

THE STRUGGLE FOR CASPIAN OIL AND CASPIAN TRANSIT: GEOPOLITICAL REGIONAL DIMENSIONS¹

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The Communicational Dimension of the Resource Factor

In the 1990s, when the Soviet Union fell apart, the Caspian emerged as a center of oil-related rivalry, the victory in which would bring influence and domination over a territory that Moscow regarded as an outskirt of its empire. This corner of Eurasia became the crossroads of political interests of global and regional powers. This very fact revived the old phrase, “The Great Game,” that Kipling used to describe the Russian-British rivalry in Central Asia in the 19th century. Abused by political observers, the phrase added mystical and emotional dimensions to the Caspian issue. I believe that the analogy is an important one because the focus of the struggle (oil and gas) is found inside the region. The Caspian Basin, which has come to be described as the energy treasure-trove of the 21st century, is one of those places on the planet that is very hard to penetrate. Kipling demonstrated great perspicacity when he said that the country to win the railway race would be the winner in the Great Game. In the latter half of the 19th century, the time when the Russian and British empires clashed in Central Asia, it was control over the communication routes that decided Russia’s victory and Britain’s retreat. The Trans-Caspian railway completed in 1888 was Russia’s main geopolitical instrument in the region, creating new trade routes to replace the old ones which in the past connected Persia, Khiva, Bukhara, and Turkestan to European Russia.² This cost the British their markets and stemmed British expansion on the continent.

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² See: V. Maksimenko, “Central Asia and the Caucasus: Geopolitical Entity Explained,” *Central Asia and the Caucasus*, No. 3, 2000, p. 63.

History is repeating itself at the turn of the 21st century: the region's future depends on oil and gas pipelines which bring energy fuels to the foreign markets. Caspian geography and metaphysics have made the transit issue the key to interpreting the meaning of the rapid changes unfolding in the Caspian-Black Sea area. Communications make geographic location meaningful; transportation lines revive the resources and the fact of possessing them. Today, local political interests and trends in outside influences are largely determined by potential export oil pipelines. Back in the 1990s, it became abundantly clear that outside influences would betray themselves in a specific way depending on the oil-export routes (to the north, south, east or west). Enormous finances, as well as the inflated ambitions and egoisms of the largest oil companies, political leaders, and ruling groups are aligning themselves along the pipelines.

The above should not be taken to mean that the oil pipelines serve as magic axes of sorts for the Caspian policies at all levels. It was the transit factor, however, that changed the region from a relatively stable Eurasian resource periphery into a busy geopolitical crossroads. More complex and more differentiated political considerations and factors set the Caspian and its resources in motion.

The Levels of Caspian Policies: New Imagery and New Analysis

Globalization and the mounting intensity of internal and external impact on the region have created various political levels there. Having won the Cold War, the West incorporated the region into its geopolitical mega-projects. Simultaneous localization/disintegration of the local states created more centers of decision-making, all of them below the nation-state level. This opened up new sub-national and sub-regional expanses. The related issue of the nature and content of the political stimuli "above" and "below" the nation-state level makes it possible to formulate a new analytical perspective when describing regional problems. The globalization/fragmentation process is restructuring the problem field of post-Soviet Caspian policies. This demands new scales and new analytical units. My approach is based on identifying and explaining three levels of Caspian politics: global, regional, and local.

The *global* (mega) level is formed by the superpowers' (the U.S., Russia, China and India) long-term geopolitical interests. The *regional* (meso) level is represented by the regional interests of the Caspian states and their meso-alliances. The local political egoisms of the ruling elites of RF subjects, national units, enclaves, and rebel territories in Russia, Georgia, and Azerbaijan form the *local* (micro) level of Caspian politics.

The Caspian Basin has created concentric political circles: global, regional, and local, which suggests a corresponding "concentric" approach to probe deeper into the Caspian developments. This can be done through the prism of the spatial-level pyramid which has considerably changed the shape and content of, as well as added weight to the Caspian problems.

I have approached the levels of Caspian policies not as consolidated spatial categories and geographical units, but as heuristic concepts and have offered a new analytical framework to better explain Caspian policies and the processes at the local, regional, and global levels.

The Caspian in the Context of Contemporary Geopolitical Interpretations: The Mega-Level

In the 1990s, the global level consisted of American geopolitical mega-projects designed to move as close as possible to controlling the Caspian's geographic location and resources.

