

The Thomas A. Roe Institute for Economic Policy Studies

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THE NEW “GREAT GAME”: OIL POLITICS IN THE CAUCASUS AND CENTRAL ASIA

INTRODUCTION

The vast expanses of the former Soviet Union harbor oil and gas riches which will be crucial in fueling the global economy in the next century. The huge oil reserves, estimated at over 25 billion barrels, under the Caspian Sea and in the Central Asian republics of Kazakhstan, Turkmenistan, and Uzbekistan are similar to those in Kuwait and larger than those in Alaska’s Northern Slope and the North Sea combined.

Control over these energy resources and export routes out of the Eurasian hinterland is quickly becoming one of the central issues in post-Cold War politics. Like the “Great Game” of the early 20th century, in which the geopolitical interests of the British Empire and Russia clashed over the Caucasus region and Central Asia, today’s struggle between Russia and the West may turn on who controls the oil reserves in Eurasia.

The world now faces a choice between the cooperative exploitation by the East and West of natural resources or a wasteful struggle that could cost a fortune in blood and treasure. Regional conflicts in the Caucasus and Central Asia threaten to deny Western access to the vital oil and gas reserves the world will need in the 21st century. The wars in Chechnya, between Armenia and Azerbaijan, and in Georgia were started or exacerbated by the Russian military, and the outcome of these wars may determine who controls future pipeline routes. Moscow hopes that Russia will. Powerful interests in Moscow are attempting to ensure that the only route for exporting the energy resources of Eurasia will pass through Russia.

The U.S. needs to ensure free and fair access for all interested parties to the oil fields of the Caucasus and Central Asia. These resources are crucial to ensuring prosperity in the first half of the 21st century and beyond. Access to Eurasian energy reserves could reduce the West’s dependence on Middle East oil and ensure lower oil and gas prices for decades to come. Moreover, oil revenues can boost the independence and prosperity of

such Newly Independent States (NIS) as Azerbaijan and Georgia. For example, through production royalties, Azerbaijan could generate over \$2 billion a year in revenue from its oil fields, while Georgia could get over \$500 million annually from transit fees. With these new-found oil riches, non-Russian republics in the region would depend less on Russia, both economically and militarily. Independent and self-sufficient former Soviet states, bolstered by their oil revenues, would deny Russia the option of establishing a *de facto* sphere of influence in the Caucasus and Central Asia.

