

# RUSSIA IN THE CASPIAN

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## Contraction of Russia's Geopolitical Expanse

For centuries Russia has been the center of power in the Caspian; for centuries it has conducted an active policy there. Today, it can rely on its experience of multisided and bilateral cooperation in the region. In December 1991, however, it revealed to the world an image that dramatically differed from all previous historical forms of its statehood. This is true of Russia's political system, its borders, and its geopolitical neighbors.<sup>1</sup> Azerbaijan, Turkmenistan, and Kazakhstan joined Iran and Russia as independent states. Their fuel reserves added weight to their international prestige. D. Yergin, one of the

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<sup>1</sup> See: I.S. Ivanov, "Vneshniaia politika Rossii na rubezhe XXI veka: problema formirovaniia, evoliutsii i preemstvennosti," *Vneshniaia politika i bezopasnost sovremennoy Rossii 1991-2002*. Anthology in four volumes, Vol. 1, ROSSPEN Publishers, Moscow, 2002, pp. 204-232.

leading experts in oil-related issues, has said: "We should expect an 'unexpected surprise,' which will become obvious post factum. Everything that might affect our access to the sources of oil—violence, wars, technogenic threats, political collisions, economic imperatives, ethnic, religious, ideological, or social conflicts—could strike out of the blue."<sup>2</sup>

In post-Soviet times the Caspian became a knot of contradictory regional and extra-regional interests, a place where geopolitical aims and strategies clashed. In these conditions, Russia had to formulate new geopolitical aims, while bearing in mind the geopolitical interests of its neighbors and certain other states, the political aims of which often had nothing in common with what Moscow wanted. The local oil and gas reserves are important for their owners. More than that, they are important for Western countries, which has created new serious problems for Kazakhstan, Azerbaijan, and Turkmenistan. Here I have in mind their complete dependence on Russia in the transport and communication sphere. It was the Russian Federation's main intention to force Azerbaijan and Kazakhstan to transport their oil across Russian territory to Novorossiisk<sup>3</sup> in order to be able to influence the situation in the region as a whole and in individual countries.

Russia's foreign policy was unfolding under geopolitical conditions that differed greatly from Soviet times. The territory of its geopolitical, military, political, economic, and cultural influence shrank. In fact, it lost everything it had been fighting for during the past two centuries: in the Caucasus it retreated to the borders of the early 19th century; in Central Asia, to the borders of the mid-19th century, and in the west, to the borders of the early 17th century. In just a few days, Russia lost everything it had possessed for several hundred years, everything for which it had fought numerous wars and for which it had sacrificed millions of lives.<sup>4</sup> As a result, the Caspian, which for 250 years had been the zone of Russian-Iranian political and economic interests, developed into a zone where the interests of five coastal states meet. In addition, it has attracted many extra-regional states and transnational companies, each with aims and interests of their own.

The Caspian zone is unique because of the wide range of varied regional and related problems, their intertwining, and a multitude of domestic and international aspects that affect the national security of all the coastal states. The region is conflict-prone, any unfavorable development, especially in its post-Soviet part, could cripple the prospects for multisided cooperation. This is typical of the world at the beginning of the 21st century in general. On the one hand, these geopolitical changes caused new problems which sapped Russia's influence; on the other, they again forced it, as always happened at the turning points in its history in the 18th-20th centuries, to reassess its role and identify ways and means to realize its interests in the region.

Russia's role as the main geopolitical center in the Caspian diminished when new states appeared on the Caspian shores. The same can be said of Iran, which for many centuries was one of the key actors in international relations. The international legal status of the Caspian Sea changed and had to be negotiated anew. In the legal sphere, Moscow relied on the principle of the continuity of Russian statehood, according to which the Russian Empire, the R.S.F.S.R., the U.S.S.R., and the Russian Federation were the same participant in interstate relations, the same entity of international law, which continued exercising the rights and fulfilling the obligations stemming from its international agreements.

Life proved to be much more complicated than this. Russia was not active enough when formulating its Caspian priorities, even though the appearance of the new independent states called for new political relations among the post-Soviet republics. The Russian leaders repeatedly emphasized that Russia's Caspian coastal zone was of special geopolitical and economic importance, and did practically nothing to strengthen Russian's foothold there. Moscow failed to fully employ its geopolitical instruments to make

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<sup>2</sup> D. Yergin, *Dobycha. Vsemirnaia istoria bor'by za neft, den'gi i vlast* (D. Yergin, *The Prize: The Epic Quest for Oil, Money & Power*), Russian translation, DeNovo Publishers, Moscow, 1999, p. 826.

