DEFINING THE CASPIAN
AN INTRODUCTION FROM U.S. AMBASSADOR (RET.) RICHARD E. HOAGLAND

COMMENTARIES FROM U.S. AMBASSADOR (RET.) RICHARD L. MORNINGSTAR AND U.S. AMBASSADOR (RET.) ROBERT CEKUTA.

THE UNITED STATES IN THE CASPIAN
BY LUKE COFFEY
ABOUT US

The Caspian Policy Center (CPC) is an independent, nonprofit research think tank based in Washington D.C. Economic, political, energy, and security issues of the Caspian region constitute the central research focus of the Center.

CPC aims at becoming a primary research and debate platform in the Caspian region with relevant publications, events, projects, and media productions to nurture a comprehensive understanding of the intertwined affairs of the Caspian region.

With an inclusive, scholarly, and innovative approach, the Caspian Policy Center presents a platform where diverse voices from academia, business, and policy world from both the region and the nation’s capital interact to produce distinct ideas and insights to the outstanding issues of the Caspian region.
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Dear Readers,

Welcome to the first issue of Caspian Affairs!

We at the Caspian Policy Center hope that this bimonthly publication will help acquaint you with the political, security, infrastructure, economic, and trade and commerce issues and opportunities of the countries of the Caspian Sea region – Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. These eight independent countries, once the center of the Silk Road immortalized by Marco Polo and others, are the land bridge between China and Europe and today are prime real estate for Beijing’s Belt and Road Initiative. At the same time, Russia considers them as part of its “privileged sphere of influence,” and Iran hovers directly to the south. Despite the major international competition in the region, each of these former Soviet republics, independent now for only 27 years, seeks to balance its relations with Moscow, Beijing, Washington, and Brussels.

This is a region on the move and poised for greater success, in large part because of the worldclass oil and natural-gas deposits in a number of the countries and, especially, in the Caspian Sea itself. It has the potential to supply significant amounts of hydrocarbons directly to Europe, as has already been proven by the successful Baku-Tbilisi-Ceyhan natural-gas pipeline. But the Caspian Sea region is not just about natural resources; even more, it’s about human resources, boasting a highly-educated population and skilled work force. The Muslim countries in the region are moderate, secular, and forward looking. Especially promising is that these countries are beginning to explore forming their own regional organization to gain greater prominence on the world stage.

In this first issue of Caspian Affairs, you’ll find discussions of U.S. interests and policy in the region, the roles of other key players, including Iran; a view of the recently signed Caspian Sea Convention that defines the rights and responsibilities of the five littoral states; and one view of the prospects for the long-awaited Trans-Caspian Pipeline that could deliver Central Asian natural gas directly to Europe.

We at Caspian Affairs would value your feedback. Please contact us at info@caspianpolicy.org. To learn more about the region and to see weekly news updates, please visit www.caspianpolicy.org.

Ambassador (ret.) Richard E. Hoagland
Editor-in-Chief
Caspian Affairs Magazine
AMBASSADOR (RET.) RICHARD E. HOAGLAND


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AMBASSADOR ROBERT CEKUTA

AMBASSADOR TO THE REPUBLIC OF AZERBAIJAN (2015–2018), BOB CEKUTA

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THE CONVENTION ON THE LEGAL STATUS OF THE CASPIAN SEA
The presidents of the five countries with coastlines on the Caspian Sea — Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan — agreed in August on the sea’s legal status after 22 years of negotiations.

BOLTON VISITS THE CASPIAN REGION
John Bolton, Assistant to U.S. President for National Security Affairs, traveled to Russia, Azerbaijan, Armenia, and Georgia in October 2018 to meet with his counterparts and other senior officials to advance American interests on a range of security issues.

U.S. DEFENSE OFFICIAL SAYS WASHINGTON WANTS BROADER DEFENSE COOPERATION WITH AZERBAIJAN
Laura Cooper, the U.S. Deputy Assistant Secretary of Defense for Russia, Ukraine, Eurasia, met with President Ilham Aliyev and Defense Minister Zakir Hasanov in Baku on Tuesday December 4, 2018. According to reports, Cooper said her visit to Baku was aimed at expanding defense cooperation and the U.S.-Azerbaijan partnership, noting that broader security and defense cooperation is in the best interest of the Trump administration.

SALOME ZURABISHVILI WINS GEORGIAN PRESIDENTIAL ELECTIONS
Georgia’s former Foreign Minister Salome Zurabishvili beat opponent Grigol Vashadze in a runoff election for Georgia’s presidency. Zurabishvili, the first woman to hold Georgia’s presidency, won with 59 percent of the vote.

PRESIDENT OF AZERBAIJAN VISITS TURKMENISTAN
Azerbaijani President Ilham Aliyev made an official visit to Ashgabat from November 21 to November 22. The two delegations signed bilateral agreements relating to transport and trade logistics, cooperation in arts and sciences, and education, among others. President Aliyev praised these agreements as helpful steps in establishing the East-West transport corridor. He also expressed satisfaction with bilateral cooperation in regional security, specifically in the Caspian Sea.

GEORGIA ATTRACTS $322.6 MILLION IN FOREIGN DIRECT INVESTMENTS
Foreign direct investments (FDI) in Georgia amounted to $322.6 million in the third quarter (Q3) of 2018 as shown by preliminary data published by the National Statistics Office of Georgia (Geostat). Q3 FDIs were down by 48.2 percent compared to the adjusted data for Q3 of 2017. The main reasons for the decrease in FDIs are the completed pipeline project, transferring of ownership in some companies from non-resident to resident units, and reduction of liabilities to non-resident direct investors,” said Geostat.

EIB MAY OPEN REGIONAL OFFICE IN UZBEKISTAN
The European Investment Bank (EIB) may open a regional office in Uzbekistan, Uzbek media reported referring to a meeting of Deputy Prime Minister and Chairman of the State Investment Committee of Uzbekistan Sukhrob Kholmuradov with EIB Vice-President Vazil Hudák. The EIB proposed during the negotiations to open a regional office of the bank in Uzbekistan.

SOURCES FOR POLITICS AND SECURITY SNAPSHOT, AND ENERGY AND ECONOMY SNAPSHOT
KAZAKHSTAN’S TRANSIT TRAFFIC VIA TITR SURGES
In January-October 2018, Kazakhstan’s container transit traffic through the Trans-Caspian International Transport Route (TITR) increased by 17.5 times to 2,800 TEU, compared to 160 TEU last year, according to First Vice Minister of Investment and Development of Kazakhstan Roman Sklyar. “For the 10 months, export rail transportation through TITR amounted to 537,400 tons, and import rail transportation – to 254,600 tons,” he said.

SOCAR TO BUILD NINE FILLING STATIONS AT NEW ISTANBUL AIRPORT
The Azerbaijani state oil company SOCAR stated in November that it plans to build nine filling stations at the new Istanbul airport. The filling stations will be operational as of December 31, 2018. SOCAR’s filling stations will serve about 10,000 cars daily.

TAJIKISTAN LAUNCHES FIRST UNIT OF ROGUN HPP
President of Tajikistan Emomali Rahmon launched the first unit of the Rogun hydropower plant on November 16. The 500 kV “Dushanbe-Rogun” power line was built under the project, “Restoration and construction of power lines in areas of republican subordination,” the total cost of which is 650 million somoni ($70 million).

PRESIDENTS PUTIN AND ERDOGAN ATTENDED THE CEREMONY ON THE OCCASION OF THE COMPLETION OF TURKSTREAM PROJECT
Russian President Vladimir Putin and Turkish President Recep Tayyip Erdogan came together on Monday November 19, 2018 at the ceremony of the completion of the TurkStream project’s offshore section sponsored by Russian natural gas producer Gazprom in Istanbul. The pipeline runs over 930 km through the Black Sea and is further scheduled to extend to the border of Turkey with other countries.

TRADE TURNOVER BETWEEN AZERBAIJAN, GEORGIA HITS $450 MILLION
“This year trade turnover between Azerbaijan and Georgia amounted to $450 million in January-September, while exports increased by 8 percent. In 1995-2018, Georgia invested $93.8 million in Azerbaijani economy and Azerbaijan invested $3 billion in Georgia,” according to Azerbaijani Economy Minister Shahin Mustafayev.

TURKMENISTAN IN TALKS WITH EUROPEAN COMMISSION ON GAS SUPPLY POSSIBILITY
Turkmenistan is considering the possibility of supplying natural gas to the European market and is holding the relevant negotiations with the European Commission, said Yagshygeldy Kakayev, advisor to the Turkmen president, the Turkmengaz State Concern said in a message. “We are considering an export route to Europe and are actively negotiating with the European Commission and other transit countries on this issue,” he said.

IRAN’S CHABAHAR PORT EXEMPTED FROM SANCTIONS
The State Department announced on November 6 that the U.S. had approved a sanctions exemption for Iran’s Chabahar port and the Azerbaijani natural gas pipeline, Shah Deniz. The Iranian port is critical to India, since it allows it to access Central Asian markets without going through Pakistan.

ASHGABAT, ANKARA DISCUSS LAPIS LAZULI TRANSIT PROJECT PASSING THROUGH CASPIAN SEA
During a meeting with Turkish Foreign Minister Mevlut Cavusoglu on November 11 in Ashgabat, President of Turkmenistan Gurbanguly Berdimuhamedov discussed the prospects for creating the Afghanistan-Turkmenistan-Azerbaijan-Georgia-Turkey (Lapis Lazuli) international transit transport corridor, Turkmen Dovlet Habarlary reported.
Ask any passerby in the United States or Europe what comes to mind when they hear the words Caspian Sea, and, after a pause, their answer might be, “Caviar?” A small number of more knowledgeable individuals might answer, “Natural resources like oil and gas?” Few people beyond the Greater Caspian Region have a great awareness or understanding of the eight countries on the southern rim of Russia that emerged from the fall of the Soviet Union—Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. Most have little knowledge of why the Greater Caspian Region has been a center of competition for global power and influence over the centuries—think the Han Chinese and the Roman, Persian, and Ottoman Empires, not to mention the Russian Empire. Similarly, most would be surprised to hear that the Greater Caspian Region is a focal point of increasing strategic importance.

Stories about the Greater Caspian Region are usually only a quiet, background hum against the cacophony of news stories concerning more volatile countries and non-state actors, such as Syria, North Korea, or ISIS. But the region bears watching, because it’s one of the major hydrocarbon-deposit centers of the world. The region contains the Tengiz, Kashagan, and Karachaganak gas fields in Kazakhstan; the Galkynysh in Turkmenistan; and the Shah Deniz in Azerbaijan, to name only the most well-known. The Caspian is also the locus at which four global powers are currently vying for influence: Russia, China, the U.S., and Europe. As a result of the increasing competition in the region, the Greater Caspian Region is gaining new strategic importance globally.

The emerging foreign policy of the Trump administration, which lacks the same emphasis on promoting democracy and human rights that other administrations have tended to make, has ironically, and to the discomfort of some in the U.S. foreign-policy elite, enhanced the position of the U.S. as a partner for most of the former Soviet states in the greater Caspian region. We have seen evidence of this in Azerbaijan, which has recently been signaling its desire for a closer relationship with the U.S. If nothing else, the Trump administration has introduced an element of hard-core realpolitik into U.S. foreign policy that has been absent for at least the last 20 years, during which “calling out,” “naming and shaming,” and “finger wagging” in public policy statements, as well as the well-intentioned but excruciatingly detailed Congressionally-mandated reports on human rights and religious freedom, have too often countered Washington’s somewhat restrained offers of engagement. An exception was when the U.S. needed support for the war in Afghanistan, Operation Enduring Freedom.

This emerging reality does not
mean that the U.S. has dramatically shifted to amorality, but it does enhance the opportunities for engagement. The ultimate irony that few special-interest ideologues are willing to admit is that this kind of realpolitik engagement fosters change and gradually leads to enhanced Western liberal values and global engagement for the new states on Russia’s southern periphery, especially as the younger generation comes into power.

Why is this so hard for the West to accept? The one fundamental point that the U.S., and the West in general, does not fully take into account is that the intellectual heritage of the former Soviet states of Central Asia and the South Caucasus is not the same heritage that developed in the West over centuries from the Renaissance, the Reformation, and the Enlightenment—the three great intellectual transformations that created the institutions, cultural values, political structures, and world view of the modern West. Rather, the former Soviet states inherited the values of the Soviet and the earlier Russian Tsarist empires, with an unbroken line directly back to the Byzantine Empire. This world-view and system of governance de-emphasized the importance of the individual and glorified the power of the state headed by an autarchic leader. Especially during the Soviet period, this non-Western system established an unholy alliance of political leadership in the hands of the privileged few, a tolerance for and even acceptance of organized crime as an element of power, and the use of powerful intelligence agencies to knit it all together. Without the existence of any long-established institutions to mount a challenge, this trifecta benefited only a privileged few. To put it succinctly, the heritage that continues to influence the region is radically different from that of the West.

But first, to better understand the significance of the Greater Caspian Region, let’s look at the international players that vie for influence in the eight countries on the southern rim of the former Soviet Union.

RUSSIA
Russia has long declared a privileged sphere of influence over its former republics. Russia’s near-absolute dominance there should be a foregone conclusion, given the history, economic ties, a colonial lingua franca, the Russified culture of the elites, and the tsunami of propaganda on the Russian broadcast media that blanket the region. Yet somehow it is not.
Each state in the Greater Caspian Region has warily guarded its independence, sovereignty, and territorial integrity, especially since Russia’s annexation of Crimea from Ukraine. The annexation was a quiet game-changer and a wake-up call for each of the governments in the Greater Caspian Region.

Furthermore, Russia whispers a greatly over-exaggerated account of the threat of the Islamic State leaders. A threat does indeed exist because of ISIS’ declaration of a sub-caliphate of Khorasan in Afghanistan and its neighboring regions. However, Russian admonitions purposely construe it as more dire and imminent than it actually is in order to impel the Greater Caspian Region states to turn more fully to Moscow for security. Russia already has a permanent military presence at Gyumri in Armenia and in Central Asia at the Kant Airfield outside Bishkek in Kyrgyzstan and with its 201st Motorized Rifle Division at three locations in Tajikistan: Dushanbe, Qurghonteppa, and Kulob. The 201st is Russia’s largest military base outside the borders of the Russian Federation. By contrast, Washington has repeatedly stated it has no desire for permanent military bases in Central Asia, though the U.S. did have military facilities in Central Asia for a time to support Operation Enduring Freedom in Afghanistan (Karshi-Khanabad in Uzbekistan, 2001-2005, and the Manas Transit Center at the Bishkek International Airport, 2002-2014).