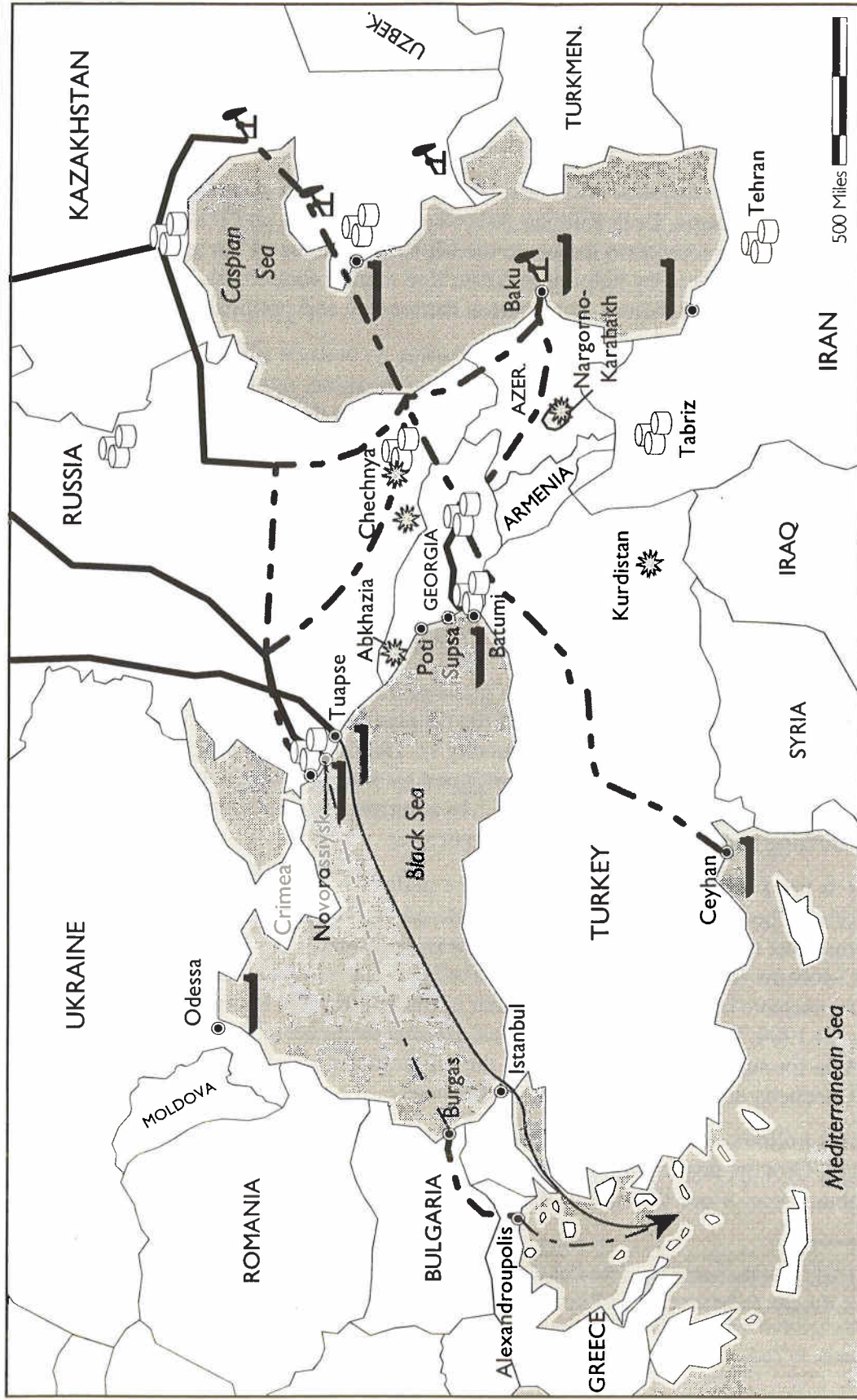
Two pipeline routes in Central Asia are under consideration. The first would allow oil to flow from the Azerbaijani Caspian Sea shelf to the Black Sea coast. The second would transport oil from the giant Tengiz oil field, developed by the U.S.-based Chevron corporation in Kazakhstan, in a westerly direction toward Europe and the Mediterranean. Western governments and oil companies participating in the Azerbaijani and Kazakhstani pipeline projects¹ face a choice: Will a neo-imperialist Russia (aided and abetted by Iran) dominate the development of Eurasian oil and its exports, or will Russia be an equal and fair player in the region with Turkey, the three Caucasian states (Georgia, Armenia, Azerbaijan), and possibly Iran? The U.S. should respect the right of Russian companies to bid for the exploration and transport of oil and gas in the region. However, the West has a paramount interest in assuring that the Caucasian and Central Asian states maintain their independence and remain open to the West. Otherwise, Moscow will capture almost monopolistic control over this vital energy resource, thus increasing Western dependence upon Russian-dominated oil reserves and export routes.

In order to ensure free and fair access to the oil reserves in Central Asia, the U.S. should:

- ✓ **Strive to preserve the independence and economic viability of the Newly Independent States in Central Asia.** The U.S. should try to prevent the reconstitution of Moscow's sphere of influence in the southern parts of the Commonwealth of Independent States (CIS). To achieve that end, it should endeavor to ensure that Azerbaijan, Kazakhstan, Georgia, and other Newly Independent States receive a fair portion of the oil revenues from the region. Moreover, the U.S. should strengthen bilateral and multilateral political and military cooperation with these states.
- ✓ **Ensure that Russia is not a dominant, but rather an equal partner in developing the oil resources of the Caucasus and Central Asia.** Russian oil and gas companies should be allowed to participate in the development of Eurasian energy resources on an equitable basis with other countries in the region. That is their right. Forming partnerships with Western oil companies could turn the Russian business sector into an ally of the West. However, domination by military means should be rejected.

1 The Azerbaijani International Oil Consortium (AIOC) includes British Petroleum, Azerbaijani SOCAR, Amoco, Pennzoil, Unocal, McDermott International, Exxon, Ramco Energy, Lukoil (Russia), and Turkish Petroleum. The Caspian Sea Pipeline Consortium includes Chevron, the government oil company of Russia, Rosneft, the Kazakh State Oil Company, and, until recently, the Omani Government Oil Company.

Map 1



Oil Export Infrastructure in Central Asia and the Caucasus

- Tanker Port
- Refinery or Planned Refinery
- Areas of Conflict
- Existing Pipeline
- Proposed Pipeline
- Oil Producing Region
- Proposed Naval Route
- Non-State Regions
- Existing Naval Route

Source: Central Intelligence Agency.

