Chapter VI.

Conclusion

The geographical frontier of the New Great Game, the CSR, is the little understood but increasingly important part of the world where oil, Islam and terrorism converge. Its multiethnic composition, authoritarian governments, socio-political complexity added to vast mineral resources of oil, natural gas, gold and cotton make it one of the world’s highly complicated geopolitical entities. The importance of the CSR for the big powers and especially for the US and the West, besides its rich mineral resources, lies in its geographical location. The CSR, an area that comprises Christianity, Islam, Judaism and Zoroastrianism and is home to many ethnic groups, tribes, cultures and civilizations, has been shuffled several times in the hands of Persians, Turks, Mongols and Russians. Over the centuries, political, ideological and military control of the region has turned it into the today world’s most diverse region in terms of intra and inter-state differences. Such differences added to the new issues of nationalism, ethnic conflicts, socio-economic, political and demographic uncertainties, fundamentalism and oil are making the regional politics a complex one.

The geopolitical rivalry in the CSR finds its roots in the 19th century rivalries of Persia, Tsarist Russia and Ottoman Empire and then in the Classical Russo-Britain Great Game. Except during the seven decades of Soviets rule, the CSR has been the playground of the Great Games for more than a century and half. Unlike the classical Great Game which was mostly played in the eastern Caspian Sea, the core of the ongoing New Great Game and rivalry shifted to the western frontiers of the Caspian Sea, more precisely in the area where Azerbaijan, Armenia and Georgia are located. Besides several reasons, the Great Game’s relevance to Iran vis-à-vis the CSR is inescapable since Iran borders both Armenia and Azerbaijan. Nonetheless, three millennium-old ‘distinct political and cultural identity’ makes Iran an important player in the CSR.

As it has been before, the big rivals’ aims in 21st century’s New Great Game are to control or at least to influence the Heartland. That is why the balance of power and geopolitical analysis in the CSR cannot be envisaged without exploring 18th century onward developments. Being in the priority lists of the big global and regional powers and situated
in the core of the new rivalry, post-Soviet Caspian republics impact the fragile and unstable regional balance of power.

Beginning with the ‘historical involvement of major powers in earlier times’ and discussing the region’s antique oil history briefly in the first chapter, this research attempted to frame and analyze the CSR’s oil and politics in three time scopes and in the context of the Great Games as follows:

- 19th century: Classical Great Game, early-rivalry, early-oil boom
- early & mid-20th century: WWI, WWII, oil-fall
- late-20th century onward: New Great Game, late-rivalry, late-oil boom

Mystical CSR and particularly Azerbaijan’s oil history starts since times immemorial and much before the first modern oil well’s drilling near Baku by Fyodor Semyonov in 1846. Greek Mythical Prometheus who stole fire from heaven before finally being rescued by Hercules got chained to a Caucasus mountain peak and Zoroaster using the ‘eternal fires’ of the Caspian began preaching his religion here.

The commercial exploitation of CSR’s oil began by the Nobel brothers and one local oil baron, Zeynalabdin Taghiyev. They were Nobel brothers who changed the fate of the Black city by introducing the world’s first wooden oil-pipeline (1877) and inventing the world’s first oil-carrying steamship, Zoroaster (1878). Then it was Rothschild brothers to operate oil carrying railroad, from Baku to Batumi (1883) and to launch the first oil tanker, Murex (1892) which piled the Caspian Sea, nine years later. On August 23, Murex passing through the Suez channel went on to deliver oil to distant world markets. Thus, indeed the modern oil history of the world has begun in CSR and precisely in Azerbaijan.

By this time two parallel trends –irrelevant to each other for almost for two decades to come– had been shaped and were moving toward merging by the early 20th century. These two trends were: oil exploitation and the Great Game in the CSR.

Having eyes on jewel in the crown of the British Empire, India, France and other powers’ ambitions and Russia’s gradual Southward-advance on both sides of Caspian Sea had already intrigued the Great Game. However, the Classical Great game’s marking point can be assumed from the Russo-Persian Treaty of 1813 and its ending time can be taken about Anglo-Russian Convention of 1907. With Napoleon Bonaparte’s arrival to a ‘burning Moscow’ in 1812 the age of his brilliant victories in Europe came to an end, with his troops
perishing in thousands on their way home. With French defeat in Russia and retreat to Europe, confident Russian battle-hardened troops remained to face Britain. They had to halt the threatening British India’s northwards expansion and open a way to warm waters of the Persian Gulf or possibly Indian Ocean as Peter the Great had been advised.

Russian’s southward expansion into the CSR was completed in three phases, from 1816 to 1855, when Tsarist Russia moved into northern territories of the CSR and Kazakhstan. In the second phase, from 1855 to 1875, Russia extended its rule to Transoxiana, Ferghana and Kokand. And in the last phase, between 1877 and 1914, Tsarist Russia had all the Caucasus, Caspian Sea and the Central Asia in its grasp. And few years later, the Bolshevik revolution further enhanced the Russian domination of the region. Russians’ two centuries-old supreme domination of the region did continue till the USSR collapse close to the end of the 20th century but never completely vanished. If the 19th century Russo-Britain Great Game was for further expansion, fighting for markets, influencing the regional states and stopping the rival power, the 21st century New Great Game is played for the same reasons. In fact, nothing much has changed since the Classical Great Game, beside the introduction of two new factors: oil and the number of the players.

Meanwhile, British Empire in return had to counter the Russian move and protect its colonies. Both expanding empires –[Russian over the land and Britain over sea]- ultimately had to face each other at the gates of Caspian and Khanates of Central Asia. As two expanding empires do when their frontiers draw near each other, both Britain and Russia agreed via Joint Anglo-Russian Boundary Commission not to confront each other and went for control of what’s between. Thus, putting a ten-mile large Afghani land corridor as buffer zone in 1895, the first Cold War and Anglo-Russian rivalry ended, effectively.