The leaders of the Greater Caspian Region states, who already consider stability as a sine qua non for continued rule, do not need regular sermons from Moscow about the evils of so-called color revolutions, supposedly plotted in Washington – the unconstitutional changes of government in Georgia (the Rose Revolution of 2003), Ukraine (the Orange Revolution of 2004 and, subsequently, the
Maidan of 2013), and Kyrgyzstan (the Tulip Revolution of 2005). However, such warnings are part of the regular Russian liturgy in its former republics. Moscow demonizes democracy and trumpets authoritarian rule in the service of stability and in an effort to herd its former sheep into its own exclusive, pasture.

Russia has created two multilateral structures for regional integration. The first is the Collective Security Treaty Organization (CSTO) in which the members pledge to mutually support and defend one another from security threats (“Permanently Neutral” Turkmenistan maintains only observer status). However, the CSTO is not regarded as an especially effective organization by either its members or the greater Eurasian region, despite annual summits and regular military exercises. It is questionable whether its members would respond in an emergency situation, for example in a renewed war between Armenia and Azerbaijan. It is notable that Kyrgyzstan asked for security assistance from the CSTO during the ethnic turmoil in Osh, that began in June 2010, but Moscow did not respond.

The more recently formed, Russia-dominated multilateral organization in the region is the Eurasian Economic Union (EEU), which initially comprised Russia, Kazakhstan, and Belarus, and now includes Kyrgyzstan and Armenia. Moscow is also putting pressure on others, such as Azerbaijan and Tajikistan, to join. Tajikistan, arguably the weakest state in the region, has responded to Moscow unenthusiastically, neither accepting nor rejecting Russian overtures. Azerbaijan continues to kick the can down the road.

Kazakhstan’s President Nursultan Nazarbayev proposed the EEU in the 1990s, but Moscow tended to pooh-pooh it until Putin’s third presidential term when he apparently recognized its potential as an effective tool of Putinism, which some go so far as to dub neo-sovietism. Some suspect that Moscow sees the EEU as a bloc structure – led by Moscow – that will inevitably take on a political dimension. However, Kazakhstan has so far said nyet to any kind of political dimension – or, to go even further, a common currency – for the EEU. Kazakhstan rigorously guards its independence, sovereignty, and territorial integrity, especially because its population, concentrated largely in the northern part of the country bordering Russia and around the former capital, Almaty, is still just under 25 percent Slavic unlike the populations of the four other Central Asia states. It is especially the north that concerns Astana, because influential voices in Russia (and not just the clownish Vladimir Zhirinovskiy, himself born in Almaty) have continued to call for the annexation of the northern third of Kazakhstan, which some insist is historically a part of Russia, since the 1990s. Annexation was such a concern to Nazarbayev that he moved the capital of his country from Almaty to Breshnev’s “Virgin Lands” city of Astana on the steppe, virtually placing it in the middle of nowhere.

China

China is the increasingly looming elephant in the Greater Caspian Region. The country’s presence has been politically benign for the most part, as China has sought to gain access to the hydrocarbon and mineral wealth in the region to fuel its own economic growth. The West, including the U.S., saw no problem, even as China increasingly bought into the oil sector of Kazakhstan and the natural-gas sector in Turkmenistan (where it is the only foreign nation allowed to operate its gas wells and pipelines directly on Turkmenistan’s sovereign soil), because there was no perceived political threat. However, the West perked up its ears when China’s President Xi Jinping announced plans for its New Silk Road Economic Belt to run from east to west across Central Asia, through the South Caucasus, and on to northern Europe at Nazarbayev University in Astana in September 2013. Initially, the U.S., which began its own New Silk Road Initiative during the early Obama administration, paid little attention, because the U.S. version of the New Silk Road focused on forging north-south links from Russia’s southern border into India, whereas China’s stated goal was to facilitate transport of its industrial production, especially from Western China, overland to Europe. We now know that China was making plans up as it went. China had mostly formulated and announced its One Belt One
Road (OBOR) initiative, now known as the China-Pakistan Economic Corridor, by 2014. OBOR, which would stretch from the Karakorum Mountains to the warm-water port of Gwadar, reaches far beyond Central Asia to connect elements in Pakistan and Southeast Asia, maritime lanes through the South China Sea and the Indian Ocean, and all the littoral ports, including those of East Africa. China released a comprehensive action plan by March 2015 for what it had come to call the Belt and Road Initiative (BRI) [see author’s end-note for the entire text], emphasizing that its adherence to the purposes and principles of the UN Charter. The action plan stated that the BRI would uphold the Five Principles of Peaceful Coexistence, which are “mutual respect for each other’s sovereignty and territorial integrity, mutual nonaggression, mutual noninterference in each other’s internal affairs, equality and mutual benefit, and peaceful coexistence.”

The initial U.S. view of China’s New Silk Road Economic Belt was rather simplistic: “They do hardware; we do software,” meaning that Beijing would focus on upgrading the East-West highways and rail lines along the southern rim of the former Soviet Union, while Washington focused on technical capacity building for things such as customs modernization and border security. However, it became apparent that China was actually creating more of an industrial investment scheme, when the country began to develop its BRI policy, invest in upgrading port facilities in Azerbaijan and Georgia, and buy up industries all the way from Xinyang to the Black Sea. Furthermore, China began to emphasize as never before the value of greatly expanded people-to-people engagement, a fundamental element in any superpower’s foreign policy.

U.S. diplomats met with appropriate contacts in Beijing for the first time near the end of 2014 to compare notes on each other’s New Silk Road policies. [Full disclosure: This author led that U.S. delegation.] Those initial meetings seemed friendly and surprisingly forthcoming to some participants and observers, but they only scratched the surface. Follow-up came in May 2015, again in Beijing, where the U.S. offered a short list of possibilities for concrete cooperation in Central Asia and beyond. Not much came of this at that time – in part, because China was uncertain of U.S. intentions. The U.S. was “testing the waters,” but it was not fully committed to cooperation. Furthermore, China had already nominally allied its New Silk Road Economic Belt with Russia’s Eurasian Economic Union. Because U.S. policy was not fully invested in seeking Chinese collaboration in Central Asia and beyond, Washington let these initial forays fall by the wayside. Yet potential certainly exists for Sino-American cooperation in the Greater Caspian Region. Indeed, U.S. companies are already participating in China’s upgrade of Georgia’s Black Sea ports and seeking contracts elsewhere.

The China-dominated Shanghai Cooperation Organization (SCO) plays a more important role in Central Asia than the Russia-dominated CSTO. For many years, outsiders and even some participants saw the SCO as just one more “talk shop.” Member-state Uzbekistan recommended that the U.S. be granted observer status soon after the SCO was founded. However, Washington rejected the offer, before the SCO could decide on this recommendation, because it was unwilling to be associated with an organization comprised of Russia, China, and “un-reformed” former Soviet states, even as an observer. While understandable, this rejection was short-sighted and typical of ideological decision-making in Washington at that time.

IRAN

Iran, which shares borders with Turkmenistan, Azerbaijan, and Armenia, is a wild-card in the Greater Caspian Region. Tehran has long been interested in its former-Soviet neighbors but the international sanctions that have crippled its economy have also constrained its options. If the U.S. continues to lift international sanctions against Iran – certainly a big “if” – that may begin to change. Still, Iranian-Caspian infrastructure continues to emerge, like the Kazakhstan-Turkmenistan-Iran railroad, and is likely to increase over time.

Nevertheless, Iran will have an uphill slog to gain any significant political influence in the Greater Caspian Region. The most natural
affinities should exist between Dushanbe and Tehran, because, unlike the other Central Asian states that by their heritage are Turkic-speaking and share Mongol-culture, Tajikistan is a Persian-culture nation, having once in the long-distant past been an outpost of the ancient Persian Empire. The Tajik and Farsi languages are mutually intelligible. But even Dushanbe is more than a little leery of Tehran, because Tajikistan’s population is majority Sunni, despite the large, remote Gorno-Badakhshan Autonomous Oblast where Ismaili Shi’ites predominate. Likewise, Iran and Azerbaijan, two Shia-majority states, should be natural allies, but secular Azerbaijan has kept its relations with Iran to the “correct” level at best, and Iran keeps a wary eye on its significant Azeri population in northern Iran. The other Greater Caspian Region states, which are determinedly secular, also cast a wary eye toward Iran, because it is a self-proclaimed Islamic revolutionary state. Still, Iran can expect to gain more influence in the region in the coming years. Iran’s influence in particular will grow due to increasing trade and energy linkages with the Caspian-littoral states.

TURKEY

Despite its significant potential, Turkey never fully emerged as a major player in the Greater Caspian Region and currently seems more focused on its own internal issues. Immediately after the fall of the Soviet Union, Ankara made a full-press effort to gain clout in Central Asia, where four of the five states of interest (minus Tajikistan) are Turkic. However, it overplayed its hand and was perceived as seeking dominance rather than partnership. In the South Caucasus, Turkey and Armenia maintain their post-Ottoman Empire standoff. Turkey is allied with Azerbaijan, primarily against Armenia, but is not a dominant and decisive partner for Azerbaijan, despite its public rhetoric. Indeed, Israel is as much a key partner for Azerbaijan as Turkey is. Ankara will remain a minor player in the region so long as Turkey remains inward-looking due to its unresolved struggle to determine whether it will pursue its own neo-Ottoman (and increasingly authoritarian) course or become truly European.

THE EUROPEAN UNION

All eight Greater Caspian states practice to varying degrees what they call a multi-vector foreign policy, meaning they seek to balance their relations with Russia, China, the U.S., and the European Union. Sometimes they also seek to play one off against the other. Kyrgyzstan in particular has lurched between Moscow and Washington in recent years, attempting to instigate a bidding war for Bishkek’s love. Some Central Asian officials, as well as leaders in the South Caucasus states, will readily admit that Russia and China are immediate neighbors; Europe and the U.S. are rather far away. The EU, as an entity of 28 voting nations, must make policy by consensus and is consequently not as big a player in the Greater Caspian Region as are some of its individual members.

These include the United Kingdom, Germany, some of the Scandinavian countries, and even Latvia, which takes a quiet but effective approach in the region. Even so, the EU in 2015 updated its Greater Caspian Region policy and significantly increased its development assistance within the region. Clearly, the EU sees the region to its southeast as one that deserves a certain degree of attention.

Now, let’s look more closely at the individual states of the Greater Caspian Region.

ARMENIA

After its independence from the Soviet Union, Armenia went to war (1992-94) with its neighbor, newly independent Azerbaijan, to gain control of the autonomous oblast of Nagorno-Karabakh in western Azerbaijan. To this day, Armenia occupies Nagorno-Karabakh and seven of its surrounding districts, roughly 15 percent of Azerbaijan’s territory. Armenia is currently the only country in the world militarily occupying the sovereign territory of another independent state. Nagorno-Karabakh remains one of the “frozen” or “prolonged” conflicts of the former USSR, although it differs from others, since Russia did not foment violence there to keep Armenia from allying itself with the West. After the 1992-94 war, the international body that became the Organization for Security and Cooperation in Europe created the Minsk Group process of Co-Chairs for Nagorno-Karabakh (Russia, France, and the U.S.) that manages the conflict to this
day. The Minsk Group Co-Chair process has maintained peace for the most part, with the exception of the serious four-day flare-up in April 2016. However, the process has yet to resolve the conflict, and Armenia and Azerbaijan continue to stare at each other with daggers drawn over Nagorno-Karabakh.

The Armenian border remains officially closed, because of Armenia’s difficult relations with Turkey to the West. Landlocked, and with Azerbaijan to the East, Armenia has only one egress to the world through Georgia to the North and, to a lesser degree, through Iran to the south. The important Baku-Tbilisi-Ceyhan pipeline that carries Caspian hydrocarbons to western Europe bypassed Armenia in the late 1990s, due to long-standing and unresolved conflicts, though a route through Armenia would have been far more logical, shorter and cheaper. Armenia has allied itself with Russia by default and allowed Russia to build a major military base at Gyumri. Armenia was among the second wave of former Soviet republics to join Russia’s EEU. However, its troubled relations with its neighbors to the East and West keep this small, landlocked nation relatively isolated and poor.

AZERBAIJAN

This country of the South Caucasus is a key Caspian littoral state. Azerbaijan owes its wealth to its significant gas and oil deposits, which it fully exploited after independence by inviting Western companies in as investment partners. But the 1990s did not mark the first era of significant Western presence and influence in Azerbaijan. The Rockefellers, Rothschilds, and Nobels—the first major Western investors in Azerbaijan’s Caspian oil—turned Baku into a substantial and glittering cosmopolitan European outpost at the beginning of the 20th century. President Aliyev consolidated power and brought stability to Azerbaijan after several nominally democratic but weak governments failed in the immediate aftermath of independence.

The West has maintained a sort of love-hate relationship with Azerbaijan—“love,” because of its hydrocarbons and strategic location, and “hate,” because of disagreements over issues of human rights and democracy. The Aliyevs have worked hard to maintain a multi-vector foreign policy, balancing Russia, Europe, and the U.S., while keeping them at an arm’s length. Furthermore, Azerbaijan has maintained a “correct but not too close” relationship with its southern neighbor, Iran, which contains a significant minority of ethnic Azeris in its own north. Both nations are Shia Muslim, but Azerbaijan is resolutely secular, whereas Iran maintains its status as a revolutionary Islamic state. Furthermore, Azerbaijan has developed positive military and economic ties with Israel.

The U.S. has an interest in Azerbaijan for several reasons. First, U.S. hydrocarbon companies have major investments there. Azerbaijan was also willing to work closely with the West to build the Baku-Tbilisi-Ceyhan pipeline, the first pipeline to bypass Russia to export Caspian hydrocarbons to Europe. Since 9/11, Baku has also provided Washington with both a reliable trans-shipment point to supply the U.S. presence in Afghanistan as

"Azerbaijan owes its wealth to its significant gas and oil deposits, which it fully exploited after independence by inviting Western companies in as investment partners."

well as troops for the international presence there. Most recently, ExxonMobil and Chevron acquired a 16% share in the ACG oil agreement on September 14, 2017, a promising development that will indirectly add impetus to the Southern Gas Corridor. Nevertheless, the addition of Section 907 to the FREEDOM Support Act, instigated by the Armenian lobby and intended to limit U.S. military assistance to Azerbaijan immediately after 9/11, put a damper on U.S.-Azerbaijan security cooperation, even though the provision has been regularly waived each year. Some in the West decried the February 2017 appointment of Ilham Aliyev’s wife, Mehriban, as First Vice President. However, early indications are intriguing because she is slowly bringing a younger generation with international education and exposure into positions of significant power while quietly retiring the old Soviet generation. Early results of this new-generation presence suggest a more nuanced and sophisticated foreign policy emerging in Baku. Time will tell.

