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The Modern Great Game in Central Asia

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THE MODERN GREAT GAME IN CENTRAL ASIA

By

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B.A., The University of Montana, Missoula, Montana, 1996

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The Great Game in Central Asia

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In the last fifty years global consumption of petroleum has increased by more than a factor of six, by the year 2000 daily consumption was at 76 million barrels/day. The United States is accountable for nearly one quarter of the daily oil total, which represents only 40 percent of our total energy consumption. In a given year the world uses enough oil to fill a lake ten miles long, nine miles wide and 60 feet deep, the United States consuming roughly one-quarter of that amount. While many of the environmental costs of this consumption are realized domestically, such as increased air pollution and the associated health effects and related costs, there are great ramifications for the native populations in areas where petroleum is extracted, shipped and processed. In effort to cushion it's supply of oil the U.S. has aggressively pursued new sources of petroleum, through both diplomatic and military means.

The result of these actions has brought about new international relationships, many of which are less than favorable and directly tied to an increase in terrorism. Central Asia, in it's close geographic ties with the former Soviet Union, China, and India has become a battle ground not only for geo-political conflict but also between multi-national corporations that have great stakes in this, "New Great Game of Oil." China, Russia and India are all rapidly increasing their demand for petroleum. Central Asia, with it's proven reserves and close proximity to the large reserves of the Middle East has become the new game board with its citizens and environment being forced by outside influences into pollution and international conflict.
ACKNOWLEDGEMENTS

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CHAPTER ONE

INTRODUCTION

I can not think of a time when we have had a region emerge as suddenly to become as strategically significant as the Caspian. - Dick Cheney (1998)¹

The collapse of the Soviet Union and the resulting wane of its influence on Central Asia has lead to a period of great political and social change in Central Asia. This change was and is still studied by the United States government because of national interests in the area, which specifically include natural resource extraction, stability in resource transportation, and a new political and military influence resulting from a new juxtaposing with China, Russia and the Middle East.²

The resource consumption levels of the United States directly affect the people and landscape of Central Asia. As a nation the United States uses more natural resources per capita than any other nation, including water, metals, minerals and fossil fuels.³ In the last fifty years the global consumption of petroleum has increased by more than a factor of six. Global daily consumption of petroleum is approximately eighty million barrels per day. The United States is accountable for nearly one quarter of the daily oil consumption.

While many of the environmental costs of this consumption are realized domestically, such as increased air pollution and the associated health effects and


² Graham E. Fuller, Central Asia: The New Geopolitics (Santa Monica, CA.: RAND, 1992), v-vii.

healthcare costs, there are other ramifications for the populations involved in petroleum extraction, shipping and processing. In an effort to cushion and secure a reliable flow of available petroleum and petroleum related products, the United States has aggressively sought new sources of petroleum through both diplomatic and military means.

The result of these actions has brought about new international relationships, many of which are less than favorable and directly tied to an increase in terrorism. This study will examine the petroleum industry in Central Asia, its history and future, and how it correlates, directly and indirectly, with the populations standard of living and human rights.

This study will use books, journal articles, newspapers and human rights reports to examine what role oil and gas have played in the history of Central Asia, what role the Caspian Basin will play in adding fuel to the world's energy market, how U.S. involvement has influenced the region, and what aspects of violence are connected to U.S. involvement, directly and indirectly.

This study begins with an examination of the history of oil development in Azerbaijan, which has some of the greatest potential development opportunities in the region, as well as the oldest historic developments. This shall be followed by an overview of the Caspian Basin, where the oil and gas reserves lie, their volume, and how they are exported to market. This section will also briefly cover pollution issues associated with the oil industry in the Caspian. However, I shall not go into great detail, as issues surrounding pollution have been well documented in several studies. In examining the basics of petroleum in the Caspian, I shall also examine the territorial disputes that play a significant role in increasing social tensions between emerging
sovereign nations and preexisting treaties between Russia and Iran. The desire to influence decisions with regard to pipeline routes is connected to countries that legally possess the oil reserves and stand to profit from their development.

Azerbaijan is a good case example for examining Caspian oil with regard to the United States, because, as stated by Zbigniew Brzezinski, President Carter's national security advisor:

Azerbaijan's vulnerability has wider regional implications because the country's location makes it a geopolitical pivot. It can be described as the vitally important 'cork' controlling access to the 'bottle' that contains the riches of the Caspian Sea basin and Central Asia. An independent, Turkic-speaking Azerbaijan, with pipelines running from it to the ethnically related and politically supportive Turkey, would prevent Russia from exercising a monopoly on access to the region and would thus also deprive Russia of decisive political leverage over the policies of the new Central Asian states.4

Azerbaijan offers the opportunity to examine the human rights aspects of petroleum export, by looking at the recently developed Baku-Tbilisis-Ceyhan pipeline, which opened in 2005 and is expected to be fully operational by 2009. This $3.6 billion pipeline, which has received significant investment from U.S. companies, is seen by the United States to be advantageous not only by bringing large quantities of oil to the world market, but also, by doing so, while bypassing Russia and Iran, and thus weakening their political influence and profit.5 Social tensions around this pipeline are connected to geopolitical moves, including the support and repression of various militant factions.

The pipeline also offers examples of secondary consequences that surface with pipeline routes, not only in Central Asia, but around the world. A similar high volume pipeline has been in the works for nearly a decade. It is to span across the Caspian, pass

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5 Klare, Resource Wars, 90.
south through Turkmenistan, and cross Afghanistan and Pakistan. It has been noted that regions high in resources often face higher rates of internal conflict. The regimes that the United States supports for energy acquisition are often oppressive and undemocratic, and are thus prone to internal and external violence. Attacking pipelines has become a way of attacking the United States indirectly in an effort to counter the United States' strong support for unpopular regimes.

It is not the goal of this thesis to focus upon the diverse religious conflicts in the region. However, because of the intertwined characteristics of conflict, which include poverty, religion, and profiteering, it would be difficult to address any one of these subjects without the others.

Religious tensions in Central Asia have erupted in recent years as various sects experience revival and repression from various sources. While often unrecognized, a few recent authors have begun to address the role that religion has on the oil industries of Central Asia. As Central Asian nations have sought outside development funding, especially from the Middle East, they have emphasized their Muslim character in order to facilitate assistance from oil rich, Muslim states. This inclusion of religion into the politics of oil has magnified the division between religious sects throughout Central Asia. Just as during the Soviet-era rule in Central Asia, leaders are pursuing the appearance of openness of religion while attempting to prevent some of the more extreme sects from

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6 Ibid., 46.


8 Fuller, Central Asia: The New Geopolitics, xiii.
entering their country, such as the Wahabi sect from Saudi Arabia, which is marked by its political violence and religious intolerance.⁹

Ahmed Rashid covers the topic of Islam in Central Asia extensively in his 2002 work, *Jihad*. Islam, since the fall of the Soviet Union, has experienced a resurgence. Because many of the leaders of the Central Asian republics maintain close ties to the Communist Party of Russia, there is still a tension between governments and these groups.

Violence has resulted as an unemployed and impoverished youth has been drawn into some of the more violent forms of Islam, including the Islamic Movement of Uzbekistan, *Hizb ut-Tahrir* and the Islamic Renaissance Party. These are groups which lack political boundaries and have the potential of spreading throughout the region. With U.S. policy focused upon "energy security," preceded by the Carter Doctrine which specifically excluded the intention of promoting freedom and democracy, the United States has become an easy target for terrorist activities as it is viewed, whether justified or not, as supporting undemocratic governments.

