

PROSPECTS AND PROBLEMS OF CASPIAN REGIONAL SECURITY, STABILITY AND COOPERATION - A PERSPECTIVE FROM AZERBAIJAN

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The purpose of this paper is to reflect on current developments in the region and to share some views and ideas on the most complex issues from the point of view of future security and cooperation developments in the Caspian region. For the sake of clarity, in our analysis the Caspian region embraces all littoral states, e.g. Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan as well as the broader adjacent territories of Central Asia and South Caucasus.

New Regional Context: Opportunities and Threats

A decade has passed since the dissolution of the USSR, the collapse of the socialist block and consequently the end of global confrontation. New geopolitical realities have appeared in the Caspian region and nine new states have emerged on the political arena: the Russian Federation, Uzbekistan, Kazakhstan, Azerbaijan, Tadjikistan, Turkmenistan, Georgia, Kyrgyzstan and Armenia. It is needless to mention that each country views its own place and role in the world community and in particular in the region differently, has its own interests and tries to pursue them in its own very specific way. Iran and Turkey, due to their geographical proximity to the region as well as historical and ethnic connections to the Caucasus and Central Asia, will also be among the major players influencing developments in the region. Perhaps the interests of big regional powers like Russia, Turkey and Iran will dominate over that of the smaller states. However, matching and shaping a new balance of interests between these states reflecting new realities will be one of the most important tasks facing the future security and cooperation architecture of the region.

There are also other important and significant geopolitical factors that should be taken into consideration when addressing issues of security, stability and cooperation in the region:

- it is located on the strategically important crossroads between West and East and is a natural shortcut between two global economic power centres - Europe and Asia;

- it is vast and rich in natural resources, especially energy, which could serve as a solid basis for fast economic and social development for all the countries and the region as a whole. The resources of the region are of global significance in terms of their reserves and possible contribution to world economic development. These resources can be developed (economically, technically and environmentally) at this crucial historical stage only with massive external assistance. As the countries of the region declare their openness and need for foreign investments and expertise, this has led to competition between the world's major centres for access to the wealth of the region and control over its supplies;

- it is a nexus region for the world's major religions and cultures. Undoubtedly, the competition for ideological influence will play a significant role in shaping societies and have an impact on their development policies.

The above-mentioned has led to new balance of interests in the region with greater international involvement. The Caspian Sea region could also be characterised by its inherent internal problems:

- practically all the newly independent countries of the region are at the beginning of their transition to democratic societies. So far the process in all the countries has proved not to be smooth but painful and the introduction and establishment of new democratic institutions and the shaping of new societies has a long way to go. Societies are still fragile and volatile, as they are very sensitive and vulnerable to influences from outside. None of the countries of the region could be considered as developed. This factor, as well as the deep economic and social crisis, has inspired centrifugal tendencies in practically all societies. Separatism, terrorism and organised crime in their extreme forms are common throughout the region. To a large extent these tendencies could hypothetically be manipulated from outside the countries;

- stocks of conventional and nuclear armaments are large with no proper mechanisms of control. Their proliferation among Caspian states could be a potential threat to regional stability and security with serious international repercussions;

- the foreign military presence in certain smaller countries not only distorts the balance of the region but encourages the formation of new military strategic axes and dividing lines, which is detrimental to such regions as the South Caucasus.

These and other factors make the Caspian region on the one hand highly attractive, but volatile and dangerous on the other. Consequently, events in the region could affect international developments in different ways.

It is clear from the above that security and stability in the Caspian have national, regional and broader international dimensions. Thus have new geopolitical realities created a new international agenda for resolving the complicated political and economic problems of the region, which can be addressed only through coordinated international efforts. Of utmost importance are:

- the preservation of independence, sovereignty and territorial integrity of the newly independent states, thus creating a favourable international environment for the strengthening of their statehood;
- creating international mechanisms to insure political stability and democratic developments inside these countries;
- the peaceful resolution of all military and ethnic conflicts throughout the region on the basis of international law;
- the establishment and development of peaceful bilateral relations and mutually beneficial cooperation between the countries of the region on the basis of internationally acknowledged norms and principles;
- a resolution of Caspian Sea issues relating to the development of a diversified pipeline infrastructure for the export of hydrocarbons;
- the development of a new regional and inter-regional infrastructure that will facilitate closer and better balanced economic integration and political cooperation between the countries of the region whilst also harmoniously integrating them into the world community.

