

The Caspian Region

LOCAL DYNAMICS, GLOBAL REVERBERATIONS

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Introduction

The Caspian Sea region is one of the most dynamic focal points in Eurasia, and not only because of its strategic oil and gas resources. There are two major issues that contribute to its dynamism: the local engagement of regional and extra-regional actors alike and the interlacing of economic and political motivations driving regional policies. Both these aspects must be considered if one seeks to determine whether the Caspian Sea area will evolve into a cohesive region or fray under the influence of a broader array of external forces.

Several features make the Caspian Sea distinctive from other marine-centered regional projects effectuated in Europe or at its margins (like the Nordic Region, Black Sea, Baltic Sea, or Barents-Euro-Arctic projects). First, the potential for Caspian Sea region-making remains dependent on finalizing the thorny process of Caspian Sea delimitation among the five littoral states, an issue that looms over any possible regional agenda. A second (and related) point is that discussion of Caspian Sea region-building is focused around the issue of exploiting and transporting lucrative energy resources; it is the region's oil and gas deposits that have given the region its global importance. This leads to the region's third specific characteristic: the strong roles of external actors – both states and major energy companies – in setting the regional agenda. It is the combination of internal political dynamics (mostly in the form of several conflicts between Caspian Sea states and their immediate neighbors) and the inevitable external overlay that makes the regional situation so potentially volatile and turbulent.

A Region in Search of Its Name

It is common enough to hear the argument that there are no “natural” regions and that being a region is always a matter of interpretation and institutional support. A common

regional identity appears to be more of an exception rather than a norm. In the many potential regions where a common identity is unattainable, the region-building process is propelled by a set of common rules and institutions. The question is: are these rules produced through the consensus of local actors or are they imposed by a regional or external leader – an institutional “sponsor,” as it were, of a region-building project?

This question is as applicable to the Caspian Sea region as any other. If one assumes a local perspective, then the Caspian Sea represents a very low level of regional integration, sometimes dubbed a *regional international system*. The Caspian Sea has not yet reached the status of a *regional international society*, where integration is based not only on a compatibility of interests but also on common institutions. Of course, some local actors, Russia included, claim to prefer to “find regional solutions to regional problems.” It is far from clear, however, if it is possible to find a grassroots solution to the Azerbaijani-Armenian conflict, for example, or to the issue of sanctions against Iran. All such issues stretch far beyond the terrestrial setting.

A similar way of approaching the Caspian Sea as a region is via the concept of a *regional security complex*. Such a complex is grounded in the understanding that most of the security problems regional actors face are internal and that no outside power is capable of solving them. Regarding the Caspian, Russia and Iran are the main actors that adhere to and promote such a vision; other governments are more sympathetic to external overlays, making the regional security complex idea in the Caspian Sea region immature and institutionally deficient.

On the other hand, the Caspian Sea does match the characteristics of a *semi-peripheral* region, in which most actors take marginal positions with regard to dominating outside powers. *Marginality* in this context means a policy of balancing in-between two or more powerholders (such as the United States, the European Union, and China). This alleged marginality might be an indication of the weakness of the Caspian Sea states, but it can simultaneously be a source of their growing self-assertiveness vis-à-vis major centers of power. The attractiveness of the idea of “multivector diplomacy” is illustrative of the state of mind of political elites in Astana, Ashgabat, and Baku.

Finally, the Caspian Sea may be viewed – drawing upon a concept developed by Barry Buzan and Ole Waever – as a *great power region*, in which Russia plays the role of a dominating power. In a more radical reading, it is a potential model of an *imperial region*.

Local Actors

The key agenda-setting issue in the Caspian Sea is the delineation of the seabed border between its five surrounding states. Most of these states perceive the problem of the Caspian Sea’s legal status as a matter of security, which hypothetically creates preconditions for moving eventually toward a *regional security complex* through the gradual formation of a common space of security relations based on joint institutional arrangements. However, local actors, particularly Russia, Iran, and Azerbaijan, perceive the nature of regional security in different ways.

Arguably, Caspian Sea regionalism is a rather attractive prospect for **Russia**, which previously kept a low profile in several region-building projects in Europe's neighborhood because they were developed under EU auspices. It thus may be in Russia's interest to promote a relatively stable framework of cooperation with its southern neighbors. Russia seeks to resolve regional issues on the regional level, as expressed by Russian Foreign Minister Sergei Lavrov in the aftermath of the August 2008 Georgia war. This was manifested in Prime Minister Vladimir Putin's call for establishing joint forces in the Caspian region to combat terrorism, drug trafficking, and organized crime. To a large extent, Russia's interest in the regionalization of security is politically motivated, grounded in the Kremlin's strategy of countering U.S. influence worldwide. Yet the political effects of this strategy may be detrimental for Moscow, since others perceive the philosophy of "regional solutions for regional problems" as a hidden attempt at establishing hegemony in the vast area Russia considers its "near abroad." As a result, counterbalancing Russia, which itself looks to counterbalance the United States (and the West in general), becomes a strategy for other Caspian Sea states.