One of the most important considerations in studying the effects of natural resource development in relation to social conflict and living conditions is the *measure used in determining living conditions*. Central Asia has been declared to be a region of high poverty. How is economic performance measured? Some methods of measuring economic performance are more appropriate for certain populations than are other methods.

As each republic in Central Asia has followed individual paths in economic development, the measures of economic performance have required adaptation. Standard

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national accounting aggregates measuring total supply or demand for services and goods has proven inadequate these countries.¹⁰

One major source on living standards has been the "annual household budget survey." This was a method of measure used under the Soviet Union and continued after its collapse. But it has significant shortfalls. These are outlined by Richard Pomfret and Kathryn Anderson as follows:

These samples were biased, since they concentrated on households with earners in state factories or on collective farms and, to a lesser extent, on pensioners. Both tails of income distribution were underrepresented, as households whose main employee worked in the private sector or was not working were absent and certain occupations were excluded (e.g. party officials, high level bureaucrats, military officers). Rural households were under sampled, which is especially important for the Central Asian republics, which were the most rural of the Soviet economies. Furthermore, the samples were not rotated; once the sample was established in the 1950's, households were only removed by attrition.¹¹

Survey techniques have been established by non-governmental organizations such as the World Bank's *Living Standards Measurement Study* which has sampled more people, taken greater measures to ensure accuracy, and included additional questions, especially on nutrition. But these surveys have been slow to move throughout Central Asia. Their context with regards to resource extraction offers further room for analysis, which this study will pursue.

The United Nations Human Development Index is considered one of the most thorough measures of living standard and quality of life. This index rates countries with a scale 1-1000, 1000 being the highest standard of living, and includes literacy, life


¹¹ Ibid., 4.
expectancy, education and wealth.\textsuperscript{12} In 2003, Azerbaijan possessed a score of eighty-nine.\textsuperscript{13} Between forty-four and fifty percent of the population has remained below poverty level, in spite of significant foreign investment.\textsuperscript{14}

It is the final goal of this thesis to bring added clarity on the influence the United States has in Central Asia. As the region continues developing its natural resources, the influence of the United States will undoubtedly increase. It is important that leaders have a firm grasp of the consequences and outcomes of political decisions made by the United States and how these decisions may influence the pursued goals of the United States in Central Asia.

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CHAPTER TWO

HISTORY OF OIL DEVELOPMENT IN AZERBAIJAN

Early History

The history of oil development is important, not only from an ecological point of view, but in political and social terms as well. In addition to examining the ecological effect of extracting and transporting oil and gas it is also as important to examine how governments, corporations and civilian populations have interacted through history. Azerbaijan, the current political state which inhabits the region of some of the earliest oil developments in history, is a good place to begin.

Azerbaijan, "the Land of Fire," perhaps more than anywhere else in the world, has a significant and long history with oil and gas as a human commodity. Long before oil was used for transportation fuel or its petrochemical properties, oil and gas flares were a part of religion and society in Azerbaijan. Oil was so abundant that Zoroastrians had hundreds of temples with continually burning fires, fueled by seeps of oil and gas, and visited by people from as far away as India, China, and Egypt. Oil was poured into leather skins and sold at markets as fuel and lubricant. Gas seeps in the Caspian Sea were abundant enough that the Sea was known to catch fire. As early as 5 A.D., reference is made to "the eternal fires of Baku" in a volume entitled "Stories" by the Byzantine author Prisk of Pania.¹⁵

By 915 A.D., hand dug wells of twelve meters in depth were known. Oil was mentioned throughout recent history, from Marco Polo, who reported about Baku:

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On this frontier...there is a spring from which flows oil in such abundance that a hundred ships at a time may be loaded with it. The oil is not good to eat, but it is good to burn and to anoint camels with, against mange and dandruff. People come from great distances to fetch this oil, and in the whole district no other oil is burnt.16

By the late seventeenth century, oil from the Absheron Peninsula was reportedly being shipped as far as Uzbek and Cherkassy regions, and north to Dagestan. Naturalist Engelbert Kaempfer (1651-1716) reported to the Swedish government that oil resources were loaded in wineskins and transported in massive quantities via camelback and four-wheeled carts. Then in 1723 Czar of Russia, Peter the Great issued some of the first laws related to oil development in Azerbaijan, limiting the allowable take of each concessionaire.

### 1800s and Industrialization

In the early nineteenth century, John Cartwright, an English missionary to the region, wrote:

Concerning Bachu, it is a very ancient Hauentowne, very commodious for ships to harbor in, as also profitable to vent commodities, by reason that Ardouill, Tauris, Eres, Sumachia, and Derbent, lie not many days thence. Near unto this town, is a very strange and wonderful Fountain under ground, out of which there springeth and issueth a marvelous quantity of black oil, which serveth all parts of Persia to burne in their houses; and they visually carry it all over the country upon Kine and Asses, whereof you shall oftentimes meet three or four hundred in company.17

In 1838, on the Cheleken Island in the Caspian, oil was extracted from roughly 3800 pits and seepages and was used predominantly for lighting. Annual Russian production was estimated at approximately 28,000 barrels. Between 1863 and 1870,

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16 Quoted from Croissant, *Oil and Geopolitics in the Caspian Basin*, 4.

17 Ibid., 5.
annual Russian production increased from 41,000 barrels to 204,000 barrels, exclusively from the Baku region.

Then, in 1871, with the introduction of the steam-powered drill, oil became a large-scale commodity, much as we know of it today. Coinciding with the Rockefeller development of American oil, the first well was drilled with a steam powered drill on the Aspheron Peninsula, under direction of the Swedish Nobel brothers. An area that had been known for centuries to be rich in oil began to experience extraction and the resulting side effects with intensity.

"Spouters," became prevalent throughout the Aspheron Peninsula, often spewing oil uncontrollably across the scrub brush plain. By 1874, the Nobel brothers possessed one of the most productive oil fields in the region. Within a matter of four years, the Absheron peninsula had become home to an international competition for Caspian oil. One of the few major industrialized countries not involved was the United States. Oil in Pennsylvania was sufficient enough to meet supply needs and Baku oil was thought to be too high in sulfur and too remote geographically from Europe to compete with Standard Oil.  

Oil and gas pressure was so intense that wells were known to project twenty foot drill casings into the air, often resulting in wells that could not be contained for weeks. "The territory began to be covered by lakes of oil. Not a single producer had provided himself with storage facilities, or with means of regulating the flow of oil, which steamed all over the region, soaking into the calcareous sand soil and destroying the scattered patches of vegetation...."  

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A local paper wrote the following statement, significant because it brings to issue one of the most pertinent subjects in this topic, oil pollution in the Caspian:

From the town the fountain [of oil] had the appearance of a colossal pillar of smoke, from the crest of which clouds of oil detached themselves and floated away a great distance without touching the ground. Owing to the prevalence of southerly winds, the oil was blown in the direction of Bailove Point, covering the hill and valley with sand and oil, and drenching the houses of Bailov, a mile and a half away. The whole district of Bibi-Eilat was covered with oil, which filled up the cavities, formed a lake, and on the fifth day began pouring into the sea. On the sixth day the wind freshened and the oil spray began flying all over the town. The square in front of the town hall in Baku was drenched with petroleum....Altogether 14,000,000 poods [about 250,000 tons] are estimated to have come to surface, and most of this was lost for want of storage accommodations. The oil simply poured into the Caspian Sea, and was lost forever to mankind.20

And thus began a conflict between the large-scale development of oil and the desire to protect the local environment, which as far back as the early 1800s sought to ensure the availability of Caspian sturgeon for caviar which was exported to Russia, Europe, and the United States. While at the time caviar was so common in Caspian that locals not connected to the industry gave it little consideration, to fishmongers catering to markets in Europe and the United States, depleting population of sturgeon were of considerable importance and subtle changes in availability had wide scale economic impacts.

