

## Caspian Sea development has British worried

by Muriel Mirak-Weissbach

On April 26, the mother of all British think-tanks, the International Institute of Strategic Studies, presented its most recent Strategic Survey to the press. IISS spokesman John Chipman explained that the institute had come to the conclusion that the Caspian Sea oil reserves, which have attracted the attention of oil companies and major powers, since the 1991 break-up of the Soviet Union, are not so significant at all. Grossly exaggerated, Chipman said, were the figures circulated by the U.S. State Department on the reserves, and thus, grossly overrated was the potential for development of the region. Given the currently depressed world oil prices, Chipman argued, and the high costs of investments in pipelines and other infrastructural requirements, there would be no decent return on money going into the region. Better, he concluded, to lift the sanctions against Iraq, and develop its known, vast oil potential.

One is reminded inevitably of Hamlet's mother's comment on the performance of the lady in the play: "The lady protests too much, methinks."

Regardless of what the actual amount of oil reserves turns out to be, when they are fully explored, there is no doubt, that the Caspian Sea region is of utmost strategic significance, in the perspective that has opened up for the development of the Eurasian Land-Bridge. Despite ritual protestations to the contrary, there has, indeed, been an attempt to revive the 19th-century "Great Game," pitting one power against the other for influence and control over the region.

Foremost among such geopolitical strategists, have been the British, and specifically the IISS. It was in fact that institute's daughter think-tank, the New York Council on Foreign Relations, which floated a new policy draft in the May-June 1997 issue of its house organ, *Foreign Affairs*, the gist of which was the following: The containment policy against Iraq, and more especially, Iran, should be overthrown, and replaced by a Trojan Horse approach, whereby British oil

interests could gain access to the Central Asian republics' vast mineral riches, through a rehabilitated, friendly Iran. In the same issue, madman geopolitician Zbigniew Brzezinski penned an article, proposing the break-up of Russia and sundry balance of power fantasies (see Lyndon LaRouche, "Tweedledum Goofs Again," *EIR*, Dec. 5, 1997; and, Muriel Mirak-Weissbach, "CFR Signals New British Tactic Toward Iran, Iraq," *EIR*, June 6, 1997). Thus, when IISS comes up with such pronouncements on the Caspian Sea reserves, one should not take them as gospel, but should rather raise the question: What is going on here?

### Oil, gas, and pipeline diplomacy

A number of important developments have taken place over the last weeks, which have redefined the relations among nations in the region. First was the announcement on April 9, by President of Kazakhstan Nursultan Nazarbayev, that his country had reached an agreement with Russia on the division of the Caspian Sea oil. As Nazarbayev said in Moscow to Itar-TASS, in the agreement to be signed on April 28, "We do not divide water, we divide only the seabed," at equal distances from the coasts.

The agreement constitutes a shift in the position Moscow had held earlier, which was that the Caspian Sea should be considered the joint property of the littoral states, and not divided up. This was also the position of Iran, which had been signator to a treaty arrangement with the Soviet Union, in 1921 and 1940, on the status of the sea. With his decision on April 10, Russian President Boris Yeltsin signalled a change, which was applauded by the Central Asian states as a step toward their viewpoint. At the same time, it was harshly criticized by Iran, whose Foreign Minister Kamal Kharrazi saw it as a violation of the informal understanding, that the legal status should be determined jointly by all littoral states.

The *Moscow Times* referred to the decision, in an editorial on April 14, as a “potentially crucial change of [Russian] policy,” and commented that “the chance of an end to the Caspian Sea dispute is a positive gesture toward other members of the Commonwealth of Independent States that shows Russia is willing to cooperate in developing the region.” Other commentators have mooted that the shift is merely one of tactics, but that Russian strategy, to control the flow of oil in the region, remains the same.

In this context, it is clear that no amount of oil reserves in the Caspian Sea or the littoral states is worth much, if the infrastructure is not developed to take the oil to international markets. Real development of the oil- and gas-rich countries in Central Asia depends, further, on the reinvestment of export revenues into building up all-rounded modern industrial economies.

According to statements by several Russian officials prior to the news of the Kazak agreement, Moscow has offered to Kazakstan and Azerbaijan, to increase the amount of oil carried across Russian territory in the pipeline to Novorossiisk, on the Black Sea. First Deputy Foreign Minister Boris Pastukhov said Russia was willing to increase the capacity from 5 million to 17 million tons per year, and eventually invest to increase it further to 30 tons per year.

