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Conference Report

**The Geopolitics of Energy Development
in the Caspian Region:
Regional Cooperation or Conflict?**

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Conference Summary

The Caspian Basin has emerged in recent years as a major focus of international affairs for a combination of political, economic, and geostrategic reasons. In the immediate aftermath of the Soviet Union's dissolution in the early 1990s the region's newly independent states were overshadowed by Russia and attracted little Western and U.S. attention. But over the past several years this region has attracted growing attention from Western policymakers and scholars, as well as the media and the private sector. One of the main reasons for this new focus on the Caspian is its sizable energy reserves. In addition to its potential as a significant oil producer, however, it is also the Caspian's geostrategic location, its diverse mix of ethnic groups, and its unsettled intrastate and interstate conflicts that make it both an enticing and challenging region.

In May 1999, CISAC's Project on Ethnic Conflict and Conflict Management in the Former Soviet Union convened an international conference to examine emerging geopolitical issues of the Caspian Basin region. Scholars, policymakers, and energy executives from around the world gathered to examine the sometimes contending interests, both political and economic, focused on the region, and to seek to develop a comprehensive approach for enhancing political and economic development, mitigating and resolving conflicts, and promoting security and stability in the region. Panelists examined conflicting political and economic approaches to the region and explored strategies for energy development that might facilitate regional economic growth and democratization. They also offered diverse views about whether energy development could promote regional cooperation and integration or was likely to exacerbate existing conflicts.

The conference was part of the Project on Ethnic Conflict's ongoing activities in the Caspian region. Project director Gail Lapidus and others at CISAC have been working closely with scholars and policymakers in the region for a number of years on issues of nationalism, conflict resolution, and regional security. One of the project's central goals has been to encourage and facilitate regional cooperation on a broad range of humanitarian, economic, and political issues. In support of that objective, the project has engaged in joint efforts with key political actors in the region in attempts to develop fresh approaches to conflict management and to construct new regional security arrangements.

The Geopolitics of Energy Development in the Caspian Region: Regional Cooperation or Conflict?

Introduction

The Caspian Basin region—which broadly includes the five states of Central Asia and the three states of the South Caucasus and Russia—was known for its rich energy reserves well before the reserves of the Middle East were discovered. References to oil in the region date back to the time of Marco Polo. By the end of the nineteenth century, Baku (the current capital of the Republic of Azerbaijan), then part of the Russian empire, was an oil boomtown, attracting a score of Western oil companies.

The portion of the region that was part of the Russian empire was eventually incorporated into the Soviet Union. After years of inefficiency and government neglect in favor of development in Russian Siberia, Caspian oil production was in decline. It was only in the mid-1990s, after the demise of the USSR, that the Caspian region began to attract international attention, when the region's potentially vast energy reserves and its geostrategic position at the crossroads of Europe and Asia—with neighbors that include Russia, Turkey, and Iran—attracted economic and political interest from abroad. A series of large-scale contracts were signed by the governments of these states with Western energy companies, and the United States became a key player in Caspian energy development. However, the area's potentially explosive mix of ethnic groups and its continuing instability pose serious challenges for Western policymakers and business ventures seeking to promote a stable environment conducive to economic development.

International Involvement in the Region

While some consider the Caspian region to be the next big oil and gas frontier, pointing to estimates of oil reserves of almost 200 billion barrels (Saudi Arabia, in comparison, has proven reserves of 261 billion barrels), others stress that these figures are highly speculative and that proven reserves are exceedingly limited. Furthermore, the landlocked geography of the region makes exploration and development of the Caspian's energy resources difficult.

Should the resources of the region prove substantial enough, currently existing pipelines, such as the Novorossiisk pipeline, lack the capacity to transport all of the potential energy resources of the Caspian. A number of alternative pipeline routes are being considered for a main export pipeline capable of carrying large volumes that would bring the region's oil to world markets. At this time, however, the amount of proven oil reserves remains uncertain and further exploration is needed to get a more accurate picture of their actual extent. A major concern is that the actual amount of reserves may not prove to be large enough to justify the expense of a new main export pipeline.

Potential energy reserves are concentrated in Azerbaijan, Kazakhstan, and Turkmenistan, while potential pipelines include routes through Russia, Georgia, Afghanistan, Iran, and Turkey. Complicating the choice of pipeline routes as well as overall energy development are a number of conflicting political and commercial considerations. These considerations include Russia's historical dominance in this part of the world; Turkey's ethnic and cultural ties to the region; the United States' desire for energy security and its policy of isolating Iran; low oil prices and questions of commercial feasibility; and the region's lack of democratic institutions and the rule of law, unsettled ethnopolitical conflicts, and economic problems.

A major theme of the conference discussions was that economic and geopolitical interests do not coincide neatly, and may in many instances even be mutually exclusive. Developing policies and strategies that can deal with these problems is proving to be a challenge to Western and regional policymakers. Despite these complications, a number of regional actors—most notably the United States, Russia, Turkey, and Iran—remain engaged in the region, both politically and economically, and their interests and roles were a major focus of the discussions.

The United States

A number of presentations addressed the need for a more coherent and focused U.S. approach to the Caspian region based on a clearer definition of U.S. interests and objectives. Presentations by Coit Blacker, deputy director of Stanford's Institute for International Studies and former senior director for Russian, Ukrainian, and Eurasian Affairs at the National Security Council, as well as Ambassador Thomas Simons, the former coordinator of assistance to the Newly Independent States at the State Department and currently a visiting professor at Stanford, and Matthew Bryza of the State Department's office on Caspian Basin Energy Diplomacy sought to lay out the key values and priorities shaping the evolution of American policy toward the region.

The U.S. government began formulating a policy toward the Caspian region in 1991, immediately after the dissolution of the Soviet Union. However, it was after 1994 that the Caspian region began to receive much more serious attention in policy and business circles. In September of that year, the State Oil Company of Azerbaijan (SOCAR) signed what has

been dubbed the “deal of the century,” a \$10 billion agreement with major international oil companies to develop Azerbaijan’s Guneshli and Chirag oil fields. According to current and former U.S. government representatives this process is ongoing and the extent and depth of U.S. interests in the region is still being defined. In his opening remarks outlining American perspectives on the region Simons suggested that four main objectives have shaped American policy toward the region: strengthening the independence and viability of the new states as market democracies; mitigating regional conflicts and fostering cooperation; bolstering the economic security of the United States, its allies, and states in the region by promoting the development and free flow of Caspian energy resources to global markets; and advancing the interests of U.S. companies involved in the region: Chevron, Exxon, and Mobil, among others.

In addition to promoting commercial opportunities, an important aspect of policy in the region is to attempt to increase energy security. At the same time, the State Department has stressed that it does not intend to push forward commercially nonviable projects, or provide corporate welfare. But, while the U.S. position does not envision the use of tax revenues to pay for building pipelines, and would rely on mechanisms such as the Overseas Private Investment Corporation and the Ex-Im Bank, many argue that the main export route advocated by the American government cannot be built without significant subsidies. Current American policy includes support for five pipelines that would carry the region’s energy resources to world markets. This strategy would help to guarantee the free flow of gas and oil and avoid choke points, such as the Persian Gulf.