Other issues that have carried over to current times include pollution from transportation and refineries, and treatment of workers. By 1900, Baku produced half of the world's oil supply. Standard oil, which in the 1870s had been considered untouchable in terms of its dominance of the world oil market, had strong competition from the Nobels and the Rothschilds.

19 Ibid., 4.
20 Ibid. Quoted from p. 6.
The Nobels had been some of the first Europeans to develop Central Asian oil on the Absheron Peninsula outside of Baku. They were the first to introduce a short pipeline from the oil fields to the railroad station, which then transported oil north to the Baltic by train where it could then be shipped to Europe. This was accomplished under the guidance of Vladimir Shikhov, an engineer who authored an article titled, "Pipelines and Their Uses in Oil Industry." By 1883, there were over ninety-six kilometers of working oil pipelines, mostly under the financial control of the Nobels. Robert Nobel is also credited with having been instrumental in refining the technique for removing the high levels of sulfur, which made Central Asian oil competitive with oil extracted elsewhere.

The Rothschilds entered the oil scene in Baku shortly afterwards and in an effort to compete with the already established Nobel brothers, decided to create a shorter transportation route for delivering Caspian oil to Europe. They first invested in building small tank steamers to carry petroleum across the Caspian to the mouth of the Volga River. They later invested in a train route from Baku to Baum, on the Black Sea, from which crude could then be transported to their refinery in northern Italy before reaching European markets. Their venture was successful, and for their investment they received nearly half of the oil fields previously owned by the Nobels.

By 1898, there were 230 km of pipeline in place, and by 1906 an 833 km pipeline was complete, transporting oil from Baku to Batumi on the Black Sea. Baku was supplying 97.7 percent of all Russian oil in 1890.

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23 Croissant, *Oil and Geopolitics in the Caspian Sea Region*, 103.
Oil was a booming industry, centered in Baku, which offered the most direct route for export. However, apart from the Nobels and Rothschilds, treatment of workers was untenable. Mosley describes the following:

[The workers] were the native Tartar and Georgian villagers who worked for the oil concessionaires, and they lived and worked under particularly degrading conditions. Their living quarters were a series of wooden-hutted compounds in an area about ten miles from Baku known as Black Town. It was close to the wells and at the mercy of every spouter that came in, so that the streets and houses were constantly soaked with oil, and the air was a mixed stench of petroleum and excrement. Pay was low and hours long. Food was provided from primitive canteens. Employees were... forbidden to have wives with them, their movements restricted.

...What money they saved from their wages they were encouraged to spend in company bars on cheap wine and vodka. Any tendency to rebel against the conditions was brutally discouraged by private armies of Cossacks maintained by the well owners who rode among the insurgents and cut them down with knouts and swords. Ring leaders were publicly flogged.24

Conflict erupted in 1905, the result of poor worker conditions, pay, and ethnic segregation. Tartar and Georgian workers revolted against many of the leading Armenians, resulting in severe ethnic violence which eventually turned as well to the oil fields. Armenians fled the area, and the Absheron Peninsula was literally set aflame (figure 1).

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24 Mosley, Power Play, 8.
When the violence did slow, most of the Armenian concessions went to the Nobels and the Rothschilds, who became the most powerful concessionaires in the area. In 1911, the Royal Dutch-Shell group bought Bnito, one of the Rothschilds companies and became another significant company in Central Asia. And in 1914, the Nobels purchased a majority of the holdings of the Russian General Oil Corporation, which had been made up of thirty-five independent companies. This concentration of oil management created a stable supply in the early part of the twentieth century that held until the 1917 Russian Revolution, during which Russia confiscated all private holdings in the area.25

Azerbaijan, Georgia, and Armenia each declared independence in April, 1918, but were overthrown by the Soviet Union in 1920. The overthrow of an independent Azerbaijan government was viewed as a liberation move on the part of the Red Army. Vladimir Lenin wrote, "We all know that our industries stood idle because of lack of fuel. However, today, the proletariat of Baku has toppled the Azerbaijani government and is in charge of running the government. This means that now we own a basic economy that is capable of supporting our industries."26

**The Modern Era**

In the following years, the Soviet Union shifted oil production from Baku to Siberia, a more geopolitically protected area. As Baku began refining more oil, domestic use increased and decreased export. Azerbaijan's oil input into the Soviet system

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25 Croissant, *Oil and Geopolitics in the Caspian Sea Region*, 10.

26 Ibid., 103.
decreased to 71 percent by 1940, to 39.2 percent in 1950, 12 percent in 1960, 5.7 percent in 1970, and down to 2.4 percent in 1980. The Absheron Peninsula saw a decline in production as drilling moved offshore into the Caspian Sea. Heavy usage and environmental damage made wells easier to abandon than update with newer technology. This changed in 1980 under Gorbachev's *perestroika* policy, which favored allowing foreign investment in Azerbaijan.\(^{27}\)

During the later half of the twentieth century the advancement of oil technologies in the United States greatly surpassed that of the waning Soviet Union. Bulent Gokay gives a thorough description of the Soviet oil industry during the collapse of the Soviet Union, as the industry entered an area more open to foreign investment. Gokay points to four major factors that placed the Caspian countries in position for needing to draw outside investment to develop their energy resources. Exhausted fields, lack of new technology in the industry, paying drillers by the foot rather than by the amount of oil found, and poor quality of pipes and drilling bits owing to weak steel were all contributing factors which reveal that the Soviet Union did not lack in resources but in planning and implementation which lead to a weak oil industry in the Caspian Basin.\(^{28}\)

By 1999, outside investment in the Caspian was strong. Investors include Amoco, Chevron, Exxon, Mobil, British Petroleum, Royal Dutch/Shell, Elf Aquitaine, of France, Agip of Italy, Statoil of Norway, Lukoil of Russia, and the China National Petroleum Corporation. ExxonMobil and BP, both of which have strong ties to the United States, have invested in several fields together and are leaders in multinational

\(^{27}\) Ibid., 15.

\(^{28}\) Ibid., 11-19.
consortiums, and are viewed by the Aliyev government as being critical to Azerbaijan with regard to maintaining independence from Russia. By 2010 it is expected that these companies will have invested over $50 billion. Thus far, investment has coincided with a steady increase in poverty across each nation of Central Asia, excluding Iran and Russia.

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29 Klare, Resource Wars, 88.


31 Ibid., 23.
CHAPTER THREE

BACKGROUND OF UNITED STATES INVOLVEMENT IN CENTRAL ASIA

Geopolitics

Central Asia, with its close geographical location to the Russia, China, Europe, India and the Middle East, has become a battle ground not only for geopolitical conflict, but now between multi-national corporations that have great stakes in what many authors are calling "the New Great Game for Oil," a reference to the "Great Game" between Russia and Britain in their competitive struggle for influence in Central Asia during the 1800s.

China and India are experiencing unprecedented levels of growth, development, and use of petroleum, and thus have become major players in the competition for petroleum. Central Asia, with some of the largest reserves of petroleum, and its close proximity to the Middle East, has become one of the fields for this competition.