Establishment of the Russian military presence and political influence in and around the Caspian Sea enhanced regional stability and put an end to the mutual raids among the nomads. Nonetheless, wining two major wars and through imposing the two treaties of Gulistan (on 12th October 1813) and Turkamanchai (on 21st February 1828), Russia preserved its influence over Iran for almost till the end of the WWII. Though, with 1917 Bolshevik revolution, Russian threat decreased but these two peace treaties had already ceded all Persian territories between the Caspian Sea and the Caucasus Mountains to Russia and relinquished all Iran’s naval rights on the Caspian Sea.
Britain did the same, according the 31st August 1907 Anglo-Russian Convention, Britain was retaining its zone of interest in the South-Iran (Persian Gulf) while Russia was keeping its zone of influence in the north and center (Tabriz, Tehran and Isfahan). However, six year earlier in 1901, a London based millionaire, William Knox D'Arcy, had negotiated an oil concession with the Shah of Persia obtaining an exclusive right to oil exploration and production for 60 years. This, later on turned to be the basis for subsequent Anglo-Persian oil pact. The same year while with 11.7 million tons Baku’s crude oil output was ahead of America’s (9.5 million tons), Persia’s first oil well was not even drilled.

By 1914 the geopolitics (Great Game) and the CSR’s energy reserves had found their strong correlativity in the eyes of the big powers, and were putting their marks in the outcomes of the two World Wars. As had happened in the WWI, German inability to conquer the Caucasus oil wells proved fatal during the WWII too. Shortage of fuel stopped, demobilized and devastated the German army at the gates of Chechnya and Baku. Germany’s defeat raised the USA and commenced the beginning of the new war and New Great Game. The US and the Soviet Union as post-WWII’s superpowers indulged in an ideological war for half a century. With increasing importance of the oil to the big powers and armies during the Cold War era and the doctrine of containment, energy resources attained serious significance.

With the republics of Azerbaijan, Kazakhstan, Turkmenistan, Georgia, Chechnya and Armenia under full control of the Central Soviet government, the scene shifted from the Caspian Sea to Afghanistan, Iran and Turkey till the end of the 20th century. With huge 1960s Soviet plans to exploit Siberian Samotlor oil field, Baku lost its early 20th century’s glamour. In fact, the golden period of Baku’s oil-wells (first years of the 20th century) providing half of the world’s oil was challenged earlier by Russian Revolutions, especially by the Bolsheviks. Both WWI and WWII left their decisive impacts on the CSR’s oil industry. During WWI Baku’s oil wells had to be filled with concretes, though neither Grozny nor Baku were ever occupied by German forces during both World Wars. Baku and the CSR had to wait till 1990s to reclaim their fame and celebrate a new beginning. It was then Iranian oil which attracted the Western powers by the first decade of the 20th century. At the same time, the ideological US-Soviet war left its impact on the regional politics. With the USA’s Marshall Plan, the creation of NATO and the Truman Doctrine of containment of
the Soviet Union, the ‘Cold War’ reached its peak and did not end till the Soviet collapse in 1991.

The Soviet collapse enabled the US to surface as the sole superpower. However, the only constant on earth is change, so are politics and states’ power. If WWI & II opened the way for a bipolar system by putting an end to the traditional balance of power, the USSR collapse opened the way for a short-lived unipolar system which later turned towards a multipolar system. New changes in the international arena and the addition of the new players to the circle of traditional big powers already transformed the globe. The CSR in its intra-state and regional transitional period has to cope with international transformations.

With the Soviet Collapse and the return of Western oil companies to the CSR by the end of the 20th century, not only the regional but also the global balance of power underwent new changes. Therefore, the regional balance of power could not be analysed without observing it in a larger global context and along with the external power presence in the CSR. September 11, 2001 radically altered the international environment and has influenced the political dynamics of every regional state. It is true that the US presence in Central Asia and Afghanistan did not cause the ‘anticipated geopolitical earthquake’ but the great tremor as the consequence of the New Great Game is on the way. The intensification of the new rivalry among big powers namely Russia and the US and the regional players climbing on the bandwagon would certainly bring further drastic changes.

Unlike the Classical one, the New Great Game is not played between just two superpowers. It is rather a game played by several big powers such as China, and to a certain extent by India. Growing economies of both China and India drive them to keep an eye on CSR’s geopolitical developments and energy deposits. Meanwhile both are concerned by the expansion and export of Central Asian and CSR Islamism and terrorism to their territories. For Russia, the outcome of the American war against terrorism and the US military presence in the region is far more crucial than it is for China and India. American fight against terrorism and its impact on India, Russia and China is two-fold. Though the US fight against terrorism in Central Asia and CSR would reduce (if not eliminate) India’s concerns over cross-border terrorism, China’s concerns over Xinjiang’s stability or Russia’s concern over its southern borders, it would also guarantee a permanent military presence for the US. Such
long-run military presence of a superpower in the neighborhood of the big powers would result in if not in big confrontations but at least with great tensions.

With the fall of the ‘Iron Curtain’ Caspian region’s energy and geo-strategic advantages raised the interest of the West once more. Western companies and powers brought their massive might and capital to the region in order to challenge Russia. The less-powerful states were caught amid a new rivalry once more.

Unlike the first ‘Game’ which was purely based on strategic and commercial interests with energy not being in the core, the latter was based on geopolitical influences and geoeconomic gains and mainly energy related. One of the energy-rich regions and probably second to the Persian Gulf in terms of geopolitics is CSR which has attained a high importance since the beginning of the New Great Game specially after the collapse of the Soviet Union. On the other hand, being an energy-rich Sea in which huge bulk of the higher-quality and cleaner oil and gas reserves are situated makes it a disputed water, as each littoral state naturally wants more share of the Sea. Yet, despite the high-cost of energy exploration, transportation, legal and environmental problems, and uncertainties of the surrounding governments, oil and gas companies are competing in the CSR to sign contracts, especially in Kazakhstan and Azerbaijan.

Chapter two dealt with three top relevant Caspian issues; energy reserves, legal regime, and pipelines and attempted to confirm the first hypothesis of this work that the ‘inter-state problems and external involvement have polarized the region which has complicated the legal division of the Sea’.