GEORGIA

Despite being the birthplace of Stalin, Georgia was always a thorn in the side of the Soviet Union, because of its adamant insistence on maintaining its own very distinct identity and historic **joie de vivre**. Georgia has also been a darling of the West since independence, not just because of its world-class wines, but also because Georgian native and Foreign Minister to Gorbechav, Eduard Shevardnadze, helped effect the peaceful fall of the Soviet Union before becoming the first president of the independent Georgian state. Subsequently, President Mikhail Saakashvili looked to the West for membership in the EU and in NATO following the Soviet Union’s first “color revolution” (2003). Neither goal has become a reality, although both international organizations rhetorically “keep the door open.” This is in part because Russia has hindered Georgia’s move westward by supporting the aspirations for independence of two important Georgian provinces, Abkhazia and South Ossetia, thus creating two significant “frozen conflicts.” In fact, Russia invaded South Ossetia in 2008 when Saakashvili misjudged and overplayed his hand. The EU now provides observers and peacekeepers in Georgia by international agreement, but Russia is slowly and inevitably absorbing South Ossetia.

KAZAKHSTAN

Almost four times the size of Texas, with a population of only just slightly over 18 million, Kazakhstan is another key player in Central Asia. Though the northwestern section of Kazakhstan across the Ural River lies on the European land mass, Kazakhstan differs immensely from the other players in the region not because of its geography, but because of the decisions that President Nursultan Nazarbayev and his government made in the immediate months after independence. Three of these decisions are especially important. First, Kazakhstan rejected the Soviet command-economy model and committed to macro-economic reform shortly after its independence, with the result that its banking and other financial systems are on a par with Central Europe’s today. This means that Kazakhstan is much more deeply embedded in the global economy than the other four countries in the region, which are still limping along with the tattered remnants of an outmoded command economy.

Second – and more importantly – President Nazarbayev decided after independence that if Kazakhstan were to emerge someday as a major player on the world stage, it would need a new generation of forward-thinking leaders. He created the Bolashak Program (bolashak means future in Kazakh) that sent young Kazakhstani citizens abroad for full university educations and even graduate degrees for some; he established this far-sighted policy in the earliest days of independence even before Kazakhstan began to rake in the wealth from its Caspian oil deposits. There are now 10,000 alumni of the Bolashak Program in Kazakhstan, who are globalized, often multi-linguistic, young people rising in both the public and private sectors.

Third, Kazakhstan, which found itself with the fourth-largest nuclear arsenal in the world at its independence, became an exemplary nuclear non-proliferation partner of the U.S. Kazakhstan. President Nazarbayev committed to total denuclearization, in part because
of the devastation that Soviet nuclear testing had inflicted on the land and population around Semipalatinsk in northeastern Kazakhstan. The decade-long U.S.-Kazakhstan effort to clean up the BN-350 nuclear fast-breeder reactor site at Aktau reached a significant milestone in November 2010 when Kazakhstan secured and locked down 3,000 kg of weapon-grade plutonium and 10,000 kg of highly enriched uranium at Baikal-1, near Semipalatinsk, under the International Atomic Energy Agency safeguards.

KYRGYZSTAN (THE KYRGYZ REPUBLIC)

Kyrgyzstan, the second-smallest country in Central Asia, not quite the size of South Dakota and with a population just a little over 5.6 million, is the second-poorest country in the region after Tajikistan. It established a reputation in the West soon after independence as “the only democracy in Central Asia” with an independent parliament, relatively free (if biased) mass media, and a vibrant civil society. The U.S. established one of its two temporary military facilities located in Central Asia in Tajikistan soon after 9/11 to support Operation Enduring Freedom in Afghanistan. This facility, which was located at Bishkek International Airport, came to be called the Manas Transit Center. The other facility was at Karshi-Khanabad in Uzbekistan (see below).

Kyrgyzstan has generally conducted relatively free and fair elections, but it has also seen two unconstitutional overthrows of government, the first of which ousted President Askar Akayev in 2005 in the so-called Tulip Revolution, the second, President Kurmanbek Bakiyev in 2010. Some human rights activists in the West applauded these overthrows as “democracy in action”; nevertheless, they were extra-constitutional.

Kyrgyzstan faces significant internal and external threats to its stability, including its own volatile political culture. Poverty, which runs rampant because the country’s only significant natural resource is gold, and ethnic divisions, primarily Kyrgyz-Uzbek divisions in the turbulent Fergana Valley, threaten it from within. Kyrgyzstan’s generally unguarded borders and mountainous terrain mean that threatening elements from terrorists to narco-traffickers can seep in from the outside without much resistance from the state’s weak military and law-enforcement bodies. Kyrgyzstan has developed a strong security partnership with Russia to address these weaknesses, creating a relationship that alarms Kyrgyzstan’s neighbors. The current government of President Almazbek Atambayev has grown even closer to Moscow after prematurely closing the Manas Transit Center in 2014. This is much to the Kremlin’s satisfaction but to the distaste of many of Kyrgyzstan’s immediate neighbors, who would prefer a more “multi-vector foreign policy” in Bishkek.

TAJIKISTAN

Tajikistan, which is slightly smaller than Wisconsin and contains a population of just over 8 million people, is the second-most-mountainous country in the world (after Nepal) and the poorest country in the region. Tajikistan limps along by exporting migrant laborers to Russia. It has come to depend on remittances from these guest workers for about 50 percent of its GDP, one of the highest percentages in the world. The current economic downturn in Russia threatens social instability in Tajikistan, as returning workers face bleak economic prospects abroad and in their home country. The country’s economy depends on two outmoded resources: a Soviet-legacy cotton monoculture and a Soviet-legacy aluminum tolling plant, Talco, in the eastern
part of the country. Unfortunately, Talco is also a source of significant pollution.

President Emomali Rahmon (formerly Rahmanov) from the Khatlon Province in the South came to power in November 1994 during the devastating north-south Civil War (1992-1997) as part of an internationally assisted power-sharing agreement. Over the years, Rahmon has become increasingly authoritarian.

Yet, Tajikistan should be taken very seriously. It’s a front-line state to Afghanistan and could have significant natural gas deposits that have yet to be fully explored. Moreover, it could become a major tourist destination with a better-developed infrastructure and greater adherence to rule of law, because of its spectacular natural beauty.

TURKMENISTAN
Slightly larger than California, with a population of about 5.5 million, Turkmenistan should be one of the most promising nations in the region, because it boasts the fourth-largest natural gas reserves in the world and a long Caspian-sea coastline. Instead, it has become somewhat of an international joke – “the North Korea of Central Asia.” To call is such is a wild exaggeration, of course, but Turkmenistan is indeed a curious country.

Turkmenistan has been a surprisingly good, if publicly skittish, partner for the U.S., despite its official policy of “Permanent Neutrality” that generally eschews all bilateral relations in favor of international bodies. During the height of Operation Enduring Freedom in Afghanistan, Turkmenistan quietly provided a refueling operation at Ashgabat International Airport for U.S. and NATO aircraft. Ashgabat has for a long time maintained discreet diplomatic relations with Afghanistan’s Taliban and furnishes natural gas to northwestern Afghanistan.

The U.S. has championed or at the least given lip-service to the Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline in recent years as a means to link Central and South Asia through the Obama Administration’s New Silk Road Initiative. The failure, to date, of this TAPI effort is primarily due to Turkmenistan’s idiosyncratic and self-defeating policy of not allowing international oil companies that have the financial resources to build such a pipeline, other than China’s, to function on-shore in Turkmenistan in a production-sharing capacity. The U.S. talked a good line to promote TAPI, but it never seriously devoted significant diplomatic capital to ensure the completion of the project as it did in the 1990s with the Baku-Tbilisi-Ceyan pipeline from Azerbaijan to Turkey.

The U.S. cannot afford to relegate Turkmenistan to the comedy club of international relations. It borders Afghanistan and Iran. It could provide natural gas to Europe via a long-discussed Trans-Caspian Pipeline should Turkmenistan and Azerbaijan ever resolve their long-standing dispute over ownership of significant mid-Caspian natural-gas deposits. Like Russia and much of the rest of Central Asia, Turkmenistan is economically constrained by low hydrocarbon prices, and some observers now suggest that its economy might be reaching a breaking point. However, if it maintains a reasonable degree of economic and political stability, Turkmenistan could play a certain role in Iran’s economic emergence as a key through-way for China’s New Silk Road Economic Belt, part of its Belt and Road Initiative.

"The poorest country in the region, Tajikistan limps along by exporting migrant laborers to Russia. It has come to depend on remittances from these guest workers for about 50 percent of its GDP, one of the highest percentages in the world."
UZBEKISTAN

Just a little smaller than California and with a population of somewhat over 29 million – by far the largest in Central Asia – Uzbekistan could be the economic powerhouse for the region. Yet it is not. It was ruled following independence by the wily former-Soviet aparatchik Islom Karimov. Karimov isolated Uzbekistan from the world economy and held the country firmly mired in the past with a hobbled command-style economy, as well as debilitating import-substitution and currency-exchange policies. However, it is interesting to note that under Karimov Uzbekistan saw itself as the natural leader of Central Asia and by extension all Turkic people, including those in western China. Uzbek officials in the early 1990s are reported to have sniggered privately that civilized Uzbekistan taught the “benighted nomads” elsewhere in the region “not to piss in their teapots.”

This attitude drew on the fact that Uzbekistan’s great Silk Road cities of Samarkand and Bukhara were centers for the celebrated Arab Renaissance of the Middle Ages that strongly influenced the Western Renaissance. But past glory does not necessarily translate into modern achievement.

Uzbekistan developed an especially pernicious reputation under Karimov for repression and violation of human rights. The so-called Andijon Massacre of May 2005 is one of many examples of such violations. Interior Ministry and National Security Service forces fired into a crowd of peaceful economic protestors in the Fergana Valley city of Andijon killing at least 200 but perhaps as many as 1,500 civilians. The international human-rights community and the U.S. strongly condemned the government of Uzbekistan for this incident.

This condemnation reverberated elsewhere in U.S.-Uzbekistan relations. Uzbekistan with Moscow’s concurrence granted the U.S. access to its air base at Karshi-Khanabad in south-central Uzbekistan almost immediately after 9/11 to support the American military in Operation Enduring Freedom in Afghanistan. U.S. diplomats [including the author] who negotiated that agreement remember a marathon 36-hour negotiating session. When the blurry-eyed diplomats straggled back to the Intercontinental Hotel in Tashkent after signing the agreement, they met with excited Uzbeks watching CNN in the hotel lobby, who shouted, “Look! We’re helping you bomb the Taliban!” The U.S. air war had begun.

Late 2001 to 2005 might have been a sort of Golden Age for U.S.-Uzbekistan relations, but Andijon helped to end that. Washington’s high-profile condemnation of Tashkent for the massacre contributed to Uzbekistan’s decision in the summer of 2005 to annul the agreement for U.S. use of Karshi-Khanabad. Tashkent annulled the agreement for the additional reason that it discovered Kyrgyzstan was receiving rent payments from Washington for the use of Manas International Airport, whereas Uzbekistan was receiving no such reimbursement under the terms of the original U.S.-Uzbekistan agreement for Karshi-Khanabad. Tashkent asked to renegotiate the agreement, but then-U.S. Secretary of Defense Donald Rumsfeld would not entertain the notion. Thin-skinned Tashkent, already irked by the U.S.’s condemnation of its actions at Andijon, said, “Fine. Do svidaniya!” sending U.S.-Uzbekistan relations into a deep-freeze for close to a decade. It was only Russia’s recent actions in eastern Ukraine and annexation of Crimea, along with adroit U.S. diplomacy, that caused leaders in Tashkent to reconsider relations with the U.S. While the relatively reformed and increasingly globalized Kazakhstan might appear to be leaving Uzbekistan in the dust, the U.S. cannot ignore this important Central Asian nation.

In fact, there is more reason than ever to pay close attention to the state. President Karimov died in September 2016, and Shavkat Mirziyoyev became Uzbekistan’s second president since independence through a peaceful transition of power. Mirziyoyev’s initial efforts to reform Uzbekistan’s financial and economic policies, which were frozen in the Soviet-past, could very well put the country on a path to becoming a regional powerhouse. It could take years, even decades, to make up for lost time, but these reforms are a step in the right direction. Furthermore, Mirziyoyev’s efforts to improve Uzbekistan’s often
testy relations with its neighbors, especially Kazakhstan, could be a game-changer for the region. Only time will tell.

U.S. POLICY IN THE GREATER CASPIAN REGION

U.S. policy was colored after the fall of the Soviet Union by irrational exuberance. Washington assumed through its rose-colored glasses that the peoples of the former Soviet Union were yearning to breathe free and would embrace free-market democracies with the right American assistance. Using the authority of the 1992 FREEDOM Support Act – one of those quirky Congressional acronyms that stands for “Freedom for Russia and Emerging Eurasian Democracies and Open Markets” – Washington dedicated considerable resources to support the former Soviet states as they transitioned from communism and central planning toward democratic governance and free market economies. We now know transitioning fully from one ideology to another is not as quick and easy a process as we formerly envisioned.

U.S. core policy interests in the newly-independent countries of the former Soviet Union are to support independent, sovereign states that uphold regional security, increase their economic integration with regional and global markets, and demonstrate respect for human rights and democratic governance.

Over time, Washington has learned to take each country as it is. Policy makers in Washington recognize that the countries of the Greater Caspian Region have differentiated their own paths and sometimes jostle with one another. The interests of one sometimes conflict with the interests of another. For example, Uzbekistan and Tajikistan have been at loggerheads since the Tajikistan civil war of the mid-1990s (although that could change with the new president in Uzbekistan), as have Armenia and Azerbaijan. Upstream and downstream countries are still working to sort out water rights throughout the region. Borders were poorly-defined at the beginning of independence. An example of this is the enclaves and exclaves that the Soviets created in the sensitive Fergana Valley in Uzbekistan, Kyrgyzstan, and Tajikistan as part of their “divide and conquer” cartographic and ethnographic exercise in the 1920s and 1930s. Another example is the significant Azerbaijani exclave of Nakhchivan, which is surrounded by Armenia and Iran. Independence also meant that supply chains for food, electricity, and other essentials were suddenly split among separate sovereign entities that initially had no desire to cooperate.

Nevertheless, the passage of time and a healthy dose of strategic patience suggest that regional cooperation in the Greater Caspian Region might be more than just a schematic, idealistic gleam in Western eyes. During the Fall 2015 UN General Assembly (UNGA) in New York City, U.S. Secretary of State John Kerry met in a collective setting with the foreign ministers of all five Central Asian states – a historic first—in a format called the C5+1. Kerry and the five foreign ministers discussed the potential for regional cooperation on many matters, including regional cooperation to counter violent extremism. The summit, which surprised many with its favorable results and lack of sharp elbows, was a diplomatic success. To his credit, U.S. Secretary of State Rex Tillerson continued the C5+1 format at the 2017 UNGA.