Map by Thomas J. Timmons

- ✓ **Work through the Organization for Security and Cooperation in Europe (OSCE), and through bilateral channels, to defuse ethnic conflicts in the Caucasus.** Thus far, the West has focused mainly on settling the crisis in Bosnia, relegating the Caucasus region to the back burner. Now that a Bosnian settlement has been reached, the U.S. should endeavor to settle the conflicts in Abkhazia and Nagorno-Karabakh. The OSCE would be a useful vehicle for pursuing these goals.
- ✓ **Strengthen secular Muslim societies, notably Turkey and Azerbaijan, against Islamic militant groups.** Both Russian geostrategic ambitions and Iranian-style religious militancy pose long-term threats to the Muslim societies of the region. These threats can be countered by helping to create free market economies, respect for the rule of law, and a civil society that respects democracy and political pluralism.
- ✓ **Support the Western oil route through Turkey to reduce oil transportation hazards in the Bosphorus Straits.** Absent a new oil pipeline, more potentially hazardous oil shipments will pass through the already clogged Bosphorus Straits. Oil tanker fires like the one in 1994 can block international shipping through the Bosphorus for days, causing tens of millions of dollars in damage and threatening the lives and health of local citizens. The U.S. should support a pipeline route through the territory of Georgia and Turkey that will bring oil from Eurasia to a Mediterranean port such as Ceyhan in Turkey.

WARS ENDANGERING OIL TRANSIT ROUTES IN THE CAUCASUS

The War in Chechnya. One of the main goals of the Russian attack on Chechnya in December of 1994 was to ensure control of the oil pipeline which runs from Baku, via Grozny, the Chechen capital, to the Russian city of Tikhoretsk. The pipeline ends at the Russian Black Sea port of Novorossiysk, designed by Russia to be the terminal for the proposed Kazakh and Azerbaijani pipelines.² In addition, Grozny boasts a large refinery with a processing capacity of 12 million tons per year.

During its brief self-proclaimed independence under President Jokhar Dudayev from 1991 to 1994, Chechnya illegally exported crude oil and refined products worth hundreds of millions of U.S. dollars. The rebel government worked closely with corrupt politicians in Moscow to obtain export licenses. Partly to cut off this activity, Russia launched a massive but covert military action in the fall of 1994 to support opponents of Dudayev. In 1994, Dudayev turned to radical Islamic elements in the Middle East and Central Asia for support. This exacerbated the religious aspect of the conflict between the Muslim Chechens and Christian Orthodox Russians.

The overt military action began on December 12, 1994, when the Russian army marched on Grozny, destroying Chechnya's capital city by brutal aerial, tank, and artillery bombardment. Since the start of the campaign, over 30,000 people have been killed,

² The Kazakhstani (Tengiz) field is to the northeast of the Caspian Sea. The pipeline can go from there to the Russian pipeline network inside the Russian Federation, to the Russian Black Sea ports, or to the Turkish Mediterranean ports. The Azerbaijani fields are on the shelf of the Caspian Sea off the shores of Azerbaijan. The pipeline can go north to Russia or west, via Georgia or Armenia, to Turkey. See map.

and more than 300,000 have become refugees. Hostilities continue, with hostage-taking crises erupting in July 1995 and January 1996.

The Drama in Georgia. Another conflict affecting potential oil routes is occurring in the Caucasus republic of Georgia. Russia wants to prevent oil from Azerbaijan and Kazakhstan from going the “Western” route through Georgia to Turkey. Moscow’s support of civil strife in Georgia is directly connected to its goal of perpetuating conflict in the Caucasus.

From 1991 through the end of 1993, Georgia was in the midst of a bloody civil war which pitted the supporters of Georgian President Eduard Shevardnadze and ousted President Zviad Gamsakhurdia against each other. Political violence became chronic. Eventually, the defeated Gamsakhurdia either committed suicide or was murdered under mysterious circumstances in 1993. But even after his victory over Gamsakhurdia, Shevardnadze faced challenges from warlords and militias.

In exchange for crucial Russian support, Shevardnadze finally was forced to join the CIS in October 1993, a move he had bitterly opposed. When he attempted to read a press release announcing this step, Russian diplomats took it out of his hands and gave him a Moscow-authored text to read. Such was the degree of independence enjoyed by Shevardnadze at the hands of his Russian patrons.

In 1995, Moscow brought pressure on Shevardnadze not to build a pipeline for Azeri oil through Georgian territory. The Georgians wanted to bring oil to the Georgian port of Supsa (between Poti and Tbilisi), from which it then would be exported by tanker to Turkey. However, the Russians demurred. Soon after Shevardnadze refused to cancel the pipeline plan, he was injured in an assassination attempt when a car bomb exploded next to his vehicle on August 29, 1995.