This chapter argued that In terms of the hydrocarbon reserves, CSR’s is no way comparable with the Persian Gulf as projected in early 1990s but rather with the North Sea (with 13.4 bbl of proven oil reserves). In fact, it must be stressed upon that the CSR with 17.2 bbl proven oil reserves at the low range and 49.7 bbl possible oil reserves at the high range clearly stands above the North Sea. At the most, the proven oil reserves of the CSR would be 1.3-2.8 percent of the world’s total while substantial natural gas reserves can amount to 6 percent of the world’s total. Among Caspian Sea’s littoral states, Kazakhstan (with 40 bbl possible oil reserves at the high range) and Azerbaijan (with 7 bbl possible oil reserves at the high range) are oil-rich while Turkmenistan (with 2.0 Tcm proven gas reserves) is a gas-rich republic. As of Russia and unlike three Caspian republics of
Azerbaijan, Kazakhstan and Turkmenistan, the proven or possible reserves of Iran’s Caspian shore is not known. Further seismic surveillance and investigations are needed to determine if Iran’s section of the Sea is rich in hydrocarbon reserves or not, which if positive will enhance Iran’s CSR engagement and would provide more favorable ground for Iran’s exercising of its regional interests and politics.

Out of three periods in the legal issue of the Caspian Sea and its relevance to Iran (rise of the Russian empire: 1813 and 1828 treaties, rise of Bolsheviks: 1921 and 1940 treaties and, the fall of the Soviet Union: 1991 onward), this research explored the last period extensively. So far and for two main reasons, the Caspian Sea has remained a disputed body of water. First, there is no concrete international legal regime applicable to the division of the sea. Second, there exists no treaty among littoral states accepted to all. The final status of the Sea remains to be agreed by all the states concerned. However, the geographical reality that the Caspian Sea is a landlocked Sea and is not connected to the world’s high seas or oceans ‘naturally’ is a fact. It is connected to the Black Sea via man-made artificial Volga-Don Canal through the Volga and Don Rivers. But the 1982 UN Convention on the Law of the Sea is silent on the man-made canals, as it is on few more cases. In such cases it leaves it up to the mutual bilateral or multilateral agreements of the littoral states to divide the Sea or the lake, the shore and the border.

If the Caspian basin was recognized as a sea, as Azerbaijan, Kazakhstan and Turkmenistan wanted, it would be then divided into territorial zones or national sectors, which would leave fewer shares to Russia and Iran. If it was going to be known as a lake, as Russia and Iran were demanding, then it would have been the common property of all the littoral states. In this case, all the resources of the Caspian would belong to all and its regime would be defined by the agreement of all the littoral states. Presently, though the North and mid-Caspian are already divided between Russia, Kazakhstan and Azerbaijan, it remains a disputed water, as Azerbaijan, Turkmenistan and Iran have not yet come to an agreement on division of their sections of the Sea.

Iran’s initial legal stance was a joint management (condominium) and exploitation of the Caspian sea-bed resources and surface-water. Being abandoned by Russia in 1998, Iran insisted that it should be given 20% of the Sea but its position is weakened and Iran is likely to lose the legal battle. Considering its position in present regional geopolitics and its
international status, it is more probable that Iran will end up with the smallest share (13%) of the Caspian Sea. Same scenario is applicable to the Iran’s CSR’s pipeline politics.

Pipeline projects are not regarded as commercial but rather as geostrategic exercises. In the CSR, pipeline politics has turned to be a diplomatic and political battleground between regional and non-regional powers. On the basis of their economic power and geography, Russia, the US, China, Iran, and Turkey are the main players in pipeline politics. While signing the production contracts and assigning pipeline directions, involved states are drawn into conflict. A clear manifestation of the competition was the BTC project in which Iran and Russia lost the pipeline war to Turkey and the US. However, given the globalization of energy markets, energy security, and trans-border pipeline projects, there is a need for adaptation of the collective and cooperative approach. Non-commercial and politically biased approach by an individual power like the US will not assure cooperation and will not succeed. The US policy of ‘anything without Iran’ and the promotion of Turkey as the only export route proved to be incompatible with the CSR political and economic realities. It denied Caspian republics the shortest, economic and safest Iranian option and kept them under Russian leverage. Moreover, such biased politics has prevented the market forces to act naturally for the prosperity of the region, and did not set the regional balance of power and security free to shape itself.

CSR’s pipeline politics is the real manifestation and play ground of the ongoing New Great Game. In other words, if there is a visible and clear revealer of the said game and clashes of the interests of the both regional and non-regional players, its pipeline politics. Unlike the bilateral pipeline projects like Sino-Kazakh and Iran-Turkmenistan (relatively less politicized), almost all other multilateral pipeline projects have been highly politicized. Despite the strong need for cooperation, CSR’s pipeline politics has not been moving toward integrating the interests of the states. Rather, as of today it has divided the involved states into several groupings. Thus, major reliable oil-pipelines and more secure routes are yet to be built or introduced as none of the existing pipelines are out of harm from geopolitical rivalry and ethnic conflicts. All of the existing pipelines are passing either through or in proximity to at least one unresolved conflict zone.

Chapter three (Challenges to Stability and Cooperation) aimed to discuss the various issues regarding the safe exploitation and transportation of the CSR’s oil and gas reserves as
well as the energy impact on the intra-state and inter-State levels. It was the answer to the second hypothesis of this research that the ‘internal problems like ethnic and territorial conflicts, religious extremism and secessionism, etc., have sharpened the fault lines, which has created conditions for involvement of external power’. To affirm the said hypothesis, chapter three explored the regional and external challenges to stability and cooperation which were diverse in nature, and identified the most top three destabilizing factors as: geographical, external and ethnic.