<sup>3</sup> See: I.S. Zonn, *Kaspiy: illiuzii i real'nost*, TOO Korkis Publishers, Moscow, 1999, 467 pp.

<sup>4</sup> See: Z. Brzezinski, *The Grand Chessboard. American Primacy and its Geostrategic Imperatives*, New York, Basic Books, 1997, pp. 99-100.

its regional policy more effective: while controlling the export oil and gas pipelines the Caspian countries used to reach foreign markets and having complete information about their oil and gas fields, Russia was retreating under pressure from the Western countries which had just arrived in the Caspian. The United States, guided by long-term priorities, was stepping up its diplomatic involvement there. Washington correctly assessed the degree to which Russia's influence in the region declined during Kozyrev's "orientation toward the West" course and skillfully used it.

Meanwhile, the geopolitical and economic situation deprived Russia of the potential that might have helped it keep its foothold in the Caspian, for the simple reason that it was the legal heir to the Soviet Union. The speed with which the geopolitical situation around the country was changing left no time for its leaders to clearly formulate Russia's foreign policy priorities. For this reason, early in the 1990s, Moscow no longer had a decisive say in the key issue—the international legal status of the Caspian. The very approaches to this problem were changing together with the changing situation.

## Beating a Retreat

The "contract of the century" Azerbaijan signed in 1994 and restoration of the Baku-Tbilisi-Batumi oil pipeline dramatically changed the geopolitical situation: Russia was forced to face further weakening of its geopolitical influence in the Caspian and the danger of losing Azerbaijan's oil transit fees. Moscow's foothold was further eroded by the situation in Chechnia no longer controlled by the federal center. Chechnia, a landlocked republic, attracted attention as an important oil transportation link: it was on its territory that the oil pipelines from Azerbaijan and Kazakhstan met. In addition, the Chechen crisis undermined Russia's southern transportation infrastructure. The war that started in Chechnia in December 1994 did not cut the knot: it stopped oil transportation through its territory for a long time and discontinued railway traffic between Daghestan and Russia. No matter what is said about it, this war was directly connected with the rivalry among many countries and companies over Caspian oil and export routes. Umar Avtorkhanov, head of the National Salvation Committee at that time, said: "There would have been no war in Chechnia had there been no pipeline in our republic, had there been no Caspian oil, and no contradicting business interests."<sup>5</sup>

In this way, by the mid-1990s Russia's foothold in the Caspian region and its ability to influence its neighbors and extra-regional states had considerably weakened. Moscow was still a regional center to be reckoned with, yet its policy was contradictory; it showed no intention of restoring its geopolitical and economic preeminence there. It was becoming increasingly clear that its economy-related influence upon the Caspian countries should not be overestimated. The Russian Federation proved unable to offer efficient cooperation mechanisms; the state and private structures refused to work together, while the regional states had reoriented themselves toward foreign markets because of the ruptured economic ties inherited from the Soviet Union. I have already written that the West, the U.S. in the first place, was displaying hectic activity in the Caspian region.

The geopolitical situation was changing too rapidly for the official structures in Moscow. They failed to respond with re-adjusted approaches. A Russian expert wrote the following on this account: "Russia continued its quest for a solution to the problem of the Caspian Sea's legal status as if it failed to detect the serious changes that had occurred in the region and made a compromise even harder to achieve. From the legal point of view, the Foreign Ministry of Russia was inconsistent, while the country itself lacked a coordinated national Caspian policy designed to serve future aims."<sup>6</sup>

Russia lost its leading position in the region for several reasons. On the one hand, it remained undecided about its interests in this part of the post-Soviet world and could not find any adequate instruments

<sup>5</sup> Quoted from: S.V. Zonn, I.S. Zonn, *Priroda i obshchestvo Chechenskoy Respubliki*, Moscow, 2001, p. 159.

<sup>6</sup> Yu.G. Barsegov, *Kaspiy v mezhdunarodnom prave i mirovoy politike*, Institute of World Economy and International Relations, RAS, Moscow, 1998, p. 64.

to translate its interests into reality. In this way it allowed the West to enter the region and become entrenched there. On the other hand, the reforms largely undermined its economic and political potential and made it much harder for it to defend its interests. Still, its long history and permanent long-term interests in the region helped Moscow create a new policy perfectly adjusted to the geopolitical developments.