The two early oil pipelines capable of handling current amounts of Caspian oil that have U.S. backing are a line which runs from Baku, through Chechnya, and to the Russian Black Sea port of Novorossiisk (Novorossiisk line), and a second recently completed pipeline from Baku to the Georgian Black Sea port of Supsa, north of Poti (Supsa line). The three major pipelines under consideration, including two oil pipelines and one gas line, that would handle increased volumes and have the support of the United States are, first, the Caspian Pipeline Consortium (CPC), running from Kazakhstan to Tikhoretsk and on to Novorossiisk; second, the Trans-Caspian gas line from Turkmenistan through the Caspian, Azerbaijan, and Georgia to the Turkish Mediterranean port of Ceyhan (Trans-Caspian gas line); and third, an additional large capacity main export oil pipeline from Baku, through Georgia, to Ceyhan (Ceyhan line).

According to Simons, U.S. policymakers believe that fostering the development of energy resources and the pipelines and other infrastructure needed to bring Caspian oil to Western markets would facilitate the overall development of the region. Simons and others noted that the potentially vast hydrocarbon reserves could provide tremendous economic benefits for all states of the region, helping bolster national viability and build democratic institutions and market economies. On the other hand, if the potentially vast oil and gas reserves are not well managed they could aggravate tensions, increase instability, and undermine the viability and independence of the new states.

Two important powers that need to be considered in developing American policy in the region are Turkey and Russia. Many argue that Turkey is well-positioned to play an important role in facilitating stability in the region. U.S. policymakers hope to make Turkey, a NATO ally, the major hub of the region by enhancing its role as a bridge between the Caspian Basin and the West. They also believe Turkey can serve as an important model of a secular, pluralistic state for the predominantly Muslim states of Central Asia. At the same time U.S. policymakers recognize Russia’s historical role in this area, and that it will be key to any

lasting stability. They would like to encourage constructive Russian involvement in the Caspian Basin, thus contributing to a “win-win” outcome for the region as a whole.

Ideally, the United States would serve as a facilitator and an interested but honest broker in the region. As Bryza pointed out, a major organizing principle of American policy is an approach that is based on shared values and the creation of a community of market democracies in the region. This entails a much broader framework of engagement than a policy where interests are defined simply in terms of economics or geography. This kind of far-reaching consensus would then serve as the basis for the development of a comprehensive and long-term regional policy.

Conference participants cautioned, however, that in practice the implementation of the current U.S. policy in the region is not proving to be easy. For example, in many instances the Caspian Basin policy has to compete with American policies on Russia and Iran, which usually take precedence and are considered to be much less flexible by comparison. In addition, Michael May, co-director of the Center for International Security and Cooperation, raised an important question regarding what direction U.S. policy would take in this region if things did not work out well, and the intended win-win outcome did not materialize. A possible answer is that in that case, the region might be left on its own, as it represents potentially only a marginal advantage in terms of energy supply, accounting for no more than 4 percent of total world oil supply by 2010.

Russia

Russia’s involvement in energy development in the Caspian Basin can be seen on many levels, and its critical role in the region was stressed throughout the conference’s presentations and comments. The uncertainties regarding the region’s political future and the potential for conflict play an important role in shaping Russian policy. According to some, Russia has a strong overall interest in peace, stability, and the development of democracy and market economies in the region. At the same time, Russia does not seem to have a unified policy toward the Caspian Basin region. As Vitaly Naumkin of the Russian Center for Strategic Research and International Studies pointed out, while the region has assumed increasing strategic importance to Russia in recent years, the fluidity of the Russian political scene and the clash of geopolitical and economic interests have prevented the emergence of a single coherent policy.

On the one hand, influential foreign policy and security circles view the region in terms of geopolitical struggles and opposing U.S. and Western influence. Emerging business and financial circles, on the other hand, favor a more pragmatic approach to the Caspian Basin, stressing potential economic gains from cooperative strategies and Russian access to world markets. Russia’s energy giant Lukoil, for instance, is part of the Azerbaijan International Operating Company (AIOC), an eleven-member consortium of international oil companies led by BP Amoco.* But while the Russian oil companies are attempting to move ahead in the development of energy resources, they are running up against the concerns of the interests of the security factions.

Oleg Grinevsky, a former fellow at the Hoover Institution and a career member of the Soviet and Russian foreign service, noted that currently Russia’s main interest is to restore its

* AIOC includes companies from the United States, Great Britain, Norway, Turkey, Japan, and Saudi Arabia, among others.

economy, and that this goal is in line with the development of free-market values in the Caspian region. Grinevsky noted that the main danger facing the region is economic failure. It was also pointed out by Naumkin that energy development can actually exacerbate economic problems in the region, and that a growing gap between expectations of new wealth and the harsh realities is likely to fuel discontent, a scenario that Russia is particularly concerned about. However, Grinevsky noted that participation in defense alliances will not solve these underlying economic problems. Naumkin pointed to the many uncertainties that exist regarding the future of oil production and costs of transportation of these resources, making it that much harder to develop a clear strategy for the region. Ultimately Russia can either take the more traditional path of a spoiler, emphasizing geopolitics and seeking to regain its influence over the region, or, instead of blocking development, it can attempt a cooperative approach. The latter would be based on the desire to share the potential future prosperity, as well as a belief that such a win-win outcome would actually help facilitate stability.

Russia's interests in the Caspian Basin also reflect concerns that regional conflicts along its borders—such as the conflicts over Abkhazia and Nagorno-Karabakh—could spill over into the Russian North Caucasus, including Chechnya and Dagestan. Russia is also wary about challenges to its historically dominant role in the region. Naumkin pointed out that the current situation is such that Russia has scarce resources at its disposal. Because of this, Russia is not able to project its influence in the region to the extent that some in the ruling elite would like. And a view exists, whether legitimate or not, among some in Russia that the West is using this to increase its influence while undermining Russia's. Despite current difficulties, Russia intends to continue to maintain its military power in the region.

Thus, Russia remains cautious of the regional states' military cooperation and potential regional defense alliances with outside actors and has serious concerns about the roles of Turkey and Iran as the other major powers in the Caspian Basin. But Russia also has a desire to cooperate with Iran regarding the transportation of energy resources. And despite the impression that relations with Turkey, for example, are strained, Naumkin pointed out that there is a great deal of trade, investment, and economic cooperation between Russia and Turkey, and that the two have developed a good understanding on a host of political issues, including the potential of revisions to the Conventional Armed Forces in Europe Treaty. Moreover, some participants stressed that relations between Russia and Iran are not as close as sometimes portrayed, and that the two do not see eye to eye on many political issues, such as the potential demilitarization of the Caspian. Thus, one cannot easily draw a neat line between two opposing sets of interests in the region, as some analysts often tend to do: those of Russia, Iran, and Armenia versus Turkey, Azerbaijan, and Georgia.