The implementation of U.S. policy in the Greater Caspian Region, as in other parts of the world, is not always readily visible and is almost never front-page news. Russia is still the primary security partner for almost all of the Greater Caspian Region. But, where it is welcome, the U.S. partners with Caspian states to modernize their militaries and to ensure that border guards are increasingly capable of executing their responsibilities, which included preventing the transnational flow of contraband, narcotics, and the components of weapons of mass destruction,
while simultaneously facilitating the passage of legitimate travelers and enhancing trade and commerce.

In brief, the best recommendation for the U.S. in the Greater Caspian Region today is this: “Engage, engage, engage!” While the U.S. has engaged with all eight of the states in the Caspian region for the past quarter century, its engagement has too often been conditional and even baldly transactional, especially in the post-9/11 world. We court the region’s states when we need them, but we remain stand-offish when we do not. Washington should never abandon its commitment to good governance and human rights – values that ultimately create stable societies – but those goals are best achieved through quiet diplomacy behind closed doors, where real results can be achieved.

A PROPOSAL FOR CENTRAL ASIAN SECURITY AND PROSPERITY

One of the hallmarks of the Central Asian states has been their go-it-alone policy of the past quarter century. There has been a notable absence of region-wide cooperation, despite occasional bilateral meetings or meetings conducted under the aegis of Russia or the Shanghai Cooperation Organization. This can be attributed in part to the legacy of the Soviet era, during which all roads led to Moscow. It is also the result of each of the five littoral states’ wariness for its sovereignty in the early years of independence. Furthermore, there is serious competition among the five, especially for regional water rights, and for regional leadership in some cases. But imagine for a moment if the five Central Asian states, six with Afghanistan, set aside personal rivalries and formed something that might be called the Association of Central Asian States (ACAS). ACAS would work to fully modernize and harmonize its members’ customs regulations in order to stimulate economic growth and international trade. ACAS would improve and strengthen border security to facilitate the legitimate movement of people and goods. It would also augment protections against the illicit smuggling of contraband, including elements of weapons of mass destruction, and the illegal transit of terrorists and of human traffickers. ACAS would work to build associations of mutual trust and respect with existing international organizations. Azerbaijan could become an ACAS member over the course of time, because it has more in common with the Central Asian states than it does with its geographically contiguous neighbors, Armenia and Georgia.

Central Asia is currently one of the most isolated regions of the world and would benefit immensely by fostering conditions that would enhance its participation in the global economy. China plans for the Central Asian portion of its Belt and Road Initiative articulate this development as a priority. But external actors alone cannot impose the kinds of fundamental shifts and reforms necessary to transform Central Asia. The Central Asian states must feel that it is in their mutual interest to form a coalition such as ACAS. ACAS would strengthen its members’ sovereignty and independence, which they long feared intraregional cooperation would damage. Central Asia would finally become a region to be reckoned with on the international stage. U.S. diplomacy in the region should

"The Central Asian states themselves must feel that it is in their mutual interest to form such a coalition, and that their goals can be accomplished through an Association of Central Asian States."
focus on encouraging this outcome. Furthermore, the U.S. must take Central Asia off the back burner to accomplish this. It needs to establish regular and sustained high-level diplomatic engagement with the region because, in the end, that is the only thing that the Central Asian states will take seriously. The C5+1 summits of the five Central Asian foreign ministers with the U.S. Secretary of State are a promising start, but they are not sufficient on their own. As the U.S. seems poised to enter a new era of realpolitik, it is possible that the U.S. will become a more significant player in the Greater Caspian Region and a more reliable partner its states.

AUTHOR’S NOTE
All opinions expressed in this essay are solely the author’s and do not necessarily represent the views of the Caspian Policy Center. This essay is derived from the author’s personal experience and knowledge gained over 32 years as a U.S. diplomat in the Greater Caspian Region, as well as in South Asia. Part of this essay is drawn from the author’s chapter, “Strategic Central Asia,” in Cultural Perspectives, Geopolitics & Energy Security of Eurasia published in 2017 by the U.S. Army Command and General Staff College Press, U.S. Army Combined Arms Center, Fort Leavenworth, Kansas.


For a detailed (non-U.S.) study of hydrocarbon pipelines in the Greater Caspian Region, see Oil and Gas Pipelines in the Black-Caspian Seas Region; Zhitsov, Zonn, Kostianoy, eds.; Springer International Publishing (Switzerland), 2016.
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THE UNITED STATES IN THE CASPIAN REGION

Luke Coffey
The Caspian littoral countries pursue very different and sometimes conflicting regional policies. Understanding what the motivation of each country is will help decision makers in the United States formulate policies in America's interests.

INTRODUCTION

The Caspian Sea and its surrounding region has been strategically important for centuries. The Caspian is located in the heart of the Eurasian landmass and lies nestled between two energy consuming markets: Europe and Asia. Key global transit routes have crisscrossed the region for millennia. Today billions of dollars, mainly as part of China’s Belt and Road Initiative (BRI), are being invested to connect the region to the rest of the world. Like spokes on a wheel, new roads, pipelines, and rail lines are being constructed, connecting the Caspian to Europe, East Asia, and India. The latest example of this is the Kars-Tbilisi-Baku rail line that officially opened just last year.

The Caspian is located in an area of significant natural resources, which serve as the main drivers of regional economic activity. The abundance of natural resources is also one of main reasons the region is prone to outside influence. Today, more outside actors are in the region than ever before. Turkey, though not a Caspian littoral state, maintains very close cultural, linguistic, historical, and economic links to the region. China is investing heavily in the region’s infrastructure as part of its BRI. The United States showed a lot of interest in the region immediately after the fall of the Berlin Wall and again after the tragic events of 9/11, but has placed the region on the back burner in recent years. Europe is also involved, but has little influence in the region. This is extremely shortsighted considering the economic and energy potential the region could offer Europe.

Added to the region’s geopolitical complexity is the fact that three of the five Caspian littoral states are young: Azerbaijan, Turkmenistan and Kazakhstan. These states gained independence in the early 1990’s. The other two, Russia and Iran, see themselves as having a special role in Caspian affairs due to their past hegemony in the region, which lasted for centuries. Russia in particular, struggles to maintain its power, using energy policy, defense sales, and frozen conflicts to exert maximum control in the Caspian region. Iran, emboldened by the 2015 Nuclear Deal, is becoming increasingly active in the region, much like it was in the 18th century.

THE STRATEGIC IMPORTANCE OF THE CASPIAN FOR THE U.S.A.

The Caspian region is a place where a multitude of challenges and opportunities converge for the U.S. On the one hand, the region is prone to many of the problems the U.S. faces around the world: a resurgent Russia, an emboldened China, a meddling Iran, and the rise of Islamist extremism. On the other hand, there are many economic opportunities between the U.S. and the region, oil and gas resources, which can help reduce Europe’s dependency on Russia, and the potential for close connections with regional partners who could help solve larger problems such as the conflict in Afghanistan and the fight against extremism.

Unlike many of the other actors in the region, the U.S. is a relative newcomer to the Caspian. Today, U.S. interests in the Caspian region derive primarily from its security commitment to Europe’s NATO members, the war against transnational terrorism, and the desire to balance Chinese, Russian and Iranian influence in the region.

While none of the Caspian countries is in NATO, meaning the region receives no security guarantees, Azerbaijan, Kazakhstan, and Turkmenistan are members of NATO’s Partnership for Peace program. All have helped NATO operations in Afghanistan to varying degrees, Turkmenistan probably the least, and Azerbaijan the most. Azerbaijan currently maintains 90 soldiers for the NATO-led operation there. Azerbaijan is also a regular contributor to NATO exercises, although it recently and unexpectedly pulled out of the U.S.-led Noble Partner exercise in August 2017.

America’s primary goals in the Caspian region can be summed up with five “s”: sovereign, secure, self-governing, secular, and settled:

A sovereign Caspian. There are cases across the Caspian of illegal occupation undermining
national sovereignty. Between Armenia’s occupation of Nagorno-Karabakh and Russia’s occupation of Georgia’s South Ossetia and Abkhazia there is an estimated 25,000 sq km under illegal occupation in the broader Caspian region. Many of the region’s important pipelines, highways and rail lines run within mere kilometers of these areas of occupation. Furthermore, these frozen conflicts are the means by which Moscow exerts most of its influence in the region. The U.S. should support policies and initiatives that help end these occupations and bring stability to the region.

A secure Caspian. The U.S. should promote policies in the Caspian region that augment regional security. A secure Caspian region brings many economic, trade, and energy opportunities. Assisting the Caspian in becoming a stable and secure transit and production zone for energy resources will greatly benefit America’s interests and that of its allies. A secure Caspian will also encourage much needed foreign investment.

A self-governing Caspian. It is in America’s interests that Caspian countries remain self-governing with little or no influence from outside or regional powers. This is particularly true of Russia’s malign influence and hybrid tactics in the region. Strong and stable governments resilient to outside influence are in America’s interests in the region.

A secular Caspian. Radical Islamist movements, with the exception of those in Iran and the Republic of Dagestan—a federal subject of Russia, which accounts for two-thirds of Russia’s Caspian shoreline—have not established a presence in the Caspian region the same way they in the Middle East and North Africa. This is mainly due to do the secular nature of Azerbaijan, Turkmenistan, and Kazakhstan. It is in America’s interest that the situation remain this way.

A settled Caspian. The leaders of the five Caspian nations signed the Convention on the legal status of the Caspian Sea after 22 years, 52 working group meetings, and five Caspian Summits. This agreement paves the way for the completion of the Trans-Caspian Gas Pipeline potentially linking Central Asian energy markets with Europe, bypassing Russia and Iran. While this agreement outlines how and by whom the Caspian can be used, it failed to address many of the delineation issues in the Caspian that have been the source of tension in recent years. It is in America’s interests that these bilateral disagreements regarding the delineation of the Caspian are resolved.

U.S. engagement in the region remains minimal despite these five very important goals. One of the biggest challenges facing Washington with Azerbaijan, Turkmenistan, and Kazakhstan is the perceived transactional nature of relations between the U.S. and these states.

By the late 1990s, the U.S. lost much of its enthusiasm for engaging with the Caspian region that followed the fall of the Soviet Union. Immediately after the 9/11 attacks, the U.S. sought to reengage with the region to secure transit and basing rights for operations in Afghanistan. Some countries in the region sent troops to fight in Iraq and Afghanistan, opened transit routes, and offered basing support to the U.S. and NATO. While the countries in the region were looking for a long-term relationship, once the Afghan drawdown began in 2014, the U.S. pulled back from the region. It became clear that the U.S. was not interested in building enduring relations.

The region could become very important once again for the United States in light of President Trump’s Afghan strategy. A key plank of the Administration’s Afghan strategy is pressuring Pakistan to end its support for the Taliban and associated groups. A consequence of this approach with Islamabad might be that the ground and air resupplies transiting Pakistani territory could be cut or stopped altogether. If this happens, the Caspian region could become very important for the military effort in Afghanistan.

The Obama Administration had little meaningful engagement with the Caspian region outside the context of Afghanistan other than setting up the “C5+1” dialogue. (The C5+1 initiative is a U.S.-led effort created by former Secretary of State John Kerry. The primary goal is to create a multilateral format for the five Central Asian
"The four central pillars of a sensible U.S. strategy for Caspian region should be security, economic cooperation, energy, and good governance."

republics and the U.S. to build relations.) In 2012 Secretary of State Hillary Clinton visited Azerbaijan. In November 2015 Secretary of State John Kerry visited all five countries in Central Asia, including the Caspian states of Kazakhstan and Turkmenistan. However, nothing from these visits marked a major change in U.S. policy toward the Caspian region.

The Trump Administration, distracted by domestic issues, has not formulated an apparent strategy for the region and U.S. engagement remains minimal. On a positive note, former Secretary of State Rex Tillerson held a C5+1 meeting in New York City during this year’s United National General Assembly meeting. At a minimum, this shows that the U.S. will continue with this Obama era initiative—which is generally viewed as positive. Recently U.S. National Security Advisor, John Bolton, visited Baku.

THE WAY FORWARD

The four central pillars of a sensible U.S. strategy for Caspian region should be security, economic cooperation, energy, and good governance. For too long, the U.S. has focused too much on just one of these four issues, usually at the expense of the others. This is not a healthy or sustainable way to advance U.S. interests in the region.

Furthermore, the U.S. needs to develop a strategy for engagement in the Caspian region that promotes friendship and mutual respect, economic prosperity, regional stability, and the wise-use of energy resources, while remaining conscious of the consequences of increased Russian, Iranian, and Chinese influence in the region. Fostering realistic and pragmatic ties with Azerbaijan and Kazakhstan with the goal of these two countries being the anchor of U.S. influence in the region on their respective sides of the Caspian should be at the heart of this strategy.

In conjunction with political support for major infrastructure projects, the U.S. should promote economic policies in the region that lead to diversified local economies. The areas of focus should be in the agriculture, manufacturing, and services sectors. This is especially important in light of recent oil prices. Azerbaijan, Kazakhstan, and Turkmenistan are strategically poised for economic growth because they supply raw materials to the Chinese and East Asian markets, which are expanding. U.S. businesses should take advantage of opportunities in the Caspian region, as Russia and China are already doing.

The transactional nature of America’s relationship with Caspian countries following 9-11 was shortsighted for two reasons: first, it created the perception with countries in the region that as soon as the U.S. gets what it wants, it moves on. Second, it has diminished any good will that the U.S. created in the region. Regaining trust in the region in the coming years will prove more difficult as a result of these past actions. Considering how important the region is to a broader Eurasia strategy dealing with Russia, China and Iran, this will have negative consequences for U.S. policy.

It is not too late for the Trump Administration to change course and engage with the region. The Caspian region has always been, and will remain an area of geopolitical importance and competition. If the U.S. is to have a grand strategy to deal with a resurgent Russia and an emboldened Iran and to improve Europe’s energy security, policymakers in Washington cannot ignore the Caspian region.

The Geography of the Caspian Region

Brenda Shaffer
Geography has endowed the Caspian region with super-sized geopolitical significance throughout history. Lying at the center of two continents, Europe and Asia, the region served as the world’s central trade route, which has fostered scientific innovation and multicultural interactions and openness. Furthermore, it is the unique geographical offerings of the Caspian that highly influence the trajectory of the region to this day.

The Caspian region was eclipsed when shipping became the principal means of trade in the world in the 16th Century. However, the geographic importance of the region emerged in the late twentieth century as the Caspian region lies in the center of the major air highway between Europe and Asia.

The Caspian region is located in the border region between a predominantly Muslim region and a majority Christian one. This location seems to affect the practices of both religions in the region. All the Muslim-majority states of the region, with the exception of Iran, are among the rare Muslim states in the international system that practice separation of religion and state and are secular governments with secular education systems. They serve as important models for other Muslim-majority states around the world.

