability and internal conflict. Besides, personal authoritarianism makes political power an inherently unstable endeavour.

* Economic poverty and dependence on Western aid and assistance

With the exception of Azerbaijan, Kazakhstan and Turkmenistan, which are potentially rich countries due to their energy deposits, most of the countries in the region have little to count on for long-term income and economic development. As they are just beginning to recover from the all-encompassing transition, the challenges they are facing are enormous. With ethnic strife, enforced migration, economic deprivation and widespread unemployment throughout the region, "there is an inescapable need for foreign economic assistance and expertise from the West to reverse this trend."58 Otherwise, a worst-case scenario could

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58Bandy, *The Caucasus Region*, p. 28.
include an extended armed conflict spreading either from Chechnya or Nagorno-Karabakh in the Caucasus or from Tadjikistan in Central Asia and eventually engulfing the whole area.

* Limited political control over armed forces

None of the regional players have absolute democratic control over their armed forces, whether key states or one of the score of non-state entities like the Chechens, Abkhazians or Karabakh Armenians. Even where controls exist, they are not democratic ones that can foster long-term stability. There is therefore a serious danger of unauthorised groups touching off a war that drags in larger states.

* The Caspian Sea

An agreement on the Caspian's status is urgently needed to avoid a miscalculation that could lead to serious confrontation. In the absence of an agreement on status, which would also assist in the preservation of the Caspian ecosystem, the continuing dispute about oil extraction rights would simply drag on with the possibility of new complications emerging over time.

Although much has happened since the collapse of the Soviet Union and the independence of the Central Asian and Caucasian states, we cannot yet argue that the evolution of Eurasian geopolitics has ended. The five Central Asian and three Transcaucasian states may yet quarrel or re-align along, for example, national, ethnic, religious or economic lines, and the outcome "indeed the very process, threatens to alter political and military equations from China to the Balkans."59

