A U.S. REGIONAL STRATEGY FOR THE CASPIAN SEA BASIN

by

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The contents of this paper reflect my own personal views and are not necessarily endorsed by the Naval War College or the Department of the Navy.

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Abstract:
Geopolitics has become a dominant factor in American policy once again. The Caspian Sea basin has not yet been designated a "pivotal region" by American strategists. However, a region with oil and natural gas fields larger than those discovered three decades ago in the North Sea and on Alaska's North Slope, one that potentially has reserves greater than Kuwait, will undoubtedly rise in importance. U.S. government policy on the Caspian basin clearly highlights access to the region and energy security. Ensuring U.S. corporate lead on development of the region's resources and nullifying Russian and Iranian influence on oil field exploration and development and pipeline export routes form the basis of this policy. The Caspian basin alone may not hold enough reserves to warrant being labeled a "pivotal region" by strategists. Nonetheless, the combined Middle East-Central Asia "energy field" contains the single largest concentration of hydrocarbon reserves in the world and warrants U.S. attention, if nothing else. In order to maintain influence in the Caspian basin, the U.S. must engage the regional heads of state, work cooperatively with U.S. industry, advance U.S. military cooperation, and all the while, address the complex challenges of access and energy security.
A U.S. Regional Strategy for the Caspian Sea Basin

Geopolitics has become a dominant factor in American policy once again. The Caspian Sea basin has not yet been designated a “pivotal region” by American strategists. However, a region with oil and natural gas fields larger than those discovered three decades ago in the North Sea and on Alaska’s North Slope, one that potentially has reserves greater than Kuwait, will undoubtedly rise in importance. The pipeline politics of the Caspian Sea region are leading U.S. policy. A policy which centers on access (U.S. corporate lead on development of the region’s resources and an uninterrupted flow of oil out of the region) and energy security (primarily, nullifying Russian and Iranian influence on oil field exploration and development and pipeline export routes). There are ten major proposals competing for the region’s Main Export Pipeline (MEP). All portend to be able to get the region’s hydrocarbon resources to market. The target market, and consequently the final consumer, are not forgone conclusions. Each competitor is acting according to country, company, or consortium interests, destabilizing the environment.

The region is landlocked, having no single means of exporting product without crossing another sovereign territory, and has no access to navigable waterways that are open to international shipping. Export options become rather apparent, and by deduction, pipelines dominate the options of rail, barge, or line-haul (semi-trailer), in terms of efficiency (volume) and cost effectiveness. The region’s unrest and separatist struggles jeopardize every pipeline route currently under study. The northern pipeline route originates in Baku, Azerbaijan and terminates on the Black Sea in Novorosiisk, Russia, passing for 80 miles through the Russian republic of Chechnya. Chechnya is making a bid for economic independence with its own pipeline proposal. The western pipeline route originates in Baku, Azerbaijan and terminates on the Black Sea in Supsa, Georgia, passing near the Armenian populated Azeri Nagorno-Karabakh
region. This same route passes near several regions in Georgia that are also the sites of separatist movements. Abkhazia won a civil war against Georgia, but has not yet been able to sever ties with Georgia. The terminus of the western route is 12 miles from Abkhazia. The route most heavily favored by the U.S. government for the MEP originates in Baku and terminates on the Mediterranean Sea in Ceyhan, Turkey, passing through the Kurdish stronghold in northeastern Turkey. The Caspian Pipeline Consortium (CPC) has nearly completed a pipeline that will transport oil through the tumultuous southern region of Russia adjacent to Georgia, from Tengiz, Turkmenistan to Novorosiisk, Russia. The Central Asia Oil Pipeline is a proposal that would originate in Turkmenistan and terminate in Pakistan, passing through Afghanistan and possibly into India. The Afghani civil war has caused suspension of the project. The southern route has been blocked by the U.S. because it passes solely through Iran. Greece has proposed two routes that bypass Turkey and the Bosporus Strait: one through Romania and Greece, to the Adriatic Sea, and another through Bulgaria and Greece, to the Aegean Sea.