Central Asia offers clear examples of a global trend toward poverty and environmental degradation that occur with the development of oil and gas fields in developing nations. Resource rich nations are significantly more likely to experience internal violence and strife than non-resource rich nations.\(^\text{32}\)

While the World Bank and the International Monetary Fund have increased their aid to the former Soviet states of Kyrgyzstan, Kazakhstan, Azerbaijan, and Turkmenistan, all have experienced an increase in poverty since the collapse of the Soviet Union.\(^\text{33}\)


This, while oil and/or gas development have increased in each of these nations.\textsuperscript{34}

Poverty levels are a complex issue related to a shift away from the Soviet Union to independence, however, while the majority of outside investment throughout the Caspian Basin resides in the petroleum and gas sector,\textsuperscript{35} the relationship between finances and corruption is suspect with regards to where investment money is going and how it is being used.

The politics of oil, which interlaces foreign governments and corporations, is marked and continually threatened by corruption and lack of transparency, at both governmental and corporate levels. This is often the result of an increasing international demand and competition for decreasing oil supplies. While these flaws may exist in only certain facets of the petroleum industry, they are often sufficient to effect large populations associated with the areas of extraction and transportation of oil and gas.

Suffering the consequences, in environmental impact, political domination and even war, are civilian populations that rarely benefit even economically from the exchange of local natural resources.

After the collapse of the Soviet Union, the United States, represented militarily, and multiple international oil companies looked at Central Asia with increasing interest.\textsuperscript{36}

The withdrawal of Moscow's \textit{official} political influence allowed for the first time in recent history the ability of outside nations and corporations to become involved in a significant capacity in the extraction, refining, shipping and resale of petroleum in the

\textsuperscript{34} Ibid., 3; Alexander's Gas & Oil, "Cadima Petroleum finds oil in Kyrgyzstan;" [Internet]; available from: http://www.gasandoil.com/goc/discover/dix12586.htm (accessed 25 February 2006).

\textsuperscript{35} Pamela Sumner Coffer, "Oil Development in the Caspian: A Critical Investigation of California Oil Companies in Azerbaijan and Kazakhstan," Natural Heritage Institute, 1999, 4.

\textsuperscript{36} Fuller, \textit{Central Asia: The New Geopolitics}, vi.
Caspian Basin. Militarily there were additional interests in the region, namely, to create a U.S. presence along the border of China and Russia in Kazakhstan, Kyrgyzstan, Tajikistan, and Pakistan. At stake in Central Asia, for both military and civilian interests, is one of the largest oil reserves in the world.

The security of petroleum exchange in Central Asia, specifically in the Caspian Basin, is made difficult owing to a number of factors that have also influenced the industry in the Persian Gulf. These include, "contested boundaries and territorial disputes, the prevalence of authoritarian regimes, severe economic disparities, long-standing regional rivalries and a cauldron of ethnic and religious strife." In addition to these factors, the Caspian Basin is landlocked (figure 2), so oil must cross multiple international boundaries by pipeline or rail before being transported at sea.37

Figure 2: Central Asian oil pipeline route. Taken from the Department of Energy (accessed 8/04 from http://www.eia.doe.gov/emeu/cabs/Caspian/Maps.html)38

37 Klare., Resource Wars, 81.
Existing Russian pipelines are aged and breaking down. In addition to the physical corrosion of the Russian pipeline infrastructure, Russia is known to use pipeline politics to the extreme for diplomatic purposes, making reliability inconsistent and unstable in terms of price. As recent as January 2006, Russia used pipeline control in an attempt to politically influence the Ukraine.

This incident is not singular. "The energy weapon," or pipeline politics, has been used by Russia since 1990, when it cut energy supplies to Baltic countries in an attempt to defuse movements toward independence. In 1993 and 1994, in an attempt to glean control of Ukraine's energy infrastructure and Black Sea fleet, Russia reduced gas supplies. It acted similarly in 2004 against Belarus, Poland and Lithuania. Russia illegally cut Kazakh oil from reaching Lithuania's Mazheikiu Nafta refinery in attempt to keep the refinery from selling to non-Russian companies. While criticized for many of these actions, Russia's two major pipeline companies, Gazprom (natural gas) and Transneft (oil) have been given carte blanch swing due to World Trade Organization open market requirements and the European Union's energy charter.

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38 BTC pipeline shown as "proposed" was completed in 2005 and is expected to be running to full capacity by 2009.


41 Ibid.

42 Ibid.
In 2005, a consortium of oil companies headed by British Petroleum completed the first modern pipeline route to transfer Caspian oil from Baku to the Mediterranean Sea, the Baku-Tbilisi-Ceyhan pipeline (BTC). With the potential of carrying one million barrels per day, this route is expected to be used for oil from Azerbaijan, Kazakhstan, and Turkmenistan. However, with potential production levels expected to reach 45 million barrels/day by 2015, more modes of export will be necessary.

Of additional concern, the BTC pipeline route is also threatened by conflicts in Armenia, Nagorno-Karabakh, Georgia, and Turkey. These regions have a recent history of specific attacks targeting the major pipelines that supply Western Europe and the United States. These attacks, while not necessarily directed towards the oil industry, are a guerilla means of attacking governmental control of ruling parties. This will be discussed more specifically in a later chapter.

Iran, with the fifth largest proven reserves, after Saudi Arabia, Iraq, Kuwait and the United Arab Emirates, is also the world's fourth largest oil producer. Iran has an existing pipeline route from the Caspian Sea to the Persian Gulf, but sanctions begun in 1996 under the Clinton administration and continued into the present have prohibited any negotiation between U.S. companies and Iran. While these laws have been circumvented in a few cases, the ease of the route has been unutilized from its potential in supplying the United States.


44 Energy Information Administration, [Internet]; available from: http://www.eia.doe.gov/emeu/cabs/topworldtables1_2.html (accessed 15 February 2006).
Iran, with regard to its juxtaposition to Central Asia, and its diplomatic relationship with the United States, is a complex subject. In 1951, after years of oil revenue being exported through a British Petroleum daughter company, the Anglo-Iranian Oil Company, Mohammed Mossadeq came to power and nationalized the oil company in an attempt to retain profits in Iran. Two years later the United States supported a coup, lead by the Central Intelligence Agency which overthrew Mossadeq.

While the oil industry was not reprivatized, the coup was viewed as an attempt to export oil revenues. Profits soared and under U. S. influence oil revenues shifted from social reform to the purchase of military equipment from U. S. firms. This continued until another internal coup surfaced in December 1978 when the religious leader Ayotollah Khomeini returned from exile in France and appointed himself as "supreme leader of the world's first Islamic republic."

Diplomatic relations have been tense with regard to the United States ever since. The United States has made concerted efforts to keep Iran from trading oil with countries in the Caspian region, and Iran has made concerted efforts under the defined goal of "thwarting U. S. efforts to develop Caspian oil." These tensions are further exacerbated by Iran's supposed intention of developing nuclear weapons, an event that the United States is aggressively attempting to thwart. A potential change in the regime of Iran would not only drastically change the nuclear power structure of the Middle East and Central Asia, but would also drastically change the way in which the United States would have oil and gas delivered to Western markets. Religious factors have historically played


\[46\] Ibid.
and will continue to play a significant role in the politics of the region. As religious factions vie for power, the allies and enemies of U. S. interest evolve.

China, to the east of Central Asia, is the fastest growing user of petroleum globally, and has the potential of reaching current U.S. consumption levels in the next fifteen years. China has played an active role in acquiring oil from Central Asia. A proposed pipeline route from neighboring Kazakhstan has the potential to carry petroleum not only to China, but then to the South Pacific where it could be traded internationally. But this route is also hindered by geographic and social concerns.