In the 20th century, southern Eurasia (Central Asia and the Caucasus) attracted the leading world powers by a combination of rich resources and what looked like apparent defenselessness. Vladimir Maksimenko wrote in his article that the last century tempted the Western geostrategists twice: when the Ottoman and the Russian empires fell apart, and later when the Soviet Union disintegrated. On both occasions the West was inclined to look at the Caucasus and Central Asia as territories of secondary importance and as a “soft underbelly” of Eurasia, in which Russia, the pivotal continental state, proved to be most vulnerable.³

Oil supplied the most real and convincing stimulus for this. In 1986, five years before the Soviet Union collapsed, Zbigniew Brzezinski wrote that the southern geostrategic front of a clash between the U.S.S.R. and the U.S. was “the most urgent and difficult geopolitical priority” precisely because “this front covered 56 percent of the known world oil reserves, on which the U.S. and Western Europe depended so much.”⁴

The Soviet Union’s collapse, which removed a large entity with world-order ambitions from the political world map, changed the balance of forces in Eurasia. Yeltsin’s “new” Russia with its naked outskirts looked like an amorphous body deprived of clear political will. This prompted intellectual “meta-stories”—the soil in which the West’s exalted political ambitions and plans were rooted. The “meta-stories” reflected the political interests of the day nurtured by that part of the American establishment that was especially eager to lay hands on the Eurasian energy resources.

The book *Energy Superbowl* published by the Nixon Center for Peace and Freedom describes the territory stretching from the Volga mouth to Oman as a strategic energy ellipse. The authors ascribed its energy prospects to the fact that it continued the oil fields of Iran and the entire Middle East. It contains two-thirds of the prospected oil reserves and over 40 percent of proven world natural gas reserves.⁵ The Caspian Basin and the Persian Gulf form one energy and geopolitical unit. This approach allowed American strategists to speak of the area as a New Middle East. The authors of the *Energy Superbowl* verbalized this mainstream idea together with its overtones. They said, in particular, that the Caspian-Persian energy ellipse and its resources were a strategic prize on the changing scene of international politics.⁶

The United States supported its intellectual exercises with a mega-project for the Caspian region as a whole. It all started in 1994 when the Americans declared the Caspian Basin as a zone of their vital interests. In geopolitical terms this meant that the oil-bearing region was being slotted into the Greater Middle East. Washington’s firmly motivated interpretations and ambitions offered a striking contrast to the impotence demonstrated by “democratic” Russia unable to create a mega-project for the Caspian area as a whole. Moscow has failed to acquire a language of domination and create a stable text to express its claim to an independent role in foreign policies. This forced the disunited players on the Russian political scene—the government, oil and gas companies, and regional leaders—to adjust to the rapid geopolitical changes. Gradually the Caspian Basin developed into a crossroads of big, average, and small political egoisms and interests.

The Region in the Context of Pipeline Syndrome: the Meso-Level

In the first half of the 1990s, political observers agreed that all signs of a resource rush and business revival were present in Azerbaijan, Turkmenistan, and Kazakhstan. This looked refreshing against the

³ See: V. Maksimenko, op. cit., p. 61.

⁴ Ibid., p. 59.

⁵ See: *Energy Superbowl. Strategic Politics and the Persian Gulf and Caspian Basin*, Nixon Center for Peace and Freedom, Washington, D.C., 1997, p. 14.

⁶ Ibidem.

background of drab post-Soviet decline. The changes were behind what looked like a mystery: the names of countries few people in the world could recognize suddenly appeared on the front pages of leading Western periodicals, while their leaders were received in Western capitals with a pomp far exceeding their states' economic potentials and political weight. Numerous statistical reports and forecasts swiftly added a political dimension to the Caspian offshore oil and gas riches.

Oil and oil pipelines became a much-wanted political commodity. It was President of Azerbaijan Heydar Aliev who pioneered an active exchange of oil for political dividends, the "contract of the century" signed in 1994 being the most famous example of this. By transferring oil fields or shares in consortiums to Western companies, Heydar Aliev tried to convince the West to resolve the Karabakh conflict in favor of his country. As a result, he acquired an influential lobby in the United States and Western Europe. Kazakhstan followed suit. Newly discovered rich oilfields on the northern Caspian shelf (next to Tengiz and Kashagan) made the republic one of the oil-richest countries. Preliminary estimates of the newly discovered hydrocarbon resources were adjusted and used for further forecasts so as to present the Caspian countries as an epitome of resource potential. In fact, the declared scopes of their energy resources (primarily Azerbaijan) were largely a bluff exploited for political purposes. Still, the transit race became a peak of activities at the Caspian meso-level.