Turkey

Turkey has been playing a leading role in energy development in the Caspian region as well. Turkey has a particular interest in serving as a transit country for the potentially vast energy resources; since 1991 it has invested extensively in the former Soviet republics in the Caspian Basin. At the same time, Turkey is concerned about the potential environmental dangers of dramatically increased traffic through the Bosphorus that would result if the Black Sea were chosen as the main export route for Caspian oil, according to Türkkaya Ataöv, a professor of international relations at Turkey's Eastern Mediterranean University.

Transit of oil through the Turkish Straits has been a major issue in discussions of transporting Caspian Basin energy resources. Much of the concern surrounds the potentially dramatic increase of tanker traffic that would result from carrying the region's oil to world markets through the Straits. If the Black Sea became the main export line, this extra traffic would greatly increase the risk of accidents and potentially cause a serious increase in pollution in the already crowded and heavily polluted waterway, according to Atäov. It is not surprising that in discussions of potential main export routes, Turkey has stressed its opposition to the option that would raise the chance of serious accidents, posing environmental and safety threats to human and marine life on its territory. To counter this option Turkey has been promoting—along with the United States—the Ceyhan route, which would bypass the Straits.

Responding to concerns about political instability in the heavily Kurd-populated eastern region of Turkey, and the impact this could have on the security of a Ceyhan pipeline, Atäov affirmed that the Turkish government would be able to assure the security of this route. He also asserted that in particular, the activities of Kurdish separatists have been in decline during the recent period, and that the prospects of a pipeline through the Kurdish-populated regions would not aggravate the situation in this area.

Turkey has strong historical, cultural, and ethnic ties to the Caspian region and, according to Atäov, has a strong desire to help the former Soviet republics of Central Asia and the South Caucasus. Since the breakup of the Soviet Union, Turkey has been working to reestablish its relationship to the ethnically Turkic groups in the region. Increasing its influence in the South Caucasus and Central Asia region has been an important objective of Turkish foreign policy. At the same time, Atäov noted that Turkey's policy in the region should not be viewed as pan-Turkism, an ideology rooted in the Turkish diaspora and not within the Turkish state itself.

Turkey is very interested in the potential profits from investment opportunities in the newly independent post-Soviet states of the region, as well as in other resources that can play a part in facilitating development of the Caspian region as a whole. The region's highly prized caviar was one example that was mentioned by Atäov. Turkey would like to see a more comprehensive strategy for development of the Caspian region that would also include parallel development of the neighboring Black Sea through the Black Sea Economic Cooperation Zone (BSEC), currently composed of eleven participating states—Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey, and Ukraine—as well as five observer states (Egypt, Israel, Poland, Slovakia, and Tunisia).

Finally, during his presentation Atäov stressed that overall Turkey does not necessarily view other players in the region as competitors and is interested in the development of broader cooperation among all actors in the area. Atäov noted that it is indeed in Turkey's interest to see Russia remain intact and become economically healthy, as Russia itself has the potential to develop into a major market for Turkish goods and services.

Iran, East and South Asia

Iran is also an active player in the Caspian Basin. Geographically Iran is in an excellent strategic position, linking the Caspian region with the Persian Gulf. After almost two decades of isolation from the world economy, Iran has started taking steps to end its political isolation. It has been trying to improve relations with its neighbors in the Caucasus, particularly Armenia (which has become an important trade route) and Georgia. Russia, and to

some extent European countries, have advocated bringing Iran into the process of Caspian energy development, and see Iran as a potentially less costly export route option for the region's energy. Iran has argued against the need for an East-West main pipeline for exporting Caspian oil, proposing instead that increased output could be most effectively handled through swaps by which the Caspian oil is refined for use in Iran and Iranian crude is exported through the Persian Gulf.

Strong Iranian involvement in the region runs counter to current U.S. policy, however. While some in the United States have argued for faster movement toward a rapprochement with Iran, political factors including the maintenance of the 1996 Iran-Libya Sanctions Act prevent any drastic changes in U.S. policy in the near future. However, for the past year, the risk of sanctions has not been as strong since the U.S. administration waived these against European and Russian firms. And overall, penalties have not been enforced. Iranian laws that, for example, do not allow foreign investment in onshore oil projects present a major disadvantage for potential international investors, lessening the prospect for major projects in the near future. In addition, while some would argue that Iran should not be ruled out as an additional export route, using Iran would not fulfill the major U.S. objective of diversifying energy transit routes, since it would direct Caspian oil to the Persian Gulf, which is already a point of high concentration of energy reserves.

Iran's relationship with Turkey also has strong implications for regional development. While Iranian relations with Turkey remain strained, Peter Tomsen, ambassador-in-residence at the University of Nebraska and the former U.S. ambassador to Armenia, pointed out that economic cooperation could help their relations. For example, the prospect of a pipeline that would bring Turkmen gas via Iran to Turkey could serve as an economic link between Turkey and Iran and have positive political repercussions as well.

There is also the potential that the East and South Asian states, including China, India, and Japan, will become the major consumers of Caspian energy resources. Grinevsky proposed that these and the ASEAN states will be the major players in the region in the future. Despite the recent Asian economic crisis, Rajendra Abhyankar, the former Indian ambassador to Turkey and Azerbaijan, noted that the greatest growth of energy consumption nonetheless will likely take place in Asia. The economic growth in this region will require access to new energy resources and the Caspian is the region that will be best positioned to play this role.

As an example he noted that over the next twenty to twenty-five years India will considerably increase its demand for oil and gas. India will need to dramatically increase its access to energy resources in order to maintain its growth rate. This may in turn lead to attempts by India to develop new economic links to the Caspian region, in order to gain access to its potentially vast resources. One of the ways noted by Abhyankar that India can increase its involvement in Central Asia is in the form of providing expertise through its skilled manpower, as opposed to capital investment. However, the instability in Afghanistan, as well as the India-Pakistan conflict, are likely to have a negative impact on large-scale involvement of South Asian states in the Caspian in the near term.

Tomsen argued that China also has strong interests in building a pipeline to the East. This would allow it to diversify its energy supplies and provide it some leverage in Central Asia to prevent it from being a haven for Muslim separatists. Others at the conference questioned the potential impact that future Asian energy demands will have on Caspian development altogether, and the feasibility of transporting these reserves to Asian markets.

Caspian Pipelines

Since publication of this map, the Baku-Supsa oil pipeline has been completed.

Pipeline Politics

The choice of pipelines for transporting oil from the Caspian region to the world has stirred controversy, with each country involved preferring one route over another. Here the issues of volume and timing, which were stressed by Rosemarie Forsythe of the Mobil Corporation, become particularly important. According to Douglas Uchikura, the general manager of the Eurasian Business Unit at Chevron, the energy companies' strategies include looking at the long-term perspectives as well as secure pipelines that will carry the high volumes of oil. Overall, despite a range of uncertainties regarding the actual energy reserves—as well as the state of oil prices and lower than expected volumes in the Caspian—a host of arguments exist regarding the potential pipeline routes. Russia supports Novorossiisk as the main export pipeline rather than Ceyhan, the option favored by Turkey and the United States. Russia has voiced strong concerns about what it sees as Western attempts to exclude it from the potentially lucrative development and export of Caspian resources. The United States has maintained that its plans include five pipelines, including Novorossiisk as an early oil pipeline, but favors Ceyhan as the main export pipeline, with the latter being capable of carrying one million barrels of oil per day.