Being landlocked with no access to the high seas is the prime obstacle which not only makes the CSR’s energy transit a difficult one but also reduces the maneuverability of the Caspian republics while increasing the interference possibilities of the regional powers and external big players who possess both the capital and the technology. The geographical reality that Caspian republics are landlocked is the major factor in the region’s geopolitics and balance of power. Physical transits of any kind from any Caspian republics to the outside world require a passage route through at least one and even three neighboring countries. This geographical isolation could be exploited dually, either as a means for cooperation or as an opportunity for competition. Geographic, economic and security interdependence and geographical isolation of the Caspian republics, prescribe a necessary integration of the interests. Without such integration, a long-term regional security is difficult to imagine. To develop the energy resources, it is desirable that not only the Caspian energy-rich but also non-energy-rich countries integrate sub-regionally or cooperate regionally through groupings. In practice, alliances, individual aspirations and regional and external powers ambitions have turned the CSR’s geopolitical playground to a zero-sum game. However, common shared interests (combating regional terrorism and extremist groups, restricting weapon proliferation and drug trafficking) provide space for cooperation i.e., crucial security needs of all these countries situated in a volatile region creates conditions for cooperative endeavor.

External powers’ interferences, namely the US, and the Russian hegemonic approach to the CSR is the second element which is manipulating the regional states’ independent decisions and handicapping the regional market forces, balance of power and security which otherwise could have been shaped freely and naturally. However, the fact of big powers’ contributions to the development of the republics via their capitals, technologies and
donations should not be overlooked, though each and every capitalization and donation does carry a purpose which at the end does serve the donating or capitalizing states’ interests.

Clashes of the native ethnic groups’ interests which originated from their historical memories and local states’ biased policies towards ethnic minorities, is the third main issue. Big power interference in the conflicts and disputes are adding to the instability.

Till the social and economic difficulties and problems of the region have not been tackled and improved and a democratic regime has not prevailed, the entire CSR will continue to move toward conflict. In other words, sporadic conflicts won’t disappear from the region, as a democratic governing system is not likely to be introduced to the CSR in the near future. It is the nature of undemocratic states (but less likely otherwise) to go for conflicts and wars. Probably, it is for the same reason that the three major CSR conflicts have failed to be solved peacefully and their extensions can reach as far as Moscow. With Chechnya conflict remaining as a fire under the ash, unfinished war over the NK and Georgia being a torn state engulfed in conflict, the prospect of finding resolutions for these conflicts is very dim.

Iran’s stances on ethnic conflicts of the CSR have been outstandingly and unlike the common expectations, deideologized and remarkable. Iran was expected to take sides of the oppressed Chechens against Russians and support Azeris against Armenians in their fight for NK, all in the name of Islam and Iran’s constitutionally stated ideology of supporting such movements and Muslims. But actual Iranian stances revealed that Iran has pragmatically distanced itself from 1979 revolutionary moves and its policies toward CSR conflicts are realistic and void of ideology.

Keeping the third hypothesis of this research in mind that the ‘end of Taliban rule in Afghanistan and American presence in Central Asia has altered the geo-political balance in the region’, chapter four (New-geopolitics and Balance of Power) tried to redefine the new geopolitics in the region by exploring the geopolitical stances of all the involved states in the politics of the CSR. It defined and analyzed the nature of the new geopolitics or New Great Game with Iran’s role in the ongoing Game and along with the theory of balance of power. It argued that understanding of the geopolitics requires the comprehension of the nature of big powers’ involvement and geopolitical aims of the powers. To do so, out of the four
geopolitical approaches of Richard Hartshorne (power analysis, historical, morphological and functional), this chapter employed his first approach (power analysis) as general framework and the ‘power concept’ of Richard Muir as the elements of the analysis method. Since no single approach could provide a complete geopolitical understanding of the CSR, a combined analytical method inspired by Richard Hartshorne and Richard Muir theories were used to understand the geopolitics and the balance of power scenario between the players involved in the CSR. According to Richard Hartshorne model, the following concepts need to be analyzed to study the state’s geopolitical status:

1. The correspondence of nation and state, the ‘state-idea’ and its application, centrifugal and centripetal forces, the concept of nation and core area.
2. Internal organization (form of government in relation to regional diversity or otherwise);
3. External functions:
   a. Territorial relationships (boundaries);
   b. Economic relations (self-sufficiency) and dependence on foreign trade;
   c. Political relations;
   d. Strategic relations.

It debated that since the 16th century, the balance of power profoundly has influenced international relations. However, close to the end of the 20th century, following the sudden disappearance of the Soviet Union and the growth of the US power, many scholars argued that theory of balance of power is losing its relevance. The role of sub-national actors, such as terrorist groups, and weapons of mass destruction in the international order are cited as examples to illustrate their arguments. Nonetheless, states through alliances, bangwagoning, carrot and stick policy, are still attempting to maintain a balance of power. There is no doubt, that the 20th century’s technological advancements in communications, weapons, missiles, fast troop deployments, and systematic exploitation of economies and international organizations have reduced the relevance of the theory of the balance of power. Yet, the physical presence in a geographical entity (especially if strategic and energy-rich) is still perceived as more efficient than the possession of atomic Ballistic missiles. We still live in a politically unstable international system. The international political system is said to be stable when no state faces the possibility of a loss of
sovereignty, but this threat still exists today. Endogenous resource growth, prevention of
wars, war costs, and the imperatives of geography, reveal a fundamental conflict between
the concepts of ‘balancers’ and ‘central powers’.

According to power criteria of Richard Muir (physical, demographic, economic,
organizational, military, and power from external relationship) the players and ongoing New
Great game in the CSR are categorized and analyzed in three levels;

- Global-Level Players: Russia, USA, China
- Regional-Level Players: Iran, Turkey, India, Pakistan, Afghanistan
- Sub-Regional-Level Players: Azerbaijan, Armenia, Georgia, Kazakhstan, Turkmenistan

Categorized in three levels according to their ‘power’ status, differences in major
players’ roles and in their CSR politics, is noticeable. EU through its financial, political, and
technological superiorities as well as its role in the international organizations, and through
dialogue (namely OSCE) is seeking to promote its CSR interests. The same is applicable to
the US which additionally is employing its military might. Russia benefiting from all the
above (though less equipped than the EU and US) is more persuasive and assertive in using
its military power and historical legacies. Both American and Russian approaches to the
CSR originated from their imperial aspiration and are like the Cold War era, though with
less intensity. While avoiding conflicts China’s main goal at present is market-orientated.
China’s penetration of the world as well as of the CSR is through soft economic and
commercial means.