Excessive politicization of the oil-related factor ended in a pipeline syndrome. Two potential routes for Caspian oil (Baku-Ceyhan and Tengiz-Novorossiisk known as the Caspian Pipeline Consortium—CPC) competed with the Soviet pipeline between Baku and Novorossiisk. The Baku-Supsa pipeline with a relatively limited carrying capacity completed early in 1999 was an intermediary project. In the 1990s, the CPC won: its construction started in 1999 to be completed in 2001. Moscow had to work hard to send Kazakhstani oil across Russian territory to Novorossiisk. The Baku-Ceyhan project, a linchpin of American Caspian policies, was shelved.

Russia acquired a powerful instrument. It used it to bring pressure on the Caspian states and stabilize, for some time, the meso-level of Caspian policies by depriving it of stimuli and alternatives. The pause was prolonged by the Caspian Sea's vague international-legal status, as well as by the idea of demilitarizing the Caspian Basin. The uncontrolled disintegration and chaotic fragmentation of Russia, Georgia, and Azerbaijan set the local (micro) level in motion. The process was also provoked by the growing appetites of the local ruling groups: the RF subjects and local units of the Caspian-Black Sea area wanted a share in all large-scale transit projects. In other words, Caspian oil was not only behind the global rivalry of the world powers and coastal states: all of a sudden it was triggering regional and local conflicts in Russia too.

Caspian Oil Routes and RF Regions: Nature and Directions of Local Egoisms

Inevitably, all energy and transit policies have local dimensions to them. This is especially true of oil pipelines built and exploited in specific geographic conditions. In fact, all energy corporations (either in Ecuador, Sakhalin, Nigeria, or the Caspian Basin) must enter into complicated relationships with far-removed and therefore hard to understand local units. This approach makes it possible to view regional policies through the prism of oil-related factors and to discuss oil problems in the context of regional interests.

In the 1990s, the CPC oil pipeline project was launched; it proved to be the largest project of this kind in Russia in the last 10 years. The export pipeline is 1,558 km long; its original annual carrying capacity was 28 million tonnes of oil to be brought up to 67 million tonnes in four construction stages. The route that starts in Tengiz, passes along the northern Caspian shore and straight on to Novorossiisk. It forms a transportation arc which joins the Black and Caspian seas and crosses four subjects of the Russian Fed-

eration: the Astrakhan Region, Kalmykia, and the Stavropol and Krasnodar territories. The pipeline bypasses the most troublesome spot in the Russian geopolitical expanse—the North Caucasian republics. Indeed, in the 1990s, independent Chechnia repeatedly stopped oil traffic along the Baku-Novorossiisk pipeline, on which both capitals were pinning their hopes. In fact, the pipeline remains vulnerable on the territory of potentially unstable Dagestan. This left no choice but to build another export pipeline across safe territories. The safe territories formerly regarded as Russia's periphery, in turn, acquired a chance to become the heart of the south Russian communication lines. The hopes were fed by the fact that in the 1990s the ruling elites of these regions themselves formulated and tried to realize the idea of upgrading Russia's transit potential on the basis of their territories.

Formerly purely agrarian regions, in post-Soviet times they became Russia's only access to the sea: all major southern ports are found on their territories. The Caspian Olia port in the Astrakhan Region, and Novorossiisk, one of the largest Black Sea ports (the Krasnodar Territory), were modernized while the CPC pipeline was being built. There were also plans to build a port in Lagan on the Kalmyk section of the Caspian coast as one of the transit points of the North-South transit corridor; the Kalmyk leaders attached great importance to the project. The Kuban area with the major Russian ports found on its territory (Novorossiisk, Tuapse, and Yeisk) and responsible for about 40 percent of the country's foreign trade turnover plays the most important role in these plans. Novorossiisk stands a good chance of becoming the key transshipment point for the CPC oil moved outside the country. This means that the strategic importance of these territories (which can be called Russian "gateway regions") in the south is created by their control over Caspian oil and transportation corridors.

The CPC-created oil-and-gas expansion changed the frame of mind of the local authorities. Under the impact of oil, the local elites abandoned the centuries-old unique agrarian specialization for new ideas of their place in Russia's economy and oil-and-gas priorities.

The Rent-Related Nature of Local Conflicts along the CPC

1. The Astrakhan Region-Republic of Kalmykia Confrontation

The acute and drawn-out conflict between the two RF subjects was provoked by the resource (oil included) factors.⁷ There were also other reasons: the agricultural enterprises of the Astrakhan Region were using 390,000 hectares of distant pastures in the Chernye zemli area (within the administrative borders of the Republic of Kalmykia).