Besides being landlocked, the Caspian basin is surrounded by conflict. The fact is, no single proposed pipeline project traverses from source to terminus without transiting multiple contentious regions en route. Regional conflict, political instability, and lack of regional cooperation have slowed the development of Caspian oil and gas reserves and threaten to throw the region back into the dark ages of the Soviet legacy. Most major investor countries fear the competition generated by the desire for control over these vast resources will turn the region into a "... zone of instability and crisis." The Armenian Foreign Minister, Varten Osakanian, counters the mindset that Caspian energy resource development and transnational pipelines will yield profits and regional cooperation. He posits the resources and pipelines will incite inter- and intra-regional disputes in the short run.
Seven-Step Framework: the basis for a U.S. Regional Strategy

The U.S. policies of enhancing commercial opportunities for U.S. companies, mitigating regional conflict by creating economic interdependence, and ensuring energy security for the U.S. and its allies highlight the vital importance of this region. This clearly signals that the Caspian Sea basin and surrounding export corridors, principally the trans-Caucasus routes due to their feasibility and viability, make the stability and prosperity of this region a vital American interest. The current situation in the region dictates an innovative and imaginative U.S. response to ensure stability and prosperity are enhanced and not denigrated.

The inferred endstate of U.S. national policy positions the U.S. as a regional leader, directing the democratization and development of the Caspian basin countries, with an emphasis on Azerbaijan, Kazakhstan, and Turkmenistan. The following course of action is a recommended Seven-Step Framework for a U.S. regional strategy in the Caspian Sea basin and associated pipeline conduits. 1) U.S. interests in the region would best be served with a rapid, equitable demarcation of the Caspian Sea. This issue forms the basis for all further diplomatic and economic dealings within the region. This is a legal issue that the U.S. can assist with. Nonetheless, the five nations surrounding the Caspian Sea should establish a multilateral legal regime that addresses all aspects of the Law of the Sea, to include shipping, fishing and environmental rights and responsibilities. 2) It is a prerequisite to U.S. leadership in the region to support with the full weight of the nation’s capabilities the successful multilateral arbitration for the MEP from Baku to Ceyhan, and eventually open an additional trans-Caspian Sea pipeline originating in Tengiz, Kazakhstan. It will keep the U.S. engaged with key countries in the region, raise U.S. stakes in the region, enhance Turkey’s position in the region, and limit Russian and Iranian influence over exportation of product by bypassing the their internal pipeline
networks and the Strait of Hormuz. 3) The U.S. must walk the diplomatic tightrope of limiting Russian economic penetration into this region while maintaining diplomatic and economic ties. For example, this policy acknowledges limited Russian exploration in the northern Caspian, the export of Kazak oil, and cooperation on Sea related legal issues. It specifies, however, that the near Russian monopoly over regional exports will be broken, establishing fair trade and competition, eliminating the Russian control of exports. 4) Turkey is moving to establish itself as a regional leader. The U.S. should encourage this new Turkish role. Turkey has played the cultural card, emphasizing the Turkic language root of all Central Asian nations, except Tajikistan, as a natural reason for an alliance and further cooperation. As well, these countries have seen the value of being associated with a U.S. and NATO ally and invite the union. Turkey is America's greatest ally in the region and by default is a U.S. hedge against Russia and Iran. Turkish leadership in the region would benefit the U.S. 5) The U.S. must walk a second tightrope with Iran. Iran's influence and potential in the region have to be kept subjugated. Encouraging other U.S. allies in the region may help establish a regional competitor. Iran has claimed to be the geographic, religious, and historical center of the region and is demanding a regional leadership role. For the time being, that role has been restricted due to the effects of U.S. sanctions. However, there are those in the Administration and industry, as well as Iran, that believe the time has come for rapprochement. Continued isolation of Iran could be counterproductive. Fostering a relationship with Iran has a greater potential of long-term benefit for regional and global concerns. This development will have a significant impact on U.S. policy and strategy in the region. 6) China has conducted two feasibility studies on a pipeline that would originate in Kazakhstan and terminate on the Chinese coast near the Sea of Japan, with the possibility of a further extension directly into Japan. The cost to build and maintain this pipeline
far exceeds the value of any profits that may be derived from it, leading one, coupled with the knowledge of proven Chinese reserves, to speculate that its purpose is as a strategic hedge rather than a currency generator. This is an unprecedented opportunity for the U.S. and U.S. corporations to assist China, generating U.S. profits, establishing a U.S. presence deep inside China for an extended period of time, and providing a venue for further cooperation between the two countries. 7) Iran is insistent on reclaiming its right as the regional leader. It follows that an alternate leader, a competitor to Iran, should be fostered. Pakistan provides the logical choice. Pakistan is a peer competitor with Iran and has interests throughout the region. Pakistan can provide an uncontested, more direct pipeline route to the Indian Ocean from the Caspian basin. This route also avoids a key maritime choke point, the Strait of Hormuz. The two countries share a common border. Pakistan also shares borders with Afghanistan (too much internal turmoil to be considered) and Tajikistan (a lesser regional player), and is already under consideration for southern tangential export routes from Turkmenistan, Kazakhstan, and Uzbekistan (a player in the natural gas market). This action may generate unintended consequences with India, but they should be manageable considering the multitude of proposed pipeline routes.