While estimates of the cost of the Ceyhan pipeline have been high, there may be economic advantages to the route nonetheless. Turkey, for example, is eager to reap the potential financial benefits from a main export pipeline through its territory. The Ceyhan pipeline is seen as a route that avoids potential bottlenecks and provides alternatives to going through Russia and the Persian Gulf. At the same time the route would be an important strategic objective, helping solidify Turkey's role as a key link between the Caspian region, Central Asia, and Europe. For Turkey, these economic and political benefits are particularly important in light of its exclusion from the European Union. The alternative of using Novorossiisk as the main pipeline is seen by many as problematic due to concerns about the increase of tanker traffic through Turkey's already crowded and narrow Straits. In addition to the environmental concerns described above, an accident could have the effect of choking off the oil supply.

Discussions over preferred routes may be premature, however. Seismic studies have proven unreliable in determining the size of potential energy reserves. According to Forsythe, until more of the exploratory drilling currently under way is completed, the actual amount of Caspian reserves will remain uncertain. Seismic studies undertaken by companies in order to attempt to gauge the extent of the reserves are right only about 10 to 15 percent of the time. The only way to get reliable data is through actual drilling. For example, several dry holes were hit in the North Sea prior to striking oil. There is a possibility that there could be additional promising areas of energy reserves, but there is no real effort under way to explore these possibilities.

Both the scale of the energy to be transported and its price will play a key role in energy companies' decisions about the desirability and relative cost of investing in alternative routes. But while the decisions regarding the pipeline routes are expected to be made soon, much of the important data regarding the actual scale of the reserves will not be available until later, by some estimates not until 2003 or 2004. If actual reserves do not measure up to some of the current estimates, it will be questionable whether or not there will be a need for a main export pipeline at all, as the additional large expense of building it may not be economically justifiable.

Another issue is that gas and oil, which are both found in the region, have very different implications for energy development in this area. So far a lot of gas has been found along with oil in the Caspian Basin. Some of the gas could potentially go to the Turkish market. In fact, currently a competition is under way for this Turkish market between Russia (the region's overall largest supplier), Turkmenistan, and Iran. A major problem, however, is that there seems to be much more gas than is actually needed. Currently there is more gas than Turkey alone can absorb in the near future. At the same time the potential Chinese, Indian, and Pakistani markets are considered to be too far away. To make the situation more complicated, it is hard to find those who will actually *purchase* gas in the region, as neither individuals nor enterprises are accustomed to paying for gas. A clear example can be seen in the dispute over gas between Turkmenistan and Ukraine. In this case Turkmenistan went as far as halting gas deliveries due to Ukraine's non-payment.

According to several conference participants, the issue of timing is also contributing to the divergence between commercial and political imperatives in the region. The region's states want to move quickly on the development of pipelines, as these pipelines are seen as an important factor in consolidating their independence. Thus, while the political agendas and the power of incumbents are contributing to a push to move quickly on energy development, from a commercial standpoint it is not easy for companies to commit to move forward with major capital investments until there is better information on the actual scale of the energy reserves. For these reasons the energy companies are attempting to wait and keep their options open until they get a better idea of the actual state of reserves.

Overall, as a number of speakers pointed out, the effort to promote the potentially more expensive Ceyhan pipeline as the preferred main route for export is at best premature, and at worst counterproductive. Some estimates of the cost for a pipeline going all the way to the Mediterranean put the potential price tag at as much as \$3.7 billion. The low estimates of this route fall between \$2.2 and 2.4 billion. The cost of a pipeline going only to the Black Sea coast would be less than half as much. Some of the oil companies have argued that these estimates would require at least \$1 billion in subsidies, in order to make the Ceyhan pipeline profitable. On the other hand Turkey insists that the Ceyhan main export line would in fact be economically feasible. Overall, until more is known about the precise amount of energy reserves in the Caspian Basin, it is not clear whether building a new main export pipeline to handle greater volumes of oil will be necessary at all.

Main Policy Dilemmas

The concern that the strategies for energy development in the Caspian Basin by outside actors may not necessarily result in regional development, economic growth, and cooperation emerged from the review of the various outside interests at stake in the region. This is due, in part, to a tension between economic and political interests. In addressing these issues, participants, including Rosemarie Forsythe, cited politics, economics, timing, and volumes as the four major issues shaping energy development strategies in the region.

According to many of the conference participants, democratization and transition to markets do not automatically go hand in hand with development of energy resources. Many critics in the West have pointed to the lack of democratic institutional development as a major impediment to the future prosperity and stability of the region's states. When the

current situation in the Caspian states is analyzed in comparative perspective, energy development seems more likely to contribute to future Nigerias than Norways. The absence of effective political and economic institutions is a key obstacle.

Due to a spoils system that has developed since the Soviet collapse, the average citizen does not feel that he or she receives any benefits from the region's potentially vast resources. In many of the states of the region the distribution of resources is extremely uneven and the rule of law does not exist in any real sense, leading to a growing dichotomy between the haves and have-nots. Conference participants pointed out that the lack of an infrastructure based on market principles and mechanisms in the post-communist states of the region creates obstacles to achieving positive outcomes. The current situation has the potential to bring about discontent and increase the appeal of religious radicalism.

Democracy, Markets, and Conflict Resolution

American policy in the region is based on the idea that the emergence of a community of market democracies with shared values and interests would provide the glue to hold together this diverse region. However, a number of conference participants critiqued the fundamental assumptions of American policy and its priorities, arguing that a win-win policy in the region is unrealistic at this time and that overall the West and the United States lack a clear, proactive, and long-term strategy for engagement in the region. They argued that there is a potential conflict between the goals of democratization and political stability, and that this is negatively affecting the transitions that the region's states are now undergoing. And while many regional leaders claim to realize the need for democratization, they argue that in this period of transition authoritarian rule is necessary to preserve internal stability.

In addressing these issues, Ambassador Safaev argued that leaders in the region do have an understanding of the need to introduce the rule of law, an understanding based not on the insistence of Western powers but on the realization that democratization and the rule of law are critical to future prosperity. He also argued, however, that a host of obstacles—particularly the pressures for Islamization—prevent rapid democratization. The governments of the region are attempting to find equilibria between the political actors on the right who favor Islamization and those on the left who want to move more quickly toward full democracy.