59Ibid.
# APPENDIX I: CENTRAL ASIAN REPUBLICS: BASIC DATA

<table>
<thead>
<tr>
<th>Official Name</th>
<th>Kazakhstan</th>
<th>Kyrgyzstan</th>
<th>Uzbekistan</th>
<th>Tajikistan</th>
<th>Turkmenistan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital</strong></td>
<td>Astana</td>
<td>Bishkek</td>
<td>Tashkent</td>
<td>Dushanbe</td>
<td>Ashkabat</td>
</tr>
<tr>
<td><strong>Area (km²)</strong></td>
<td>2,717,300</td>
<td>198,500</td>
<td>447,400</td>
<td>143,100</td>
<td>488,100</td>
</tr>
<tr>
<td><strong>Population</strong></td>
<td>16,733,227</td>
<td>4,685,230</td>
<td>24,755,519</td>
<td>6,440,732</td>
<td>4,518,268</td>
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<tr>
<td><strong>Ethnic Groups (%)</strong></td>
<td>Kazakh 46, Russian 34.7, Ukrainian 4.9, German 3.1, Uzbek 2.3, Tatar 1.9, other 7</td>
<td>Kirghiz 52.4, Russian 18, Uzbek 12.9, Ukrainian 2.5, German 2.4, other 11.8</td>
<td>Uzbek 80, Russian 5.5, Tajik 5, Kazakh 3, Karakalpak 2.5, Tatar 1.5, other 2.5</td>
<td>Tajik 64.9, Uzbek 25, Russian 3.5, other 6.6</td>
<td>Turkmen 77, Uzbek 9.2, Russian 6.7, Kazakh 2, other 5.1</td>
</tr>
<tr>
<td><strong>Religious Groups (%)</strong></td>
<td>Muslim 47, Russian Orthodox 44, Protestant 2, other 7</td>
<td>Muslim 75, Russian Orthodox 20, other 5</td>
<td>Muslim 88 (mostly Sunnis), Eastern Orthodox 9, other 3</td>
<td>Sunni Muslim 80, Shi'a Muslim 5, other 15</td>
<td>Muslim 89, Eastern Orthodox 9, unknown 2</td>
</tr>
<tr>
<td><strong>Official Language(s)</strong></td>
<td>Kazakh (state), Russian (official)</td>
<td>Kirghiz (Kyrgyz), Russian</td>
<td>Uzbek</td>
<td>Tajik</td>
<td>Turkmen</td>
</tr>
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<td><strong>President (2001)</strong></td>
<td>Nursultan Nazarbayev</td>
<td>Askar Akayev</td>
<td>Islam A. Kerimov</td>
<td>Imomali Rakhmonov</td>
<td>Saparmurad A. Niyazov</td>
</tr>
<tr>
<td><strong>Prime Minister (2001)</strong></td>
<td>Kasymzhomart K. Tokayev</td>
<td>Kurmanbek Bakiyev</td>
<td>Otkir Sultanov</td>
<td>Oqil Oqilov</td>
<td>Saparmurad A. Niyazov</td>
</tr>
<tr>
<td><strong>Minister of Foreign Affairs (2001)</strong></td>
<td>Alikhan Baymenov</td>
<td>Naken Kasiyev</td>
<td>Abdulkadir Komilov</td>
<td>Talbak Nazarov</td>
<td>Rashid Meredov</td>
</tr>
<tr>
<td><strong>Currency</strong></td>
<td>Tenge</td>
<td>Kyrgyzstani Som</td>
<td>Sum</td>
<td>Somani</td>
<td>Turkmen Manat</td>
</tr>
<tr>
<td><strong>GDP</strong></td>
<td>$54.5 billion</td>
<td>$10.3 billion</td>
<td>$59.3 billion</td>
<td>$6.2 billion</td>
<td>$7.7 billion</td>
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<tr>
<td><strong>GDP per capita</strong></td>
<td>$3,200</td>
<td>$2,300</td>
<td>$2,500</td>
<td>$1,020</td>
<td>$1,800</td>
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<tr>
<td><strong>Inflation (%)</strong></td>
<td>9.8</td>
<td>37</td>
<td>29</td>
<td>22</td>
<td>30</td>
</tr>
<tr>
<td><strong>Trade balance</strong></td>
<td>$3.3 billion</td>
<td>-$75 million</td>
<td>-$0.2 million</td>
<td>$-136 million</td>
<td>-$15 billion</td>
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# APPENDIX II: CAUCASIAN REPUBLICS: BASIC DATA

<table>
<thead>
<tr>
<th>Official Name</th>
<th>Azerbaijan</th>
<th>Armenia</th>
<th>Georgia</th>
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<tr>
<td>Declaration of Sovereignty</td>
<td>23 September 1989</td>
<td>23 August 1990</td>
<td>9 August 1990</td>
</tr>
<tr>
<td>Diplomatic Relations</td>
<td>14 January 1992</td>
<td>No</td>
<td>22 May 1992</td>
</tr>
<tr>
<td>Capital</td>
<td>Baku</td>
<td>Yerevan</td>
<td>Tbilisi</td>
</tr>
<tr>
<td>Area (sq km)</td>
<td>86,600</td>
<td>29,800</td>
<td>69,700</td>
</tr>
<tr>
<td>Population</td>
<td>7,748,000</td>
<td>3,344,000</td>
<td>5,411,000</td>
</tr>
<tr>
<td>Ethnic Groups (%)</td>
<td>74.3 Azeri; 11 Talish; 2.5 Russian; 4 Lezgi; 3.2 Daghestani; 3 Kurt; 2 Avar</td>
<td>93.3 Armenian; 1.5 Russian; 1.7 Kurt; 0.3 Ukrainian; 3.2 other</td>
<td>70.9 Georgian; 8.1 Armenian; 6.3 Russian; 5.7 Azeri; 3 Ossetian; 1.9 Greek; 1.8 Abkhaz; 1 Ukrainian; 0.6 Kurt; 0.5 Jewish; 0.1 Assuri; 0.1 Tat</td>
</tr>
<tr>
<td>Religions (%)</td>
<td>93.5 Muslim (53.5 Shia, 40 Sunni); 6.5 other (Russian Orthodox, Jewish, Bahai, Budist)</td>
<td>90 Armenian Orthodox; 9 Catholic and Protestant; 1 other (Russian Orthodox and Jewish)</td>
<td>75 Orthodox Christian; (65 Georgian Orthodox, 10 Russian Orthodox); 11 Muslim; 8 Armenian Gregorian; 6 unknown</td>
</tr>
<tr>
<td>Official Language</td>
<td>Azeri</td>
<td>Armenian</td>
<td>Georgian</td>
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<tr>
<td>President (2001)</td>
<td>Haydar Aliyev</td>
<td>Robert Kocharyan</td>
<td>Eduard Shevardnadze</td>
</tr>
<tr>
<td>Prime Minister (2001)</td>
<td>Artur Rasizade</td>
<td>Andranik Markaryan</td>
<td>Georgi Arsenashvili</td>
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<tr>
<td>Minister of Foreign Affairs (2001)</td>
<td>Vilayet Gulyiev</td>
<td>Vardan Oskanyan</td>
<td>Irakli Menegashvili</td>
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<tr>
<td>GDP</td>
<td>$14 billion</td>
<td>$9.9 billion (1999)</td>
<td>$11.7 billion</td>
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<td>GDP per capita</td>
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<td>$2,300</td>
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<tr>
<td>Inflation (%)</td>
<td>-6.8</td>
<td>2.5</td>
<td>0.3</td>
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<tr>
<td>Trade balance</td>
<td>$128 million</td>
<td>$-542 million</td>
<td>$-90.3 million</td>
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</table>