The U.S. is garnering cooperative relationships in the region. No antagonist has risen to challenge the ongoing economic and social intrusion that is occurring throughout the region. Regional heads of state are boldly eliciting investment in their countries. They know it can lead to stability and prosperity, but most importantly, to economic independence and “true” sovereignty. Consequently, the U.S. needs to expand the suggested Seven-Step Framework into a coherent diplomatic, economic, and military strategy for addressing the needs and challenges of the region.
Diplomatic Strategy

The U.S. has a unique opportunity to act across a broad spectrum of options to promote American interests and contribute to the long-term success of the region. An overarching concern is the peaceful and harmonious solution to the legal questions surrounding the Caspian Sea, principally demarcation, and its resources. However, all regional issues fall under the critical rubric of U.S. energy security—access to develop and market reserves with the assurance of safe and reliable export to shipping terminals.

Prior to the collapse of the Soviet Union, the Caspian Sea was contained within the borders of the former Soviet Union and Iran. The two countries signed regional treaties concerning the Caspian in 1921 and 1940. The subsequent collapse of the Soviet Union and rise of three new Caspian basin states destabilized the former détente. The basin’s revitalization has generated the hotly contested question of ownership, which seems to be the key to the stability and development of the region. Although the legal debate has abated somewhat, the question has not been answered to the satisfaction of all nations concerned. The legal issue centers on the treaties signed by the former Soviet Union and Iran (which did not establish seabed boundaries or discuss resource exploration), and what legal regime will be applied to the Caspian Sea.

The Caspian is a lake and, albeit the largest, is not covered by the Law of the Sea. Under the Law of the Sea, the five nations surrounding the Caspian would divide the sea and undersea resources into national sectors. A median line, serving as the national boundaries, would be established equidistant from the shores of each nation. Conversely, not applying the Law of the Sea permits the Caspian and its resources to be developed jointly. Indicating for example, complex arrangements would have to be negotiated with all five countries for a single well, or
possibly, a rouge state may launch out on its own, conducting no coordination with other countries.

U.S. policy has been to assist the countries of the basin area, but insists that the Caspian basin countries reach a framework for a legal regime themselves. Consensus on the Caspian legal issue has evolved from a wide variety of initial positions to a near accord by all nations except Iran. “The recent changes in positions of the sides show that they want to reach a final solution to the problem of the Caspian Sea.”[11] The nations of the Caspian basin have opened the Caspian Center, in Baku, Azerbaijan, to coordinate dispute resolution.[12] The U.S. National Imagery and Mapping Agency can offer unique assistance in the demarcation of the Caspian by establishing an equitable median line, but the U.S. should resist directing the final demarcation. Michael Cotter, the acting U.S. Ambassador to Turkmenistan said there could only be “... sizable investments in the region ...” after the division of the Caspian. He went on to say, “If the Caspian is considered common territory, the foreign companies eager to develop it will have to negotiate with the governments of all the coastal states, and that is hardly possible.”[13]