Several conference participants questioned whether economic and geostrategic interests rather than concern for regional stability and cooperation are in fact the major driving forces in U.S. policy toward the Caspian region. According to this argument American policy includes two sets of goals that are not necessarily congruent. On the one hand there is the goal of strengthening democracy and markets and fostering cooperation in the states of the former Soviet Union. On the other hand there is a set of U.S. and Western economic and political interests related to access to energy. These U.S. interests in energy security and commercial opportunities, as well as wider strategic goals—including strengthening Turkey, isolating Iran, and constraining Russian hegemony—have the potential to exacerbate rather than mitigate already existing political, ethnic, and religious cleavages in the region.

Gerard Libaridian, a former senior adviser to President Ter-Petrosian of Armenia, argued that when it comes to potential resolution of conflicts, the current U.S. approach to the region has in some cases empowered certain actors and made them harden their positions. This lessens the chances that concessions will be made in order to overcome the unsettled regional conflicts. Libaridian suggested that the prospect of major energy development hardened the negotiating positions of both the breakaway republic of Nagorno-Karabakh and

Azerbaijan, for example. Each began insisting on a bigger advantage in negotiations over the unsettled conflict over the Armenian Karabakh enclave. Libaridian's suggestion runs counter to the premise that development of the region's energy resources could help resolve regional conflicts, promote cooperation, and facilitate regional integration. Instead of strengthening the independence of these states, oil and gas development may actually be introducing new tensions and internationalizing regional conflicts, drawing in Russia, Iran, and Turkey.

One of the conference participants also suggested that contracts signed by various national governments in the immediate aftermath of independence granted rights to Western companies that potentially run counter to regional legal reforms or to emerging interests of local communities. While most land was in the hands of the state, the process for allocating land for a pipeline project included the government and the energy companies. The growth of private ownership, however, presents a need for large-scale legal reform in order to institute transparency, create mechanisms for dispute resolution, and provide for legitimate compensation. The interests of energy companies that previously relied on dealing exclusively with the governments of these countries do not necessarily coincide with such legal reforms. These developments add an additional level of complexity to large-scale energy development projects.

Energy Development in Comparative Perspective

Several speakers maintained that while American and Western policy is predicated on the assumption that energy development will provide the engine for economic growth and political stability, international experience amply demonstrates the potential for negative outcomes stemming from excessive reliance on energy exports. Terry Karl, a professor of political science at Stanford University, argued that developing countries with weak political institutions that rely heavily on oil exports—such as Nigeria, Venezuela, and Iran—have not enjoyed economic prosperity and political stability but rather experienced corruption, political turmoil, and economic stagnation.

Karl suggested that energy development displaced the pursuit of a more balanced development strategy in these countries, and that energy revenues were diverted by rent-seeking elites (elites who sought profit over and above the level that would be possible in a competitive market) and used to bolster their regimes. In most instances an alliance is formed between the international oil companies and the executive holding power and centralized control in the state. According to this model, it is not the oil itself that is the problem, but rather the rents that flow through weak political institutions. These oil rents have also tended to help discourage conservation, leading to increased environmental problems, including deforestation and water pollution. Historically most energy exporters achieved lower growth rates than they had prior to oil booms. The energy exporters also had easier access to borrowing and tended to rely more on borrowing than non-exporting states.

In addition, the overreliance on oil by the economies of energy-exporting states has also made these countries susceptible to crises triggered by international oil price fluctuations. At the same time, during the periods that oil revenues declined, energy-producing states have tended to increase their borrowing beyond sustainable limits. Even prior to the decline of oil prices in the eighties, energy-producing states such as Venezuela, Nigeria, and Iran experienced serious economic problems, including worsening income distribution, capital flight, corruption, inflation, and a decline in living standards. In fact, economic decline was ob-

served in all of the cases studied by Karl, with the exception of Norway. These economic problems have tended to contribute to political instability and conflict.

In the end, when expectations in oil-rich states outpace the actual level of prosperity, the result can be intense political turmoil. The overthrow of the Shah of Iran in 1979 can serve as an extreme example of the “Dutch Disease,” the boom-bust patterns that often result from excessive reliance on income from hydrocarbon resources. Thus, Karl’s argument calls into question the potential of using energy development to produce long-term economic advantages and political stability in the Caspian region. Based on this experience, a strategy was suggested to help avoid the potential negative outcomes. Such a strategy would include not rushing the process of energy development while at the same time concentrating on building democratic institutions.

Up to this point the failure of energy development to bring greater prosperity to the countries in the region as a whole has resulted in growing economic disparity between elites and the impoverished masses and the potential for increasing political turmoil. High-level government corruption in the Caspian Basin is a serious problem, threatening the potential for energy revenues to produce stability and limiting the amount of money from contracts with Western companies that trickles down to average citizens. Kathleen Collins, a doctoral candidate in Stanford’s political science department, pointed out that the result has been a growing cleavage between haves and have-nots. This casts serious doubts on whether U.S. and Western investment and policies can result in overall economic development and how it can contribute to consolidation of healthy democracies.

The Environment

The risks of environmental degradation associated with the development and transport of oil in both in the Caspian region itself and the Black Sea present an additional challenge for those engaged in the region. A number of participants mentioned the potentially negative effects of transporting oil across the region, including the impact on the Bosphorus as well as other environmentally sensitive areas of the region. The Caspian Sea itself has serious pollution problems, and suffers from past environmental damage. It is a very fragile ecosystem. Due to its closed nature, the Caspian Sea’s self-cleaning process is comparatively much slower. It has suffered tremendous environmental damage from decades of Soviet energy development methods in Azerbaijan and the rest of the region. This damage can serve as an additional warning of the potential for future ecological disasters that can accompany a new oil boom. The Caspian is also home to a number of important species that are particularly sensitive to pollution, such as the sturgeon, which is the cornerstone of the region’s large fish industry.

Investors in the region face potential liabilities for past environmental problems, which are in many instances a legacy of Soviet policies and methods. One of the results is a reluctance to invest in oil fields where there might be substantial problems. And even while new environmental provisions (based on models such as those in place in the North Sea) are being devised, enforcement will remain a problem. Many have argued that concerns voiced by some regional states regarding management of environmental risks with respect to projects like the Trans-Caspian pipeline and tanker traffic through the Black Sea are based more on other factors than environmental considerations.

However, the presentation by Michael Clayton, president of the Caucasus Advisory Group, provided a cautiously optimistic view of the impact of environmental concerns on develop-

ment strategies, using Georgia as a case study. In his talk, Clayton focused on some of the significant improvements in the environmental situation in the country over the past several years. After the collapse of the USSR, the situation in Georgia by 1994 was fairly grim and dangerous in many respects, including the environment. Georgia faced serious ecological dangers posed by the new oil pipeline network. These routes intersect protected areas and habitats of endangered local species. Extensive instances of leaks and attempts to tap the country's pipelines posed constant dangers to nearby settlements and protected natural habitats, as well as a large network of rivers, thereby threatening the water supply. However, over the past couple of years the country has seen a growth of grassroots organizations and environmentally minded nongovernmental organizations (NGOs) advancing a "green" agenda along with democratic and market reforms. During this time Georgia has cut drastically its instances of oil spills, dramatically improving its environmental record. It has taken serious steps to provide protections to fragile ecosystems crossed by pipelines. In the future, the influence of NGOs and civil society could be critical in keeping an oil boom from producing a large-scale regional ecological calamity.