From a geopolitical standpoint, this would clearly continue to provide Russia with a lever over the flow of oil from the Central Asian republics. Russia’s continuing opposition to proposals for trans-Caspian pipelines, which would transport from Central Asia through the Caucasus, is to be understood in this light.

Yet, from the standpoint of the Central Asian republics, the issue must be viewed in a different light. For Turkmenistan and Kazakstan, in particular, the precondition for economic development, is finding the means, through pipeline infrastructure, to market oil and gas for urgently needed revenues for development. Thus, the position their governments have held, could be summed up: The more pipelines, the better. The President of Turkmenistan, Saparmurat Niyazov, visited Washington on April 23, and met with President Bill Clinton, as well as representatives of oil companies. Niyazov also delivered a speech to the Johns Hopkins University School for Advanced International Studies, in which he said, “There will be several gas pipelines, including the northern one,” through the Caucasus and Turkey. In a joint statement, Niyazov and Clinton agreed on rapid development of the Caspian resources, and “efficient routes to world markets to promote regional development.” They “expressed their support for an east-west corridor, including a trans-Caspian pipeline, to transport Caspian energy to international markets.”

President Niyazov reportedly signed several agreements with oil companies, including Mobil, for feasibility studies. His comment was, “We intend to cooperate with everyone who wants to cooperate with us.” Regarding pipeline preferences, Turkmenistan is interested in exploring the Caspian seabed option (though it is the most expensive), has signed

agreements with Iran and Turkey for pipelines across their territories, and is hoping for an end to the Afghanistan war, so that it can participate in a pipeline across it into Pakistan.

The same could be said for Kazakstan’s approach. According to a recent statement on the status of the Caspian Sea and transport of Kazak oil, Kazakstan is eager to see the following pipelines realized: Tengiz-Novorossiisk, Atyrau-Astrakan-Grozny-Baku-Ceyhan, and Kazakstan-Iran-Persian Gulf. In addition, studies are being done on projects for Kazakstan-Turkmenistan-Pakistan and Kazakstan-China-Far East pipelines.

As for Iran, it, too, is seeking cooperation for multiple pipeline and rail networks, to provide landlocked Central Asian countries with access to world markets. Iran’s opposition to the Caspian seabed proposal, rests on the well-founded argument, that the overland route across Iran is both the shortest and the cheapest, costing less than one-half that of the Caspian route. Obviously, Iran’s concern is that the alternative pipeline routes sponsored through Turkey, in particular, are being exploited, as attempts to diminish the role which Iran is geographically and economically best suited to play.

### **Economic considerations becoming primary**

Whatever the ulterior motives behind Russia’s recent shift on the Caspian, if indeed there are such, it is undeniable that economic considerations are becoming primary. As Russian official Pastukhov said, during a meeting with Azerbaijan’s President Heidar Aliyev in Baku on March 30, “Russia has decided to take a serious step toward a compromise on the delineation of the Caspian Sea, as the drawn-out uncertainty over the status of this body of water *is holding up strategic investment plans.*” Russia’s acting First Deputy Prime Minister Boris Nemtsov reflected similar thinking, in a remark he made at a meeting of Group of Eight energy ministers in Moscow in the first week of April. “The U.S. and Russian sides,” he said, “acknowledge that different routes are possible, and the criteria will be based purely on economics.” In this, Nemtsov was echoing the concept presented by former Prime Minister Viktor Chernomyrdin.

The answer to the question, “What is behind the Russian shift on the Caspian?” will be answered only when the overall economic and strategic policy of the new government becomes known. If the government moves in the direction of integrating Russia into the broader Eurasian Land-Bridge infrastructure perspective, as leading economists in the capital have been urging over recent months, then the move to settle the Caspian Sea dispute, albeit not the most diplomatic in form, may signal a positive shift in overall policy. It is to be hoped, in this connection, that the tensions which Russia’s bilateral deals have created in Tehran, may be overcome, and Iran may be brought into a process which will lead to the establishment of a legal regime for the sea, which receives the consent of *all* the littoral states.

This happy perspective may indeed be the reason why someone at the IISS, is somewhat upset.