U.S. regional interests can be met with a phased approach of diplomatic engagement. Initial dialog with regional leaders has been orchestrated by U.S. industry, well in advance of the government. “They [Azerbaijan, Kazakhstan, and Turkmenistan] recognized that with the forces they have around them—Russia and Iran—only a strong relationship with the U.S. provides an opportunity for stability and for not being totally dominated. Since the U.S. government was slow to pick up on the importance of the region, they forged relationships with U.S. business.”[14] The son of the President of Azerbaijan and Vice President of the Azerbaijan International Oil Company (AIOC) said, “We used oil for our major goal ... to become a real country.”[15]
The U.S. should initiate diplomatic (executive, legislative, and judicial VIP) exchanges with regional heads of state and their administrations, much like the very successful program conducted in South America that has lead to regional democratization and greater levels of diplomatic, economic, and military cooperation. U.S. industry has set the standard for engagement and produced a political realignment of historical proportions. American oil companies have helped revive collapsing economies and have brought near to an end a century of dependence on Russia. These actions however, have threatened Russian influence in the region and have elicited charges of regional hegemony against the U.S. The U.S. should not shirk its commitment to the region because of these challenges. Russia’s economic penetration into the region, one seen as a birthright, should be limited, but not to total exclusion. U.S. economic support to the CPC will keep oil flowing through Russia and, consequently, will appease most Russian interests. U.S. negotiations with Russia on behalf of U.S. companies for pipeline right-of-way corridors have benefited all involved, although, Russian graft and inefficiency continuously threaten to bog down the progress.

It is also U.S. industry that is not so quietly supporting rapprochement with Iran. The current U.S. policy on Iran, as dictated in the 1996 Iran-Libya Sanctions Act (ILSA), has made Caspian hydrocarbons central to the Administration’s internal debate over U.S. and Iranian relations. An unintended consequence of being closed out of pursuing business with Iran, and for that matter Libya and Iraq, is that the Caspian basin has become more critical as a source of oil. The Administration has made overtures to Iran, even calling for government-to-government dialogue. The U.S. policy of isolating Iran has not been a major success of U.S. foreign policy. Infighting between Capitol Hill and the White House have left strategic direction untraceable. Senator Specter of Pennsylvania has pointed out that “... Europeans are much more interested
in Iranian oil profits than they are isolating Iran.” This fact, coupled with current restrictions on U.S. oil companies, has complicated “western” efforts to develop the region. Moreover, the Administration has been “insisting that oil company partners” build a longer, more expensive, and more vulnerable pipeline through Turkey, rather than take the logical, more direct and cheaper route due south through Iran. A collateral effect on U.S. policy is that the Turkish government and French oil company, Total, have both directly defied U.S. sanctions and proceeded with Iranian oil and pipeline projects. This has left the Administration in the uncomfortable position of deciding what to do, especially considering its heavy, singular endorsement of the Baku-Ceyhan MEP. Many Iranians are looking to the U.S. as a kindred spirit, hoping that Iran will soon become too “indispensable,” in terms of geographic location over known reserves and on multiple trade routes, as a mediator in regional conflict, and with the region’s largest and most feared armed force (marketed as a stabilizer by the Iranians), for the world’s one remaining superpower to continue to ignore. Political science teaches that no friend is forever, and no enemy is forever, only mutual interests are forever. As with Cuba, the U.S. risks isolating only itself by following a policy of “containment” with Iran.

Outside the Seven-Step Framework, the U.S. has the opportunity to regenerate a relationship with an old friend—Afghanistan. Conditions are not correct for rapprochement with Afghanistan. However, the development of the region cannot have escaped the Taliban. Afghanistan has seen a significant opportunity lost with the termination of the Central Asia Oil Pipeline project, due in large part to the civil unrest and unpredictable nature of Afghanistan today. Afghanistan is today’s Iran. The U.S. should signal a wary, but cooperative attitude by extending inducements for movement toward the world community and away from harboring
terrorists. Afghanistan may be persuaded by the collective improvement of the region not to be left out.