Geography has also endowed most of the states in the Caspian region with significant oil and natural gas resources. This currently provides a major source of income and foreign investment for the region. However, it also afflicts most of the countries of the region with the “resource curse” and inhibits development of non-oil and mineral-based economic sectors, despite intensive government efforts for diversification. The presence of immense oil and natural gas resources has affected many aspects of life in the Caspian region, including religion. This effect is evident in the major role that fire-worship and fire rituals played in the pre-Islamic indigenous religions and culture of the region.

More generally, geographical ties have lent certain shared cultural elements to many of the states in the region. The Caspian littoral states—Russia, Kazakhstan, Azerbaijan, Iran, and Turkmenistan—form the core of the Caspian region. A coastal city on the Caspian often has more cultural ties to coastal cities of other countries in the region than to inland cities that share its flag. Geopolitics have interfered with the traditional interactions between the Caspian coastal cities for most of the 20th century. But that began to change after the fall of the USSR. A similar phenomenon may be happening again in Iran, where dramatic challenges to the regime are currently taking place. If they continue to develop, coastal ties between Iranian cities in the basin and the cities of other states may soon be renewed. This development has many significant implications, since most of the population of northwest Iran shares ties with co-ethnics in Azerbaijan and Turkmenistan.

"A coastal city on the Caspian often has more cultural ties to coastal cities of other countries in the region than to inland cities that share its flag."

A Trans-Caspian Gas Pipeline
Still Far Away
Ambassador (ret.) Richard Morningstar

The Southern Gas Corridor is alive, and rightly hailed as a key component of European energy security. However, the project will supply only 10 billion cubic meters a year to Europe when fully operational, which will have a relatively small impact on European gas supply. To have a meaningful impact, the infrastructure will have to be expanded to accommodate an increased supply of gas, which could potentially come from Azerbaijan, the Kurdistan Regional Government, or the Eastern Mediterranean. The other potential source that is often mentioned is Turkmenistan via a trans-Caspian pipeline.

Some have argued that the recent agreements reached by the five littoral states bordering the Caspian will make projects, such as the long discussed but still elusive trans-Caspian pipeline, more likely. Although the agreements may enable greater cooperation in the Caspian, I disagree that the agreements mean that such a pipeline is more likely. For the last twenty years I have argued that a trans-Caspian pipeline will not happen during my lifetime, and even at my advanced age, I intend to live for several more years. And as much as I would like to see such a pipeline built, I am not holding my breath that this will come to fruition now that the agreements are signed.

In fact, I believe it is even less likely that the pipeline will be built. When Russia enters into international agreements, it does not do so in the spirit of altruism nor for the purpose of resolving issues to facilitate cooperation. Rather, Russia’s actions are driven by self-interest, and when it comes to energy, those interests are driven by a strategy to retain control over Europe’s gas supplies.

Russia has always opposed a trans-Caspian pipeline, purportedly for environmental reasons. In reality, this is likely because the pipeline could provide alternate supplies to Europe, potentially threatening its European business. There is no reason to think that position has changed. Russia continues to exert a strong military and political
influence in the region that could make a new pipeline impossible, and the new agreements actually give Russia even more economic leverage to prevent a pipeline. New joint Caspian projects involving Russian companies, promises to buy Turkmen gas, and other economic levers could be enough to dissuade a pipeline. There are still other obstacles that make a pipeline difficult if not impossible. Russia and Iran still believe that all five littoral states would have to agree to a pipeline, leaving plenty of room for disagreement and even obstruction.

There are also issues when it comes to the commercial side of things. Turkmenistan has always insisted on long-term contracts of 30 BCM a year to be purchased or guaranteed by the European Union before agreeing to a pipeline. In the new era of shorter-term contracts and spot purchases, such an agreement is even increasingly unlikely. Gas prices will continue to be very competitive. Increased transit costs from Turkmenistan and the cost of new infrastructure could put Turkmen gas at a disadvantage. To make such a project bankable and insure a reliable gas supply, Turkmenistan would have to change its policy and allow international companies to enter production sharing agreements on the ground in Turkmenistan and share in the profits.

Finally, Azerbaijan and Turkmenistan would have to once and for all resolve their boundary dispute and agree how to handle Karpaz/Serdar in the middle of the Caspian. Azerbaijan would not be unhappy to receive the transit fees that the pipeline would generate, but is much more interested in developing its own gas resources than in sharing.

Given these issues, the bottom line is clear. Although a trans-Caspian pipeline is nice in theory, it will be a long time before it will be built, if ever.
The heads of the five states bordering the Caspian met at Aktau, Kazakhstan, in August 2018 for the 5th Caspian Summit. Presidents Putin (Russia), Rouhani (Iran), Nazarbayev (Kazakhstan), Berdymukhamedov (Turkmenistan,) and Aliyev (Azerbaijan) left in a celebratory mood after signing the Convention on the Legal Status of the Caspian Sea.

The agreement brought an end to more than twenty years of stalemate, dispute, and discord between the leaders’ five countries. President Putin said that the five Caspian States had agreed on terms in the Convention. He claimed the agreement “fixes the exclusive right and responsibility of our states for the fate of the Caspian Sea and establishes clear rules for its collective use.”

As the Chief Negotiator for Kazakhstan Zulfiya Amanzholova put it, the time had come to be pragmatic. She said, “Despite the complexity of the problems and the serious differences in the national interest of the negotiators, the coastal states have gradually come to understand the need for a comprehensive settlement of all aspects of maritime activities.”

The breakthrough included a settlement giving each state fifteen miles of sovereign waters, with fishing rights over an additional ten miles. The Convention classifies the rest of the Caspian as common waters. In addition, the five states agreed to respect each other’s territorial integrity, refrain from any use of force, and guarantee each others’ “independence and sovereign equality,” including “non-interference into the internal affairs” of the five states in question. The Convention also included a prohibition on the presence of armed forces of non-Caspian states—a clear nod to the testy exchanges that took place earlier in the year between Russia and Kazakhstan over the latter’s permitting the U.S. to use port facilities for the transit of non-military material to bases in Afghanistan.

President Putin said the outcome of the summit was “exceptional if not truly epoch-making.” The reality is a little more sobering, as is so often the case with such momentous occasions.

The fundamental problem in the Caspian revolves around the question of whether the body of water should be classified as a sea or as a lake. This question matters because of the vast hydrocarbon
resources that lie in the various basins, which are estimated to hold around 50bn barrels of oil and nearly 300tr cubic feet of gas. If the Caspian is classified as a lake, these reserves get divided equally between the five littoral states, regardless of the length of their coastlines. On the other hand, if the Caspian is a sea, the body of water comes under the United Nations Convention on Law of the Sea, which means that each country gets territorial waters of twelve miles, while all the energy resources are up for grabs.

Not surprisingly, reaching consensus has proven difficult in the past. While regional summits and the achievement of a mutually acceptable declaration show significant progress has already been made, the most important issue – how to share the spoils of the Caspian – remains to be resolved.

President Rouhani noted that the Convention is important but added, “We should recognize that there are more important issues that need to be addressed.” This is an understatement. Leaders should table less pressing matters in the meantime. The fact that this was done at Aktau is a promising sign, but much remains to be accomplished.

An interesting development was that Turkmen President Gurbanguly Berdymukhamedov suggested hosting the next Caspian meeting. His willingness to invite fellow regional leaders to Ashgabat may be only a sign of good citizenship. However, it could indicate that Turkmenistan has a lot to gain by sustaining the momentum behind the discussions. Despite its own prodigious land-based gas reserves, the Turkmen economy is in the doldrums and could face serious problems in the coming years. A range of rather eccentric investment decisions in infrastructure projects, not least in the capital city itself, are responsible for this state of affairs. But the most pressing issue for Turkmenistan is the lack of pipeline that could link Turkmen gas fields with those on the other side of the Caspian and from there to energy-hungry Europe.

Russia is not keen about this possibility, given the strategic position that Gazprom has built up over European supplies. Nor is Iran rushing to help its northern neighbor, since the two have been locked in a bitter dispute over claims of about $1.5 billion in unpaid bills for gas exports that has now gone to the International Court of Arbitration.

Kazakhstan serves to gain the most from the designation of the Caspian as a sea, given the wealth and exploitability of its own fields, especially compared to those of Iran.

But for Azerbaijan it is not a simple question. Azerbaijan has its own differences of opinion with Iran and Turkmenistan over the Araz-Alov-Sharg and the Serdar-Kapaz fields respectively, which makes agreeing to terms a thorny issue. Indeed, a clash in 2001 between Azeri and Iranian military vessels almost unleashed hostilities between the two countries.

And yet, necessity is the mother of all invention. While the five littoral states have divergent goals and idealize different outcomes, these are strange and difficult times. With the U.S. putting considerable economic pressure on Tehran and Moscow through sanctions, and with Turkmenistan highly incentivized to open new revenue streams, it may well be the time for a compromise and a grand deal.

The Caspian naturally represents a pawn in a much bigger geopolitical game. Perhaps it is unsurprising that minds become creative in solving these problems. The surface of the Caspian will be treated as a sea, while the seabed will be divided along the lines of a lake, according to some reports. The question becomes how to carve the under-water resources in a way that every party finds reasonable. Good news is in short supply these days, which may provide the focus that the five Caspian states have not managed to maintain in recent decades. And if it does, then it might just be “epoch-making.” But we’re not there yet.
Thank you for the introduction, and I would like to thank the Caspian Policy Center and the United States Chamber of Commerce, and all of our colleagues from the Caspian countries and the broader region. I think George and I really represent the nexus of American policy in the region. I will be coming at it from the Central Asia perspective as did Ambassador Kazykhanov, and George will pick it up at the Caspian Sea.

One of the major issues that I focus on in the South and Central Asia Bureau is connectivity. The SCA region has long been a crossroad for international trade and travel, whether that’s the Roman Empire or Imperial China to the breakup of Mongol Empire and the rise of Italian trading cities. And today, we are really focused on asking how to restore inter and intra-regional connectivity, so that trade and travel can once again drive regional strength and prosperity. Since 2001, I think we have seen the United States and our NATO coalition partners renew their ties to the region and facilitate conversations about the economic cooperation that these sovereign and independent countries want to see.

I think that most of you know that the new Silk Road was one of the first initiatives sponsored by the United States to promote inter-regional cooperation, and to link Afghanistan into a stable and prosperous region. And that initiative combined with our diplomatic efforts and support of the Afghan government really jump started a conversation on connectivity between South and Central Asia. There is more regional cooperation today than there was at the turn of the century, thanks to the initiatives by CASA 1000, the Central Asia Regional Economic Cooperation program, or CAREC, the Regional Economic Cooperation Conference on Afghanistan, or RECA, or our C5+1 initiative that Ambassador Kazykhanov referred to, and simply an increasing desire
Because this is really my country’s great strength. It is not state-owned enterprises; it is the power of the U.S. private sector in bringing the best technology, the best efficiencies, and the best vision to the region.
the project. In a few years, CASA will provide power from Central Asia to South Asia, helping again to cement these important regional ties. The administration’s South Asia strategy is also a continuation of the long-held belief that regional economic connectivity is necessary to the long-term stability of Afghanistan and the broader region.

We are taking additional steps through our assistance programs to turn a prosperous regional economy into a reality. So we hosted the Central Asia Trade Forum for the past five years. It has brought together over 1100 entrepreneurs, donors and host country counterparts from Central Asia, India, Pakistan and Afghanistan. And last year, for instance, the forum facilitated the signing of 26 million in new deals.

We have also, in April, linked that Central Asia trade mission to the Baltics to help diversify trade ties beyond the Russian market. This weeklong visit resulted in a total of 61 million in additional sales. Central Asian and Lithuanian businesses agreed to 43 million and signed letters of intent. And in June of this year, USAID organized an exchange visit for agro-business owners from South-Western Tajikistan to Uzbekistan's Fergana Valley to establish cooperation and learn best practices for cold storage and the best post-harvest handling of fruits and vegetables. This is similar to other U.S. efforts in Uzbekistan, Kyrgyzstan and Tajikistan. This all sounds so nitty-gritty but it is worthy and worthy of trade, and it is what is going to create important channels of cooperation that are going to stretch from not only South Asia to Central Asia but further to the Caspian. Because for the broader region to re-connect, we need a region where goods can cross borders efficiently, from West to East, and from North to South. This is going to require continuing close coordination with our governments, our private sectors, our donor partners, such as the European Union, the Republic of Korea, and Japan, the multilateral donors, including the World Bank, Asian Development Bank and others. This shared vision of regional connectivity is critical to maintaining the progress in Afghanistan. Afghanistan is the heart of Asia. I was so impressed when President Gandhi visited Uzbekistan for the first time in December of last year. He said “Afghanistan is a Central Asian state.” So the ultimate knitting together of the countries [must include Afghanistan.]

Moving forward, the United States is going to remain committed to the strengthening of regional connectivity, both diplomatically and with our on-going assistance programs. We are absolutely committed to extending these ties from India and China to the Caucasus and Europe. Trans-Caspian cooperation is more important than ever for the prosperity of both regions. And we in SCA, and my colleague next to me, George, from our European and Eurasian Bureau, are committed to helping the broader region realize these goals. So thank you very much.

"Moving forward, the United States is going to remain committed to the strengthening of regional connectivity, both diplomatically and with our on-going assistance programs."
t is actually fitting that I speak after Alice because I followed Alice to Central Asia more than a quarter century ago, when we were starting our Foreign Service careers. She was in Tajikistan, and I was next door in Uzbekistan, slightly to the West. So, I will address the Caucasus region, which is slightly to the West of Central Asia. You know, I think the themes tonight of corridors, connectivity and cooperation, are very useful as metaphors.

I first visited the Western end of Corridor, the Caspian Corridor, in Baku in 1987 as a student. I have not been back, but I will be back next month for the first time in 31 years. My Foreign Service career stationed me in Uzbekistan, but within the first year I had visited Georgia, Kazakhstan and Turkmenistan, also part of this effort...I think it was very clear more than a quarter century ago that this region has always been a crossroads of trade, commerce and cultures. That is a strength and opportunity that 25 years later I think we are seeing realized. I think one of the key efforts of the last decade or so has been building energy corridors, particularly, we were talking earlier today with our Azerbaijani colleagues, both pipelines and the Southern Gas Corridor. I think that really shows the importance of the connections not just from a business opportunity [standpoint] but for the security of entire regions. And U.S. national security strategy of this administration...talks about how the U.S. is safer when Europe is prosperous and stable, and the needs that we have to work with our allies and partners to diversify European energy sources.

That clearly is where the Caspi-
Some of the countries represented here tonight played a key role in developing the Southern Gas Corridor that delivered its first gas to Turkey through the pipeline earlier this year.