In the latter half of the 1990s Russia was confronted with entirely new problems that forced it to shift the emphasis of its policy in the region (where the problem of drug trafficking had already come to the fore). The Caspian states were busy developing their armies; the Western countries were building up their influence to the detriment of Russia's position. Together with the United States, the local republics started actively discussing possible alternative oil and gas routes bypassing Russia; geopolitical tension and contradictions among the coastal states became obvious. At the same time, the Chechen problem and the terrorist threat were still having a detrimental effect on Moscow's position.

The transit hydrocarbon routes and the Baku-Novorossiisk oil pipeline were Russia's main geopolitical instruments. Before the first Chechen war it was a safe route for transporting oil from Azerbaijan. Because of the war Russia had to build a branch of the same main pipeline outside Chechnia: the Novorossiisk outlet earned too much money and was too effective as an instrument of geopolitical pressure on Baku and the region as a whole to be abandoned.

Meanwhile Moscow was very slow to readjust its Caspian policies: disagreements between the federal structures and the regional leaders had been obvious for some time. The policy itself was inconsistent and, to a great extent, a product of the conflict of interests between the state and private big business, as well as among state structures. This policy has been, and remains, influenced by several interest groups in the state structures and "elites" of the coastal regions of the Russian Federation. The interests of the Defense Ministry, Foreign Ministry, the Ministry of Energy, and the Ministry of Natural Resources clashed there.

At different stages, the state structures expressed the interests of big business to varying degrees (the oil lobby in the first place and the fishing lobby in the second). Under their pressure and because of the general geopolitical situation in the region, the official policy in the Caspian was gradually moving away from the hard-line (which strongly relied on military-political elements) to pragmatic approaches, which took into account the new political and economic realities in Russia and the Caspian region.

## **New Partnership— A Road to Revival**

After putting an alternative on the negotiation table, according to which the Caspian seabed should be divided among the coastal states for further exploitation while the larger part of the water mass and the surface should remain in their common use, Moscow started rebuilding its geopolitical influence in the Caspian. By signing an agreement in 1998 based on these principles with Kazakhstan, Russia accepted the fact that the old status of the Caspian (which reliably protected its interests throughout the 19th and 20th centuries) would be revised. On the other hand, bringing relations into order with the Caspian states allowed Russia to successfully address one of the most challenging regional problems and to strengthen its own position. The new approaches shared by Russia and Kazakhstan reflected the huge geopolitical shifts in the region: one-sided orientation toward the old Soviet-Iranian treaties was fraught with Russia's isolation and its exclusion from many regional processes. By initiating the revision of the Caspian's legal status, the Kremlin aimed at compromises with the coastal states.

"The pipeline architecture" developed into a key geopolitical problem. Russia entered the post-Soviet period as a monopolist in this sphere. Throughout the 1990s, it managed to preserve its domination where the transit of hydrocarbons across its territory was concerned, despite the coastal states' frantic efforts to

reach external markets by going around Russia. This started geopolitical rivalry over oil and gas export routes. The countries involved concentrated on finding alternative routes, the need for which was caused by the development of new oil and gas fields. At the first stage, Russia remained the monopolist for the simple reason that it controlled the old pipeline system. The new Tengiz-Novorossiisk pipeline was its diplomatic victory: Russia had won the right to transport Kazakh oil. The project realized by the Caspian Pipeline Consortium (CPC) brought money, made it possible to add another oil terminal to the already existing ones on the Black Sea coast, and strengthened Russia's influence in the region by devaluing the alternative oil export routes (or at least postponing their realization).

While exploiting the pipeline as a foreign policy instrument, Moscow never closed it to the oil coming from the other Caspian states, yet, at the same time, it did not want them to become its rivals on the fuel markets (Azerbaijan and Kazakhstan on the oil markets and Turkmenistan on the natural gas market). I have to admit that the cheapest export routes of Azerbaijanian and Central Asian oil run across Russia; this could have been said about cross-Iranian routes had the United States not blocked this channel for political considerations.