Turkey has emerged as an inside track to regional influence in the Caspian Sea basin. Although shunned by the European Union, Turkey intends to display its full potential. Turkey is playing its cultural card with unprecedented success. Despite its affront to U.S. policy in the region, relations are growing stronger between the two nations. The Administration has already hinted that Turkey’s actions are “outside” the purview of the ILSA. The U.S. has conducted extensive negotiations and has gathered multilateral support for the Baku-Ceyhan MEP, although considered financially infeasible by industry. The U.S. has offered economic inducements to every country on the proposed route and the companies expected to form the consortia to build it. Turkey, recognizing the potential significance and power of its position, has done as much as well. The U.S. led negotiations for the ratification of the Ankara Declaration, which names Baku-Ceyhan as the region’s MEP, was signed by the governments of Azerbaijan, Georgia, Kazakhstan, Turkey, and Uzbekistan.21

The U.S. further supported the Turkish position on the Bosporus Strait. All proposed viable pipelines today terminate on the Black Sea, indicating oil tanker shipment via the Strait, out to the Mediterranean Sea, and on to world markets. The Bosporus Strait is the most difficult seventeen miles of strait in the world to navigate. Istanbul boasts a population of eleven million. Turkey has postulated that the increased tanker traffic is an invitation for disaster. Consequently, the Turkish government has announced tighter restrictions on the use of the Bosporus. These actions have caused an uproar from Russia who claims Law of the Sea free passage out of the Black Sea—driven obviously to ensure its export route is not closed or constrained in any way. Russia waves a 1936 treaty to support its position. The U.S. and Turkey have initiated a joint
upgrade to the Strait’s navigational aides, but Turkey insists it envisions "... great, great lines of tankers in the Black Sea waiting to cross the Bosporus."\textsuperscript{22} Turkey has proposed this and other "disincentives" for those who may consider alternatives to the Baku-Ceyhan route, and along with the U.S. has warned of "insurmountable political objections" to specific routes designed to bypass both the Bosporus and Turkey, namely the Bulgaria-Greece route and the Romania-Greece route.\textsuperscript{23}

### Economic Strategy

The United States’ greatest tool is financial leverage. The dollar counts. The U.S. wields this powerful tool through its Overseas Private Investment Corporation (OPIC), the Export-Import Bank (EX-IM Bank), and the Trade Development Authority (TDA). All of whom have been tasked to support the Baku-Ceyhan route and the three central NIS in the Caspian basin.

The unexpected low price of oil is having an impact on development that was not foreseen ten years ago. The lower margins are putting in jeopardy future development and call into question the policy of building long, expensive pipelines. Despite U.S. economic inducements, senior oil company executives still caution, "You better look, before you invest three billion dollars into a pipeline, [at] who you’re going to have to compete with for the next forty years."\textsuperscript{24}

The U.S. is following an appropriate strategy of attempting to infuse its leadership throughout the region versus concentrating on one country. It was industry again, however, that highlighted the administration's dual policy towards Azerbaijan.\textsuperscript{25} Section 907 of the Freedom Support Act imposed sanctions on Azerbaijan because of its conflict with Armenians in the Azeri Nagorno-Karabakh region while the administration was espousing cooperation. The Administration is using the Presidential lobby in an attempt to influence Congress to repeal Section 907 of the Act. The U.S. should also aggressively lobby the UN International Monetary
Fund and World Bank, extolling the virtues of greater regional cooperation and stability and an improved world economy as this region's new nations struggle to their feet.

The European Union (EU) is not to be outdone in the Caspian basin. They see the traditional route of the old Silk Road from Asia into central Europe as a logical route for the oil and natural gas to follow. President Shevardnadze of Georgia first proposed, and the EU adopted, the idea of a European transport corridor. The Transport System Europe-Caucasus-Asia (TRACECA), informally known as the Great Silk Road, would run west-east from Europe, across the Black Sea, through the Caucasus, and into Central Asia. Twenty-six nations signed the Baku Declaration to develop the corridor. An interesting point, and an illuminating one, is that the same nations that signed the Ankara Declaration signed the Baku Declaration, including Turkey, adding Bulgaria and Romania to this consortium. The U.S. should not miss this signal that each country in the region is establishing a hedge, placing national interests above all else.

The U.S. has at its disposal several other levers it can apply to regional governments in an attempt to cement relationships. The Agricultural Department's Foreign Agriculture Service and Agricultural Marketing Service can assist nations in becoming more self-reliant. Additionally, the U.S. Agency for International Development can assist with national infrastructure improvements.