Azerbaijan in the New Regional Context

The Republic of Azerbaijan will soon celebrate its 10th Anniversary. Since independence, this country of 8 million people and 86,600 sq. km of territory experienced probably the most dramatic period in its history. Its development, the strengthening of its statehood, protecting its sovereignty, its territorial integrity and indeed its right to exist, have been under threat. Hardly any NIS has such a record of political upheaval and attempted coups d'etat in the early years of independence. Azerbaijan has been plunged into a most severe and protracted war with neighbouring Armenia. There have also been numerous regional conflicts leading to an almost complete blockade for several years of the major land transportation routes that connected the country with the outer world. Azerbaijan also resisted enormous pressures when it made important decisions on the development of its oil resources and in choosing its partners. It should also be taken into account that Azerbaijan was the only state among the NIS who entered its independence era with no foreign military bases on its territory.

For centuries, due to its advantageous geographical location on the crossroads of continents, Azerbaijan has been the object of conquests as well as attracting merchants, travellers and pilgrims. All major trade routes between West and East passed through its territory, leaving tangible and intangible imprints on the environment, society and individuals. This is reflected in the open, tolerant and friendly character of the people who have inherited the free spirit of entrepreneurship while preserving strong feelings of independence. Openness and the ability to absorb and accommodate new and progressive ideas enabled them to develop an identity characterised by the unique synthesis of real yet different national, religious and cultural values.

Nowadays, independent Azerbaijan is embarked on the route of market-oriented and democratic reforms as well as integration into European and wider international communities. The principles of republicanism, political and economic pluralism, democracy, secularism and openness have been endorsed in the New Constitution by the 1995 Referendum.

Azerbaijan's geographical location, rich natural resources and other comparative advantages offer vast opportunities for economic development and cooperation. Since 1996 the country is enjoying dynamic economic development with average yearly growth rates at

9-10%, with inflation rates subdued at the level of 2-3%. During this period, Azerbaijan managed to attract over US\$6bn of FDI. Measured per capita, this is the highest indicator among the CIS and some Central European countries. According to international experts, Azerbaijan has the most promising prospects for dynamic growth among countries of the former Soviet Union and Eastern Europe.

The nation is now entering a new phase of radical administrative and structural reforms, including a large-scale privatisation program, improving standards of public services, ensuring good-governance practices, developing strategies for poverty eradication as well as combating corruption and organised crime. These measures have been undertaken to ensure sustainable social and economic development as well as to enhance the national capacity to address challenges of security and stability. Azerbaijan closely cooperates on the above issues with its major partners and international organisations such as the EU, OSCE, IMF, WB, Council of Europe, and the major industrialised democracies.

To ensure internal reforms and sustainable development, a stable and friendly external environment is of crucial importance to the country. Of vital interest for Azerbaijan is to establish and develop confidence, trust, and good-neighbourly relations in the region and then building on this to create a new security and cooperation architecture in the Caucasus and the Caspian. However, there are major problems and obstacles requiring fair and speedy resolution for the sake of national and regional development. These are Armenia's occupation of part of the territory of Azerbaijan, other ethnic conflicts in the region, the status of the Caspian Sea and the export of energy resources.

The Caspian Sea Region Should be a Zone of Peace, Stability and Cooperation

It is difficult to overestimate the significance of the Caspian Sea for the nations surrounding it. For centuries it played a very important role in their lives and it is just as important now. Therefore, issues arising out of its development and resources are extremely sensitive for all the countries to the extent that it is impossible to address them without a fair and sound consideration of the interests of every state and of the problems facing the Caspian Sea itself.

Given the location and importance of the Caspian Sea, it has for Centuries been an object of struggle for dominance mainly between Russia and Persia. For the last two Centuries it was under practically full Russian and then Soviet control.