American oil companies and military presence is unavoidable in a region rich with
energy. The US government would do all that is possible to safeguard the oil flow (energy
security) and the interests of oil companies. This is applicable to the Middle East and to the
CSR, which are no exceptions before the US oil politics. The US government’s
instrumentality in overthrowing regimes in 1953-Iran and 1973-Chile which were perceived
detrimental to American companies and national interests, are two examples. Going for oil
and overthrowing or manipulating oil-rich regimes is not a new trend for the US
government. However, the US energy interest alone cannot explain its presence in the CSR.
This research argues that the American ultimate CSR goal has not been derived from USA’s
greed for CSR’s oil and gas deposits, security of energy and pipelines, or commercial
interests, only. In a broader context it is rather derived from ‘power politics’. Employing Mackinder’s Heartland and Spykman’s Rimland theories, this research argued that the ultimate goal of the US is the domination of the Rimland and the Heartland within which are situated both oil-rich Persian Gulf and Caspian Sea. Iran is one of the few countries situated both in Heartland and in Rimland.

Controlling the states and hydrocarbon reserves of the Rimland and Heartland are crucial means through which the US can defeat the rising Russia and China, and prevent the emergence of any probable global power like India or regional power like Iran. Therefore, it is anticipated that the CSR’s importance to the USA’s national security will grow rapidly. In short, the Caspian policy of the US is aimed at: containing Russia and China, isolating Iran, rewarding allies, pacifying the Caucasus, crafting alternative energy source and route to Persian Gulf, and filling the post-Soviet regional vacuum.

In Sub-Regional-Level, Caspian republics are facing both new opportunities and new challenges on their way to integrate into the world. Besides tackling inherited Soviet-type institutions such as bureaucracy, centralized economy, etc., they have to sort out their position in the New Great Game and redefine their relationship with several big powers. One of the crucial factors which will also shape the Caspian republics’ future relationship with the external powers and players is their oil and natural gas resources.

Proving the last hypothesis of this research that ‘to oppose and limit the US presence and influence in the region, Iran has moved closer to Russia and helps Russia to remain the dominant player in the region’, Chapter five argued that Iran’s international and regional Caspian politics are highly linked to three issues: energy resources, geostrategic location and conflict with the US.

It is comprehensible that Iran -a country that once dominated the Caspian Sea- perceives itself in a unique geostrategic position in the CSR to assume its historical heritage by shaping the fate and future of the region. However, despite its historical legacies and rights, geostrategic merits, energy potentials, due to lacking the support of big powers and realities of international politics and laws, Iran’s gains from CSR’s geopolitics, pipeline politics as well as its share of the Sea is not going to match with its expectations and what Iran believes it deserves. Hostility with the US, weak diplomatic relationship with the EU, controversial nuclear plan and human right records have weakened Iran’s international status.
and have diminished its bargaining capacity and have hampered its Caspian Sea interests. Iran is alone against all littoral states (with relative exception of Turkmenistan), US, EU and even Russia.

Iran’s current position in the ongoing New Great Game and in the CSR context is no better than that of the Classical Great Game in which it had been barred by big powers to exercise its power and interests. Nonetheless, the collapse of the Soviet Union was a great relief to the Iran as it put an end to the century-old rivalries of the Russia-Britain and Soviet Union-USA to dominate Iran. However, if in the 19th century Iran’s whole integrity was threatened by the Tsarist Russia and Britain’s rivalry, Iran’s CSR interests today are hampered by its friend, Russia, and its foe, the US.

In fact, the US pressure to exclude Iran from the CSR’s energy and geopolitics is one of the important challenges that Iran’s foreign policy administration has to face. However, rich energy deposits and a unique location as well as Iran’s ‘deideologized’ pragmatic Caspian politics have saved it from total isolation, and have brought the US attempts to exclude Iran from the Caspian geopolitics to a failure.

Unlike its Middle East and international politics, Iran’s approach toward the CSR has proved to function well. Tehran’s economic and energy cooperation with Turkey and Caspian republics have complicated US efforts to block Iran’s participation in the Caspian energy and pipeline projects. Moreover, the US backing of Turkey and Caspian republics has drawn Russia and Iran closer. Russia and Iran have strategically allied to challenge what they see as American hegemony, unlike at any time in the entire known history of the two nations. The revolutionary slogan of ‘neither east nor west, Islam is the best’ that was chanted for several years in post-1979 Iran, is now forgotten. Necessities and rationalism forced and prescribed Iran to revise that old slogan into a metaphorically new unsaid but practical motto; ‘neither east nor west, Moscow the best’. Having no friend among big economic and military powers, Iran preferred to accept the Russian influence rather than to remain under the increasing American pressure. Presently, the main Iranian Caspian challenge is neither the regional and sub-regional states nor its ‘odd friend’, Russia, but the USA. With almost all powers in opposite camps, the Caspian republics bandwagoned with one of the big powers. With Russia’s projecting of its own national interests and extending enough support to Tehran’s show-off in international arena, Iran has not gained much from
the Caspian Sea’s water, hydrocarbon reserves and pipelines. So far and with the exception of a relatively short pipeline from Turkmenistan, Iran has not been able to attract and realize any Main Export Pipeline ( MEP) from CSR and throughout its territory.

Above all, just because of its inefficient diplomacy and mismanagement of its internal and international politics, Iran has not gained much out of CSR’s geopolitical game. With the Sea almost divided and several MEP built, Iran has no choice but to wait for a big change in the global balance of power and a big tilt of ‘power politics’ amongst the global players to change the equation.

On the way to a politically stable and economically prosperous CSR, it seems that a non-collaborative style is prevailing over a cooperative trend. When it comes for ‘influence’, ‘alliance’, ‘energy’ and ‘economic’, the nature of geopolitics is competition and selective cooperation. This work attempted to analyze the correlations between Iran’s understanding of the above key elements in its relations with involved nations and regimes in the CSR. Analyzing the nature of regional geopolitics and Iranian stance, this work also aimed at finding out if the region is on the way toward more cooperation and accord than toward more competition and discord. The examination of external influences on regional economy, energy and politics was also part of this study. At the intra-state level, we examined the elements within states (such as geography, oil-wealth, politico-economic and socio-cultural factors). In inter-state level it explored the direct involvement of regional and non-regional powers (USA, China, Russia, Iran and Turkey, etc.,) as well as the patterns of external influences, alliances (especially Turkey- Azerbaijan-US versus Iran-Armenia-Russia), regional organizations and groupings (CIS, GUAM, SCO, ECO, etc.).