And at the same time some people question the staying power of the United States involvement in the region, and I think that is part of the reason why this Caspian Policy Center was created. The role of U.S. companies and U.S. government in realizing the Southern Gas Corridor over many years highlights our commitment to the Caspian Basin, both to its economic prosperity as well as security.

And I think that underscores our vision of how a prosperous, free and open South Caucasus fits within the wider Caspian region.

What do we as Americans mean when we say free and prosperous in terms of geopolitics? Well, at the end of Pacific Business Forum in Washington earlier this year, Secretary of State Pompeo said that by a free region we support nations being able to protect their sovereignty from coercion by other countries. At the national level, free means good governance, the assurance that citizens can enjoy fundamental rights and civil liberties, and respect for the rule of law that is also essential for the business climate to attract foreign direct investment that drives growth and prosperity. And I think that is true for Central Asia, as it is for the Caucasus, and further in Eastern Europe. I just came from three years in Ukraine and that, clearly, is their great challenge. Economically open, as you know, means fair and reciprocal trade, open investment environments, transparent agreements between the nations, as well as the connectivity that we are talking about tonight. We believe that this is the way to achieve sustainable growth in the region.

Improving connectivity, as I think everyone is going to say, is good for the region and beyond. I think both the business communities and governments have a real interest in infrastructure development, and we are committed to promoting this, as Alice said, in Central Asia, as well as in the Caucasus. Infrastructure like the Baku-Tbilisi-Kars rail line, for instance, is possible when it is physically secure, financially viable, and socially responsible. One of our other challenges in the Caucasus is helping countries realize their full potential by ending unresolved territorial conflicts. Unfortunately, from the Caucasus region and Ukraine, there are such situations and it affects all three Caucasus
countries: Azerbaijan, Armenia and Georgia. We are committed to remaining fully engaged in helping the partners find long-term peaceful sustainable solutions. And that includes our efforts as the co-chair for the OSCE Minsk group on Nagorno-Karabakh and the Georgia–Geneva International Discussions to address the consequences of Russia’s 2008 war in Georgia. And Andrew Schofer, who is here tonight, leads both of those efforts for the Department of State, so Andrew, you want to raise your hand? Anyone who wants to talk about how we are solving those challenges – Andrew will be happy to talk afterwards with you.

Assistant Secretary Wess Mitchell was in Georgia earlier this month and he reminded his host there of a comment by Russian Foreign Minister Lavrov, dismissive of us in Western Europe, comparing us to political butterflies that blow in on a foreign wind from time to time without lasting impact for what the Russians call their "new abroad," but what we would call Eastern Europe, the Caucasus, and Central Asia. I think Lavrov is wrong. I think we have been committed to a free and open South Caucasus and Central Asia since the countries of the region regained independence from Moscow 27 years ago. The links between the U.S. and the countries of the South Caucasus and the Caspian Sea region continue to strengthen based on shared purpose as opposed to coercion.

And that goes for economic as well as security ties. We do believe, as Alice said, the countries of the region are embracing the rules-based international trade architecture that helped fuel the global surge in trade in recent years. And countries like Afghanistan have ascended just recently to the World Trade Organization. So by building strategic partnerships, reliably supporting energy security for regions beyond the Caspian Basin, whether it is a producing or transit country, and continuing to develop democratic and open societies, I think that the countries of the Caspian Basin can continue to build foundations for mutual prosperity. So, our pledge to you is to work closely, reconnect personally – that is my job going off to Baku for the first time in 31 years next month and building the kind of partnerships that will keep us all safe, free and prosperous.
THE CASPIAN AND IRAN'S FOREIGN POLICY PROBLEMS

Alex Vatanka

The Caspian region has never been a top priority in the foreign policy of the Islamic Republic of Iran. However, the recent debacle in Tehran around the demarcation of the Caspian Sea was a strong reminder that Iran must closely mind the actions of its tactical partner and rival Russia in the Caspian region. Reservations about Russia’s intentions vis-à-vis Iran run deep in Iranian society, but there is little that Iran can do at present to counter Russia’s cunning strategy in the Caspian. As long as Iran remains at loggerheads with the Trump administration, its dependence on Russia and China can only deepen. At the same time, Iran’s pan-regional economic plans, including its earlier ambitions to develop energy resources in the Iranian sector of the Caspian, will have to wait.

FEARING AN IRANIAN DEFEAT IN THE CASPIAN

The summit between the five Caspian Sea states which took place on August 12, 2018 in Kazakhstan continues to generate much debate in Tehran. While President Hassan Rouhani’s administration defends the agreement reached at the summit, critics call it an example of Russian dominance in the region’s foreign policy.

Iran and the Soviet Union shared the Caspian Sea from the early 1920s until 1991 in a set-up that informally divided the sea 50-50 between the two states. Kazakhstan, Azerbaijan, and Turkmenistan have insisted on a minimum 20 percent of the Caspian since 1991, when the Soviet Union collapsed and was replaced by Russia.
The most controversial part of the dispute concerns how to share the seabed and the oil and gas reserves underneath it. However, this issue has been left to be resolved at a later point. In the meantime, the five states that border the Caspian Sea have agreed to divide the body of water into five sections for economic exploitation, which extend up to ten miles from their coast, and five sections for fishing, which extend up to 15 miles from their coasts. The most contentious and difficult determination remains to be made.

Yet, critics in Tehran believe the decision to start dividing the Caspian along the length of the coast lines of each littoral state means the final resolution can give Iran a maximum of only 11-13 percent of the Caspian, based on Iran’s coastline.

The heaviest criticism of the agreement from inside Iran concerns the timing of the deal. Iran is under immense pressure from the U.S. at the moment. Many critics in Tehran believe that the Russia has exploited Iran’s isolation by pushing for a deal while Iran is at a disadvantage in negotiations.

This strategy worked well for the Russians, who have secured the outcome they have always wanted: the five littoral states will reach separate agreements about dividing the Caspian. Russia and Kazakhstan have already divided the northern part of the Caspian, and now Iran must struggle to reach a separate agreement with Azerbaijan and Turkmenistan for the southern section of the Caspian.

Furthermore, the Rouhani government has released very little information about the latest demarcation negotiations, which many perceive as a worrying sign that Iran was shorted at the August 12 summit. Foreign Minister Javad Zarif insists that Iran will not accept anything less than a fair five-way division of the Caspian, but such statements from the authorities are met with strong skepticism on the home front these days.

IRAN’S BROADER RUSSIAN CONCERNS

This skepticism is understandable in light of other Iranian dealings with the Russians. Iranian trepidation about Russian actions is not limited to the division of the
Caspian Sea, as Tehran’s relations with Moscow have become increasingly multilayered in recent years. Uneasy Iranian-Russian cooperation to keep the Assad regime in power in Syria is another thorn in Tehran and Moscow’s wary, tense relationship.

On the one hand, Iran was pleased to be able to host the Iran-Russia-Turkey summit on the future of Syria in Tehran on September 7. The summit was an opportunity for Iran to show to the world that it is still a powerful regional actor despite its economic isolation from U.S. sanctions.

However, Iranians never had considerable expectations for the summit. Critics believe that Russia never intended to reach any kind of breakthrough on Syria at the Tehran summit. President Putin wants to announce the final political solution at an event on Russian soil.

Russia’s foreign policy in Syria, coupled with Russia’s foreign policy in the Caspian, confirms worries that Moscow sees Iran not as a strategic partner but an expendable asset. Tehran believes Moscow uses its leverage in the Syrian conflict both as a way of securing the upperhand in the Middle East over states such as
Iran and Turkey, as well as Israel and the oil-rich Arab countries of the Persian Gulf, and also as part of a deal with Washington.

Russia shows a willingness to accommodate American interests in the Middle East, particularly regarding Syria, in return for recognition of its de facto annexation of Crimea. Russia seeks for the U.S. to end the sanctions it imposed beginning in March 2014.

The Iranians view themselves as a pawn in this game.

Most recently, Iranian officials, including the Iranian envoy to OPEC, have accused Moscow of actively seeking to replace Iranian oil, as U.S. sanctions are re-imposed on Tehran. Iranian news sources and social media have closely followed news from Asia that show that the U.S., Saudi Arabia, and Russia are moving quickly to replace Iran as the November 2018 sanctions on its oil begin to set in. The loss of oil market share in traditional markets such as South Korea and Japan is also becoming a hypersensitive point to Iranian officials.

A loss in market share is tantamount to a loss in financial revenue, which quickly turns national attention to the state’s foreign policy failures. Iranian officials have never had to defend the country’s foreign policy with relation to the state of the economy to the extent they must today.

THE AMERICAN FACTOR

U.S.-Iran relations are an important factor in determining Iranian dependence on Russia, and uncertainty about current U.S. objectives in the region weakens Iran’s position relative to Russia.

The July 22 speech of U.S. Secretary of State Mike Pompeo was planned as the moment for the Trump administration to unveil its strategic plan to topple the Iranian regime. But the speech added to the confusion about what President Trump wants to achieve. President Trump’s speech to the UN General Assembly on September 25 had the same effect. Does Trump want regime change in Tehran or is he merely looking to secure a comprehensive deal with the Iranians as he believes he has done with North Korea? This American policy obfuscation only serves to delay Iran’s receptiveness to direct talks with the Trump administration, which many view as both necessary and good for Iranian national interest.

Both Trump and Pompeo have repeatedly stated that Washington will force the Iranian regime to change its policies one way or another. But how will Washington do so, and what is its ultimate objective? The lack of clarity makes Tehran anxious, though very few Iranian officials anticipate a military conflict with the U.S. during the Trump presidency.

Iranians believe regime change in Tehran is the ultimate goal of the Trump administration.

Pompeo’s speech was delivered at the Reagan Presidential Library in California, home to the largest Iranian-American community in the United States. The familiar location was supposed to summon memories of President Ronald Reagan’s push against the Soviet Union. But while Pompeo asked Iranian-Americans to play their part against the Islamist regime in Tehran, the Trump administration left this community uncertain about the ultimate goal it seeks, since it has kept the diplomatic door open to Tehran.

Trump will not be meeting Iranian leaders anytime soon. Meanwhile, Rouhani and the entire Iranian regime seem to be buying time until Trump is out of office. They are clear that they hope Trump will be a one-term president. Members of Rouhani’s administration are already arguing to prepare the ground for the next American president. The thinking in Tehran is that 2020 is just around the corner.

"Both Trump and Pompeo have repeatedly stated that Washington will force the Iranian regime to change its policies one way or another. But how will Washington do so, and what is its objective?"
The “Southern Corridor – New Silk Road” summit, convened in Prague on May 8, 2009 with the help of the European Union in order to discuss the Southern Gas Corridor (SGC) and its mission to supply natural gas from the Caspian region and the Middle East to Europe. Several countries agreed to partner with one another on this project and started to meet regularly following the summit. The United States, along with the EU, made realization of the SGC a policy priority, throwing significant political weight behind the move towards diversification in European energy security.

The SGC is comprised of three separate pipelines: the South Caucasus Pipeline, the Trans-Anatolian Pipeline, and the Trans-Adriatic Pipeline. The South Caucasus Pipeline (SCPX) spans from Azerbaijan to Georgia; the Trans-Anatolian Pipeline (TANAP) reaches across Turkey; and the Trans-Adriatic Pipeline (TAP) covers Greece, Albania, and Italy. The SGC stretches over 3,500 kilometers and will pull gas from the Shah Deniz Field, which was discovered by BP in 1999.

The SGC is one of the global oil and gas industry’s most significant – and ambitious – undertakings yet, according to BP Energy. The

**The Southern Gas Corridor**

A Manifestation of Regional Energy Cooperation
Contributing European Energy Security

Efgan Nifti
project, which has taken in more than $40 billion of investment, involves seven countries and 11 companies, and employs over 30,000 people during its busiest phase. The countries involved include Albania, Azerbaijan, Bulgaria, Georgia, Greece, Italy, and Turkey. The SGC will be capable of delivering around 16 billion cubic meters of gas per year to Turkish markets and various European gas buyers.

The Southern Gas Corridor Advisory Council met for the fourth time in Baku on February 15, 2018. Country representatives noted at the meeting that the success of the SGC will create an influx of opportunities in the Caspian region and beyond. It was at that time that Albania and Azerbaijan agreed upon the creation of a new company that will create and develop the Ionian-Adriatic Pipeline project (IAP). The success of the IAP depends upon the SGC, as it will be connected to its pipelines.

The opening ceremony for the SGC took place at the Sangachal Terminal on May 29, 2018, on the coast of the Caspian Sea in Azerbaijan. The project’s importance was evident from the attendance of high-level officials from the EU, the United Kingdom, and the U.S. Azerbaijan’s President Ilham Aliyev expressed hope that stakeholders from states in the Balkans, such as Croatia, Bosnia-Herzegovina, and Montenegro, would soon join. The SGC project attracted a $750 million syndicated loan from the World Bank for TANAP in June 2018, not long after the opening ceremony. Meanwhile, TANAP’s opening ceremony took place in Eskisehir, Turkey on June 12, 2018. The first commercial gas deliveries to Turkey began later that month. The project is expected to be fully operational by 2020.

The opening of the SGC is an important step in providing reliable energy to Europe, which has become increasingly dependent on a singular supplier. This project came to fruition as the result of close coordination and cooperation between Azerbaijan, Georgia, Turkey, Greece, Albania, and Italy with strong commitment and support from both the EU and the U.S. This project also paves the way for future cooperation outside of the energy sector, connecting the Caspian all the way to Europe.

Sources: Caspian Barrel, James-town, Reuters.
The Legal Status of The Caspian Sea Common Waters, Divided Bottom

Elvin Hatamzade

The Caspian Sea, a geological classification that has yet to be set in stone, has been a subject of interest to the global community for many years. The Caspian has been at the heart of protracted military campaigns, flourished as an attractive destination to traders and merchants traveling along the historic Silk Road route, and shone as a beacon of hope for migrants traveling to seek a safe haven on its shores over the course of its history. Two states, the Soviet Union and the Islamic Republic of Iran, enjoyed complete hegemony over its rich marine and energy resources prior to 1991. But the newly independent states staked territorial claims over the Caspian basin following the collapse of the Soviet Union and argued for a revised legal and regulatory regime applicable to the Caspian Sea. The ensuing stalemate has lasted for more than two decades among the littoral states, which have struggled at times to find a mutually
beneficial solution based on their legitimate national interests. Recently, the parties have made significant progress by closing the gap and have finally signed a multilateral treaty establishing a framework of rights and obligations for all coastal states in relation to the Caspian Sea. This article seeks to analyze the past impediments and future prospects of finding a workable solution to the Caspian Sea conundrum.