Shevardnadze has insisted repeatedly that Russia was behind this attempt on his life. The suspected culprit—Shevardnadze’s security chief, Igor Georgadze—has escaped to Russia and continues to threaten Shevardnadze’s life.³ Shevardnadze demanded that the Russians extradite the suspect, and the Russian Prosecutor General’s Office issued an order for his arrest. However, the Russian Interior Minister refused the extradition, and Georgadze is still at large.

The Fighting in Abkhazia. Another dangerous conflict is smoldering in Abkhazia, a breakaway region in Georgia. The bitter war in Abkhazia, which began in 1992, has claimed over 35,000 lives. It was precipitated by the Russian military backing the Abkhaz separatist minority against the Georgian government in Tbilisi.

One purpose of the Russian intervention was to weaken Georgia and curb Turkish and Western influence in the region. But more important was the Russian goal of controlling access to oil. By acting as it did, Russia gained *de facto* control over the long Black Sea coastline in Abkhazia. Moscow also was protecting the Russian Black Sea ports of Novorossiysk and Tuapse and moving closer to the Georgian oil exporting ports in Poti, Supsa, and Batumi. In August 1995, Georgia’s beleaguered President Shevardnadze

agreed to place four Russian military bases on Georgian soil, thus assuring Russia's control of the oil exporting routes via the Black Sea coast.

As Russia became entangled in Chechnya in 1994-1995, and word of Chechen commando training camps operating from Abkhazia spread, Moscow began to show less support for the Abkhaz rebels, who are allies of the Chechens. But Russia also has refused either to close the border with Abkhazia or to deny the separatist government in the Abkhaz capital, Sukhumi, financial and military support. Shevardnadze had hoped that this would be a Russian *quid pro quo* for his agreement to permit Russian military bases on Georgian territory.

The Nagorno-Karabakh Conflict. Yet another bloody war affecting potential oil pipeline routes is occurring in Nagorno-Karabakh, a small, largely Armenian enclave inside Azerbaijan. The enclave of Karabakh sits astride a potential oil route from the Caspian Sea to Turkey. Populated mainly by Armenians, Karabakh was put under Azerbaijan's jurisdiction in 1921 after Stalin negotiated a treaty in the Transcaucasus between communist Russia and Turkey. Strife between the mainly Christian Armenians and Shi'a Muslim Azerbaijanis broke out in 1988. Full-scale war erupted in 1992, with the Armenians demanding complete independence for Karabakh or its absorption into Armenia.

A cease-fire negotiated in May 1994 has been holding. The Armenians in Karabakh have proclaimed an independent republic, which Azerbaijan refuses to recognize. Thus far, Azerbaijan has suffered political and military defeat at the hands of the Armenians, losing one-fifth of its territory since the collapse of the Soviet Union. One million people, mostly Azerbaijanis, have become refugees as a result of the war. The Azeri capital of Baku has seen the government change three times since 1992.

Russia has supported the Armenians and the Azeris intermittently. In 1992, Moscow proposed that Russia become a guarantor of peace in the region, promising to send in 3,000 peacekeepers, but was rebuffed by the Organization for Security and Cooperation in Europe (OSCE), a regional security group in Europe.⁴ The OSCE "Minsk group," which consists of Russia, the U.S., Turkey, France, Sweden, and Italy, has been charged with finding a solution to the Nagorno-Karabakh conflict but thus far has met with only limited success. Under Western pressure, Moscow has agreed to a multilateral OSCE peacekeeping force for Karabakh. However, this force has yet to materialize, and there is still no peace agreement between the warring parties.

Azerbaijan: Key Oil Region. The conflict in Nagorno-Karabakh is important because of the immense oil reserves controlled by Azerbaijan. Since the late 19th century, the oil in Azerbaijan has played a key role in the economies of the Russian empire and the Soviet Union, as well as in the global energy market. International business interests, such as the Nobel and Rothschild families, and even conquerors like Adolf Hitler have all vied at different times for control of Azerbaijan's oil. Even after 100 years of Russian imperial and Soviet exploitation, Azerbaijan still has some of the largest reserves in the world.

4 Testimony of Ambassador John Maresca, U.S. Department of State, in hearing, *Ethnic Violence in Transcaucasia*, Commission on Security and Cooperation in Europe, 103rd Cong. 1st Sess., March 8, 1993, p. 8.

