

Lecture:

The purpose of this lecture is to focus on a case study of the Caspian Sea. The Caspian is a 700 mile inland Sea, located in Central Asia, and supposedly is the possible source of an enormous amount of energy. The Caspian has about 18-30 billion barrels of proven oil, and it is estimated that there may be as much as 235 billion barrels of oil there (for purposes of comparison the Persian Gulf region has about 600 billion barrels of oil). This amount of oil, with an equally large amount of natural gas, does not rival the energy resources of the Persian Gulf, but may equal or exceed those of the North Sea or the United States.

The question of exploiting the resources of the [Caspian Sea basin](#), not only of course, raises serious environmental issues, but also geopolitical, ethnic, and international legal issues as well. From that perspective, it is a perfect case study for the student of international relations.

Environmental Issues

The environmental issues are of critical importance because the Caspian is the world's largest inland sea (although some of the littoral states adjacent to the Caspian have taken the position that it is not an inland sea, but a lake) and therefore the energy in the region must be transported to distant markets. (to Europe and Asia, not the U.S.)

Consequently, the geopolitics of oil (with both the U.S. and Russia competing with one another for influence in the Central Asian and Caucasus' states in the Caspian Basin) revolves around the capacity of existing and future pipelines to carry the anticipated Caspian oil from East to West.

The Geopolitics of Pipelines

The environmental issue arises because Caspian oil can be transported through pipelines to the Black Sea and loaded onto tankers there. Oil can be transported by pipeline along the Northern route through Russia and unloaded at the Black Sea port city of Novorossiysk. Moscow clearly prefers this route, because it will enable it to maintain a certain amount of leverage and influence among the successor states to the former Soviet Union in the Caspian region. The Northern route consists of a pipeline that runs from the Azerbaijani capital of Baku to Novorossiysk.

On the other hand, the United States clearly prefers the Southern route, which runs from Baku to the [Georgian](#) Black Sea port city of Supsa.

The point is that the oil which terminates at these Black Sea ports, must be loaded onto tankers (even supertankers), transported across the Black Sea, through the Bosphorus Straits out into the Mediterranean, and then on to the world market.

The Bosphorus

The [Turkish](#) government, which is considered to be a critical player in the new post-cold war geopolitics of the region, and the only member of NATO in the area that serves as a bridge between the two continents of Europe and Asia, is absolutely opposed to an increase in tanker traffic through the Bosphorus.



The Bosphorus, which has witnessed a very significant increase in the flow of traffic and accidents over the past few decades, is a very treacherous waterway to navigate. The Bosphorus is about 17 miles long and only about 700 yards wide at its narrowest point. Furthermore, the Bosphorus cuts right through the center of Istanbul, which is now inhabited by about 12 million people. If two supertankers were to collide, the result would be an environmental disaster of monumental proportions.

Regulating the Bosphorus

The ability of Turkey to regulate the flow of traffic through the Bosphorus is somewhat restricted by an international agreement concluded in 1936 known as the Montreux Convention. However, Turkey does have some leeway in setting safety rules and standards, and is also working with the International Maritime Organization to deal with this problem. Turkey has limited, for example, the size of vessels carrying cargo up to 160,000 DWT. However, ironically, Turkey itself is guilty of not strictly enforcing some of the safety rules, due to pressure from neighboring Black Sea states.

The Baku-Ceyhan Pipeline

Consequently, Turkey clearly prefers that Caspian oil be transported to its markets in Europe through pipelines, rather than through the Bosphorus. Western countries, such as the U.S., also favor the construction of a number of parallel pipelines. For example, the Clinton administration put pressure on Western multinational oil companies, as well as the Turkish government, to construct a pipeline that would run for over 1000 kilometres from Baku to the Turkish Mediterranean port city of Ceyhan.

Prohibitive Costs

Part of the problem with moving ahead with the Baku-Ceyhan project, was its prohibitive cost, which was estimated to range from \$2.7 billion to \$4 billion. At the time that the Baku-Ceyhan pipeline was discussed in the late 1990s, the multinationals (Exxon, Penzoil, Unocal etc.) believed that the cost of building the pipeline was not worth the value of the oil that would be transported, and therefore refused to bow to the pressure of the Clinton administration to go ahead with the project. At the time, the Clinton administration also believed that constructing the Baku-Ceyhan pipeline would be economically beneficial to Turkey, given its growing demand for energy as well.