The conflict is rooted in the sides' failure to agree on the status of the debatable lands: all repeated attempts at an agreement failed. In 1999, the conflict came close to escalation. This should not be taken to mean that the Astrakhan Region's administration, headed at that time by Anatoli Guzhvin, was engaged in a cold war of sorts to seize part of its neighbors' lands. Still, in 1998-1999 the conflict was an acute one, the gravest among other resource-related squabbles.

There are signs that it was caused by the sides' financial egoisms—they wanted as large share as possible for oil transfer across the debatable territories. The political elites of both regions painted gratifying pictures and diagrams of prosperity for their populations. In one of his interviews, President of Kalmykia Kirsan Iliumzhinov promised: "When we reach the figure of 3 million tonnes of annual oil extraction, there will be no need for our people to work."⁸ The local expectations ranged from revived construction projects to a healthy tourist industry. The normally reserved governor of the Astrakhan

⁷ See: A. Magomedov, "Oil and Caspian Pipeline Consortium as Instruments of Astrakhan and Kalmyk Leaders," *Central Asia and the Caucasus*, No. 2 (8), 2001, pp. 87-96.

⁸ *NG—Regiony*, No. 15, 1998, p. 4.

Region offered similar forecasts: according to him, Caspian oil and the oil transportation system would raise the local living standards to the highest Russian level and make Astrakhan the capital of the Caspian region.⁹

2. The Krasnodar Territory: Inner Conflicts and Oil-Related Bargaining

As distinct from the Astrakhan Region and Kalmykia where the capitals, connected with Moscow, dominate in the administrative and natural resources respect, the Kuban area has several main cities: Krasnodar, the administrative capital, Sochi, the capital of the recreation industry, and Novorossiisk and Tuapse, two ports with highly developed transportation and trade infrastructures. Novorossiisk is rapidly developing into a huge Black Sea transshipment port: it processes the larger part of Russia's exports and a third of Russia's oil exports. The CPC uses it as its oil terminal, which has already made Novorossiisk one of the largest foreign trade centers of post-Soviet Russia and one of the key economic units of Russia and other CIS countries.¹⁰

In the post-Soviet period, the Black Sea coast has finally acquired enough modernizing resources to develop at a fast pace. The process is an unequal one: the Krasnodar Territory demonstrates the unevenness of the modernization process and even a modernization conflict caused by the historically created division into the Southwest and the Northeast (the coast and inland agricultural areas). The conflict is rooted in two different economic types: the agrarian North and the industrial, transport, and recreational South. There is a certain division of labor between them: the South attracts money and investment projects, while the North is responsible for the disproportionately high share of the region's policy-making. This moved the local agrarian elites into the key posts in executive structures and supplied them with lobbying instruments. They could shape the budget policies to their advantage even though in 1988 the agrarian-industrial complex accounted for a mere 11 percent of the area's gross product and for 17 percent in 1995.

This disproportion reached its peak under Governor Nikolai Kondratenko, who placed the stakes on agriculture; this and his "hyperactive" nature complicated his relations with the oil factor. On the one hand, Novorossiisk had developed into the key transshipment port of Russia; on the other, the governor and his assistants looked at the Russian fuel and energy elite as an alien or even hostile element. The "Kondratenko factor" came to the fore during his second term (1996-2000), when the governor played his self-imposed role of local "hero," "protector" and "master" of the area with gusto. He belonged to the politicians of a "heroic" frame of mind and posed himself as an incorruptible fighter against the anti-national Yeltsin regime and a defender of the people's interests cruelly prosecuted by the powers that be. The result was a predictable one: he became a headache for the Kremlin, bureaucrats, and big Moscow business, therefore the relations between the area authorities and oil companies and between the governor and the federal center revolving around Caspian oil transits were conflictive, or even dramatic.

As distinct from the Astrakhan Region and Kalmykia, where the local heads were able to shape public opinion on the oil transit issue, in the Krasnodar Territory, the CPC-related events caused an enormous public response. Passions flew high around big oil money and the global project. Since 1997, the ordinary people, parties, Cossack organizations, public movements, and even the Orthodox Church have been showing an increasing interest in the project and its possible impact on their home country. After being presented with an investment-related feasibility study, the local administration scheduled the date for a public hearing on the CPC project. As a result it became abundantly clear that there were several major political players in the region with their own interests in the pipeline consortium and their own policies

⁹ See: *Obshchaya gazeta*, No. 36, 7-13 September, 2000, p. 6.