At stake today is a \$6 billion, 4 billion barrel Caspian Sea shelf petroleum deal between Azerbaijan and a consortium of large international oil companies.⁵ Put simply, Russia opposes the deal. The Russian oil company Lukoil is part of this international consortium, but other Russian oil interests felt excluded, and the Russian foreign and defense ministries have come out squarely against the arrangement. In addition to demanding that at least 25 percent of the deal go to Russian firms (Lukoil gets only 10 percent), Moscow wants full control of the oil exports.

The Caspian Sea oil deal was facilitated first by President Abulfaz Elchibei, who was overthrown in June 1993 by former Azerbaijani KGB Chief and Brezhnev Politburo member General Heydar Aliev.⁶ While Elchibei was considered pro-Turkish, Aliev had a reputation for being pro-Russian. It was Aliev who signed the oil agreement in September 1994. On October 9, 1995, the Azerbaijani International Oil Consortium (AIOC) announced that "early" oil (approximately 80,000 barrels a month) would be split between two pipelines. The northern line would go to the Russian port of Novorossiysk (via unstable Chechnya) and the western line to the Georgian port of Supsa in two separate pipelines. This was a compromise decision supported by the Clinton Administration and aimed at placating Moscow, but it failed to do so.

Despite his attempts to accommodate Russia, Moscow apparently considers Aliev too independent. Therefore, the Kremlin is backing Suret Husseinov, a warlord who reportedly has good connections with Russian Defense Minister Pavel Grachev.⁷ Between 1993 and 1995, four unsuccessful coups were attempted against Aliev, reportedly with Moscow's support. Russia also is playing the ethnic separatism card against Aliev, bolstering the national movement of the Lezgin minority in the north of Azerbaijan and the movement of the Talysh minority in the south.

Aliev has proved himself to be a tough survivor. Although Azerbaijan has joined the CIS, he has managed to resist the pressure to deploy Russian military bases or troops on Azerbaijani soil. However, Moscow probably can outwait Aliev, in the meantime fostering instability in Azerbaijan. Russia will attempt to block any large-scale production or exports of oil from Azerbaijan until such time as a more compliant man can be put in charge.

OIL POLITICS AND RUSSIAN IMPERIALISM IN THE "NEAR ABROAD"

The main threat to the equitable development of Eurasian oil is the Russian attempt to dominate the region in a *de facto* alliance with the radical Islamic regime in Tehran.⁸ Russia benefits from instability in the Caucasus, where wars and conflicts undermine inde-

5 See footnote 1, above.

6 Aliev later became president with 98.5 percent of the "popular vote." In the parliamentary elections of November 1995, the pro-Aliev party received over 60 percent of the popular vote amidst massive voting irregularities.

7 Husseinov's patron was former Azerbaijani defense minister Rahim Gaziev, who is closely connected to Grachev. Elizabeth Fuller, "Azerbaijan's June Revolution," *RFE-RL Research Report*, August 13, 1993, p. 27. Husseinov was a key player in ousting Elchibei and engineering Aliev's return. He later turned against Aliev.

8 Russia currently is supplying nuclear reactors to Tehran, and its intelligence services are training Iranian secret agents. Bill Gertz, "Russian Agents Teach Iranian Spies," *The Washington Times*, November 9, 1995, p. 1.

pendence and economic development while hindering the export of oil from the region's states.⁹

Moscow has gone beyond words to establish its power in the Caucasus. The Russians are setting up military bases in the region in order to gain exclusive control over all future pipelines. Georgia now has four Russian bases and Armenia has three, while Azerbaijan is still holding out under severe pressure from Moscow. In addition, members of the Commonwealth of Independent States are required to police their borders jointly with Russian border guards, and thus are denied effective control over their own territory.

Attempts to Reintegrate the South. The struggle to reestablish a Russian sphere of influence in the Caucasus and Central Asia started in early 1992. While not a full-scale war, this struggle employs a broad spectrum of military, covert, diplomatic, and economic measures. The southern tier of the former Soviet Union is a zone of feverish Russian activity aimed at tightening Moscow's grip in the aftermath of the Soviet collapse. The entire southern rim of Russia is a turbulent frontier, a highly unstable environment in which metropolitan civilian and military elites, local players, and mid-level officers and bureaucrats drive the process of reintegration.¹⁰

With the collapse of the Soviet Union, President Boris Yeltsin called for a re-examination of Russia's borders to the detriment of her neighbors, especially Ukraine and Kazakhstan. For example, upon his return from a state visit to the U.S. in September 1994, Yeltsin reiterated Russia's "right" to conduct "peacemaking" in the "near abroad," to protect Russian speakers and to exercise freedom of action in its sphere of influence.¹¹ These statements were echoed on numerous occasions by former Russian Foreign Minister Andrey Kozyrev and other key policymakers in Moscow. In his September 1995 Decree "On Approval of the Strategic Policy of the Russian Federation Toward CIS Member States,"¹² Yeltsin outlined plans to create a CIS military and economic union. Some observers have termed this design an informal empire "on the cheap," a "sustainable empire" which is less centralized than the old Soviet Union.¹³ The aim of such an arrangement would be to ensure Russia's control of the oil and gas reserves in Eurasia.