However, the project was not started, because the price of a barrel of oil at the time was rather low. Furthermore, the oil multinationals wanted to wait to see whether the estimates of the vast amounts of energy in the Caspian were really accurate. In addition, both the Clinton administration and the Turkish government were unwilling to provide subsidies for the construction of the Baku-Ceyhan pipeline.

By 2004, however, [OPEC's](#) success in raising the price of oil, resulted in the MNCs reconsidering the project, since the cost of the construction of the pipeline might no longer be considered prohibitive. But the Turkish economy suffered a downturn, which reduced Ankara's economic ability to support the project, although the U.S. was still rather enthusiastic about it, as Washington continued to support the idea of parallel pipelines. However, the decision was finally made to go ahead with the construction of the pipeline.



The construction of parallel pipelines makes sense because the Caspian Sea Basin

is also a very unstable area, riven by religious, nationalistic, and ethnic conflict. This has allowed Russia to fish in troubled waters, in an effort to restore a certain amount of its influence and prestige in the region. Nonetheless, for example, the Northern route of Russia's pipeline, also cuts through the rebellious Republic of Chechnya, and therefore is vulnerable to blackmail and attacks by Chechen rebels.

The Southern pipeline route from Baku to Supsa (which is favored by the U.S.) runs through Georgia, a country which has been torn apart by civil war and conflict, ever since it gained its independence from the Soviet Union. Even the projected Baku-Ceyhan pipeline, which would cross Turkey, would have to cut through chunks of Kurdish claimed territory. The Kurds, in an effort to reconstitute their ancient state of Kurdistan, have been fighting the Turkish government for years.

Other possible pipeline projects are not very appealing to the U.S. For example, Washington is opposed to the construction of a pipeline from the Caspian to Iran and then down to the Persian Gulf, even though this might make sense in terms of shipping oil out to the world market. The U.S. still continues to maintain economic sanctions against Iran.

Finally, China has also entered the great game of energy geopolitics in the Caspian Basin because of its growing demand for energy. For example, China is interested in the construction of a pipeline that would carry natural gas from Turkmenistan to Beijing.

U.S. Caspian Policy

The U.S. State Department has claimed that Washington is not just interested in finding economic opportunities for American business to exploit the energy resources of the Caspian Sea Basin. The State Department claims that the U.S. is pursuing other strategic objectives in Central Asia as well. For example, Washington has argued that constructing pipelines in the area will help to promote regional cooperation and mitigate the conflicts that have sprung up there.

Washington also claims to believe that as the states in the region benefit from the economic wealth that is derived from oil, democracy in the area will be strengthened and consolidated. Unfortunately, it seems that most of the states in the Caspian region are not democracies, but dictatorships run by ex-communists, squandering the oil-based wealth, and following the profligate path of some members of OPEC (the Organization of Petroleum Exporting Countries). Of course, US involvement in the war in Afghanistan after 9/11, has also changed the perspective which Washington has of the area.

Legal Differences

Finally, the construction of future pipelines and the exploitation of Caspian energy, is being delayed by legal differences between the littoral states over whether the Caspian is an inland sea or a lake. The designation of the Caspian as an inland sea or a lake affects the manner in which the waters, seabed and subsoil of the body of water is allocated to the five states ([Russia](#), [Iran](#), [Azerbaijan](#), [Kazakhstan](#), and [Turkmenistan](#)) that are littoral or bordering on it. A sixth state, [Uzbekistan](#), is also included within the Caspian Sea Basin.



Prior to the collapse of the Soviet Union, the use and the exploitation of the Caspian was governed by two treaties (1921 and 1940) that had been concluded between the Soviet Union and Iran. Following the collapse of the Soviet Union, the successor states have been unable to agree among themselves as to which legal principles to follow in the division of the Caspian among them. If the Caspian were designated as a sea, then the entire sea would be divided among the five littoral states. .

If the Caspian were designated as a lake, then there would be a combination of dividing it into national sectors that would be allocated to each littoral state, while the central portion would be considered a condominium to be shared jointly by all of the states. Moscow has held up a resolution of this legal question, because the lack of an agreement delays the construction of alternative pipelines, and allows Russia to continue to control the flow of energy to the North.