In January, 2006, China brokered a $100 billion deal with Iran. This move only further drives the United States to push for more competitive routes to acquire Caspian Basin oil. As prices push upwards of $70/barrel, the U.S. has a strong interest in finding efficient routes for any globally substantial petroleum reserves.47

Another possibility, one largely pursued by the American owned petroleum conglomerate Unocal, is a pipeline route through Turkmenistan and Afghanistan, but this region is also largely affected by social unrest and war. For now, the major routes of oil destined for western markets is through older Russian pipelines and the BTC pipeline.

Still lacking true democracy, business has begun between the Central Asian Republics and the major oil companies, from the US, Britain, France, Germany, Russia, China, and India. The United States has created a military presence in the region, in Kyrgyzstan, Kazakhstan, Uzbekistan, Tajikistan, Pakistan, and Afghanistan. These in

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addition to the adjoining bases in Kuwait, Saudi Arabia, Qatar, UAE, Bahrain, and Oman, represent a significant presence in the Middle East and Central Asia.

**Military History**

The United States military is directly tied to the petroleum industry. Acquisition of energy has been considered of national importance since the invasion of Mexico by Woodrow Wilson. The United States is the largest global consumer of oil, and the US military is the largest consumer of oil within the United States. Use of the military to maintain national supply, even requiring national projection of military force, went even further under the leadership of President Franklin D. Roosevelt with the deployment of troops to Saudi Arabia. Military doctrine as it relates to oil supply has continued through every presidency since Woodrow Wilson, Franklin Roosevelt, Harry Truman, Dwight Eisenhower, Richard Nixon, Gerald Ford, James Carter, Ronald Reagan, George H. W. Bush, William Clinton and George W. Bush.\(^{48}\)

The first official doctrine equating national security needs to energy acquisition began under President Roosevelt. This is the same period in which private oil companies and government were joined out of necessity. During World War I, owing to competition with the German Navy, the British made the initial move to transfer their naval fleet from coal to oil.\(^{49}\) This provided additional power and speed, and while there was initial concern about oil supply, geologists were quickly finding more reserves around the world.\(^{50}\) The United States, realizing the need to maintain a competitive stance militarily began the same transformation. Thus began the battle for oil supplies.

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Domestic supplies were considered ample until 1941, when a senior petroleum advisor for the State Department began to argue that the domestic supplies were insufficient for the United States under any military crisis. In 1940, under the National Defense Act, oil had been placed on a list of materials essential to national security. This argument was further expounded upon in 1944, when Andrew F. Carter of the Army-Navy Petroleum Board wrote, "that known petroleum reserves within the continental limits of the United States are inadequate to meet over a period of years either the wartime needs of the United States or the needs of the civilian economy once normal conditions are established."

A policy statement released by the State Department in 1944 under the Petroleum Policy of the United States laid out the framework for the United States to begin aggressively seeking foreign oil supplies from the Eastern Hemisphere in order to protect the longevity of supplies in closer proximity to the United States. To carry this policy out, the federal government became directly involved with U.S.-based oil companies which, "were instruments of American foreign policy and that their interests were the substantially identical to the national interests of the United States, as stated by the Church Commission of the American Senate in its 1975 Multinational Oil Corporations and U.S. Foreign Policy Report."

50 Ibid., 30.


52 Henry J. Brajkovic, "Foreign Policy of Franklin D. Roosevelt to the Entry Into World War 2", [Internet]; available from: http://www.yale.edu/ynhti/curriculum/units/1978/3/78.03.05.x.html, 29-30 (accessed 25 March 2006).

53 Ibid., 30.
Oil, as a key component of national security, was again addressed in a significant manner by the Carter administration. Two events brought the need for oil security to light, and were addressed with regard to specific military doctrines to secure supply. The oil embargo of 1973 by Arab countries in the Middle East and then the invasion of Afghanistan by Russia in 1979 both contributed to the policy called the "Carter Doctrine."

In his 1980 State of the Union Address, President Carter stated: "Any attempt by outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America and such an assault will be repelled by any means necessary, including military force."\(^5^5\)

The Carter Administration installed concrete military programs to carry America's new commitment to defend the Gulf region and American access to Middle East oil.\(^5^6\) This set into motion the acquisition of bases throughout the region and in neighboring countries, in effort to stave off Soviet influence on the region and to pressure countries militarily to prevent a repeat of the 1973 embargo.\(^5^7\)

This extension of the American definition of American security had one more major component that has defined American involvement in foreign relations. It for the first time specifically neglected to address the promotion of American values of free institutions and free people abroad, as had been precedence by former presidents


\(^{57}\) Ibid., 88-90.
Roosevelt and Truman. It committed America to defending economic interests alone, while neglecting to address democracy, which was already absent in the region.\textsuperscript{58}

The United States began its official military involvement in Central Asia in 1999, when the U.S. Central Command (CENTCOM), which had originally been created to implement the Carter Doctrine in the Persian Gulf, was given command authority over the Central Asian States of the Caspian Basin.\textsuperscript{59} Up until this point, the Caspian Sea and its underwater reserves had been divided between the U.S.S.R. and Iran. With the break up of the Soviet Union and the creation of independent states, Azerbaijan, Kazakhstan and Turkmenistan began claiming rights to portions of the Caspian Sea that conflicted with the claims of Russia and Iran.

U.S. firms began concluding major oil deals in the region in the mid-1990s, paralleling an increase with U.S. aid to the region both in civil and military regards. In 1997, President Clinton stated in a meeting with Azerbaijan's President Heydar Aliyev that "In a world of growing energy demand, our nation can not afford to rely on any single region for our energy supplies. [By assisting Azerbaijani oil field development] we not only help Azerbaijan to prosper, we also help diversify our energy supply and strengthen our national security."\textsuperscript{60} President Clinton went on to meet and reiterate the same with Presidents Nursultan Nazarbayev of Kazakhstan and Saparmurat Nyazov of Turkmenistan.\textsuperscript{61}

\begin{thebibliography}{61}
\bibitem{58} Ibid., 191.
\bibitem{59} Klare, \textit{Blood and Oil}, 132.
\bibitem{60} Quoted from Klare, \textit{Blood and Oil}, 133.
\bibitem{61} Klare, \textit{Blood and Oil}, 133.
\end{thebibliography}
CHAPTER FOUR
OVERVIEW OF CASPIAN OIL

Potential Resources

"How much oil is there?" is one of the common questions about Central Asia. Estimates vary greatly among sources, and the question arises whether or not some estimates are politically driven. Regardless, as stated by Secretary of State James Baker, "The regions is rich - perhaps very rich- in both oil and gas...The development of oil and gas reserves was viewed not just as a boon to the individual countries fortunate enough to possess them, but as a means to bind the entire region together economically."\(^62\)

Most sources conclude that oil and gas reserves are significant enough to warrant attention from global energy producers. Current statistics (Table 1) provided by the U.S. Department of Energy show significant potential for the region, which already has a history of extensive petroleum development.

In 2000, the undersecretary of the Department of Energy stated that, "moving Caspian energy supplies into the global market figures prominently in our national security equation. While estimates of the size of regional oil and gas reserves vary widely, most observers consider that its resources will be on the same order of magnitude as those of the North Sea." He went on to state that while Caspian reserves potentially contain the equivalent of one-quarter of Middle East reserves.\(^6^3\) While only representing

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\(^{63}\) Hearing before the Subcommittee on international economic policy, export and trade promotion of the Committee on Foreign relations, "The Status of Infrastructure Projects for Caspian Sea Energy"
the potential of upwards of 5% of the global oil supply, by 2020 it could represent nearly half of new non-Opec supplies.\textsuperscript{64}

**Caspian Basins**

The Caspian Basin, includes Kazakhstan, Turkmenistan, Russia, Azerbaijan, and Iran, and though not bordering the Caspian Sea, Uzbekistan. What is commonly referred to as the Caspian Basin is not geologically one basin (figure 3), but rather several geologically unique basins.\textsuperscript{65} These basins, which do not align with political boundaries, include the South Caspian, North Caspian, North Usturt, Mangyshlak, and Amu-Darya basins.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{caspian_basins.png}
\caption{Caspian Basins, Andrei V. Beloplsky and Manik Talwani, "Geological Basins and Oil and Gas Reserves of the Greater Caspian Region," \textit{Energy in the Caspian Region}, (Palgrave, New York, 2002), 13.}
\end{figure}

\textsuperscript{64} Ibid., 8.