Competing political interests inside Russia's neighbors often prompt local elites to challenge the faction in power and to seek Moscow's support. For example, Russian oil chieftains in Kazakhstan and military commanders who are still in place in Moldova and Georgia naturally maintain close links with Moscow. Where it lacks troops on the ground, Moscow supports the most pro-Russian faction in the conflict, such as Trans-Dniestrian ethnic Russians in Moldova, the separatist Abkhazs in Georgia, warlords and for-

9 The Russian Foreign Ministry recently claimed that the land-locked Caspian Sea should be declared a lake. Such a declaration would force all littoral countries to develop Caspian natural resources in a condominium—a guarantee that very little would be achieved because of incessant bickering among the states. This position would effectively deny oil revenues to the non-Russian republics in the region. Author's interviews with Russian Foreign Ministry officials, Moscow, May 1995.

10 Ariel Cohen, *Russian Imperialism: Development and Decline* (New York: Praeger, forthcoming, 1996), Chapter 1.

11 Yeltsin's press conference, *Radio Liberty-Radio Free Europe Daily Report*, October 5, 1994.

12 Russian Federation Presidential Edict No. 940, September 14, 1995, "On Approval of the Strategic Policy of the Russian Federation Toward CIS Member States," FBIS-SOV-95-188, September 28, 1995, p. 19.

13 Ian Bremmer and Anthony Richter, "The Perils of 'Sustainable Empire,'" *Transition*, March 15, 1995, p. 14.

mer communist leaders in Azerbaijan, and pro-communist clans in Tajikistan. This is a classic scenario for imperial expansion. What is common to these conflicts is that without Russian support, the pro-Moscow factions (regardless of their ethnicity) could not have dominated their respective regions, and would be forced to seek negotiated and peaceful solutions. In each case, appeals by the legitimate governments of the Newly Independent States to restore their territorial integrity were ignored by Moscow.

Russian political elites have not overcome the imperialist ideology that inspired both pre-1917 and Soviet expansionism. For today's Moscow bureaucrats and generals, as for their predecessors in St. Petersburg prior to 1917, the turbulent southern periphery is a potential source of political fortunes, promotions, and careers. For Russian politicians in search of a grand cause, re-establishing the empire and paying for it with Eurasian oil revenues is a winning proposition, especially in the murky environment in the aftermath of imperial collapse.

KEY RUSSIAN PLAYERS IN THE GREAT OIL GAME

The Russian military and security services are by far the most resolute driving force behind the restoration of a Russian-dominated CIS. They are playing a key role in ensuring Moscow's control over the pipeline routes. The end of the Cold War and the collapse of the Berlin Wall terminated, at least temporarily, confrontation with the West, leaving the Red Army's General Staff, the Russian military intelligence (GRU), and the former KGB desperately seeking new missions. The biggest of these new missions is to establish control over Caucasus and Central Asian oil, establishing a Russian sphere of influence in the process.

The Russian army and security services seek to deny foreign companies the right to export oil without their control. Russian military activities over the last four years indicate an attempt to consolidate strategic control of oil sources and export routes in Eurasia. For example, the war in Chechnya blocked an important pipeline from Azerbaijan through Grozny, and the victory of the Abkhaz separatists, supported by the Russian military, further secured the Russian oil terminals in the ports of Novorossiysk and Tuapse. In order to obtain an oil route in the region, Western exporters may be pressured to reach accommodations with the Russian generals.

The Russian intelligence services are also involved. The successor to the KGB's First Chief Directorate, now known as the Foreign Intelligence Service of Russia (SVRR) and led until January 1996 by KGB general and now Foreign Minister Evgenii Primakov, published an important document in 1994 on Russia's policies in the "near abroad," called "Russia-CIS: Does the Western Position Require Correction?"¹⁴ General Primakov's staff argued that any attempt to integrate the CIS states into the global economy without Moscow's cooperation is doomed to fail. Russia already has effectively stopped Kazakhstani and Azerbaijani joint oil exporting ventures in their tracks.

14 *Rossiia-SNG: nuzhdayetsia li v korrekcirovke pozitsia zapada*, Sluzhba Vneshnei Razvedki Rossiyskoy Federatsii, Moskva, 1994.