 Exploration, production and export, in other words, bringing oil or natural gas from beneath the ground to the surface and carrying it to the market requires huge investment and advanced technology. Littoral states possess none of these two necessities. The need for massive investment brings giant oil companies into the energy business, a profession in which competition is as high as massive risks and benefits. Wherever there is massive risk there is massive benefit, wherever there is massive benefit there is competition and wherever there is competition, conflict is inevitable. If competitions are for oil then the conflicts are extreme and can make strange bed fellows. For example, both Washington and Islamabad in 1997 negotiated with the Taliban for an export-route for the CSR’s energy through
Afghanistan. Indeed, oil and 'power politics' have the quality to turn old foes into friends. Similarly, Soviet-era Taliban-friends became post-Soviet terrorists-foes. It has been the same on Caspian pipeline politics and on the legal regime of the sea.

One of the main questions this work attempted to answer was whether the involvement of big global and regional powers as well as regional organizations in energy will lead to accord or rather to discord in the CSR? For this purpose, three models were used as to analyze the correlations among above factors. Among the three main cooperation models -constitutionalism, functionalism and coordination through hierarchy (also known as hegemony) - none is normally opted for and applied alone. Rather, as elsewhere and depending on the nature of the cooperation, Caspian republics employ a combination of the three, via calculation of costs, gains and losses. Constitutionalism is based on the institutionalization of a package for short-term gains while promising greater long-term gains through further cooperation. Unlike one-step solutions provided by the formula of constitutionalism, functionalism believes that states being cautious of their sovereignty are hesitant to accept other states' authority to be exercised on them. It states that an incremental approach to states' common benefits can be free from fatal errors, thereby ending up with a lasting cooperation. In cooperation through hierarchy (hegemony), a cooperative environment is established through the enforcement of a single, dominant cooperator’s will, hoping dependency and other factors will lead to an agreed regime. Naturally, cooperators are resistant to constitutionalism and coordination through hierarchy models though necessity may require their involvement and cooperation in entering into either of the above systems.

While CIS can be seen as an institution for Russian hegemonic aspiration, US-backed GUAM cannot be easily placed in one of the above models but CICA or SCO can be placed within the functionalism model. Developments in the CSR have shown that regional states welcoming functionalism model, have resisted the two others. Whether in economic, peace or security pacts, the functionalism model has prevailed more often, thereby making it a suitable cooperation-model for further stability in and around the CSR. While big powers like Russian or China can take advantage from the outcome of constitutionalism and coordination through hierarchy models, less powerful and more vulnerable Caspian republics would prefer functionalism as the most advantageous cooperation model. All post-
Soviet republics are in quest of economic self-sufficiency and less dependence. Joining ECO, GUAM, CIS or similar organizations serve this purpose. The basis of any union or commonwealth is mutual benefit. None of the regional organizations created for mutual economic interests, integration and cooperation, is integratory and cooperative in nature. They are rather biased in reality and serve the ‘strategic’ concerns of the beneficiary and funding states. ECO as a regional organization is an example. While it is a platform for Iran to break US-imposed containment, for Turkey it is an additional means to access the CSR. The absence of prosperous members and their diverse structural, infrastructural, politico-religious divisions, differences and interests have turned ECO into a less harmonized organization. When it comes to CIS, the formation of GUAM and its growing military and defense ties with the US and NATO is perceived by Moscow as a threat to Russian CIS interests. Nonetheless, on the way to a strong CIS, economic harmonization and integration to create an effective Eurasian Economic Community (EURASEC) and form a firm Collective Security Treaty Organisation (CSTO) are Moscow’s most challenging tasks. The diverse interests of the European, Caucasian, and Central Asian members of CIS have virtually prevented the realization of economic, defense and foreign policy objectives of the CIS. On the other hand, if the CICA succeeds, it will be a big step forward for this ethnically diverse region. CICA, an Asian model of European OSCE is below the expected competence level. Behind any successful regional or international organization lie the economic, military and political might of the founding state. In comparison with the SCO or OSCE, CICA does not benefit from the big powers’ backing. Since China or Russia’s first priority is SCO and CIS, it is not likely that they will empower CICA. Another important organization is SCO. The back-bone of SCO is to maintain peace, security and stability through confidence-building measures. However, it is a tool for Beijing to counterbalance big powers’ CSR aspirations. SCO can be interpreted as a response to both growing Russian and American presence in the region. Through its capital and presently less-hegemonic approaches, SCO, unlike Russian-led CIS, has more chances to lead to regional cooperation in general and economic integration in particular. However, a decade after its formation, SCO has yet to overcome its shortcomings and become more transparent and harmonized.

Unlike in the Western hemisphere, clashes of interests in Asia are sharp. Until a satisfactory and parallel development of economy and democracy in each individual
republic is achieved, talking of institutionalization of market and democratization in the whole CSR will lead nowhere. While the debate is open on whether economic reform or political reform should be introduced first to pave the way for the other, the herculean task of localizing and regionalizing these two reforms remain unfinished. Unlike in the developed oil-rich countries such as Norway, Canada or the US, oil wealth and high oil price have delayed the democratization in almost all non-developed oil-rich countries. Countries like Iran, Persian Gulf Arab states, Venezuela, Nigeria, and even Russia are examples. Governments of the non-developed countries are not necessarily committed to freedom and democracy. They rather control their countries through oil revenues and tax-relaxations. These regimes have impeded the development of the democratization, for decades. Similar trend is happening in the CSR.