Energy and Regional Security

After exploring the interests of outside actors involved in the energy development of the Caspian Basin and the significance of strategies for energy development both for the region's newly independent states and world energy markets, conference participants debated whether energy development promotes regional cooperation and integration or exacerbates existing conflicts. Do the dormant conflicts, such as Nagorno-Karabakh and Abkhazia and the potentially explosive ethnic mix of the region, present a threat to the future of oil production, as well as the region's stability as a whole? Do the energy development strategies themselves have the potential to help ignite future conflicts? Or can a security framework that will support economic development of the region be constructed in the near term? In looking at these questions, the presentations and discussion focused on the ways that the region has been isolated, and on both the potential for development of cooperation and settlement of regional conflicts and the obstacles preventing positive outcomes.

Armen Kharazian, the deputy chief of mission of the Embassy of Armenia to the United States, pointed to three major areas of recent change that pose new challenges for the region: the end of a bipolar international system, the development of free markets in place of command economies, and the information technology revolution. For all of these reasons constructing a framework that will foster stability and security in the Caspian Basin will not be an easy task, particularly because, according to the assessments of some of the participants, competition currently overrides cooperation.

Uzbekistan's ambassador to the United States, Sodyq Safaev, argued that the Caucasus and Central Asia are merging into a single economic and political region. This new unity is based primarily on shared hopes, threats, and challenges. General John Shalikashvili, former chairman of the U.S. Joint Chiefs of Staff, added that there is a need to devise a more systematic approach to providing security and stability in the region. Focusing only on energy would not be enough, as other factors including the region's pro-Western sentiments, shared values, and desire to implement democratic reforms need to be taken into account in designing a security structure. On the other hand a host of current problems, such as ethnic tensions,

weapons of mass destruction, drug trafficking, and terrorism, will need to be dealt with. If not resolved effectively, these can negatively affect the region's development and spread instability to surrounding areas. Nonetheless, oil will be an important issue for the region, as oil is what involves outside actors, including the United States, in the Caspian.

The region's remoteness and the fact that it is basically landlocked are both challenges in establishing links to Europe and world markets. The East-West transportation corridor currently under development will be particularly important for the region, not only for energy exports but as a way to firmly link the region to world markets and foster regional cooperation. Another challenge is the Soviet legacy of establishing vertical, bilateral relations between Moscow and its former republics, at the expense of horizontal links. Because of this legacy the mechanisms and institutions needed for regional cooperation and coordination are lacking. The new infrastructure that would be part of the East-West corridor would also assist in establishing strong regional as well as bilateral links among the newly independent states, in addition to linking these states to the international community.

Galib Mammad of the U.S.-Azerbaijan Chamber of Commerce, as well as Safaev and others from the region, sees energy development as key to the future economic prosperity and security of the Caspian Basin. According to these arguments, new transportation links resulting from energy development would connect the region to outside markets. Oil would bring prosperity and secure continuous economic and political engagement in the region. The development and export of energy ideally would also provide an economic base for regional cooperation and sharing of resources, according to Archil Gegeshidze, a senior adviser to President Shevardnadze of Georgia. The region desperately needs investment and new jobs, however, to ease the social tensions resulting in large part from the unfulfilled expectations that followed independence.

Gegeshidze argued that political and economic stability would need to be advanced simultaneously, with the Eurasian transportation corridor a major component of this strategy. Bringing all the regional actors on board to cooperate in such endeavors will not be easy, however. For example, arguments were made that Armenia is being isolated by other regional powers. Kharazian deplored the fact that many of the proposed East-West transportation links bypass Armenia, excluding it from the potential benefits of new regional projects. Discussions at the conference demonstrated that resolving these differences is necessary for the implementation of real improvements in regional relations.

The region's lack of entrenched democratic institutions and harmonized interests also creates the potential for future political instability, including the ignition of dormant but unresolved ethnopolitical conflicts. These conflicts could spread turmoil across the entire region and potentially spill over into the broader international arena. In order to support the overall framework of regional cooperation in the Caspian Basin, creative new security arrangements are needed.

A major problem preventing the establishment of a new security structure that addresses many of the region's problems cited above is that competition among the region's countries has tended to override cooperation. In order to produce positive outcomes in the region, resolution of unsettled disputes, such as those over Nagorno-Karabakh and Abkhazia, is critical. Michael Ochs of the Commission on Security and Cooperation in Europe (Helsinki Commission) said that a key element of establishing an effective regional security structure will be overcoming the lack of trust that exists in the region.

Many agree that current security perceptions of regional actors in the Caspian tend to be framed in terms of zero-sum thinking. This means that the win-win scenarios that dominate

Western policy are not viewed as realistic by most. This lack of trust causes some of the actors in the region to view attempts to implement what is being referred to as a win-win policy with suspicion. The strengths and weaknesses of states in the region are perceived by regional actors in relative terms. For example, while Russia's economic problems may seem to prevent it from projecting adequate power in the region, its relative strengths vis-à-vis its Caspian neighbors give it the ability to play a strong role that some consider destabilizing.

Conference participants were also not unified on the question of how viable the win-win strategy will be for the region in the near future. Some argued that because actors perceive developments in relative terms, this kind of strategy will not prove to be workable, as "who gains *more*" will be more important in the end. However, some, such as Elmar Mamedyarov of the Azerbaijan Embassy, held a more optimistic view, proposing that oil and Western assistance will be important instruments in overcoming the competition that produces regional instability.

Regional Cooperation

The issue of regionalism itself is critical for the states of the Caspian Basin. Regionalism would mean that the countries of the Caspian Basin move to develop and institutionalize close cooperative relationships at various levels, enabling timely and flexible responses to the needs of member countries and providing benefits for all members. Political, economic, and security issues would be dealt with through regional organizations and institutions. In his remarks, Shalikashvili and others stressed the need to encourage the development of regionalism in order to find better ways for the states of the Caspian to deal with crucial issues such as water, for example, at the regional level. The security component of a regionalism approach can also help in dealing with a host of challenges and risks through peacekeeping arrangements and other mechanisms. Regionalism would also make it less likely that the individual states of the Caspian would be exploited in some way by outside governments and non-state actors.

The association GUUAM—comprising Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova—is an important step in the process of developing closer ties between states and developing new regional institutions. GUUAM was formed with the intent of deepening the member countries' political and economic ties and cooperation and coordinating interests regarding questions of regional security. The association lacks a formal structure, and its overall strategy and mission, including any potential military and other aspects, remain to be clarified. However, so far one of the goals advocated by the association's members has been the joint defense of the Eurasian transport corridor and energy export pipelines.