The states of the CIS's southern tier were coerced by Russia even before they declared their independence from the USSR. Moscow incited local pro-Russian factions, such as Abkhazians in Georgia, Armenians in Karabakh, and hard-line communist pro-Russian clans in Tajikistan, to challenge the independence and territorial integrity of these nascent states. The Russian military provided advisers, hardware, training, planning, and coordination for the military activities in these areas. As a result, hundreds of thousands have been left dead, wounded, or homeless. In addition, these violent conflicts blocked the transit routes to the West for Caspian and Central Asian oil.

THE U.S. ROLE IN THE GREAT GAME

Much is at stake in Eurasia for the U.S. and its allies. Attempts to restore its empire will doom Russia's transition to a democracy and free-market economy. The ongoing war in Chechnya alone has cost Russia \$6 billion to date (equal to Russia's IMF and World Bank loans for 1995). Moreover, it has extracted a tremendous price from Russian society. The wars which would be required to restore the Russian empire would prove much more costly not just for Russia and the region, but for peace, world stability, and security.

As the former Soviet arsenals are spread throughout the NIS, these conflicts may escalate to include the use of weapons of mass destruction. Scenarios including unauthorized missile launches are especially threatening. Moreover, if successful, a reconstituted Russian empire would become a major destabilizing influence both in Eurasia and throughout the world. It would endanger not only Russia's neighbors, but also the U.S. and its allies in Europe and the Middle East. And, of course, a neo-imperialist Russia could imperil the oil reserves of the Persian Gulf.¹⁵

Domination of the Caucasus would bring Russia closer to the Balkans, the Mediterranean Sea, and the Middle East. Russian imperialists, such as radical nationalist Vladimir Zhirinovsky, have resurrected the old dream of obtaining a warm port on the Indian Ocean. If Russia succeeds in establishing its domination in the south, the threat to Ukraine, Turkey, Iran, and Afghanistan will increase. The independence of pro-Western Georgia and Azerbaijan already has been undermined by pressures from the Russian armed forces and covert actions by the intelligence and security services, in addition to which Russian hegemony would make Western political and economic efforts to stave off Islamic militancy more difficult.

Eurasian oil resources are pivotal to economic development in the early 21st century. The supply of Middle Eastern oil would become precarious if Saudi Arabia became unstable, or if Iran or Iraq provoked another military conflict in the area. Eurasian oil is also key to the economic development of the southern NIS. Only with oil revenues can these countries sever their dependence on Moscow and develop modern market economies and free societies. Moreover, if these vast oil reserves were tapped and developed,

¹⁵ Vladimir Zhirinovsky, mouthpiece for the most irredentist elements in the Russian security and military services, constantly articulates this threat.

tens of thousands of U.S. and Western jobs would be created. The U.S. should ensure free access to these reserves for the benefit of both Western and local economies.

In order to protect U.S. and Western interests in Eurasia and ensure free and fair access to the oil reserves of the region, the United States should:

- ✓ **Strive to preserve the independence and economic viability of the New Independent States in the region.** In cooperation with Britain, Germany, and France, the U.S. should prevent the reconstitution of Moscow's sphere of influence in the southern CIS. The West should not grant Moscow *carte blanche* in the "near abroad" in exchange for cooperation in Bosnia.

The U.S. should lead other Western countries in implementing programs that support independent statehood, free-market development, and the rule of law in Azerbaijan, Georgia, and the Central Asian states. Training for the civil and security services of these countries should be stepped up, and economic reforms, including privatization of industries and agriculture, should be continued. Moreover, sanctions on technical and humanitarian assistance to Azerbaijan, imposed at the height of the Karabakh conflict, should be lifted to increase Washington's leverage in settling the conflict there.

- ✓ **Ensure that Russia is not a dominant, but rather an equal partner in developing the oil resources of the Caucasus and Central Asia.** Russian oil companies should be assured of equitable access to the development of oil resources and pipeline projects. The strategic goal of the West should be the creation of a level playing field that allows Russian and Western corporations to participate in the development of Eurasian energy resources on an equal footing.

If cooperation from Russia is not forthcoming, the U.S. should oppose attempts by the Russian security establishment to impose a single direction for the pipelines—i.e., north, via Russian territory. This kind of geopolitical *diktat* would give Moscow an unacceptable level of control over the flow of oil to Western markets and would make the West vulnerable to Russia's political whims. The U.S. government should demand that Russia stop fostering conflicts in the area. At the same time, Washington should promise that the interests of Russian companies operating in the region will be taken into account in current and future oil consortia.