The South Caspian Basin

The South Caspian Basin is a variable-depth basin (from 20 m - 900 m) that rests under Azerbaijan, western Turkmenistan and the northern part of Iran. The South Basin is separated from the North Caspian Basin by the Absheron Sill, which is a shallow belt with an average depth of ten meters. In terms of development, the South Caspian Basin is well established, with over 150 years of commercial production. While the onshore production has potential for further development with improved equipment, it is the off-shore production that holds the most valuable commercial production, with billion-barrel fields having been discovered on the Absheron Sill that connects Baku and Turkmenistan. Currently, the area is being developed by the Azerbaijan International Operating Company (AOIC) which is a partnership between British Petroleum, Unocal, Devon, ExxonMobil, TPAO, Itochu, Statoil, Delta Hess, Ramoc, LUKoil, and Socar. The Azeri-Cherig-Guneshli field alone is estimated to possess 4.3 billion barrels of oil and 3.5 trillion cubic feet (tcf) of gas. The South Caspian Basin as a whole is estimated to possess more than 6.5 billion barrels of oil and 16.5 tcf of gas. This area brings to note one of the center points of conflict in the Caspian Sea in connection with oil development, this will be discussed with regard to legal status.

The North Basin.

The majority of the North Basin is located within the political boundary of Kazakhstan. It is bounded by the Ural Mountains to the east and the Volga-Ural Platform to the north. In terms of petroleum, this basin includes two "super giant" onshore fields,

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66 Ibid., 14.
the Tengiz and the Karachaganak. The Tengiz Field has an estimated 4-6 billion barrels of oil, while the Karachaganak Field is thought to possess over 2.4 billion barrels of oil and over 16 trillion cubic feet of natural gas. The basin includes numerous other fields, a significant number of which lie in Russia but are off-limits for production in an effort to protect sturgeon populations, a strong economic incentive in that region. The Kashagan Field (figure 4), which is relatively new, is also expected to be a "super giant field."

![Map of Kazakhstan oil fields](http://www.kazakhembus.com/files/MapOilFields2a.gif)

**Figure 4: Kazakhstan oil fields; available from**
[http://www.kazakhembus.com/files/MapOilFields2a.gif](http://www.kazakhembus.com/files/MapOilFields2a.gif)

**The North Usturt Basin**

The North Usturt Basin lies beneath Kazakhstan and Uzbekistan, occupying an approximately 240,000 square km. This basin has proven reserves of 2.2 billion barrels of oil, and 1.42 tcf of gas. It is estimated to possess a total of 3.4 billion barrels of oil and 2.2 tcf of gas.
Mangyshlak Basin

The Mangyshlak Basin lies almost exclusively underneath Kazakhstan, though a portion lies under Uzbekistan. There is increasing interest in the region, especially in the northern part of the Bazachi Peninsula and off-shore on the Caspian Shelf.

Amu-Dayra Basin

This basin is approximately 370,000 sq. km., and lies under eastern Turkmenistan, western Uzbekistan, and Afghanistan. Considered a complex structure, it extends from the Caspian Sea westward, and north to the Siberian Platform. This basin has an established 130 gas and oil fields. Nearly 60% of these fields are in Uzbekistan, 40% in Turkmenistan, and the portion that lies underneath Afghanistan is for the most part untapped. The gas reservoirs within this basin are considered small, and are not continuous beds. Oil makes up only 4% of the petroleum in the region, with an upwards potential of three billion barrels. There are an estimated 200 tcf of gas.

Overall, Kazakhstan and Azerbaijan have the most significant proven oil reserves, while Turkmenistan and Uzbekistan possess the majority of the natural gas. Kazakhstan alone may possess as much as 50-80 billion barrels of oil. Turkmenistan possesses the largest reserves of gas, with a proven 100 -110 tcf of gas, and the potential of as much as 200 tcf. Uzbekistan and Kazakhstan also have significant untapped gas reserves. Azerbaijan, which historically has not been a gas exporter, is beginning new gas fields in the Shah Deniz field, and off-shore in the South Caspian. Caspian Sea oil totals are
between 14.7 and 31.3 billion barrels of oil (table 2); gas reserves in the Caspian Sea lie between 242 and 373 tcf.67

<table>
<thead>
<tr>
<th>Country</th>
<th>Estimated proven oil (billion barrels)</th>
<th>Estimated proven gas (tcf)</th>
<th>Estimated possible oil, billion (barrels)</th>
<th>Estimated possible gas (tcf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azerbaijan</td>
<td>3.6–7</td>
<td>10.6–30</td>
<td>7.0–14</td>
<td>30–60.2</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>10.0–22</td>
<td>65–83</td>
<td>50–80</td>
<td>65–200</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>0.5–1</td>
<td>101–155</td>
<td>1–1.4</td>
<td>101–277</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>0.6–1.3</td>
<td>66–105</td>
<td>1.0–5</td>
<td>60–127</td>
</tr>
<tr>
<td>Total</td>
<td>14.7–31.3</td>
<td>242.6–373</td>
<td>59–100.4</td>
<td>262–664.2</td>
</tr>
</tbody>
</table>

Table 2: Caspian oil and gas reserves. Andrei V. Belolisky and Manik Talwani, "Geological Basins and Oil and Gas Reserves of the Greater Caspian Region," *Energy in the Caspian Region*, (Palgrave, New York, 2002), 25.

Legal Status of the Caspian Sea

As a segue between oil reserves and pipeline routes, it is appropriate to briefly examine geopolitical conflicts concerning the political boundaries of the Caspian Sea. Based upon the whether the Caspian is defined legally as either an inland lake or a sea, various countries stand to gain or lose out on oil and gas revenues from the Caspian Sea.

The basic premise is that an inland sea cannot be divided by littoral states, other than a small zone off the coast of each country. The surface rights of the lake, as well as the mineral rights below, are to be shared and divided by treaty rather than boundary lines. This is the view held by Russia and Iran, which dates back to the Treaty of Turkanchai in 1828. This treaty was later reiterated in 1921 in the Soviet-Persian Treaty of Friendship, which established surface rights. In 1940, the Treaty on Trade and

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67 Ibid., 14-32.
Navigation created a ten nautical mile fishing zone off the coast of each country. However, all of these treaties predated the independence of the other Caspian nation.

Azerbaijan, Kazakhstan, and Turkmenistan, in agreement with the United Nations Convention on the Law of the Sea, define the Caspian as a lake in which the area is to be divided by section (fig. 5), equidistant from shorelines. While this definition still allows room for dispute, especially when offshore wells in the Southern Caspian lie nearly equidistant from Azerbaijan, Iran, and Turkmenistan, it would not allow for any rights of Russia or Kazakhstan in the southern area, which possesses some of the largest reserves in the Caspian.68

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68 Croissant, Oil and Geopolitics in the Caspian Sea Region, 25.
Turkmenistan used harsh political terms and the presence of military boats near offshore drilling operations, but matters did not result in confrontation.69

Multinational investment, especially from world petroleum leaders such as BP, ExxonMobil, and Amoco, has helped somewhat to broker relations of these fields. Large multinational consortiums provide for more extensive development and profits for country industries that would otherwise lack finances to develop.