INTRODUCTION
The Caspian Sea has unique physical characteristics common to both seas and lakes. It is recognized as the world's largest saline enclosed body of water by area, but that is where the consensus ends. Some classify it as the largest inland lake on earth, while others classify it as a full-fledged sea. Situated at the intersection of Europe and Asia, the Caspian Sea is surrounded by five littoral states: the Russian Federation to the northwest, the Republic of Azerbaijan to the west, the Islamic Republic of Iran to the south, Turkmenistan to the southeast and the Republic of Kazakhstan to the northeast. Each respective state refers to the Caspian Sea in their native language as a sea, which served as a basis for the United Nations Group of Experts on Geographical Names (UNGEGN) referring to it as a sea as well.

The Caspian Sea, the surface area of which is 371,000 square kilometers, lies approximately 28 meters below sea level in the Caspian Depression, to the east of the Caucasus Mountains and to the west of the vast steppe of Central Asia. It stretches for nearly 1,200 kilometers from north to south while its average width is about 320 kilometers. A web of islands hugs the coast of the Caspian Sea. In addition, an extensive network of large and small rivers flow into the Caspian. The Volga River, which is the largest among them, and the Ural River flow into the Caspian from the north, while the Kura River flows from the west. Due to its positioning in the Caspian Depression, the Caspian Sea does not have any natural outflow other than through the evaporation process and the Garabogazköl Bay, which is the saline eastern inlet of the Caspian separated by a narrow and rocky ridge through which the Caspian waters flow cascading down into Garabogazköl. The Caspian Sea has gradually witnessed irreversible hydrological changes that have cut off the Caspian's former access to the ocean, though it was once part of the world ocean.

RESOURCES
The Caspian Sea is abundantly rich in energy and biological resources, which make it one of the world's most strategically important regions. It is estimated that the Caspian region contains approximately 45 - 50 billion barrels of oil and 8.5 - 9 trillion cubic meters of natural gas in proven or probable reserves found in offshore deposits and onshore fields. There are numerous large-scale oil and natural gas projects currently being developed in the Caspian and promising opportunities to unveil new energy projects once the legal status of the Caspian and the delimitation of its maritime borders is formalized among the littoral states. It is not surprising then that the Caspian region falls within the sphere of interest of the European Union, the United States, China and other global powers. Many view the Caspian as a reliable long-term energy source and a means by which to diversify the European continent's energy resources, thereby loosening Russia's tight grip on energy.

The Caspian has historically been a focal point for energy politics with global powers continually vying for the vast energy resources that the sea offers. By the end of the nineteenth century, the capital city of Azerbaijan—Baku—attracted many entrepreneurs and skilled workers eager to explore and develop the largest oil fields known at the time on the Absheron Peninsula. The world's first recorded mechanically drilled well was used in Bibi-Heybat Bay on the outskirts of Baku. Baku became the center of international oil industry by the dawn of the twentieth century, surpassing all of its competitors by a mile, including producers in the U.S. The Soviet Union harnessed oil production in Azerbaijan during the Second World War to propel the Allied Powers to a victory against Nazi Germany. Newly independent states desperately needed to continue energy production and fill their treasuries following the breakup of the Soviet Union. The new Caspian states had to revamp their obsolete Soviet infrastructure and attract foreign investment. However, the uncertainty around...
the legal status of the Caspian Sea posed a major commercial and legal risk for producing countries and foreign investors alike. Azerbaijan surmounted doubts and protests in 1994 by becoming the first Caspian state to sign a 30-year production sharing agreement with a consortium of 11 international energy companies from six countries led by BP to develop the Azeri-Chirag-Deepwater Guneshli oil fields in the Azerbaijani sector of the Caspian Sea.

The Azeri–Chirag–Deepwater Gunashli oilfields are the largest oilfields in Azerbaijan lying 2,000-3,500 meters beneath the Caspian seabed about 120 kilometers off the coast of Baku. The field contains about 6-7 billion barrels of recoverable oil. The primary destinations of the produced oil from these Azerbaijani fields are the Turkey’s Ceyhan port in the Mediterranean, Russia’s largest Black Sea port of Novorossiisk, neighbouring Georgia’s Supsa, Batumi and Kulevi ports. The Baku-Tbilisi-Ceyhan (BTC) pipeline, a 1,768-km pipeline connecting the Caspian Sea to the Mediterranean through the Republic of Georgia, is one of the longest oil pipelines in the former Soviet Union, which opened Western markets for Azerbaijani and other Caspian-sourced petroleum.

The Shah Deniz gas field is the largest natural gas field in Azerbaijan, situated in the southern part of the Caspian Sea, 70 kilometers off the coast of Azerbaijan at a depth of 600 meters. The reserves contain between 1.5 billion to 3 billion barrels of oil equivalent to 50-100 billion cubic meters of natural gas, in addition to gas condensate in excess of 400 million cubic meters. The Shah Deniz gas field is a foundation to the strategic Southern Gas Corridor, which aims to reduce Europe’s dependency on Russian gas by bringing a greater volume of natural gas to EU member states. The route of the Southern Gas Corridor will connect the Caspian region to Europe by crossing through several countries via the South Caucasus Pipeline, Trans-Anatolian Pipeline, and the Trans-Adriatic Pipeline.

Other littoral states of the Caspian have also been actively developing their respective fields and contributing increasingly to the world energy demand. Kazakhstan possesses an estimated three percent of global oil reserves, roughly 30 - 35 billion barrels of oil. Half of the current proven reserves are situated in the western part of Kazakhstan in the five largest onshore oil fields: Tengiz, Karachaganak, Aktobe, Mangistau, and Uzen. The giant offshore field of Kashagan, which is the largest oil field outside of the Middle East, and the Kurmanagazy oil field are estimated to contain approximately 14 million barrels, a significant portion of which come from Kashagan. Kazakhstan’s proven natural gas reserves are 1.5 - 2 trillion cubic meters, the majority of which are located in the western part of Kazakhstan. The reserves are mainly concentrated in four fields: Karachaganak with 46 percent; Tengiz with 12 percent; Kashagan with 12 percent; and Imashevskoye with seven percent.

Turkmenistan, another key regional energy player, possesses significant oil and gas deposits. The country’s energy production is dominated by natural gas. It is estimated that Turkmenistan’s proven gas reserves total around 2.9-3 trillion cubic meters making it one of the world’s leading natural gas producers. Most of Turkmenistan’s gas-condensate fields are located onshore in the eastern part of the country, with the largest fields in the Amu Dar’ya region. The rest of the country’s gas reserves are concentrated in the giant Dauletabad-Donmez field complex in the vicinity of the Turkmenistan-Iran border, as well as in the South Caspian basin in the western part of the country. Oil production in Turkmenistan primarily comes from the fields on the Cheleken Peninsula. It is
estimated that the country’s proven oil reserves stand at 545-550 million barrels of recoverable oil. Russia has shifted its attention to the oil and gas deposits found on the continental shelf in the northern part of the Caspian Sea in its attempt to find alternative sources of energy to replace its aging fields in Western Siberia. The Vladimir Filanavosky oil field, located 220 kilometers away from Astrakhan at the sea depth of 7-11 meters with reserves estimated at 290 million barrels of oil, is the largest oil field discovered in Russia in the last two decades. Other smaller fields discovered in the Russian sector of the Caspian Sea, including the Yuri Korchagin field with proven reserves hovering around 29 million barrels of oil and around 60 billion cubic meters of natural gas, contain about 5 billion barrels of recoverable crude oil. Further prospects of exploring and discovering oil and gas fields in the northern Russian part of the Caspian are underway. Unlike some of the former Soviet states in the region, Iran has not been able to fully tap into the substantial resources of the Caspian. Iran's investments in oil and gas fields, particularly the giant South Pas Gas Field in the Persian Gulf, have delayed the urgency to develop energy fields in the Caspian. It is believed that Sardar-e-Jandal field, which contains an estimated 1.4 trillion cubic meters of natural gas and around 500 million barrels of recoverable crude oil, could become Iran's first major energy development project in the Caspian Sea. Iran has already commenced preliminary work on studying the field's geological structures and appraising its reserves. The future of this field will partly be determined by the resolution of the legal status of the Caspian Sea.

The Caspian basin is endowed with significant biological resources in addition to its abundant oil and gas resources. Waters of the Caspian Sea are home to nearly 400 endemic aquatic animal species, including the Caspian gull, Caspian tern, spur-thighed tortoise, Horsfield’s tortoise, Caspian white fish, Caspian salmon, Caspian seal and 90 percent of the world’s stock of sturgeon. Six species of sturgeon, including the Russian, Persian, bastard (or ship sturgeon), sterlet, and starry (or sevruga) and beluga, inhabit the Caspian region. Surgeon’s roe (eggs) is processed into caviar, which is among the highest prized commodities in the world. In addition, the Caspian coast is an attractive site for many nesting and migratory birds such as flamingoes, geese, ducks, gulls, terns and swans. The Caspian littoral states are actively combating the illegal harvesting and trade of marine resources, which have endangered the region's rich biodiversity.

LEGAL HISTORY
The geo-political prominence of the Caspian Sea has resulted in high-stakes confrontations between imperial powers throughout its history. The Russian Empire and Persia (now Iran), ruled then by the Safavid dynasty, fought for dominance in the Caucasus and the Caspian in the eighteenth century. Russia's long-standing feud with Persia over the Caspian intensified in the nineteenth century. The two sides concluded a peace treaty in the village of Gulistan on October 24, 1813 as a result of the full-fledged Russo-Persian War of 1804-1813. The Treaty of Gulistan solidified the presence of the Russians in the Caucasus and the Caspian once and for all. Persia reluctantly ceded Dagestan, eastern Georgia, most of Azerbaijan, and northern parts of the modern-day Armenia to
Russia. The Persians deemed the treaty unfair and launched yet another full-scale war against Russia, namely the Russo-Persian War of 1826-1828. This unsuccessful campaign against Russia was the last dagger to Persia’s hopes to reclaim its lost territories. Persia lost its surviving territories in the Caucasus, which were mainly compromised of the remaining part of contemporary Azerbaijan and modern-day Armenia, under the resulting Treaty of Turkmenchay. These two treaties combined landed a crushing blow to Persia, which lost all of its territories in Transcaucasia north of the river Aras and the North Caucasus. These treaties regulated shipping rights in the Caspian and drew new borders. The Treaty of Gulistan barred Persia from having any military presence in the Caspian, excluding limited use by merchant and trade vessels. The Treaty of Turkmenchay confirmed the same limitations on Persian naval shipping.

Russia maintained the exclusive right to patrol the Caspian with its naval forces for less than a century. Only after the demise of Tsarist Russia as a result of the Russian Revolution in 1917 did the legal regime in the Caspian change somewhat. The Treaty of Friendship between Soviet Russia and Persia signed in 1921 abrogated all previous agreements between the parties relating to the Caucasus and the Caspian, including the Treaty of Turkmenchay, and provided both states with full and equal rights to maintain their naval forces and sail their commercial ships under their own flags in the Caspian basin. The two sides decided to further strengthen their cooperation by adopting the Treaty of Establishment, Commerce and Navigation in 1935. This treaty permitted each state the right to fish in its coastal waters up to a limit of ten nautical miles (19 km) from its shores. The Treaty of Commerce and Navigation signed in 1940 further reinforced the principle of the ten-mile fishing zone. Nationals of both states were allowed to fish beyond the ten-mile zone; however, the treaty was silent on seabed mining. Finally, the parties signed a bilateral treaty in 1954 settling the land boundaries between the states without delimiting the maritime boundaries across the Caspian, which both parties regarded in the accompanying notes to the 1935 Treaty as a “Soviet and Iranian Sea.”

The aforementioned treaties do not explicitly reference subsoil resources in the Caspian, let alone provide guidelines for their exploration and exploitation. However, the Soviet Union started exploring and drilling for offshore fields off the coast of Azerbaijan in the Oil Rocks Settlement, which became the world’s first offshore oil platform in 1949. There is no evidence suggesting that the Soviets consulted their Iranian counterparts before undertaking this project. On the contrary, Iranians tacitly acquiesced to the Soviets for political reasons. The Soviets maintained a strong advantage over the Iranians in the common Caspian basin for the next several decades due to their superior technological know-how in offshore drilling.

INTERNATIONAL LAW
The emergence of new independent states, each with its own political, economic and social agenda, revived the dormant topic of the delimitation of the Caspian Sea, including its waters, seabed and subsoil, following the collapse of the Soviet Union. Each sovereign state advanced its own territorial claims over the Caspian basin as well as its entitlements to resources. As a result, the five littoral states have failed to reach a comprehensive multilateral agreement regulating the legal status of the Caspian Sea. The littoral states have struggled to align their positions with respect to even the fundamental question of whether the Caspian should be treated as an inland sea, a border lake, a combination of both or a sui generis case. The possible answers to this rather straightforward question hold the potential for significantly different outcomes for the Caspian. International law governing the seas will regulate its waters, resources, and access to the world ocean if the Caspian Sea is an inland sea. On the other hand, the littoral states are at the liberty to divide its waters and resources as they deem fit through mutual agreement if the Caspian Sea is an international lake. They are free to resort to other generally accepted principles and norms of international law if they cannot reach a mutual agreement in the latter scenario.

The United Nations Convention on the Law of the Sea, a multilateral treaty governing international waters, was signed
The legal regime of the UNCLOS provides numerous benefits for the landlocked Caspian states Azerbaijan, Kazakhstan, and Turkmenistan. in 1982 and came into force in 1994. Currently, 168 countries and the EU, which signed as a contracting party, have adopted the convention. Most of its provisions are regarded as a codification of customary international law. Therefore, they are legally binding for all nations irrespective of whether they have signed or ratified the convention. UNCLOS is an integral part of international law and falls under the jurisdiction of international courts and arbitral bodies. In summary, UNCLOS defines the rights and responsibilities of states in their use of the world's oceans and establishes general guidelines for the division and exploitation of ocean and marine resources, protection of the environment, and management of marine natural resources.

UNCLOS provisions stipulate that every state has the right to establish a territorial sea with a breadth not exceeding twelve nautical miles (22 km) measured from their shorelines or baselines, which falls under its sovereignty. Each state may also enjoy full and exclusive rights to the economic exploitation of marine resources in a two-hundred nautical mile (370 km) exclusive economic zone stretching out from their baselines, as well as rights to marine resources in the subsoil of the continental shelf extending seaward to a distance no more than 350 nautical miles (648 km) from their baselines. Article 15 of UNCLOS states that the territorial sea of littoral states with opposite or adjacent coasts must not extend “beyond the median line every point of which is equidistant from the nearest points on the baselines from which the breadth of the territorial seas of each of the two States is measured” in cases where the maximum width of the sea does not exceed 200 nautical miles (370 km.) This is the case with the Caspian Sea, the east-west width of which is less than 250 km. This principle is known in maritime boundary claims as the principle of equidistance (also known as a median-line principle.)