Defining new principles and rules of exploitation of the Caspian and preserving the Sea for future generations whilst also reflecting new geopolitical realities in the region are vital for the littoral states. A fair and sound status for the Caspian based on existing practices, international law and experience, which also reflects the interests and responsibilities of the littoral states, will prevent potential tension and conflicts in the future, and lay down a basis for stability, peace and cooperation in the whole region.

After proclaiming independence, Azerbaijan extended its sovereignty over its territory within the existed administrative borders, including the sea sector, which has been internationally recognised. Azerbaijan has pioneered wider international cooperation in the Caspian, however, this does not mean that the interests of the littoral states as well as all other aspects of the Caspian Sea have been ignored. To develop energy resources in its sector of the Caspian, Azerbaijan has invited all major players in the world, including Russian and Iranian companies. So far Azerbaijan has signed 21 production-sharing agreements worth about US\$60bn with the participation of oil companies from over 14 countries (USA, UK, Norway, France, Italy, Japan, Germany, Russia, Turkey, Iran, Saudi Arabia and others). New contracts are awaiting their signing ceremonies. We truly believe that a unique opportunity for international cooperation in the resolution of Caspian issues has been created in the region. Wider international involvement in the exploration and development of the Caspian resources and, subsequently, a new balance of interests in Azerbaijan and in the Caspian region in general, are conducive to the stabilisation and development of the country and the region as a whole. This is also a prerequisite for the transformation from the monocentrism in the region and divide and rule policies of the colonial past - to the establishment of civilised relationship of partnerships and cooperation.

Recent years have seen a gradual but significant evolution in the stance of the littoral states towards the sectoral division of the Caspian Sea. A number of bilateral documents have been signed between the littoral states. This is very encouraging indeed. At the same time it is obvious that creating a fair and sound mechanism between littoral states able and capable to address and resolve the profound and acute

problems of the Caspian Sea is a long-term perspective. But what is of crucial importance now is that the design and objectives of such a mechanism should be based on the new realities around the Caspian. Demilitarisation of the Sea and the establishment of an atmosphere of confidence and trust, along with cooperation and the delegation of strict responsibility to each state for their respective sectors is essential. Moreover, efficient international control over issues of environmental security and preservation of the unique biological resources should be among main considerations. Ultimately, the Caspian Sea should serve peace, stability and cooperation in the region.

Pipelines and Other Inter-Regional Infrastructure

As the Caspian Sea is landlocked and has no natural outlets, intensive development of its rich energy resources is not possible without proper regional pipeline infrastructure to enable safe and secure export of oil and gas to the international markets.

Proper resolution of this strategic issue could bring about important changes to the geopolitical landscape of the region in terms of its unlocking and integrating into the regional and world economy. The recent experiences of Azerbaijan as well as of other NIS of the Caspian Sea are vivid examples of the vulnerability of states in this respect. Therefore, for the NIS this issue is also a matter of strengthening sovereignty and independence.

Since 1997, two alternative export routes have been put into operation to export the lower volumes of so-called early oil (5-7 million tons a year) from Azerbaijan's offshore fields to international markets. As Azerbaijan enters into the phase of intensive exploration and exploitation of its energy resources, resolution of the export routes has been brought to the top of the international agenda. Agreement on the Baku-Tbilisi-Ceyhan main export pipeline has been signed and ratified by the Parliaments of Azerbaijan, Georgia and Turkey. This project is also enjoying political support from the US Administration. Basic engineering works to assess financial, technical, security and environmental aspects have been completed with detailed studies to be started soon.

Given the enormous energy potential of the Caspian, a number of other pipeline options are under consideration for future export routes

as well. Pipelines from Burgas to the Greek port of Alexandroupoulos, from Constanca to the Adriatic Sea, and from the Ukrainian port of Odessa to Central Europe are among the options put forward for consideration by groups of countries and companies. To the east, a pipeline route to the Indian Ocean and another to China are also being promoted by some companies involved in developments in Caspian countries. The Persian Gulf alternative through the territory of Iran is also quite an attractive option as it looks to be the most economical one. Practically all these destinations have different interim alternative routes. Other suggestions can be expected.