**Transportation of Resources**

Following is a chart (table 3) provided by the U.S. Department of Energy which gives an overview of oil and export routes in the Caspian Sea Region. I shall then focus attention upon the most recent and largest pipeline, the Baku-Tblishis-Ceyhan pipeline which exemplifies the socio-economic problems that the United States must address in order to secure oil flow from the region.

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The Caspian Sea is the world's largest inland body of water, covering 371,000 sq km, with a maximum depth of 980m (3200ft.) Largely owing to being endorheic, it has an average salinity of 1.2 percent. The average salinity is more concentrated in the northern portion of the sea, and decreases towards the South. Its major pollutants consist of petroleum, petro-chemicals, including fertilizers and pesticides, nuclear and chemical waste.

In terms of petroleum and petrochemical pollution, leading sources result from the disruption of old and abandoned storage facilities off-shore of the Aspheron Peninsula, owing to anthropogenic water-level changes and pollution from oil refineries and
chemical plants upstream on the Volga River which provides approximately 80% of the fresh water to the sea.\textsuperscript{70}

Petroleum based pollution on the Caspian is noted by Levent Hekimoglu, as follows:

To call the Soviet oil industry 'environmentally unfriendly' would be a gross understatement; onshore and offshore activities have constituted a serious source of pollution in the Caspian. Wherever the oil industry had coastal offshore operations, concentrations of contaminants in the Caspian were found to be several times the Soviet--recognized maximum permissible levels.\textsuperscript{71}

In the same assessment Hekimoglu goes on to address the high concentrations of petro-based pollution issuing from the high number of petro-chemical processing plants in the Volga Basin. A study conducted for the United Nations in 2000 concluded that approximately eighty percent of hydrocarbon pollution in the Caspian is introduced with the waters of the Volga River. Approximately ten percent is derived from natural seepages, and an addition ten percent comes from flooded oil wells, deteriorating facilities, spills and discharge.\textsuperscript{72}

The same study found that while historical oil developments led to high levels of pollution, the pollution from petroleum-specific developments was localized and minor compared with the overall industrial pollution that affects the Caspian. However, this is not to downplay the effects of these localized sources. There are several specific areas that need to be addressed environmentally with regard to the further development of the

\textsuperscript{70} Levent Hekimoglu, "Caspian Oil and the Environment: Curse or Cure?" Oil and Geopolitics in the Caspian Sea Region, ed. Croissant, Michael P. and Bulent Aras (London: Praeger Publishing, 1999) 93, 94.

\textsuperscript{71} Ibid., 86.

petroleum industry. The Aspheron Peninsula, the Baku Bay, and the Sumgait coast are heavily polluted. The coast of Turkmenistan, from Ogurchinsky Island to Baktash City are heavily polluted. While many other areas, including the coast of Dagestan and the region near the mouth of the Volga and Ural rivers, experience extreme levels of pollution, much of this pollution is associated with industrial facilities upstream rather than with Caspian oil developments.73

These areas, particularly offshore developments around Kazakhstan, Azerbaijan, and Turkmenistan, have been found to have extremely high levels of hydrocarbon pollution. They greatly exceed internationally accepted limits, but the pollution is site specific and does not appear to have wide dispersal within the Caspian. Whereas industrial pollutants, including DDT, mercury, and PCBs are widespread throughout the Caspian ecosystem.74

73 Ibid., 19.
74 Ibid., 20.
CHAPTER FIVE
FINANCING, POVERTY, AND TERRORISM

In Azerbaijan, ExxonMobil, Chevron-Texaco, and Unocal, as well as numerous other petroleum industry related companies, such as Halliburton and Bechtel, have made numerous contracts and acquired significant rights to oil fields and pipeline routes. These deals were made with President Heydar Aliyev's government, who was replaced by his son Ilham after his death. Heydar Aliyev came to power by overthrowing his democratically elected predecessor, and he has remained in power through a series of "highly questionable victories."  

Corporate dealings in Central Asia are made difficult for U.S. companies attempting to act within internationally accepted standards. While trying to perform to accepted international practices with regard to contract transparency and the "American Foreign Corrupt Practices Act" of 1977, which prohibits U. S. companies from offering briberies to foreign officials, United States has the potential to lose contracts to less scrupulous competition. However, viewed by radical Islamic groups, who have internal disagreements with Central Asian governments that are seen as being largely anti-Islam, the U.S. support without contingencies for these governments to improve dismal economic and political reform is seen as an alliance with oppressive regimes, rather than a positive outside influence.  

Upward of half of all the economic activity in Azerbaijan is thought to be "unofficial." And while "Public Sharing Agreements" were established in contracts

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75 Coffey, *Oil Development in the Caspian*, 1999.

76 Rashid, *Jihad*, 189.
with Western firms, only portions of these "PSAs" signed between ExxonMobil, Chevron-Texaco and SOCAR, the State Oil Company of Azerbaijan Republic, are actually made public.\textsuperscript{78} While affluence resulting from a booming oil industry has been apparent to those reporting from Baku, there is little dispersion of oil profits beyond the reach of those connected directly with the industry.\textsuperscript{79}

As a result, profits and environmental regulatory deals are kept from public scrutiny. Additionally, the Aliyev government has "repeatedly harassed, detained and suppressed political opponents, media outlets, unions, and nongovernmental organizations. The president largely controls the judiciary, which is incompetent and corrupt."\textsuperscript{80}

In 1994 the Azeri state oil company, SOCAR, signed an $8 billion dollar contract with a consortium lead by BP and Amoco. This contract, along with subsequent contracts, which included Unocal and Chevron as major investors, have not been publicly disclosed.

Transparency is needed, not only to help avoid nepotism and political corruption, but for environmental regulation as well. To the credit of American companies, Unocal, Chevron-Texaco and Amoco, along with the British Petroleum, have attempted to conform to "international environmental standards." However, the organization created in the Public Sharing Agreements with SOCAR, the State Committee for the Environment (SCE), has been ineffective.

\textsuperscript{77} Ibid., 2.

\textsuperscript{78} Ibid., 6.


\textsuperscript{80} Coffer, \textit{Oil Development in the Caspian}, 5.
One Unocal representative is quoted as stating that "the SCE regulations are not comprehensive or well-written." There is a lack of public transparency with the PSA's that have been signed, and the American Foreign Corrupt Practices Act is bypassed by companies provision of "signature bonuses," which is widely viewed as a form of corruption.\footnote{"Investigators Carry Out Caspian Bribery and Money-laundering Probe," Alexander's Gas and Oil Connections, vol. 8, issue #11, 03 June 2003; [Internet] available from http://www.gasandoil.com (accessed 13 February 2005).} Azerbaijan is widely viewed as having one of the most corrupt governments in the world, and an increase in oil money is speculated to lead to an increase in poverty rather than having the reverse effect.\footnote{Scheifer, "Azerbaijan Oil: A mixed blessing."} Oil revenues are expected to reach $15 billion per year within four years.\footnote{Ibid.} The situation is difficult owing to previously mentioned unscrupulous competition from foreign nations and companies, but could be somewhat rectified with an increase in contract transparency.