Finally, the U.S. can compliment its policy by establishing trade offices with each country in the region. The Economic section of regional U.S. embassies are equipped, but not specialized enough, to deal with the influx information seekers. No single project has the luxury of autonomy, all pipeline projects cross sovereign borders, advancing the need for a regional organization. Consequently, the U.S. opened the Caspian Trader and Foreign Investment Center in Ankara, Turkey. Further, the U.S. could assist those cooperative organizations regional
leaders have established, such as the Caspian Center in Baku, Azerbaijan. The Administration has passed the Foreign Operations Act to address development in the Caspian basin and to assist U.S. corporations in their dealings with regional governments.

**Military Strategy**

The U.S. established formal diplomatic relations with the former Soviet states of the Caspian basin in 1995. On October 1, 1998, Azerbaijan, Georgia, Armenia, and two non-Central Asian nations, Ukraine and Belarus, were added to the U.S. European Command’s (EUCOM) area of responsibility (AOR). A year later, on October 1, 1999, Turkmenistan, Kazakhstan, Uzbekistan, and the lesser relevant non-Caspian basin nations of Tajikistan and Kyrgyzstan were added to the U.S. Central Command’s (CENTCOM) area of responsibility. The later two nations have insignificant deposits of oil and natural gas to be included in a U.S. Caspian basin centered policy; however, their engagement will have an impact on the overall tenor of the region. Not to be left out of the contest, they should be expected to exact their share of profits by plying cross border and inter-cultural ties with the resource laden countries of the region to influence future pipeline routes to Pakistan, India, and China. Russia, a variable not to be ignored, is not assigned to any geographic Commander in Chief (CINC). Iran was previously within the CENTCOM AOR and, although under a watchful eye, not engaged militarily. The possible warming of relations of late may present an opportunity for more U.S. military involvement with Iranian military leadership and forces.

The U.S. government has made yet another critical mistake in its arbitrary division of responsibilities in the region. The thought process put into the division of this region follows no visible logic. The State Department left all ten new countries in its Russian region. The Defense Department decided otherwise. An even split for EUCOM and CENTCOM seems to
have been the extent of the thought process. Granted, Ukraine, Belarus, and Moldova are more European centered and are best placed within the EUCOM AOR. The remainder of the nations in question are separated from these three by the Sea of Azov and the Black Sea and the two groupings of countries are approximately 560 miles apart, separated by the large Russian landmass. Moreover, the nations of the Caspian basin are culturally and linguistically linked. They are economically integrated and further ties are eminent with the continued development of the basin and the construction of export pipelines.

A more reasonable arrangement of these countries into military "CINCdoms" would lead one to postulate that a division along cultural, linguistic, economic, and national goal lines would present the best solution for the Departments of State, Defense, Commerce, and Energy to coordinate their efforts with the Caspian region’s governments. Ukraine, Belarus, and Moldova have tended to stay aligned with mother Russia. Conversely, the remaining nations are attempting to distance themselves from Russia, with publicly stated goals of economic independence from Russia—the basis for legitimate statehood in their minds. The ten Newly Independent States and U.S. national interests could better be met with a revision of the military division of labor in the region. Ukraine, Belarus, and Moldova should remain in EUCOM. All other NIS not in the CENTCOM AOR should be repositioned there forthwith. The advantages of this arrangement include the above, as well as the forestalling of the responsibility for all the region’s major oil producers on one CINC creates singularity of effort for all energy security related issues. This arrangement additionally prevents regional actors from playing one CINC off of the other. The key disadvantages are twofold; 1) CENTCOM would have to expand again, and 2) CENTCOM already has a number of potential “dirty little wars,” this addition may threaten to overwhelm the command.
Similar to the diplomatic exchanges recommended above, military-to-military exchanges should begin in earnest from the Joint Chiefs of Staff/Service Chiefs level down to special forces training teams and combined exercises. Along with the State Department, a forward leaning U.S. military can influence, if not shape, the national development of structure, composition, and disposition of the militaries of the Caspian basin and associated regions. Using historical precedent, the U.S. is in a powerful position to extol the virtues of democratization and civilian control of the military. The U.S. should lead the effort to bring the region's militaries together in constructive ways, cooperative efforts, joint and combined exercises, and eventually, protective regional security arrangements. Regional exercises and staged or real security operations with the UN should form the basis for an operationally competent regional security force.