APPENDIX III: THE DISPUTED REGIONS IN CENTRAL ASIA

1. Karakalphak Mukhtar Republic wants to separate from Uzbekistan to join Kazakhstan.
2. Turkmenistan wants the Mangistauski region from Kazakhstan.
3. Uzbekistan wants a part of Dashoguz region from Turkmenistan.
4. Karakalphak Mukhtar Republic wants north-west part of Bukhara region in Uzbekistan.
5. Khorezm region of Uzbekistan wants south-east region of Karakalphak Mukhtar Republic.
6. Uzbekistan wants Amu-Darya part of Carcev (Turkmenabat) region in Turkmenistan.
7. Turkmenistan wants Amu-Darya part of Bukhara region in Uzbekistan.
8. Uzbekistan wants south part of Chimkent region in Kazakhstan.
10. Tajikistan wants some parts of Samarkand and Bukhara regions and the River Zeravshan Valley in Uzbekistan.
11. Tajikistan wants the chain of mountains in the Osh region of Kyrgyzstan.
12. Kyrgyzstan wants a part of Gorno-Bedehshan Mukhtar Region of Tajikistan.
13. Uzbekistan wants a part of Osh province of Kyrgyzstan.
15. Kyrgyzstan wants south part of Alma-Ata and Taldy-Kurgan in Kazakhstan.
16. Kazakhstan wants some border regions of Russia such as Astrahan, Volgograd, Orenburg, Omsk, Kurgan, Altay and the others.
17. It is thought to establish a German administrative unit in the south of Kazakhstan and nearby Russian regions.
18. Russia wants north part of Kazakhstan, Kokshetav, Akmolla (Tselinograd), Kustanay, east part of Kazakhstan, north parts of Oral and Aktobe provinces, and Irtysh part of Semipalatinsk and Pavlodar regions.