By the late 1990s, the geopolitical situation in the region had changed considerably: Azerbaijan signed contracts on developing its marine oil fields; and Kazakhstan and Turkmenistan were working on attracting foreign investments to their marine sectors. It had become obvious that all of them wanted to wipe away Russia's fuel transportation monopoly. They were moving into the ranks of Russia's rivals on the oil and gas markets—the long-term threat was obvious, yet Moscow was often trailing behind the events and failed to respond to the new trends.

I can agree with those Russian experts who were skeptical of Russia's success during that period and who pointed out that the state, and private for that matter, structures could not agree among themselves and that there was no consistency when it came to protecting state interests. Throughout the 1990s the Foreign Ministry and private oil business were competing over the right to shape Russia's policies in the Caspian. On the other hand, throughout previous decades (or centuries, to be more exact) Russia had created and learned how to efficiently protect its interests; it also had new cooperation instruments at its disposal and was aware of the key parameters (geopolitical codes) of its permanent interests in the Caspian.

## **Vladimir Putin: Russia is Coming Back to the Caspian**

Boris Yeltsin left Russia's political scene on the last day of 1999, before his term expired; Vladimir Putin was elected new president in March 2000. This was the beginning of a new stage in Russia's foreign policy and its much stronger influence in the region. Its role and place in the region became clearer; the cooperation principles and the landmarks of its future policy were outlined. As early as April 2000, the Security Council of Russia discussed its Caspian policy and the wide range of regional problems, which included ecological and military issues. The very fact of their discussion at the top level spoke volumes: the new leaders were obviously aware of the region's importance. The Security Council pointed out that at all times the Caspian had been and remained the "traditional sphere of Russia's national interests," important for the country's security. At the same time, the Security Council had to admit that Russia's economic resources and military-political influence did not allow it to claim a leading role.

This region's new geopolitical status was further confirmed by appointment of a special representative of the President of the Russian Federation (in the rank of the deputy foreign minister) for settling the legal status of the Caspian Sea. This post was analogous to the posts of special representatives of the U.S. President and State Secretary actively involved in developing national policy. This appointment was

described as a response to the efforts of certain foreign forces to weaken Russia's position in the Caspian, drive a wedge between it and other coastal states, strengthen their own position, and establish their own control over the mineral riches to the accompaniment of talks about the need to prevent revival of Russia's "imperial ambitions."

The RF Foreign Policy Conception adopted in the summer of 2000, a key document registering the importance of the Caspian for Russia, says in particular: "Russia will insist on determining the status of the Caspian Sea to allow the coastal states to unfold mutually advantageous cooperation in using the local riches on a just basis that takes into account their legal interests."

The Marine Doctrine of Russia reflected the main provisions of Russia's new Caspian policy.<sup>7</sup> It says in particular that the region possesses unique amounts of high quality mineral and biological resources and that the following long-term tasks should be treated as priorities: "identification of the international legal status of the Caspian best suited to the Russian Federation; the way its fish resources and oil and gas fields should be used; protection of the marine environment jointly with the other coastal states; creation of conditions conducive to deployment and use of all components of the country's marine potential (the RF constituencies should also be involved in fulfilling this task); renewal of the trade fleet of sea and river-sea vessels and of the fishing fleet; curtailing the efforts to oust the Russian fleet from the market of marine transportation service; opening ferry lines as part of inter-modal transportation reaching the Mediterranean and the Baltic Sea; and development, reconstruction, and specialization of the existing ports."

This doctrine, and the list of problems it contained, demonstrated that the Russian leaders had acquired a more adequate view of the regional processes. This explains why special representative of the RF President for the Caspian Viktor Kaliuzhnyi said that Caspian stability was relative. He also said that it could be protected only if the sea's legal status was promptly identified. Each of the coastal states was trying to grasp as much of the sea's riches as possible, which was destabilizing the situation.

The military components of Russia's regional policy acquired more importance after 2000. This confirmed that the idea about military might being replaced by the state's economic, financial, technological, and cultural elements was wrong. (It should be added that the developments of the early 21st century have refuted this idea for everybody to see.) At the same time, military build-up in the region has been reaching a dangerous level under the pretext of defending hydrocarbon reserves. On the other hand, this is inevitable in a region where instability, extremism, and terrorism are increasing, while the coastal states are busy creating their navies.

Russia changed its approach to the legal status of the Caspian at a time when transportation policy in a region where Moscow had scored certain points also changed. In fact, the discovery of large oil and gas fields added urgency to the legal status issue since fuel export made it possible to revive trade and economic cooperation and increase freight turnover.