Ambassador Safaev described Uzbekistan's recent move to formally join GUUAM as a positive step in the process of developing and expanding such regional institutions. He stressed that because Uzbekistan borders all of the other Central Asian states and has good relations with them, it could potentially play a stabilizing role in Central Asia and the broader Caspian region. Other conference participants added that GUUAM might have the potential to assist in helping to ensure stability and improve regional relations in a variety of ways. However, Shalikashvili stressed that while GUUAM has a host of beneficial components for the region, it does not possess some of the key positive aspects that the Partnership for Peace program brings to the Caspian Basin.

Interestingly enough, while some of the discussion was devoted to the potential role of the regional association GUUAM, the Commonwealth of Independent States (CIS) was never

mentioned in the conference proceedings. Some would argue that this omission serves to highlight the organization's inability to significantly address the region's complex and diverse needs and have any real positive impact on solving its current problems.

A major challenge for the creation of new security arrangements in the Caspian will continue to be the role of Russia. While Shalikashvili pointed out that a real security structure can only exist in Central Asia and the Caucasus if Russia is included as a partner, David Soumbadze of the Georgian Embassy argued that much of Western strategic thinking regarding the Caspian region is focused too narrowly on Russia, to the neglect of the region as a whole. In addition, several participants brought up issues such as the presence of Russian military bases and whether they are a source of instability in the region. The dialogue at the conference made it clear that if progress is to be achieved in bringing stability to the Caspian, Russia's new role in the region will have to be clearly defined. This new role would need to be devised in such a way that it would enable Russia to see the positive aspects of cooperation and realize the potential benefits from such a strategy.

The new security structure will also need to avoid a narrow focus on the Caspian littoral states and include all the surrounding Central Asian states. At the same time, however, because of its great internal diversity Central Asia cannot be dealt with as a unified whole. A new approach to security should, however, take into account common characteristics, such as a common desire for reform and a common aspiration for closer relations with the West. It will also need to take into account the individual countries' rights and interests. As Abhyankar stated, in contrast to the nineteenth-century Great Game competition—or great-power struggle for influence over the region—these countries now have the ability to assert their rights and interests.

In discussing the key elements of a potential new security framework for the region Shalikashvili again underlined the importance of the roles of both the United States and Russia. Within such a structure the cooperation of both will be necessary in advancing stability and dealing with a host of current challenges around the Caspian Basin. In particular, the inclusion of Russia in all regional security arrangements within a new post-Cold War framework will be a particular priority, given Russia's historical role in the Caucasus and Central Asia. The United States will need to improve relations and cooperation with Russia if there are to be serious prospects for dealing with the many regional problems and constructing a new framework for cooperation. In addition to regional organizations such as GUUAM, NATO and the Partnership for Peace program—including its Central Asian Peacekeeping Battalion (CENTRASBAT) initiative—could then play a concrete and positive role in promoting regional cooperation. Partnership for Peace engagement will ideally promote further development of cooperative military relations with NATO and help build regional security and stability.

Two additional factors will have a strong impact on the development of a new cooperative framework within the Caspian Basin region. First is the Russian-American relationship itself. The future development of U.S.-Russia relations will be a critical factor at all levels when it comes to assessing the prospects for a stable Caucasus and Central Asia. The Partnership for Peace program can play a positive and stabilizing role within the overall context of Russian-American cooperation in the Caspian. A second critical factor that was stressed by several conference participants will be the state of the Russian economy. An improvement in Russia's overall economic situation has the potential to have a positive effect on stability in the Caspian region. In this scenario, Russia would be able to see the benefits of a cooperative strategy and accept a win-win framework. Without the latter, however, it remains un-

clear what Russia's approach to security in the region would be, even when it is on the way toward economic stabilization and recovery. On the other hand, a continuation of negative economic trends brings with it a strong possibility that Russia will seek other ways to project its power regionally, to the detriment of a cooperative security structure.

Conclusion: Directions for Further Assessment

One thing that was made clear by the Caspian conference was that the region's vast set of problems and challenges is complex and will require a long-term commitment to resolve. The level of complexity of these issues was pithily summarized in closing remarks by David Holloway, director of the Institute for International Studies and professor of political science and history at Stanford: "If you are not confused," he said, "you do not understand the region." The conference did go a long way, however, toward analyzing the various components of a variety of regional issues. While the discussions did not produce a concrete set of answers to the complex set of problems facing the Caspian, several important points were raised during the course of the two-day event.

One theme that emerged was the need to look at the region as a whole—including Central Asia—and to construct a more unified approach to the Caspian Basin. In discussions it became clear that the problems of the region are interconnected and that bilateral approaches to them will not be adequate. At the same time new policies also need to address the issues of statehood and the development of the newly independent countries of the region. These new states have no alternative to living together and dealing with common sets of problems. In order to do this successfully, they will need to overcome both the legacy of domination by more powerful neighbors and the lack of experience in regional cooperation.

Participants also analyzed some of the potential contradictions in U.S. policy toward the region. One of these is the incompatibility of American economic strategy—based heavily on energy development—with some of the other U.S. policy goals, such as the promotion of democracy and the rule of law, as well as regional cooperation and conflict resolution. A serious disconnect can be seen in the fact that what has been described as a win-win policy approach, advanced by the United States and the West in the Caspian, is not necessarily seen the same way by many regional actors. Contrary to the policy advanced by Western actors, many in the region adhere to the concept of relative gains instead.

Many of the discussions at the conference suggested the need to reassess both the United States' and other countries' energy resource development strategies for this complex region. The same can also be said for the regional states' own strategies for development of energy resources, transport routes, and new infrastructure. A key challenge in the immediate future will be to forge some sort of consensus over the routing of pipelines, and enable a wider spread of benefits from energy resources across the region. While the concept of multiple pipelines seems to address this—in addition to satisfying the need for energy security—questions regarding economic feasibility, in addition to routing itself, have yet to be resolved. There is also an acute need to find ways to prevent regional conflicts from exacerbating economic rivalries, and at the same time to prevent potential economic competition from adding fuel to currently frozen conflicts.

The development of a new security structure will be a critical issue for the states of the region. A critical component of this will be the improvement of U.S. relations with Russia

and Russia's inclusion in the new regional arrangements. At the same time, while the need to include Russia is crucial to such a new framework, avoiding Russian domination of these new arrangements will be of equal importance. This presents a serious challenge given Russia's historically dominant role in Central Asia and the Caucasus and the reluctance of many segments of Russia's ruling elite to give up this role. However, discussions at the conference also suggested that the success of a new security structure will strongly depend on the ability of the United States and the West to see the geostrategic importance of the region as a whole. This will require a policy framework that takes all the states of the Caspian Basin into account, rather than framing strategic thinking about the region only in terms of Russia.