Different countries of the region are competing to have pipelines through their territory. However, a collision of interests between the big players should not overshadow the vital interests of the NIS. It is quite important for the young Caspian states to ensure safe and secure access of their resources to the world markets. For this reason regional pipeline infrastructure should be diversified and independent of any one particular route. There should also be international guarantees that control over any pipeline will not be used as an instrument of political leverage. Whatever future decisions over pipeline infrastructure are, solid and viable solutions to the export route conundrum will be key elements of the future security and cooperation architecture of the region.

Among other important inter-regional infrastructural projects is TRACECA, a proposed transport corridor linking Europe-Caucasus and Central Asia. Implementation of this multibillion dollar project will provide a direct and independent link between as well as ensuring closer integration of the countries of these regions with Europe. This project could be described as the restoration of the historic Great Silk Road.

Regional Cooperation as a Response to Local and Global Challenges

After the dissolution of the USSR, countries of the region have been engaged in the creation of different regional groupings in order to integrate their transition efforts and to help realise their full potential. Cooperation should allow them to face new challenges as well as to shape the new economic architecture. At least four international economic organisations have been established or expanded and regional initiatives have been developed over the last decade:

- Commonwealth of Independent States (CIS), uniting all former Soviet republics except the Baltic states with the purpose of restoring economic links and developing cooperation, but on a rational economic footing.

- Black Sea Economic Cooperation (BSEC), initiated in the late 1980s under the then Soviet regime has developed into a full-fledged organisation. BSEC stretches from the Mediterranean and the Balkans to the Caspian Sea and at present includes 11 member states with others having observer status.

- Economic Cooperation Organisation (ECO) previously existed with Turkey, Iran and Pakistan as founding members, but is now undergoing a revival with new members - Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan and, remarkably, also Afghanistan.

- GUUAM, uniting Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova.

- Summits between the Turkic states of Turkey, Azerbaijan, Kazakhstan, Uzbekistan, Turkmenistan and Kyrgyzstan can also be mentioned as a new regional initiative.

All these regional organisations and initiatives are going through their very initial stages of formation, design of organisational structures, defining goals, and determining areas and forms of cooperation. It is too early to speak about their efficiency as these regional structures have yet to prove their viability. It is true that these organisations have different geographical dimensions, and varying economic and political goals. Controversies abound. Nevertheless, Azerbaijan is participating in all of them in the spirit of openness and goodwill, aspiring for mutually beneficial cooperation. One thing that is clear is that dialogue and cooperation within these organisations will be conducive to the establishment of better understanding, confidence and cooperation among member states and play a definite role in the shaping of the future security and cooperation architecture for the region as a whole.

Conclusions

Above I have attempted to draw a diverse and complicated new regional context around the Caspian Sea region which, due to its important location, natural resources and economic potential, will affect in one or another way developments not only in this vast region but far beyond its own frontiers. New realities have on the one hand opened up very good prospects and opportunities for cooperation and the integration of the region into the international community, but on the other, have revealed problems that hamper the process of democratic reforms in the countries of transition, as well as the development of regional cooperation.

The region can be compared with a very dynamic, complex and vulnerable living organism, heavily depended on its environment. The countries in the region are in disarray, overburdened by internal and regional problems, are unable and incapable of effectively addressing and resolving the whole range of the problems they face. In this regard, the international community should perhaps have shared responsibility for their future. The NIS of the region are members and active participants in many international and in particular European political and economic organisations, such as the EU, OSCE, NATO, and COE. This reflects not only their desire to be an integral part of the European peace, security and cooperation architecture, but also their expectations for a more active and constructive role of these institutions in shaping the Caspian region in the new Millennium.

Major international institutions and organisations as well as the industrialised democracies are major donors and investors in the region. It is of crucial importance that, in cooperating with the countries of the region, they use all available means and leverage to endorse and even force compliance with internationally recognised norms and principles in developing relations and cooperation. This is of crucial importance for the development of the wider European security, stability and cooperation architecture in the New Millennium.