The U.S. should use as the centerpiece of its military strategy an expansion of its relationship with the Central Asian Combined Peacekeeping Battalion (CENTRASBAT). In September 1997, 500 U.S. troops parachuted onto an isolated plain in Kazakhstan to join approximately 900 personnel from Russia, Kazakhstan, Uzbekistan, and Kyrgyzstan. CENTRASBAT-97 was a success by all standards of measure. It was the NIS of the region who initiated the exercise. This exercise should be considered for inclusion in the Partnership for Peace (PfP) programs. The exercise demonstrated international cooperation and contributed to the further development of a regional peacekeeping force that is up to UN standards. Although Russia has been encouraged to take a responsible role in this development, the U.S. should not allow this opportunity to forge personal relationships with regional military leaders to pass them by. Expanding on this concept, the U.S. should take the lead on integrating Azerbaijan and Turkmenistan into this force, fostering relationships with other regional candidates for future inclusion in the force.
There are two natural extensions of thought for U.S. military evolutionaries. One vein would entail the bold and possibly contentious move of organizing a similar battalion in the Caucasus, with the goal of ultimately bringing stability to the region, thus protecting U.S. interests. Turkey should lead the new Caucasus Peacekeeping Battalion (CAUCBAT). Other members should include Georgia, Armenia, and Azerbaijan. Therefore, the two regional peacekeeping forces will have commonality. A second path entails further development of the Turkish role in the region. The Turkic countries would like closer ties with mother Turkey. Turkey’s membership in NATO and its alliance with the U.S. have not gone lost on the Caspian basin nations. Encouragement of U.S.-Turkish combined exercises, with bilateral or multilateral participation from the region, will foster interoperability and enhance regional cooperation and stability. The U.S. should encourage Turkey to the orchestration of its own, Turkish led, regional exercises. Through Turkey, the UN, NATO, and the PfP, the U.S. has the opportunity to increase bilateral and multilateral initiatives that will encourage security cooperation and increase transparency with the NIS. As an example, in December 1998, Georgia called for the U.S. or NATO to station a military contingent on Georgian soil to safeguard the transportation of Caspian oil.³³ Representatives from Georgia, Ukraine, Azerbaijan, and Moldova (GUAM Group) convened a conference to discuss the formation of a regional peacekeeping force for the protection of Caspian oil export pipelines. They further proposed this force be established within the framework of the PfP.³⁴

Conclusion

The President detailed U.S. national policy for the Caspian Sea region in the National Security Strategy. The policy clearly highlights access to the region and energy security. Ensuring U.S. corporate lead on development of the region’s resources and nullifying Russian
and Iranian influence on oil field exploration and development and pipeline export routes form the basis of this policy. The Caspian basin alone may not hold enough reserves to warrant being labeled a "pivotal region" by strategists. Nonetheless, the combined Middle East-Central Asia "energy field" contains the single largest concentration of hydrocarbon reserves in the world and warrants U.S. attention, if nothing else. In order to maintain influence in the Caspian basin, the U.S. must engage the regional heads of state, work cooperatively with U.S. industry, advance U.S. military cooperation, and all the while, address the complex challenges of access and energy security. The recommended Seven-Step Framework forms the basis for a Caspian Sea strategy that positions the U.S. as a regional leader and takes the bold step toward normalization of relations throughout the region. Regional leaders are in pursuit of economic independence and sovereignty. The U.S. can assist them, while advancing its own interests as well.
ANNEX A

U.S. Regional Policy Statement

U.S. Regional policy is to: 1) Strengthen the viability of the NIS as market-based democracies by steadfastly supporting their independence, territorial integrity, and prosperity; 2) Enhance commercial opportunities for U.S. and other companies; 3) Mitigate regional conflicts by building economic linkages between the new states of the region; and 4) Ensure that Caspian energy resources bolster the energy security of the U.S. and our allies, as well as the energy independence of the Caspian NIS, by guaranteeing the free flow of Caspian oil and gas to world markets. 35