Conference Panelists

Rajendra Abhyankar—Consul General of India, San Francisco; and former Indian Ambassador to Turkey and Azerbaijan

Leila Alieva—Visiting Scholar, Berkeley Program in Soviet and Post-Soviet Studies

Türkkaya Ataöv—Chairman, Department of International Relations, Eastern Mediterranean University, Turkey

Coit Blacker—Senior Fellow and Deputy Director, Institute for International Studies, Stanford University; former Special Assistant to the President and Senior Director for Russian, Ukrainian, and Eurasian Affairs, National Security Council

Matthew Bryza—Senior Adviser, Caspian Basin Energy Diplomacy, Office of Richard Morningstar, U.S. Department of State

Michael Clayton—President, Caucasus Advisory Group, LLC; and member of Board of Trustees of the Horizonti Foundation (Tbilisi, Georgia), American Friends of Georgia (Massachusetts), and the Georgian Association in the United States (Massachusetts)

Kathleen Collins—Ph.D. Candidate, Department of Political Science, Stanford University and MacArthur Fellow, CISAC

Alexander Dallin—Senior Fellow, Institute for International Studies, and Professor Emeritus of History and Political Science, Stanford University

Rosemarie Forsythe—Vice President for Government Relations, Mobil Services Company Limited, U.K., and former Director, Russian, Ukrainian, and Eurasian Affairs, National Security Council

Archil Gegeshidze—Chief Adviser, Foreign Policy Analysis on National Security Issues, Office of the President of Georgia, Tbilisi

Oleg Grinevsky—Research Fellow, Hoover Institution; former Visiting Research Fellow, Center for International Security and Cooperation; former Russian Ambassador to Sweden

David Holloway—Professor of History and Political Science, and Director, Institute for International Studies, Stanford University

Terry Karl—Professor of Political Science and Director of the Center for Latin American Studies, Stanford University

Arthur Khachikian—Ph.D. Candidate, Department of Political Science, Stanford University and MacArthur Fellow, CISAC

Armen Kharazian—Deputy Chief of Mission, Embassy of Armenia in the United States; and former Director of the Armenian Foreign Ministry Department for Arms Control and Security

Andrew Kuchins—Associate Director, Center for International Security and Cooperation, Stanford University

Gail Lapidus—Senior Fellow, Institute for International Studies, Stanford University

Gerard Libaridian—Senior Research Fellow, East-West Institute, and Senior Consultant, IREX; former Senior Adviser to the former President of Armenia

Elmar Mamedyarov—Counselor, Embassy of Azerbaijan to the United States, former Deputy Director, Department of International Organizations, Ministry of Foreign Affairs, Azerbaijan

Galib Mammad—Executive Director, U.S.-Azerbaijan Chamber of Commerce

Michael May—Co-Director, Center for International Security and Cooperation, and Professor (Research) of Engineering–Economic Systems and Operations Research, Stanford University

Vitaly Naumkin—President, Russian Center for Strategic Research and International Studies, Moscow

Michael Ochs—Staff Adviser, Commission on Security and Cooperation in Europe

William Perry—Professor of Engineering–Economic Systems and Operations Research; Senior Fellow at the Institute for International Studies; Chair, Center for International Security and Cooperation Executive Committee, Stanford University; and Former U.S. Secretary of Defense

Condoleezza Rice—University Provost, Professor of Political Science, Stanford University; former Special Assistant to the President for National Security Affairs and Senior Director for Soviet Affairs for the National Security Council

Sodyq Safaev—Ambassador of the Republic of Uzbekistan to the United States

John Shalikashvili—Visiting Professor, Institute for International Studies, Stanford University; former Chairman of the Joint Chiefs of Staff

Thomas Simons—Consulting Professor, Institute for International Studies and History, Stanford University; former U.S. Ambassador to Pakistan and Poland; and former Coordinator of U.S. assistance to the Newly Independent States

David Soumbadze—Senior Counselor, Political & Military Affairs, Embassy of Georgia to the United States

Peter Tomsen—Ambassador-in-Residence, University of Nebraska; former U.S. Ambassador to Armenia

Douglas Uchikura—General Manager, Eurasian Business Unit, Chevron Overseas Petroleum Corporation

Jonathan Walters—Senior Economist, Energy Sector Development Unit, Europe and Central Asia Region, the World Bank

The Geopolitics of Energy Development in the Caspian Region: Regional Cooperation or Conflict?

Sponsored by the Center for International Security and Cooperation
Stanford University
Bechtel Conference Center, May 13–15, 1999

Thursday, May 13

6:30–9:00 Cocktails and Dinner (Schwab Residential Center's Vidalakis Dining Hall)
Introduction: Gail Lapidus, Stanford University
Dinner Speaker: Coit Blacker, Stanford University
"The Making of American Policy toward the Caspian Region"

Friday, May 14

8:45–9:00 Coffee

9:00–9:30 Welcome and Introductory Remarks:
David Holloway, Stanford University

9:30–12:30 **Panel I: The Caspian Basin in World Politics**

Chair: Coit Blacker, Stanford University

A U.S. Perspective: Thomas Simons, Stanford University

A Russian Perspective: Vitaly Naumkin, Russian Center for Strategic
Research and International Studies

A Central Asian Perspective: Sodyq Safaev, Uzbekistan's Ambassador to the
United States

A Turkish Perspective: Türkkaya Ataöv, Eastern Mediterranean University

Discussants: Kathleen Collins, Stanford University

Rajendra Abhyankar, Consul General, India

12:30–2:00 Lunch

2:00–5:00 **Panel II: The Political Economy of Energy Development**

Chair: Alexander Dallin, Stanford University

The Economics and Politics of Pipelines: Rosemarie Forsythe, Mobil
Oil Regimes and Development in Comparative Perspective:

Terry Karl, Stanford University

Environmental Impact of Energy Development in the Caspian:

Michael Clayton, Caucasus Advisory Group

Mitigating Political Risk in Pipeline Development: Jonathan Walters,
World Bank

Discussants: Matthew Bryza, CBED, U.S. Department of State

Michael May, Stanford University

6:00–8:30 Cocktails and Dinner (Faculty Club)

Introduction: Condoleezza Rice, Stanford University

Dinner speaker: William Perry, Stanford University

Saturday, May 15

8:45–9:00

Coffee

9:00–12:30

Panel III: Roundtable on the Caspian Region and International Security

Chair: Gail Lapidus

John Shalikashvili, Stanford University

Oleg Grinevsky, Hoover Institution

Armen Kharazian, Embassy of Armenia

Elmar Mamedyarov, Embassy of Azerbaijan

David Soumbadze, Embassy of Georgia

Douglas Uchikura, Chevron

Michael Ochs, Helsinki Commission

12:30–2:00

Lunch

2:00–5:00

Panel IV: Energy Development: Catalyst for Conflict or Cooperation?

Chair: Andrew Kuchins, CISAC

A Southern Caucasus Perspective:

Archil Gegeshidze, Adviser to the President of Georgia

Gerard Libaridian, East-West Institute

Galib Mammad, U.S.-Azerbaijan Chamber of Commerce

A South Asian Perspective: Afghanistan and Pakistan:

Peter Tomsen, Ambassador-in-Residence, University of Nebraska

Discussants: Leila Alieva, Visiting Scholar, UC Berkeley

Arthur Khachikian, Stanford University

5:00–5:30

Concluding Remarks: David Holloway

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