Another political factor drives the Kremlin's policies: Moscow appears to understand that its mostly rhetorical claims of playing a pivotal role in its near abroad will be unsustainable if Russia fails to formulate – and reify – its strategy in specific regions, including, but not limited to, the Caspian region. The steady and inevitable fragmentation of the post-Soviet space represents a challenge to Russia's hegemonic ambitions in neighboring areas. What makes Russia's southern policies incoherent and thus vulnerable is, firstly, its vacillation between the pursuit of economic and political goals, and, secondly, the multiplicity of economic roles that Russia plays in this region as an energy producing, transporting, and consuming country.

A tension also exists between the two political roles that Russia wishes to adopt simultaneously. One of these roles envisions Russia as an integral part of the Euro-Atlantic security space, imprinted in President Dmitry Medvedev's appeal to the West for a "new security architecture" to be constructed with NATO and the EU. In the spirit of this proposal, it would be quite logical to expect Russia to display a cooperative attitude with regard to pan-European energy security, and to perhaps use the Caspian Sea region as a test case for vindicating Russia's Euro-Atlantic commitments. The idea of jointly caring for the common EU-Russian neighborhood deserves attention from both Moscow and Brussels.

The second of Russia's roles, however, is that of "the" regional leader in its near abroad. This depends upon the delinking of the Caspian Sea region from the West. Russia's otherwise predominantly economic approach to its foreign policy is thus complicated in this specific region by a political logic of balancing and dislodging the United States, on the one hand, and forging amicable yet politically fragile and vulnerable relations with countries like Iran and Armenia, on the other.

The only country in the region that appears to share Russia's inward-oriented and thus regionalized policy is **Iran**. Both Moscow and Tehran believe that the problems of the Caspian Sea are of a purely regional nature and accept no claims to the contrary by others. For Iran, the involvement of Western companies and U.S. political

pressure stood behind the idea of dividing the seabed, which Tehran unsuccessfully tried to rebuff. Iran's government may use the ongoing uncertainty concerning the legal status of the Caspian Sea as an argument for challenging oil and gas exploration and transportation projects that fail to correspond to Iranian interests.

For Iran, the Caspian Sea region offers one of only a few political opportunities to overcome its international marginalization and effect the lifting of economic sanctions. Arguably, however, Iran's standpoint in negotiations on delimiting the Caspian Sea is not conducive to obtaining this ultimate political goal; moreover, on the regional level, Iran is sometimes perceived as a spoilsport that hinders the finding of a common legal solution by the five littoral states.

Despite compatible political positions, the economic strategies of Russia and Iran appear to diverge, as exemplified by their different attitudes to the Nabucco pipeline project. Russia is overtly disinterested in its materializing, while Iran sends signals of readiness to participate, expecting that its gas resources might become critical for Nabucco's implementation. This explains some of the contradictions in Russia's policy towards Iran: on the one hand, Moscow is interested in lifting international sanctions against Tehran in order to expand business opportunities. On the other hand, Moscow understands that one possible way to prevent Iran from plugging into Nabucco is to maintain economic sanctions against it. This controversy has led Russia to another dilemma: by purchasing huge volumes of gas from Azerbaijan and Turkmenistan, Moscow is in fact assisting Iran in strengthening its bargaining position through promises to supply Nabucco itself.

Unlike Russia and Iran, **Azerbaijan** seems to be interested in an enhanced role for external actors in the Caspian Sea region. A number of political explanations for this exist. First, closer security cooperation with the United States and NATO may be instrumental for containing Russian (and Iranian) regional influence. Baku believes that Russian pressure is aimed at getting Russian companies to land lucrative energy projects.

Second, Azerbaijan has traditionally tried to maintain a "special relationship" with Turkey, facilitating its participation in trans-Caspian energy projects. For Azerbaijan, greater Turkish involvement in the Caspian Sea region makes political sense and is instrumental in balancing Iran and strengthening Baku's position in the Karabakh conflict. Yet the role Turkey is going to play depends on an array of political factors, with the prospects of EU membership being most significant. A Turkey that keeps integrating with the EU will – under pressure from Brussels – seek pathways for normalizing relations with neighboring Armenia, which will inevitably provoke resentment on the part of Azerbaijan. The opposite scenario, under which Turkey's negotiations with the EU come to a halt, would make Ankara a more self-assertive player in the regional political scene, most likely to Azerbaijan's advantage.