- ✓ **Work through the Organization for Security and Cooperation in Europe (OSCE), and through bilateral channels, to defuse ethnic conflicts in the Caucasus.** The OSCE has been charged by its members with settling the conflicts in Chechnya, Abkhazia, and Karabakh. This authority is recognized by Russia. So far, the OSCE has not been successful. To become more so, the OSCE should step up efforts to bring together the leaders of the Newly Independent States and separatist ethnic groups so they can find acceptable political solutions to the conflicts in the region. The OSCE should assign senior politicians to mediate in order to prevent new conflicts, particularly between the Azerbaijanis and the Lezgin and Talysh minorities in Azerbaijan, or between the Georgians and the Adzhar minority. An OSCE-sponsored conference to promote minority rights in the Southern CIS would be in order. The U.S. and its allies should support the OSCE's efforts and initiate a bilateral dialog with leaders of the ethnic groups to assist them in finding a *modus vivendi* in their countries.

- ✓ **Strengthen secular Muslim societies, notably Turkey and Azerbaijan, against Islamic militant groups.** Both Russian ambitions and Islamic radicalism threaten the pro-Western orientation of regimes in the region. Economic development, support for basic human rights, and cultural affinity with the West are important to prevent a radicalization of Islamic politics in the region. An important ally in this regard is Turkey. The U.S. should support Turkey's bid for membership in the European Union. Turkish efforts have been sidetracked by the Europeans because of Ankara's crackdown on the Kurds last year. Washington should urge the Europeans to refrain from rejecting Turkish Westernizers and pushing the Turks into the hands of militant Islamists.
- ✓ **Support the Western oil route through Turkey to reduce oil transportation hazards in the Bosphorus Straits.** As an important U.S. ally and founding NATO member, Turkey has raised serious concerns regarding tanker exports of Eurasian oil through the narrow and twisting Bosphorus Straits. Istanbul, the largest city in Turkey, would be endangered by the nonstop tanker traffic the exports of vast new quantities of Eurasian oil would require.

The Straits today are one of the busiest maritime passages in the world. The shipping of more oil from Eurasia would clog the already crowded waterway. Recent accidents involving burning tankers prove that Turkish concerns are justified. Free access to shipping via the Straits was envisaged in the 19th century, when the volume of traffic was twenty times lower than today. Therefore, the safest (and cheapest) route for Eurasian oil, which is preferred by Western oil companies, is a large pipeline from the Caucasus via Turkey to the Eastern Mediterranean port of Ceyhan.

CONCLUSION

The struggle for Eurasian oil is a multifaceted game. It involves security, geopolitical, and economic interests not only Russian and Eurasian, but American and Western as well. In Russia, nothing less than democracy is at stake. If Russia pursues a cooperative engagement with the West in the Caucasus, it will strengthen its economic and political integration with the West. However, if it chooses to challenge the West and reverts to its old imperial ways, Moscow likely will become increasingly hostile toward the West in other areas as well.

The oil and gas reserves of the Caucasus and Central Asia are vital to Western geostrategic and economic interests in the 21st century. They have the potential to secure prosperity and economic growth bolstered by low oil prices. In addition, these resources are key to ensuring revenues and, with them, the sovereignty of the Newly Independent States. In addition, the wealth brought by oil can fuel both economic and democratic development in the Caucasus and Central Asia, fostering the independence and freedom of countries which serve in turn as an obstacle to potential Russian imperial expansion.

The Russian military and political establishment is attempting to impose a sphere of influence on the CIS and secure control of the region's oil. If a hardliner wins the Russian presidential elections in June 1996, these efforts may redouble. A major campaign to assert influence in the Russian "near abroad" would be a setback for U.S. interests. In addition, control of the Caucasus and Central Asia would allow Russia geographical proximity to, and closer cooperation with, the anti-Western regimes in Tehran and Baghdad. To-

gether, an anti-Western Russia, Iran, and Iraq, if they desired, could pursue a common interest in driving up the price of oil.

To counter this prospect, the U.S. and the West need to convince the Russians to approach the oil question in Eurasia as an economic, not geopolitical, opportunity. The U.S. should reassure Russia that its companies will be included in future economic ventures in the region. Russian companies alone do not have the technological and financial resources to develop the hydrocarbon reserves of Eurasia. They will need Western oil companies to do that.

To become richer, Russia needs American and Western help. To foster peace and stability in Eurasia, America needs Russian help. A *modus vivendi* can be reached only if Russia accepts that the principles of free markets, democracy, and state sovereignty take precedence over the outdated geopolitical practices of the past century.

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HERITAGE STUDIES ON LINE

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