¹⁰ See: *Krasnodarskie izvestia*, 26 November, 1998, p. 3; *Ekonomika i zhizn*, No. 21, May 1999, p. 5.

regarding the CPC heads. They were ecological and public organizations, the area administration, and local self-government structures. All of them were political brokers in the resource distribution game. The local ecologists and more active members of the public made the process public and the discussions heated. Most of their initiatives were supported by figures and were intended to bring political pressure to bear on the CPC heads in order to enter into bargaining with them.

In the post-Kondratenko period, several large international and national technological projects were launched in the Krasnodar Territory. They were the CPC, the Blue Stream gas pipeline, a bridge across the Kerch Strait, and plans for developing the gas- and oil-bearing shelves of the Azov and Black seas nurtured by Rosneft and LUKoil.

There are several other promising local initiatives: the Transkam project proposed by Boris Khabitsov, Board Chairman of the Osset Ironbank (Vladikavkaz). His plan is to build a transportation corridor through the Great Caucasian Range to connect North and South Ossetia and the Russian Federation with the Southern Caucasus and the Middle East.¹¹ President of the Republic of North Ossetia-Alania Alexander Dzasokhov offered the latest and more official alternative in his paper *Alanskiy put v interesakh Rossii* (the Alan Route in Russia's Interests).¹²

The above suggests that the Russian regional elites, having all of a sudden found themselves involved in the "big Caspian oil" and potential transportation route projects, demonstrated rent-seeking behavior. Their support of the pipeline and politicization of the oil-extraction issue showed that oil was more attractive than the other available alternatives. This behavior model testifies that the present situation is a transitory one. These processes were unfolding during Boris Yeltsin's anarchic-authoritarian presidency, which approved of bargaining and mutual connivance of the sides involved. They were, in fact, the regime's corner-stone. The central figures were preserving their leading positions mainly by artificially extending the period of transition.

Any impartial analysis can provide an answer to the question of how the subregional power elites are changing their identity in the face of mounting globalization and regionalization. The "gateway" regions described above are transforming their identities in pursuit of their interests: the oil pipeline from Tengiz to Novorossiisk changed the identity of each region it crossed along with the identity of the corresponding ruling elites (which were looking after their own interests even more). The nature of political coordination also changed: the "gateway" regions were mastering a new, coordinating role in their areas, which the government of Russia failed to perform. The policy of the Center was replaced with local policies; in this context the regional authorities emerged as leading players. The new identity meant that the local elites acquired a new international coordinating role in their areas and were no longer clients of the RF leaders. The local structures perceived themselves as international entities.

In Yeltsin's time, the local elites were guided by common interests created by the unexpectedly immense possibilities: they wanted control over transit routes and raw material resources to promote their political goals. The elites were moving toward their goals by different routes charted by the nature of their relations with the Center and the limits of their own claims.

The above can be described as moderate variants based on bargaining and the rent-based stimuli.

3. Chechen and Abkhazian Transit Projects as Local Post-War Ultimatums

The "commercial" nature of the Chechen war and the further weakening of Russia's influence in the Caucasus after the Khasaviurt Agreements gave birth to Kh.-A. Nukhaev's extravagant project called "The

¹¹ See: *Nezavisimaya gazeta*, 6 March, 2000, p. 5.

¹² See: *Ibid.*, 26 July, 2000, p. 5.

Caucasian Common Market.” On the surface, the idea was presented as a mechanism of regional integration to bring peace and stability to the Caucasus. It was expected to rely on the North-South transportation corridor that would connect Russia, the Caucasus, and Iran and serve as a branch of the West-East (TRACECA) project, popular in the past. In fact, Russia, which lost the first Chechen war, was invited to create a North Caucasian free economic zone around Chechnia and tie all the energy and transport projects to it. The Chechen ultimatum was supported by threats against the northern route of Caspian oil (Baku-Novorossiisk). On the whole, the project smacked of military-diplomatic blackmail and fit perfectly with the Greater Ichkeria project based on the Caucasian Confederation stretching from the Caspian to the Black seas, another chimera of the Chechen separatists.