The National Security Strategy (NSS) highlights the administration's view that the Caspian Basin will play an increasingly important role in meeting the future world demand for energy resources. 36 The President directed that, "We must continue to be mindful of the need for regional stability and security in key producing areas to ensure our access to and the free flow of these resources." 37
ANNEX B
Details on the Caspian Legal Debate

Azerbaijan advocates the establishment of national sectors with maritime boundaries based on the establishment of a median line, and for the Law of the Sea to be applied.\textsuperscript{38} Kazakhstan supports the establishment of national sectors in conjunction with cooperation on the environment, fishing, and navigation.\textsuperscript{39} In October 1998, the President of Turkmenistan agreed to a division of the Caspian into national sectors.\textsuperscript{40} The Russian position has varied the most over time. It claims their initial agreements with Iran are still valid. However, in July 1988, Russia signed a bilateral agreement with Kazakhstan to divide the northern Caspian seabed along a median line established between the two, with the provision that the use of Caspian waters for shipping, fishing, and environmental responsibility remain under joint ownership.\textsuperscript{41} This accomplished two things for Russia, it reestablished Russian involvement in the development process of the only oil field near its coastline, with low risk of future contention, and it maintained former Soviet agreements with Iran. Iran on the other hand, is contending for coastal zones divided into national sectors (e.g., forty-five mile economic exclusion zone) and the remainder of the Sea under common ownership, for all resources, shipping, fishing, and environmental issues. Iran has show a recent willingness to consider the division of the Caspian into national sectors, like all other littoral states, but caveat their position with a requirement for an equal five way split, with twenty percent of the Sea and its resources going to each country.\textsuperscript{42} This is an obvious reflection of their desire to acquire the maximum number of southern Caspian oil fields as possible.
The Caspian Sea's resources are generally considered to be oil and natural gas. However, Iran and Russia have claimed the Sea as a national water column. Sturgeon (caviar), shipping/transportation access, and environmental responsibilities have been listed as well.  

<http://www.eia.doe.gov/emeu/cabs/caspconf.html> (18 April 99)  
2 Ibid.  
3 Ibid., 1.  
4 Ibid., 2.  
5 Martha Olcott, "The Caspian's False Promise," Foreign Policy, Summer 1998, 1.  
<http://www.eia.doe.gov/emeu/cabs/caspconf.html> (18 April 1999)  
7 Ambassador Richard Morningstar, Special Advisor to the President and Secretary of State for Caspian Basin Energy Diplomacy, an address to the CERA Conference, Washington D.C., 7 December 1998; and Ambassador Morningstar's address at Kent State University, Kent, Ohio, 23 November 1998.  
<http://ourworld.compuserve.com/homepages/usazerb/311.htm> (19 April 1999)  
9 The Caspian Sea's resources are generally considered to be oil and natural gas. However, Iran and Russia have claimed the Sea as a national water column. Sturgeon (caviar), shipping/transportation access, and environmental responsibilities have been listed as well.  

<http://www.eia.doe.gov/emeu/cabs/casplaw.html> (19 April 99)  
<http://www.eia.doe.gov/emeu/cabs/casplaw.html> (19 April 99)  
15 Ibid., 3.  
16 David Ivanovich, "Thaw Hasn't yet Opened Way to Iran, Oil Companies May be Slow to Benefit," Houston Chronicle, 10 January 1998, 3.  
17 Ibid., 1.  
18 Ibid., 2.  
20 Ibid., 3.  
<http://www.eia.doe.gov/emeu/cabs/caspian.html> (1 April 1999)  
23 Ibid.  
24 Ibid., 2.  
25 Amoco President Don Stacy, while in a meeting of business leaders with President Clinton, brought up the disparity.  
<http://www.eia.doe.gov/emeu/cabs/caspian.html> (1 April 1999)  
27 Ibid.  
<http://www.eia.doe.gov/emeu/cabs/casplaw.html> (19 April 99)  
29 The U.S. Department of State homepage.  
<http://www.state.gov/regions> (11 May 1999)  

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