On the other hand, at the inter-state level, the negative impacts of oil-wealth on regional ethnic conflicts, arms races or migration has been visible. Once they gather enough petro capital, Azeris could think of regaining their lost NK, and vast, less-populated wealthy-Kazakhstan could attract migrants from neighboring poor countries and China. The sudden and rapid oil income has the quality of encouraging corruption and reducing regimes’ accountability. This is an important phenomena in Azerbaijan, Kazakhstan and Turkmenistan where energy export respectively amount 80%, 60% and 85% of the total export. Rapid injection of oil money into the fragile economies if not well-planned and controlled can be more devastating than comforting. Overspending on energy infrastructures, conspicuous consumption habit, shrinking manufacturing industries, corruption and centralization of power are signs of the ‘Dutch disease’. If caught in it, the agriculture can shrink, deindustrialization can accelerate and authoritarianism can find its way. Though National Oil Funds (NOF) have been created in all states (except in Turkmenistan), the exclusive access of Kazakh President and the manipulative structure of Azeri regime reduce NOF’s efficiency. The overwhelming majority of alienated and an under-privileged people pose a serious threat to internal stability of the CSR.

Many states’ military activities and expenditures are hidden from the public. However, available data indicate that there is a close and direct link between military, arms and defense expenditures in the CSR with the expanding oil industry and increasing oil-income. There is no doubt that the rise of military expenditures would push the regional
states toward wars and conflicts. With the exception of slight decrease in one or two fiscal years, from 2000-onward military expenditures of all the states discussed in this research are rising. In the same period, there has not been a single case of military expenditure drop-off among Caspian republics. Rather, the sharp increase of military expenditures of the states-in-conflict is quite noticeable. Such increases in military expenditure of oil-rich Azerbaijan and oil-transit-corridor Georgia, or even Armenia boost the probability of the war and conflict. Georgian recent attack on South Ossetia that caused the Russian retaliation is an example in case.

Unlike many analysts for whom Iran is in a grave situation, this research argues that Iran never had such favorable geopolitical position as now in all its known modern history. It is true that Iran is surrounded and threatened by the US in four geographic directions, but it also never had a Russo-Sino backing either. Tehran has never been as much in the center of international debates as it is today. Its dialogue with the US and EU over its nuclear plan and its floating Middle-East Navy, Lebanese Hezbollah and Palestinian Hamas, capability of positively influencing the Iraqi and Afghani politics and its constructive role in CSR and Persian Gulf, have bestowed it with a bargaining power it never could have before. However, this opportunity to bargain will not convert into Iran’s national interest if it does not manage and revise both its internal and international policies.

The probability of Russia and China’s countering the US and UN containment of Iran would have been very slim had the US not installed their troops next door. The economic and military and in one word the strategic cooperation of Russia and China with Iran have never been that strong. Before revolution and during the eight years Iran-Iraq war, neither Moscow nor Beijing did extend full support to the Islamic Iran. But following September 11, Iran now benefits from their backings. Major Iranian nuclear and missile technology are supplied either by Russia or by China. For Russia and China, the US dominant military presence in the region and its political stances on Taiwan and Chechnya are threatening enough. Present Sino-Russian geopolitical necessities and calculations led them to bind their geostrategic interest to those of Iran. While for both Russia and China, Iran is regionally powerful enough to be used against the US advancement, for Iran, the ample Russo-Chinese backing is crucial to deter the US from increasing sanctions and pressures. Moreover, the national interests of the three countries converge to construct a
multi-polar international system. Central to this aspiration is the issue of the CSR oil and gas resources on which the interests of these three countries converge. While Russia’s biggest challenge is to prevent the fall of energy resources and export routes into the US hand, China’s plan is to import most of the Caspian oil and natural gas. Meanwhile, Iran expects that the possibility of its entry into a major CSR’s energy deal or MEP project will increase with Russo-Chinese backing. The US periodic condemnation of Iran, China and Russia has also caused increasing cooperation between the three in order to counter the American containment policies. It has also expanded the regional alliances to maintain a balance of power, though fragile.

Accordingly to their economic interests, China and India are defining two different energy politics in the CSR. The nature of China’s economy is ‘industrialization’ while India’s is based on ‘services’. However, both are vulnerable to oil supply and price increases. The main difference between the two is that while China currently demands more oil resources, India is not. India is yet to be a major energy-player as important as China. The present vitality of energy security for China and future importance of such vitality for India explain why the Sino-Kazkh MEP project is about to be completed while the Indian involved IPI or TAPI projects have been delayed for more than a decade. Nonetheless, China and India’s needs for CSR’s energy and their economic capabilities can tip the balance over towards a regional alliance rather than toward a reliance on an extra regional power. The investment of the US and its European allies in the Caspian energy is aimed not only to project their power into the region but also to check competing hegemonic moves by Russia, Iran and China. The West is following this objective mainly through OSCE, NATO’s PfP, Council of Europe, TRACECA, TACIS and INOGATE.

In the ongoing New Great Game and to deter the American pressure and threat, Iran would have no choice than to tie its geostrategic concerns with those of Russia, increase its cooperation with China, win India’s support and further develop its bilateral relationships with the EU members. While the US sanctions Iran, Russia and China attempt to save it, and the EU is in favor of a constructive dialogue rather than a war against Iran. India’s stance on Iran is somewhere between China and the EU.

In the long-run and for years to come, the proximity of the Islamic Republic of Iran, Pakistan and Afghanistan with the secular Caspian republics will impact CSR’ ideological
borders. But the possible conversion of the CSR’s ‘cultural-traditional and national Islam’ to a fundamentalist movement is slim, as the CSR has historically been known for its tolerance. However, Islamism will remain captive in the hands of the militant groups and states as one of the main source of threat to the regional stability and security. In this case and as it has been throughout the history of clashes and wars, ideologies of any kind will be employed. Thus, liberal-democrat values or Islamism and Jihadism will be advocated to enhance ‘power’ and practiced by not only the beneficiary individuals and groups but also by the states. As it has always been, the ‘end’ sadly would justify the ‘means’.