Georgia found itself in a similar situation: its military defeat in Abkhazia crippled its statehood. In the post-conflict period, the Abkhazian politicians used the transit issue as an instrument for strengthening their positions in the region and advised all the leading oil companies engaged in the Baku-Supsa project not to invest in the pipelines crossing Georgian territory. Their arguments presented by Inal Kazan, Sukhumi’s envoy plenipotentiary to the United States, included high political risks in the region, where another war between Abkhazia and Georgia might bring the latter another military catastrophe. Abkhazia warned that in the context of the still smoldering conflict with Tbilisi, it reserved the right to completely destroy the oil pipeline and its infrastructure on Georgian territory, because the petrodollars could be used to pay for the war against Abkhazia. The Abkhazians offered a safe alternative: a pipeline across their own territory along the Black Sea coast. The initiatives were made public in January 1996-April 1998, at a time when the oil pipeline intrigue was unfolding in the Caspian-Black Sea meso-area. They were obviously part of Abkhazian diplomacy designed to put pressure on both sides: Georgia and Western investors.

The upsurge in the political importance of the local (micro) level of Caspian policies resulted in “local centers of power, diplomatic fragments, and imitations”¹³ along the functioning and planned oil pipelines and transportation routes. All those involved in the struggle for control over stretches of the transit pipelines were obviously fighting for a higher status in the changing meso-area.

New Era of Caspian Policies

The dramatic beginning of the new century gave rise to new Caspian policies: its mega (global) and meso (regional) levels were set in motion, thus trampling down the local (micro) level. The following factors made this possible:

1. The coming to power of a new Russian president who, highly impressed by the American geopolitical triumph and its Caspian-Central Asian strategy, launched his own “strategic Caspian initiative.” In order to restore the priority of Russia’s national interests, President Putin first had to get rid of the Yeltsin legacy. In 2000, with this aim in view, he instituted the post of president’s special representative for the Caspian issue in the rank of vice-premier (Viktor Kaliuzhnyi was appointed to this post).
2. The 9/11 tragedy and the response of the United States and its allies in the war on international terrorism disrupted the fairly stable course of Caspian developments. This coincided with Russia’s return to the Caspian and Putin’s “strategic Caspian initiative.”
3. Failure of the Caspian summit held in Ashghabad in April 2002 to resolve the problem of the Caspian’s legal status and the sea’s division. Later meetings and discussions of the Conven-

¹³ V.L. Tsymburskiy, *Rossii—Zemlia za Velikim Limitrofom: tsivilizatsia i ee geopolitika*, Editorial URSS Publishers, Moscow, 2000, pp. 20, 83.

tion on the Caspian's Legal Status (one of them took place in April 2004) were likewise fruitless.

4. The Baku-Tbilisi-Ceyhan oil pipeline was one of the factors that determined the range of problems discussed and added urgency to these discussions. Since 1994, the U.S. has been pushing ahead the BTC project as the linchpin of its Caspian policies. Late in September 2002, the international BP-led consortium announced the symbolic start of the construction stage. The project was actually started in February-March 2003, to be completed early in 2005. Its planned annual carrying capacity is 50 million tonnes; its length is 1,760 km, the pipeline will cross Azerbaijan, Georgia, and Turkey and will connect the Azerbaijani oil fields (Azeri, Chirag, and Gunashli) with the oil terminals in Ceyhan on the Mediterranean.

The project will become part of the East-West transportation corridor. According to Steven Mann, Senior Advisor for Caspian Basin Energy Diplomacy, the pipeline will change the face of Eurasia, while its commercial attractiveness has already tempted Kazakhstan.

The project dealt a heavy blow to Moscow's interests in the Caspian Basin: it failed to keep Kazakhstan in its rather pinching transit grasp. And it still has to fight Washington for influence in the republic. Russia's political and economic interests in the Southern Caucasus are also threatened: Azeri oil transit sent to Ceyhan may deprive Russia of its share of oil transit revenue. The oil transit routes bypassing Russia may weaken Russia's ties with the Southern Caucasus and Central Asia.

The above processes accelerated the Caspian Basin's militarization. The current situation hardly confirms the optimism of Russian politicians and political observers: "Initiative in the Caspian Region belongs to Russia, which shares it with Kazakhstan" (Iu. Alexandrov). Nor can we agree with the skepticism about the BTC's future based on Azerbaijan's proven oil reserves (V. Kaliuzhnyi, M. Khazin). It looks as if the Russian experts are still relying on geo-economic considerations and explaining pipeline policies with economic reasons. They are firmly convinced that the oil pipeline and promising oil reserves are inseparable. The analysts proceeded from the local risks—closeness to the zones of ethnic and regional conflicts (Karabakh and Turkish Kurdistan), and seismic and ecological threats. Some of them offered sarcastic comments on the BTC's future such as: "a new international fever," "costly madness," etc.¹⁴