Third, an important political factor is Azerbaijan's overt strategy of using its growing energy potential for the eventual reincorporation of Nagorno-Karabakh. Azerbaijani media openly discusses the prospects of military operation against this breakaway region. In the meantime, Baku unofficially tries to strike a political deal with

the West, stipulating its eventual participation in the Nabucco project and adopting a more supportive stance in EU and U.S. negotiations on Nagorno-Karabakh. Yet Azerbaijan is still uncertain about the level of gas resources it can contribute to the Nabucco project (though it signed a supply pledge in early 2011), leaving the door open to further political bargaining.

Finally, Azerbaijan is interested in keeping Georgia as an important regional partner. A recent practical example of the Baku-Tbilisi nexus is the publicly discussed prospect of SOCAR, Azerbaijan's state oil company, purchasing the Georgian portion of the pipeline connecting Russia and Armenia, which makes sense only as an explicitly political move against Yerevan (and Moscow as well).

External Actors

Most of the external actors engaged in the Caspian region view it as part of a wider Black Sea region, which includes a Euro-Asian energy corridor linking Euro-Atlantic countries with Central Asian energy supplies. The EU's main interest in the region is to secure the transportation of Turkmen gas via Azerbaijan to Turkey and on to European consumers. As noted by Roland Kobia, the EU's head delegate to Azerbaijan, legal questions related to the delimitation of the Caspian Sea will not impede the realization of trans-Caspian initiatives, a statement that sends an explicit message to both Russia and Iran that their policies for obstructing EU-sponsored energy projects are futile.

Yet the EU is perfectly aware that Nabucco's prospects are dependent upon the decisions of local players, including Azerbaijan and Turkmenistan. In the meantime, the EU is a relative newcomer to the Caspian Sea and lacks regional expertise and coherent policy tools. Back in the 1990s, it was believed that there were good opportunities to transfer the positive experiences of the Baltic Sea regional integration initiatives to Europe's southeastern margins, including to countries like Georgia, Azerbaijan, and Armenia. A number of more institutionalized policy tools followed, including the European Neighborhood Policy and the Eastern Partnership program, which includes Azerbaijan, Georgia, and Armenia. Yet the perception of the EU as a "normative power" eager to project democratic practices past its borders does not seem to apply as soon as energy security issues come to the fore.

Indeed, having faced competition from countries like Russia and China, the EU is ready to relinquish its normative strategy for the sake of pragmatism, as recent visits by European Commission President José Manuel Barroso to Baku and Ashgabat demonstrated. Yet, even Azerbaijan is reluctant to unequivocally team up with the EU: in January 2011, only a week after pledging to supply Azerbaijani gas to the Southern Corridor, Baku signed a contract with Gazprom stipulating Moscow's purchase of sizeable portions of Azerbaijani gas. These developments were indicative of the fact that most local actors are eager to play more than one game at a time and that the issue of trust between partners has become increasingly important.

As far as the **United States** is concerned, balancing Russia and preventing it from allying with Iran are evidently its strongest set of policy incentives toward the Caspian Sea. The United States has traditionally relied upon Turkey to contain Iranian and

Russian influences. It has also experimented – with modest success – with institutional playgrounds such as GU(U)AM, a grouping made up of Georgia, Ukraine, Azerbaijan, Moldova, and, for a time, Uzbekistan. Yet the utility for local actors of relying on U.S. assistance and protection in security matters was significantly undermined by Washington’s abstention from direct aid to Georgia in its military conflict with Russia in August 2008 and the Obama administration’s subsequent policy of “resetting” the U.S.-Russia relationship.

Still, the United States remains the most decisive actor for at least one of the Caspian states, namely Iran. It is Washington that will decide how long Iran will be subject to international sanctions. More generally, one can assume that U.S. policy will not be aimed at achieving greater regional cohesion among Caspian Sea states. To a significant degree, this can be explained by the increasing attention NATO is paying to the concept of energy security, which will be more obtainable in a fragmented regional setting.

Conclusion

The paradox of the situation in the Caspian Sea region is that Russia appears to have workable bilateral relations with all four of the other littoral states, yet these bilateral relations are not necessarily conducive to a greater cohesion of the regional environment. They also do not lead to stronger solidarity among the potential members of a Caspian regional society. On the one hand, Russia’s regional partners still fear Russian domination and are eager to open up more space for external overlays. On the other hand, Russia’s resources for integration are quite limited, and they are insufficient to fulfill its leadership ambitions. Eventually, Russia has to admit that it will not be able to assert a monopoly in any of the regions in its near abroad, including the Caspian Sea. While other major powers – the EU, the United States, China, Turkey – have no long-term strategy of engagement with the Caspian Sea region, they all will compete increasingly in the region for both material gains and political influence.

All of this raises the meaningful question of whether a “world society” model – with the cosmopolitan idea of global governance at its core – has any prospects in the Caspian Sea region, which seems to be an “island” for traditional Westphalian rules of the game in an otherwise increasingly post-sovereign world.