Russia launched several projects designed to meet its domestic and export requirements: one of them was the North-South international transportation corridor, the political foundation of which was created by the intergovernmental agreement Russia, Iran, and India signed in September 2000 during the Second Eurasian Transport Conference. The agreement envisaged a standing structure, the Coordinating Council, to look after the general issues (tariff policies, customs procedures, visas, etc.), as well as the corridor's everyday functioning.

The events of 9/11 graphically demonstrated that the recent geopolitical changes were not entirely positive and that they had already increased tension in the world. The world has to deal with absolutely new phenomena created by terrorism, drug trafficking, and other criminal activities, as well as the growing role of transnational companies, the interests of which sometimes contradict what the states need.

By late 2001 new trends in Russia's Caspian policy had become clear: Moscow wanted a system of geopolitical mechanisms designed to resolve the region's main problems, such as the legal status of the

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<sup>7</sup> See: Regulation of the Government of the Russian Federation of 31 July, 2001, No. 566.

Caspian, the military component, struggle with terrorism and poaching, ecological and transportation issues, the social and economic development of the RF's coastal region, and bilateral cooperation with the coastal states.

Because of its geostrategic situation, and political, economic, ecological, humanitarian, and other factors, the region's importance for the Russian Federation is mounting, including in the sphere of its national security. Russia is very much concerned with the worsening ecological situation caused by uncontrolled discharges of untreated wastes of oil processing, drilling, and transportation. Environmental depletion in the protected areas and wide-scale poaching are decreasing the population of sturgeon and other valuable fish species. (Not all countries are observing the "zero discharge" principle.) It should be added that the coastal states have already taken serious measures to improve the situation: in November 2003 they signed a framework convention on protecting the marine environment.

One of the key diplomatic tasks—mutually advantageous cooperation with Iran, a country whose geopolitical clout in the region has made it a potential strategically important partner—remained unsolved. Closer bilateral economic and political ties with this country will add weight to the RF's geopolitical influence in the region as a whole and decrease American influence there.

The Kremlin is actively exploiting Russia's status as a large exporter of hydrocarbons and a large transit territory to strengthen its security and defense capability. It is actively using this foreign policy instrument; it seems that in future, too, Moscow will preserve its geopolitical influence. Foreign experts think the same: according to Ariel Cohen, an analyst with the Heritage Foundation, "Moscow is using the energy fuel card more and more actively in the Caucasus and the Caspian region since many of the post-Soviet states still depend on Russian fuel."<sup>8</sup>

### *By Way of a Summary*

Early in the new century Russia not only finally recognized its geopolitical interests in the region rooted in its past, but also managed to successfully exploit the advantages inherited from the Soviet Union. The measures that President Putin is taking in the economic, political, and military spheres have added vigor to Russia's policy in the Caspian and increased its geopolitical potential.

The rules of the new geopolitical game should add to collective security, and prevent interference of external forces and Balkanization of the area. The local countries should recognize their mutual responsibility for their common security and for strengthening their regimes. Russia should bear in mind that the previously non-traditional participants in international relations (transnational capital represented by trade groups, large banks, and production associations, as well as criminal syndicates) are acquiring more importance and are acting on a par with state structures. These new participants are diminishing the role of the state in economy, defense, security, and communications.

It should be added that it takes time to change the balance of forces in the Caspian and strengthen Russia's influence there. Security of Russia's southern borders largely depends on the situation in the neighboring countries, especially if ethnic and regional conflicts develop there or if there is danger of their disintegration. This threatens Russia (and will threaten it in the future) and forces it to constantly readjust its regional policy. It seems that the region's conflict potential is increasing in response to the diminishing efficiency of diplomatic measures while economic, mainly financial, stimuli have moved to the fore. They too may fail. The coastal states are very vulnerable, therefore they are seeking support both inside and outside the region by constantly increasing the number of their partners.

The geopolitical situation is new, not only because the positions of countries and blocs of countries have changed—they have armed themselves with instruments of influence that ten years ago were dis-

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<sup>8</sup> *Svobodnaia Gruzia*, 16 January, 2001.

cussed as a vague possibility. The global transformations have affected many countries, while the eagerly awaited international stability did not come; more than that, it developed into an abstract idea in a world living amidst the terrorist threat.

Despite its numerous problems, Russia has remained an important participant in international relations in the Caspian and a center of important decision-making. It can retain this role and continue influencing the local situation.