It is more or less obvious that the project is unrelated to economic considerations. Oil has nothing to do with the great powers' contention. Communication lines, which add meaning to geographic location and give control over vast expanses, are behind the clashes. Its obvious strategic importance has made the BTC a geopolitical weapon. Russian analytical studies and diplomacy display their weaknesses and vulnerability when underestimating the old truth that Maksimenko has put in a nutshell: "History has taught us that trade communications at the world's crossroads may acquire military and strategic importance: trade routes turn into war paths."¹⁵

Early in the 21st century the leaders of the coastal states, concerned about possible destabilization in the region, have been rapidly militarizing the Caspian Basin. There are people prepared to use force to resolve the conflicts over offshore oil fields. The relations between Azerbaijan and Turkmenistan and Azerbaijan and Iran have become strained because of the oil fields in the southern Caspian. Central Asian countries are creating their navies and coastal defense infrastructures to protect their interests. All the coastal states are fully aware of the possibility of using force to gain geopolitical and geo-economic domination in the Caspian Basin. Turkmenistan, Azerbaijan, and Iran have repeatedly stated that they intended to use force to protect "their" parts of the sea. The still unresolved legal status and several contestable parts of the sea are keeping the tension high among the coastal states and national oil companies.

¹⁴ S. Eduardov, "Zhazhda v trubakh" [www.utro.ru/articles/2003/02/07/126422.shtml]; Iu. Alexandrov, D. Orlov, "Baku-Tbilisi-Ceyhan: gde neft?" *Nezavisimaya gazeta*, 4 October, 2002, p. 10.

¹⁵ V. Maksimenko, op. cit., p. 61.

Vladimir Putin's "Strategic Caspian Initiative": Keeping Local Transit Initiatives in Check

The local level has been suppressed by the mounting pressure at the mega- and meso-levels and Russia's revived role as a Caspian state. This coincided with the end of Boris Yeltsin's era; Russia began to revise its attitude toward the oil transit issues and the money flows within the CPC-Kremlin-regions triangle. As a result of President Putin's centralization course, the financial system was reorganized in favor of the Kremlin; and amendments to the budget and taxation codes helped concentrate incomes in the federal budget: today it receives 100 percent of the severance tax. As a result the regions lost oil transit tax as well: in 2003, the Astrakhan Region lost 1.6 billion rubles.¹⁶

The regions were obviously displeased. The Duma deputies of the Astrakhan Region described these initiatives as "killing off the territories," some of them went as far as calling for a boycott of the December 2003 parliamentary elections to attract the Center's attention to the region's needs. Kalmykia responded in a similar way. Elista described the decision of the RF government to transfer 100 percent of the rent the CPC administration paid for use of part of the Kalmyk territory to the federal budget as "a gross violation of the principles of federalism and gross injustice."¹⁷

These changes were in line with President Putin's course aimed at suppressing the alternative (regional, in this case) centers of political influence. The regional authorities were deprived of the "pipe-produced" rent and the possibility of adding political dimensions to oil production and oil transit. Simultaneously, in the fall of 2000, the Center showed that it was determined to establish its control over the southern ports, which meant that the regional elites would be no longer able to implement urgent transit projects through the North Caspian ports.

These changes have supplied the background for Russia's new Caspian policies and the role the Center left to the regions. In April 2002, during his visit to Astrakhan, Vladimir Putin not only clearly outlined Russia's military priorities in the Caspian Sea, but also promised that the Caspian Flotilla would receive the latest weapons and better trained personnel.¹⁸

In August 2002, the Caspian was a scene of large-scale marine exercises of the Caspian Flotilla as part of the presidential initiative. The scope and number of power structures involved had no precedence either in Russia or in the Soviet Union. The exercises were pursuing political, rather than military, aims, which is confirmed by the fact that they were announced immediately after the failed Ashgabad summit. The president obviously wanted to demonstrate Russia's military domination in the Caspian Sea and force the coastal states to shift their implacable positions on its legal status. One of the key episodes involved was defense of facilities of the Russian fuel-and-energy complex in the Caspian. The defense minister personally commanded the exercises designed to protect the Astra drilling rig, which belongs to the LUKoil Astrakhan branch. Significantly, the state resolved to demonstrate its readiness to defend the interests of specific Russian oil business entities and pooled the efforts of all the power-wielding structures.