At the regional level, despite its massive capabilities, India has not pursued active and strategic policy toward the CSR. Indian CSR politics is non-aggressive and peaceful. Till India catches up with China and its needs for energy escalate to a critical level, this approach of the CSR will continue. India and Iran are not in conflict in the CSR. As it was during Taliban rule in Afghanistan, Indo-Iran cooperation over CSR’s energy and politics is likely. Both states’ stances on extremism meet. Same extremist elements that are as threatening Iran are also the threat for India. Iran has created a more dynamic relationship with India than with Pakistan. Indian technological assistance and services, and its support in international organizations in return for Iran’s energy, and help to connect India to the CSR are mutually beneficial. Since Afghanistan is unsafe and Pakistan is an unfriendly neighbor, the only Indian physical access option to the CSR’s market and energy is through Iran. However, due to Iran’s conflict with the US and EU, New Delhi hesitates to develop a more dynamic relation with Tehran. Even if as a powerful nation Indian foreign policy is independent, the US factor still shapes Indo-Iran relationships to a large extent.

Since Iran’s approach to CSR is non-ideological, it won’t face serious conflicts with Pakistan or Afghanistan. Despite being virtually a semi-failed state, Afghanistan’s potentialities especially the effects of its fundamentalist Islamic elements on the entire region should not be underestimated, both in the present and in the future. In comparison with other regional states, the probability of a non-ideological clash of Iranian interest over the CSR is higher with Turkey. Azerbaijan would play the main role in shaping the future Turkey-Iran relationship. Both neighbors, Turkey and Iran, currently maintain a friendly relation with Azerbaijan. Their energy and economic cooperation is considerable and they
share a common fear from their Kurdish ethnic groups. Nonetheless, Turkey’s pipeline politics and pro-US policies have hindered Iran’s influence in the CSR.

The commonality among the players at the sub-regional level is their high hydrocarbon deposits or their potentiality of transiting Caspian energy to the world markets. In this group, the Azerbaijani regime’s main challenging task is to tie its strategic interests to the EU and the US through its energy. Meanwhile it has to maintain a balance in its relation with Russia. It is the same for Kazakhstan. Till today, despite Iran-Azerbaijan clashes of interests (diplomatic tensions over Iran’s religious threat, disputes over Caspian oil fields, Azerbaijan’s close relation with the US and Israel, ethnic issues, etc.,) both neighbors have avoided serious diplomatic and military confrontations. Though each one is in opposite camps (Azerbaijan-Turkey-US versus Iran-Armenia-Russia), the interests of both nations lie in cooperation and in the maintaining of good neighborly relations. However, the interference of an external big power could easily bring conflict between the two neighbors. For the same reason, no MEP is expected from Azerbaijan to Iran.

Unlike Azerbaijan, the possibility of energy cooperation between Iran and both Turkmenistan and Kazakhstan is high. For both, Iran is the best option for energy transit. Their good relation makes the realization of a MEP project highly possible. Other than a MEP, swap deals (ideal for short-term) wouldn’t serve Iran’s interest in the long-run. Finalizing a trilateral MEP project with Kazakhstan and Turkmenistan would foster Iran’s CSR influence and interests more. Turkmenistan-Iran pipeline could be extended to Kazakhstan. The Kazakh government’s prime goal is already set on economic prosperity while avoiding any tensions with neighbors, as well as with big global and regional powers. Kazakh officials have showed interests on MEP projects with Iran on several occasions. A MEP project is in many ways better in comparison with a successful swap deal. A swap deal could be stopped at any moment by either of the exporting or importing countries. But a multi-billion dollar pipeline project cannot be ignored and maneuvered upon easily once laid on the ground. In the CSR, pipelines and their directions will above all tip the balance of power over, both presently and in the future.

Turkmenistan is the most traditionalists of all Caspian republics in its international relations as well as in energy exploitations. By opting for neutrality and non-participation in regional alliances, or in the regional organizations, Ashgabat has presented a vague image.
By following such policy, Turkmenistan wants to avoid any conflict while it is on the way to become a 'second Kuwait'.

Despite Georgia's pro-US politics and Iran alliances with Russia, it is crucial for Iran to develop a close relation with Tbilisi. So far, Iran-Georgia relation has remained at a lower level. Economic ties with Georgia could enhance the credibility of Iran's Caspian politics. Like with Armenia, Tehran has to develop its relation with Georgia, even if it arouses Kremlin's dissatisfaction. An active Iran-Georgian economic cooperation can foil US attempts of isolating Iran in the region and can also signal to Russia that Iran is not totally a passive accepter of its dominance.

Though the nature of alliances and the balance of power is changeable, due to Azerbaijani factor, however, Iran-Armenia relationship is naturally set to be a long-term one. Iran's natural gas pipeline and considerable economic cooperation with Armenia indicate that Iran's tie with Armenia is strong.

Despite Iran's unique strategic location, transportation networks, energy infrastructures, and historical legacies, Iran's CSR politics has been hindered only by its anti-US policy and American hostility towards Iran. In order to enhance its national interests in the world and especially in the CSR, Iran has to:

1. Develop its transportation network and facilities and at the same time promote them.
   Till today, Iran's transportation capabilities have not been fully exploited in practice, but have rather been only propagated. The Development of port facilities in the Caspian Sea would appeal the landlocked republics.

2. Iran's economy is compatible with the CSR. Its utilization requires intensive foreign policy work and its diversification from the Middle East to the CSR.

3. A systematic observation of the developments in the CSR is needed. Ageing presidents and the probability of new changes in these republics' internal socio-political structures could open opportunities to invest on. Iran has to seize them before the other powers do.

4. Iran's CSR ambitions have been hindered by some inefficiencies and shortages which could be compensated by special offers and packages on swap deals. There is room for success in its geopolitical moves in the CSR. Maximizing the efficiencies and investing on the available means –[geography, foreign policy, cultural ties,
ethnic commonalities, economy and even religiosity] could turn Iran into a major player. Unlike the common belief, even a soft religious propagation would be certainly welcomed by the Caspian nations which have always admired the religiosity of the ‘Islamic world’.

5. Lastly, in order to translate the strategic location and energy advantage of Iran into its favor in a big way, Iran has no other option but to revise its international politics. Iran’s regional politics is handicapped by its international politics.