APPENDIX IV: THE DISPUTED REGIONS IN CAUCASUS

1. Adige Republic wants the coastal part of Krasnodar.
2. The re-establishment of Karachay, Cherkhez, Kabarda-Balkar and Ingush republics was called for.
4. Kabarda-Balkar Republic wants some part of Cechen-Ingush Republic.
5. The establishment of a United Cherkhez Republic was demanded in the borders of Adige, Kabarda-Balkar and Cechen republics, and the coastal part of Krasnodar.
6. Ingush Republic wants the east part of North Ossetia.
7. Chechen Republic wants the west part of Daghestan.
8. It is thought the re-establishment of Gorskaya Republican in the borders of Adige, Kabarda-Balkar, Chechen, North Ossetia and Ingush republics.
9. It is thought the re-establishment of Kossak administrative unit in the Stavropol and Krasnodar regions; Greek administrative unit in Krasnodar; Turkmen administrative unit in Stavropol; Nogay administrative unit in North Daghestan and Stavropol; German administrative unit in Krasnodar.
11. Abhazia wants to separate from Georgia.
12. South Ossetia wants to separate from Georgia and join to North Ossetia within the Russian Federation.
13. Georgia wants to cancel the autonomous status of South Ossetia.
14. Ermanians in Nagomo-Karabakh in Azerbaijan want to be united with Armenia.
15. Re-establishment of Shaumyan province in Azerbaijan was called for.
17. Georgia wants the northwest part of Azerbaijan.
18. Armenia wants the southwest part of Georgia.
20. Meskhet (Ahiska) Turks want to go back to their territories in the Georgia.
21. Azerbaijan wants the southeast part of Georgia.
22. Azerbaijan wants the Goyche and Zengezur in Armenia.
23. Georgia wishes to cancel autonomous status of Ajaria.
24. Some Azerbaijani wishes to unite northern and southern (Iranian) Azerbaijanels.
25. Armenia has no yet recognized its border with Turkey.

APPENDIX V: MAJOR OIL FIELDS IN THE CASPIAN

TENGIZ is one of the world's largest oilfields with total reserves of about 25 billion barrels. It is developed by the Tengizchevroil joint venture, led by U.S. oil major Chevron with 50 percent. Kazakhstan holds 20 percent of the venture, ExxonMobil 25 percent and LUKArco five percent.

KASHAGAN is a more recent Kazakh oil find which, according to some estimates, could contain as much as 50 billion barrels of oil, making it possibly the largest field to be discovered in the past three decades. It is being developed by an international consortium OKIOC, with Italy's ENI as the project operator.

AZERI-CHIRAG-GUNESHLI is operated by BP and belongs to the Azerbaijan International Operating Company. The complex's output will be ramped up to at least 450,000 barrels per day (bpd) by 2005 and one million bpd by 2010 from a current 100,000-130,000 bpd.

There are two blocks on Russian Caspian territory: the Severny, owned by LUKOIL, and a block offshore from the Volga Delta, owned equally by LUKOIL, Gazprom and YUKOS. The Russian Ministry of Natural Resources estimates reserves in the Russian sector at 4.4 billion barrels.

TURKMENISTAN also has big oil and gas deposits, but so far has been unable to attract much international investment. It disputes Azerbaijan's ownership of the Azeri and Chirag fields and threatens legal action if Baku continues working them.

APPENDIX VI: ANALYSIS OF VARIOUS PIPELINE PROPOSALS*

Route Atyrau, Kazakhstan to Samara, Russia
Capacity 300,000 bpd
Length 700 miles
Status Operational
Significance Links Kazakh oil to the Russia oil pipeline hub at Samara. It is currently Kazakhstan's only export route to Europe. Kazakhstan would like to expand the route, but Russia insists that Kazakhstan must bear the cost of such an expansion.

Route Baku, Azerbaijan to Supsa, Georgia
Capacity 100,000 bpd; can be expanded to 600,000 bpd
Length 550 miles
Status Operational
Significance Provides Azerbaijan with its first non-Russian export route. It has also served as a justification for military cooperation between GUUAM states, which staged an exercise last year based on defending the route.

Route Baku, Azerbaijan to Novorossiysk, Russia
Capacity 100,000 bpd; can be expanded to 300,000 bpd for $600 million
Length 870 miles
Status Operational with a rail link and bypass around Chechnya
Significance Moscow envisions this pipeline functioning as Azerbaijan's primary export route. If completed as planned, the route will carry 600,000 bpd but at a construction cost of $1.2 billion to $1.5 billion.

*Reprinted from Mustafa Aydin, New Geopolitics of Central Asia and the Caucasus; Causes of Instability and Predicament, Ankara, Center for Strategic Research (SAM), 2000, pp. 81-84.
Route: Tengiz, Kazakhstan to Novorossiysk, Russia
Capacity: 1,340,000 bpd
Length: 930 miles
Cost: $2.3 billion
Status: Operational
Significance: Its operation in March 2001 marked the first large-scale pipeline from the Caspian Basin. However, it firmly locked Kazakhstan's oil industry under Russian control.