Astrakhan is developing into an important transportation junction in the south of Russia; more than that, it is turning into the key military-strategic point and an important geopolitical toehold to be used for controlling the Caspian. This is fully confirmed by the above circumstances and the nature of personal relations between Astrakhan Governor Anatoly Guzhvin and President Putin. At that time, the governor was engaged in frequent consultations with the head of state on all key issues of the Kremlin's Caspian policies and was directly involved in supervising Russia's military policies in the region. In September

¹⁶ See: *Volga* (an independent newspaper of the Astrakhan Region), 22 October, 2003.

¹⁷ *Ibid.*, 28 October, 2003.

¹⁸ See: *Nezavisimaia gazeta*, 16 January, 2004; *Volga*, 26 February, 2004.

2002, at a sitting of the State Council presidium he was awarded an order "For Military Service." In this way, the president acknowledged his considerable contribution to the development of the Caspian Flotilla and the carrying out of military exercises.¹⁹ In the future, too, Astrakhan will be responsible for many aspects of Russia's Caspian policies.

The presidential decree of 17 September, 2003 about bringing part of the Black Sea Fleet to Novorossiisk increased military-political pressure on the Krasnodar Territory.

This shows that in the context of the struggle for transit routes, certain local units of the Caspian meso-level were seeking involvement in the emerging georegional landscape. I have already mentioned that the Russian regions have been competing for greater roles in the international transit projects. Local rivalry for communication resources added to the chaos of the asymmetric (or even obviously bipolar) trends in Russia's Caspian policies.

Today, asymmetry is created by the policies of Putin's new selectivity with respect to the regions. Coupled with rigid control, this has resulted in a regional hierarchy of sorts. Astrakhan and the Krasnodar Territory have become Russia's outposts on the Caspian and Black seas, while Kalmykia, Chechnia, and Daghستان have been pushed aside. For example, in April 2004 the visit of Vladimir Iakovlev, the then presidential representative in the Southern Federal Okrug, to Kalmykia buried the hopes of building a port in Lagan.²⁰ Elista lost the old controversy with Astrakhan over the North Caspian islands. Under the Law on Confirming the Administrative Borders of the Astrakhan Region passed by the regional Duma in March 2004, the region acquired seven contestable islands, while Kalmykia had to drop its claims.²¹

Finally, both Astrakhan and the Kuban area, which emerged victors, are reaping the rich fruits produced by their transit routes: the Krasnodar Territory is turning into the gateway region of Russia's south, while Astrakhan is acquiring more clout in the context of the new North-South transportation corridor.

C o n c l u s i o n

The still unresolved legal status of the Caspian Sea and the accumulating contradictions among the coastal states are pushing the relations among them from "soft" and mainly vague diplomatic approaches toward "harsh" ones. The hastily created Caspian fleets added importance to the coastal cities and changed them from mere transit and communication crossroads into military outposts. The fact that big geopolitical players (America, China, and India) have also become involved in the process has pushed "harsh security measures" to the fore at the expense of "soft" approaches.

It seems that in this context the excessively optimistic forecasts offered by certain analysts (D. Trenin) should be revised. Contrary to what they said, no inevitable decrease in the role of the Russian ports as military outposts is in sight. The same applies to their statement about deflation of the military dimension of security in general.²²

Any forecasts predicting hostilities among the coastal states are highly unlikely. Today, the military presence should be interpreted as a diplomatic argument and an instrument of control over geographic location and resources in the form of "negotiations supported by force."²³

At all times, the local level becomes more active when the role of the national and regional levels decline. The opposite is equally correct: stronger nation-states suppress the local level by fitting it into the algorithm of their political interests. During self-mobilization, the central authorities limit

¹⁹ Anatoly Guzhvin suddenly died on 17 August, 2004; the media reported that he died of heart failure while on vacation in Sochi.

²⁰ See: *Kommersant*, 20 April, 2004, p. 3.

²¹ See: *Volga*, 28 April, 2004.

²² See: *Rossiiskie regiony kak mezhdunarodnye aktory. Analiticheskii doklad*, ed. by A.S. Makarychev, NGLU Press, Nizhny Novgorod, 2000, p. 74.

²³ V.L. Tsymburskiy, op. cit., p. 96.

their support of those local units which can be described as the key ones for the country's national interests. President Putin's latest initiatives to appoint governors rather than elect them may make the regional leaders and local interests completely dependent on the Kremlin. It seems that in the near future the role of the local units as vehicles of specific interests and claims will be reduced to the minimum.