Besides oil reserves, Azerbaijan holds one other critical component to the U. S. strategy to acquire Caspian oil. Azerbaijan is the geographic starting point of the BTC pipeline (fig. 6), which cost over $3.6 billion and has taken nearly a decade to complete. This pipeline is seen strategically as being not only a method of acquiring large oil reserves, but to also withhold profits from Russia and Iran, as well as ensuring the delivery of significant quantities of oil to Western markets, rather than to the growing competitor for these resources, China.\footnote{Azerbaijan ranks 140 of 145 countries, fifth from being considered "most corrupt" by Transparency International, which uses a comparison of 60 criteria in determining rankings; [Internet]; available from http://www.transparency.org/policy_research/surveys_indices/cpi/2004 (accessed 04 April 2006).}
Figure 6: Baku-Tblisi-Ceyhan Pipeline route

The BTC pipeline is one of the longest pipelines on earth, spanning approximately 1800 km, and will carry oil from throughout the Caspian Basin. But because of the vulnerability of pipelines in general, and because of social conflicts in regions (fig. 7) which it passes through, the BTC is also susceptible to attacks. The pipeline passes within reach of several conflicts. While these conflicts originate from causes not necessarily related to oil and gas development, the pipeline stands to be potentially affected by them.

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Figure 7: Azerbaijan, Armenia conflict regions, Croissant, *Oil and Geopolitics in the Caspian*, 105.

One way in which observers have noted that the pipeline may eventually lead to conflict aimed at U.S. interests is from poor labor and environmental practices implemented along the pipeline. The BTC has been monitored by the Baku-Ceyhan Campaign, a consortium of NGOs that spans its distance. It is important to note that over 70 percent of the pipeline was constructed with bank funds, with a majority derived from the World Bank's International Finance Corporation, the European Bank of Reconstruction and Development, and Citigroup.  

During the design phase, over 173 violations of World Bank environmental and social standards were uncovered in the Turkish region alone. Other human-rights issues include "multiple violations of the European Convention on Human Rights, including the illegal use of land without payment or expropriation, underpayment for land, intimidation, lack of public consultation, involuntary resettlement and damage to land

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and property.” Human-rights leaders accuse government sponsored militia of torture, abuse, and the disappearance of civil-rights advocates, relating to the pipeline. Citizens along the pipeline in Azerbaijan and Georgia have had to deal with damaged roads, ruined irrigation systems, and intimidation when they have attempted to file complaints.87

With over $64 million spent directly on military training in the region of the pipeline, and an additional $100 million spent to train and equip the Caspian Guard, a network of special operations and police units trained to protect the pipeline and related facilities, the United States is justly viewed as being a significant player in the pipeline. In light of a statement by U.S. Energy Secretary Richardson stated, "This is not just another oil and gas deal, and this is not just another pipeline. It is a strategic framework that advances America's national security interests," it would be advantageous for the United States to focus attention on human rights that surround these already conflicted regions. This was a doctrine lost during the Carter Administration, and warrants further consideration.

In July, 1997, Deputy Secretary of State Strobe Talbott put forth the idea that the goal of the United States was to assist in the area of political and economic reform to assist prevent conflict in the region:

If economic and political reform does not succeed, if internal and cross-border conflicts simmer and flare, then the region could become a breeding ground of terrorism, a hotbed of religious and political extremism, and a battleground for outright war. It would matter profoundly to the United States if that were to happen in an area that sits on as much as 200 billion barrels of oil. That is another reason why conflict resolution must be job number one for U.S. policy in the region.88


88 Quoted from Rashid, *Jihad*, 190.
But the United States is seen as having given support to oppressive regimes which instigate violence against Islamic interests. U.S. Congressman Dan Burton noted in 2001 that U.S. support for the Nazarbayev regime was likely to fuel more violence than Islamic extremism.

In *The New Great Game*, Lutz Kleveman offers the warning:

> The region's impoverished populaces, disgusted with the United States' alliances with their corrupt and despotic rulers, increasingly embrace militant Islam and virulent anti-Americanism... Many people in the region have come to realize that the democratic and liberal values Americans enjoy at home are often missing from U.S. foreign policy. They resent the immoral opportunism with which Washington courts the region's dictators, such as Azerbaijan's Aliyev, Kazakhstan's Nazarbayev, and Pakistan's Musharraf.

Ahmed Rashid notes a similar theme in pointing out throughout his work *Jihad* that support for political corruption is not only an impetus to terrorism, but specifically to terrorism directed at the United States for its military and financial support of oppressive regimes.

The regions of discussion have many significant causes of violence and social unrest, but when the United States is viewed as supporting the controlling autocratic and undemocratic governments for purposes of acquiring oil for "national security," attacks against oil increasingly result.89 History notes that workers rebel under repressive conditions.

By nature of being a highly investment rather than labor-intensive industry, petroleum and gas dollars become lost on the leaders making deals with oil companies.90

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Oil, more than any other extractive resource, is and will continue to be the most significant cause for conflict in Central Asia. Water may eventually become one of the most significant threats to political stability around the globe, but oil and the politics of energy acquisition remain the most significant single sources for political instability. Because of the enormous financial stake of this "New Great Game," and the significant role that the United States plays in it as the result of high consumer demand, it is pertinent to examine the direct relationship the United States plays in Central Asia. 

The subject of oil, because of the large amounts of money it involves, which equate with military dominance and geo-political influence, is an intertwined and complex matter. It extends far beyond mere geology and the transportation of a natural resource. Influence, politically, corporately, and militarily, are bought and sold with money exchanged from oil and gas. In many resource-rich countries, revenues are limited to a few specific commodities, and rather than spreading throughout the population, those revenues remained limited to people in influential positions with relation to those specific resources.

The geopolitical climate is made more complex due to the desirable oil and gas reserves in Central Asia, estimated by the U.S. Department of Energy in 1997 as possessing over $4 trillion in petroleum reserves. Many of the players are external. With the subsiding of Russia's influence on Central Asia, which began in 1991, a "vacuum of power" was created.

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92 Ibid., 35.
"In filling this vacuum, the United States of America actively drew other
developed countries, the United Kingdom, France, Italy, and Japan, into the problems of
the Tran Caucasus, the Caspian Basin and the question of oil transit routes out of the
region."94 The United States has specific interests in the region and it is worth examining
how these interests affect the specific lives of people in the region.

Conclusion

Minute details could consume pages with regard to the specifics of pumping
facilities, transportation modes and destinations, and the geopolitics that surround each
specific detail. The environmental subjects are made equally more complex with other
unrelated factors in the Caspian, such as unsustainable irrigation practices, water
diversion, and upstream chemical and factory pollution.

The goal of this thesis was to examine what connections could be found between
the U.S. foreign policy with regard to domestic energy production and consumption, and
the people of Caspian basin, using Azerbaijan as a specific point of inquiry. The United
States bases much of its foreign policy specifically on the securing and acquisition of
energy resources from around the globe, and U.S. involvement in Central Asia and the
Caspian Basin has proven consistent.

While it benefits the United States, with specific regard to acquiring quantities of
energy from the Caspian region, human rights and environmental issues need to be better
be addressed. Even while many sources of conflict originally stem from ethnic divisions

93 C.W. Blandy, "The Caspian: Comminatory Crosscurrents," Conflict Studies Research Centre
(Royal Military Academy Sandhurst, Surrey, England), 8.

94 Ibid., 7.
and religious tensions, the consequences of not dealing with human-rights issues have a direct tie to terrorism directed towards the United States and its national interests. Oil and gas production is expected to continually increase in the foreseeable future, and for the United States to protect its national interest, policies need to address potential pitfalls that surround lack of corporate and political transparency, pollution, and working conditions for the people in and around the effected regions.
Works Cited