Route: Odessa, Ukraine to Brody, Ukraine
Capacity: Up to 800,000 bpd
Length: 420 miles
Cost: $400 million
Significance: With a connection to the Baltic Sea port of Gdansk, Poland, it would also serve as a link to the European core. Construction of Odessa-Brody and negotiations on Brody-Gdansk have stalled repeatedly. Upon completion, this project will terminate near the Polish-Ukrainian border. A connection to the Druzhba pipeline network would connect this line to its primary market in Western Europe.

Route: Baku, Azerbaijan to Ceyhan, Turkey
Capacity: 1,000,000 bpd
Length: 1,100 miles
Cost: $2.3 billion to $3.7 billion
Significance: This is the United States' preferred export route as it prevents oil from being exported through both Iran and Russia. A functional Baku-Ceyhan pipeline rewards Turkey and Georgia for their pro-Western stance with geopolitical advantage over their rivals and transit fees. Main obstacle is its price tag.
Route: Burgas, Bulgaria to Vlore, Albania
Capacity: 750,000 bpd (expected); could be expanded to 1,000,000 bpd.
Length: 550 miles
Cost: $826 million (estimated)
Significance: The most developed option of the Balkan pipeline plans. It would greatly alleviate traffic through the Bosphorus. Russia favours Burgas-Vlore because it bypasses Turkey altogether and cements the rationale for its own pipeline routes. The final route assumes political stability in Macedonia and Albania.

Route: Baku, Azerbaijan to Neka, Iran
Capacity: 300,000 bpd
Length: 350 miles
Cost: Iran will provide funding
Status: Proposed. Azerbaijani officials considering accepting.
Significance: It would supply Azerbaijan with an inexpensive alternative to Baku-Ceyhan. While the route does bypass Russia, it also excludes Azerbaijani allies Turkey and Georgia. The United States remains firmly opposed.

Route: Neka, Iran to Rey, Iran
Capacity: N/A
Length: 150 miles
Cost: $400 million
Status: Proposed
Significance: Since Neka-Rey would link to Iran's pre-existing pipeline and refinery network, it would greatly enhance the ability of Caspian oil to reach international markets in refined form. American opposition remains as main obstacle.
<table>
<thead>
<tr>
<th>Route</th>
<th>Capacity</th>
<th>Length</th>
<th>Cost</th>
<th>Status</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Route Aktyubinsk, Kazakhstan to Xinjiang, China</td>
<td>400,000 bpd-800,000 bpd</td>
<td>1,800 miles</td>
<td>$3.5 billion</td>
<td>In negotiation</td>
<td>While China has slowed co-operation with Kazakhstan in energy initiatives, this proposal remains on the books as the only significant pipeline linking the former Soviet Union to China. Some version of a Kazakhstan-China pipeline will be needed over the long-term to feed China’s energy needs.</td>
</tr>
<tr>
<td>Route Tengiz, Kazakhstan to Kharg Island, Iran</td>
<td>900,000 bpd</td>
<td>1,300 miles Tengiz-Persian Gulf</td>
<td>Estimated at $1.6 billion to $2.0 billion by the Kazakhstan Pipeline Co. (France).</td>
<td>Proposed</td>
<td>Ambitious plan would provide the Caspian littoral states with direct access to the Indian Ocean. While cheaper than Baku-Ceyhan, this option will not leave the drawing board until the United States lifts sanctions. It also faces opposition from Russia and Turkey. Iran is not wed to this plan and it hopes to achieve similar results with its oil swap programme.</td>
</tr>
<tr>
<td>Route Kazakhstan-Turkmenistan-Afghanistan-Gwadar, Pakistan</td>
<td>1,000,000 bpd</td>
<td>1,056 miles</td>
<td>$3 billion</td>
<td>In negotiation</td>
<td>While initially heralded as a shortcut to Asian markets, continued conflict in Afghanistan has all but ended interest in this project.</td>
</tr>
</tbody>
</table>