UNCLOS provides numerous benefits for the landlocked Caspian states Azerbaijan, Kazakhstan and Turkmenistan. Some of the largest oil and gas deposits in the Caspian would be situated in these countries’ respective zones if the Caspian were to be divided in accordance with the UNCLOS provisions. These energy deposits are located in relatively shallow portions of the Caspian allowing for easy offshore drilling, which is very attractive to energy companies due to the relatively minimal level of required investment. Having a connection to the high seas through the Volga-Don canal and transit states such as Russia is an additional advantage for landlocked states. It is unsurprising then that these states have been staunch advocates for classifying the Caspian as a sea and dividing the seabed into national sectors.

The landlocked states do not object in principle to the classification of the Caspian as an international lake. Without an overriding treaty, the water basin, its seabed, and resources would be delimited according to the same median line principle in generally accepted international practice applicable to international frontier lakes such as the Great Lakes of North America, Lake Chad, Lake Malawi, Lake Geneva, and more.

At the outset, both Russia and Iran generally held the position that the international law governing seas cannot be squarely applied to the Caspian due to the unique characteristics of the Caspian. In fact, the Soviet-Iranian treaties of 1921 and 1940 treated the Caspian as a shared sea, which allowed the states to exploit it equally on a condominium basis. Moving forward, all new independent states had to respect the existing treaties and regard the Caspian as a shared resource of all littoral states. All littoral states have had to revisit their fundamental positions on this issue during the lengthy negotiation process and
The Caspian littoral states have sought to find a mutually beneficial route to resolving the Caspian’s legal status for more than two decades.

work to accept the geopolitical and economic realities and peculiarities of the Caspian region.

THE CASPIAN SEA CONVENTION

The Caspian littoral states have sought to find a mutually beneficial route to resolving the Caspian’s legal status for more than two decades. Recent statements and conduct indicate that all littoral states agree that a multilateral treaty is the best to resolve their disputes given the inherited history of the region, and the complexities of classifying the Caspian and establishing a suitable legal regime. The littoral states have dedicated sufficient resources to achieving this milestone as a result. The Caspian states have formed a special working group at the level of deputy foreign ministers to develop a draft convention on the legal status of the Caspian Sea. Over 50 ad hoc meetings of the special working group, a dozen meetings of foreign ministers, and five Summits of the Heads of State of the Caspian Sea have taken place. Some of the working group meetings appeared futile, while others accomplished incremental advances. The states have not wandered off course, despite the lengthy and tedious negotiation process. The littoral states resorted to other forms of diplomatic negotiations, including holding meetings in a narrow format and signing bilateral and trilateral agreements, when faced with insurmountable challenges.

Azerbaijan and Kazakhstan reached a preliminary political agreement on the borders of their national sectors for the first time in September 1996. They decided to fix their borders according to the norms and principles of international law until an overriding multilateral treaty among the littoral states would be in place. This principle was later formalized in a bilateral memorandum signed between the states in June 1997 and a bilateral agreement in November 2001. Kazakhstan and Turkmenistan issued a joint communiqué in 1997 according to which the division of the Caspian seabed was to be based on the median line that was originally drawn by the Soviets in the 1970s for administrative purposes. Russia and Kazakhstan reached a deal the following year whereby they divided the seabed of the northern Caspian into national sectors and left the surface waters for joint utilization - a compromise known as “common waters, divided bottom” that would soon form the framework for the ensuing multilateral negotiations.

Russia and Kazakhstan signed a new protocol in May 2002 in which the two sides agreed to jointly develop three fields located on the median line between the two countries: Kurmangazy, Khvalynskoe and Tsentranoe. Azerbaijan, Kazakhstan and Russia divided the northern 64 percent of the Caspian seabed into national sectors based on the median line through a series of bilateral agreements. The process began in 2001 and culminated with the signing of a tripartite agreement in May 2003. This gave Kazakhstan 27 percent of the seabed, Russia 19 percent, and Azerbaijan 18 percent, while leaving the Caspian waters for shared use. Azerbaijan and Turkmenistan have in principle given their consent to the division of the Caspian seabed using the equidistance principle. However, they disagree on how to demarcate the median line and how to resolve the disputed fields between the states.

Iran unequivocally refused to accept the bilateral agreements signed between the littoral states delimiting the Caspian into any national sectors. Iran initially advocated alongside Russia for the shared use of the entire Caspian. Then, when left in the corner, Iran pushed for the equal division of the Caspian into five sectors. It has yet to iron out its disagreements with Azerbaijan over a disputed field called Alov (or Alborz in Iran.) Tensions escalated between the countries when an Iran used a warship and two military aircrafts to scare off Azerbaijani contractors, who were attempting to develop the field. Lately, the
sides have been negotiating over the disputed field and appear to be on the verge of resolving their disagreement.

All parties have managed to take a constructive, step-by-step approach in resolving some of the relatively noncontroversial issues pertaining to the Caspian, rather than focusing entirely on the contested scope with respect to the final legal status of the Caspian. The littoral states signed the Framework Convention for the Protection of the Marine Environment of the Caspian Sea in November 2003. The Framework Convention establishes that the littoral states have an affirmative duty to take all necessary measures to prevent, reduce and control pollution from the land-based sources, seabed activities, vessels, and other human activities. It also compels the states to use Caspian resources in a sustainable way without harming the marine environment to the greatest extent possible. The littoral states have constructed a natural bridge to the ultimate objective of conclusively determining the legal status of the Caspian by building trust and mutual cooperation through multilateral initiatives such as this one.

The Convention on the Legal Status of the Caspian Sea, the product of 20 years of hard work by the special working group, was successfully signed in the Kazakhstan’s port city of Aktau on August 12, 2018 during the fifth Summit of the Heads of State of the Caspian Sea. Leaders in the region hailed this landmark deal as the new chapter of regional cooperation opening up immense opportunities in commerce, trade, transportation and security. The Caspian Sea Convention, which has been described as a “regional constitution,” is a framework legal agreement, which can be further supplemented by individual agreements not in contravention of its overarching purpose. All the Caspian littoral states are winners in this historic signing. They have sent a clear message to the rest of the world that they alone possess sovereign rights over the Caspian basin.

The Caspian Sea Convention stipulates that only Caspian littoral states exercise sovereignty and jurisdiction in the Caspian Sea. The Convention regulates the rights and obligations of the littoral states with respect to the use of the Caspian Sea, including its waters, seabed, subsoil, natural resources and the airspace over the sea bearing in mind the existing arrangements between the parties. The parties have created a special regulatory regime for the Caspian Sea, which makes it neither a sea nor a lake in the legal sense, although the Caspian Sea Convention uses the term “sea” for convenience. The Caspian has been divided into internal waters, territorial waters, exclusive fishery zones and the common maritime space.

According to the Caspian Sea Convention, each littoral state exercises full sovereignty over its land territory and internal waters—territorial waters with a breadth not exceeding fifteen nautical miles (28 km) measured from their baselines—as well as its seabed, subsoil and the airspace. The outer limit of the territorial waters based on the equidistance principle will be the state border. The states deferred on the issue of the delimitation of internal and territorial waters between the adjacent states. The littoral states have also put off the issue of the delimitation of the Caspian seabed and subsoil into national sectors. Caspian states with adjacent and opposite coasts will handle deferred matters according to the generally recognized principles and norms of international law. This provision has effectively given a blessing to the existing bilateral and trilateral arrangements delimiting the northern Caspian.
The southern Caspian coastal states of Azerbaijan, Iran, and Turkmenistan must reach a similar agreement in the future.

Each state also has the right to establish a 10 nautical miles-wide (19 km) fishery zone adjacent to its territorial waters. Individual agreements between Caspian states with adjacent coasts will effect the delimitation of fishery zones. Each state will have the exclusive fishing rights for the rich Caspian biological resources in its fishery zone. The states will determine together what the total allowable catch of shared biological resources will be. Each state will be allocated national quotas for such resources which can be transferred or assigned to another state by way of bilateral agreements or other arrangements.

Bearing in mind the fundamental principles of non-use of force and respect for national sovereignty and territorial integrity, the states designated the Caspian as a zone of peace whose waters are for shared use beyond sovereign territorial waters and exclusive fishery zones. The states will collectively shoulder the responsibility for ensuring security and stability in the Caspian region. This specification denies third party armed forces, including those of the U.S. or NATO, any meaningful access to the Caspian. This fact coupled with the freedom for ships of coastal states to use the Caspian beyond the outer limits of their territorial waters is a hard-fought triumph for the Russians and Iranians, who may now ring-fence the Caspian perimeter from any outside interference.

The landlocked Caspian states of Azerbaijan, Kazakhstan and Turkmenistan gained the right of free access from the Caspian to other seas and the world oceans through Russia’s sovereign territory, provided that no legitimate interests of the transit state are being infringed upon. Furthermore, the same landlocked states achieved a decisive victory with the provision that deals with subsea cables and pipelines on the Caspian seabed. It is only necessary to establish an agreement with the state that will be crossed by a pipeline to build a subsea pipeline, rather than with all the littoral states, as initial proposals suggested. This will pave the way for the Trans-Caspian Oil Pipeline and the Trans-Caspian Gas Pipeline to transport oil and natural gas from Kazakhstan and Turkmenistan through Azerbaijan respectively to European markets. These proposed projects will boost the prominence of the Caspian region and create a reliable alternative to Russia’s energy exports to Europe.

The Caspian littoral states have reaffirmed their positive obligations stemming from earlier treaties to protect and preserve the ecological system of the Caspian and refrain from any damaging activity to the biological diversity of the Caspian. The parties to the Caspian Sea Convention will cooperate on many other levels including combating international terrorism, drug and human trafficking. Finally, the parties have foreclosed any unilateral attempts by the coastal states to bring any disputes pertaining to the Caspian within the purview of any international body, including the International Court of Justice. This confirms the intent of the littoral states to determine the future fate of the Caspian through diplomatic channels and other peaceful means of negotiation.

The Caspian Sea Convention by no means solves all the problems that have accumulated over the past two and a half decades in the Caspian region. It was designed and written in such a broad and vague way as to garner enough votes for its speedy conclusion in light of the evolving national interests of each littoral state. However, The Caspian Sea Convention is a far-reaching collective effort to move forward and strengthen regional cooperation and economic interdependence by establishing a sound and predictable legal regime for the Caspian Sea. The jury is still out as to whether the Caspian states will be able to fulfill the commitments of the treaty, but it is
an undeniably solid foundation for a prosperous future.

CONCLUSION
The recent signing of the Convention on the Legal Status of the Caspian Sea brought an end to the decades-long legal uncertainty over the Caspian basin. It opens a memorable new chapter in the history of the Caspian region and provides a significant platform for the Caspian littoral states to strengthen and deepen their economic integration into the global economy by attracting additional investments into new and promising regional energy and transportation projects. The coastal states gained a measured victory by finally bringing clarity to the legal status of the Caspian Sea, despite leaving some unfinished business with respect to the delimitation of the southern part of the Caspian and the ownership over disputed energy fields. The littoral states must collectively support the Convention’s express commitments in action in order to preserve the fragile and unique legal status of the Caspian Sea.


"The jury is still out as to whether the Caspian states will be able to fulfill the commitments of the treaty, but it is an undeniably solid foundation for a prosperous future."
Business and government leaders met at the Trans-Caspian Business Forum in New York in September 2018. The event, hosted annually by the Caspian Policy Center, served to foster a discussion of trade and investment opportunities in the Caspian region in light of growing regional and global connectivity. Business and political leaders from Central Asia, the South Caucasus, and the United States noted the progress that has been made to date in the energy, transport, and communications sectors, and looked at how all sides can be more successful and effective in the future.

The region, which is home to over 110 million people, is already a destination for multi-billion-dollar projects and investments. Foreign Minister of Azerbaijan Elmar Mammadyarov pointed to the $40 billion Southern Gas Corridor project designed to bring much-needed natural gas from the Caspian to Europe. Ambassador of Kazakhstan to the U.S. Erzhan Kazykhanov stated that U.S. investment in his country totals $42 billion, with over 500 U.S. firms operating there. Other participants pointed to sales of Boeing aircraft and high-tech products, as well as to the sizable interest and activity of small and medium-sized American companies in the region, as positive indicators of growth.

Speakers highlighted the strategic and commercial importance of the Caspian basin’s growing connectivity, which is increasing with newly completed...
and up-coming railways, ports, and road links. New surface connections through Kazakhstan and Turkmenistan, and on to Azerbaijan and Georgia with Western Europe, drastically cut the time it takes to ship goods between Western Europe and China. North/South connections, as well as those associated with the New Silk Road or China's One Belt One Road Initiative, are growing. The U.S. State Department’s Ambassador Alice Wells stressed the value that the U.S. places on the New Silk Road effort, as well as the free and efficient movement of goods across these new routes. She also emphasized the U.S.’s commitment to strengthening connectivity in the region. Deputy Foreign Minister of Afghanistan Hekmat Khalil Karzai amplified the point noting that Afghanistan now sees its geographic position in the heart of Asia as an advantage as a result of this new connectivity.

Business and government figures flagged a number of steps that are important for the region’s further growth and prosperity. Azerbaijani, Georgian, and Kazakh government speakers all cited reform and other market-opening programs underway in their countries. Representatives from the private sector stressed what particular steps governments and domestic companies in the region should take. These steps include ensuring good governance, fighting the Soviet era legacy of corruption, boosting transparency and predictably, continuing to strengthen human capital, and developing increased ongoing communication between governments and companies/business groups. Such communication channels with the private sector can provide governments with real-time input on developing situations within a country, insight into the necessary steps to boost economic growth and prosperity, and foresight on potential technological innovations. Such communication can be especially important in an age when technologies and applications in the communications (life and computer sciences sectors and other areas) are developing rapidly. This level of communication is important too as countries in the region develop and need to protect critical infrastructure systems such as electrical grids, information technology networks, and the new surface transport systems.

Private sector panelists said they must be strategic in recognizing and responding to the global competition for capital. They can make themselves more attractive to foreign companies by cooperating with one another, as they have been with energy and surface transport projects. Speakers also noted that hundreds (and perhaps thousands) of small and medium-sized American companies are seeking to do business in the region. These companies frequently have cutting-edge technologies or the solutions necessary to handle business challenges in the region. One panelist noted that it is critical for potential partners in the region to communicate effectively with potential American partners even as OPIC, embassies, large firms, and other U.S. government agencies continue to help. As one speaker put it, sometimes all it takes is to “pick up the phone.”
The Caspian Policy Center and the U.S. Chamber of Commerce Hold the Third Trans-Caspian Forum in Washington, D.C.

The Caspian Policy Center and the U.S. Chamber of Commerce held the third Trans-Caspian Forum on May 18, 2018 in Washington, D.C. with the support of the embassies of Azerbaijan, Afghanistan, Georgia, Kazakhstan, Turkey, Turkmenistan, and Uzbekistan. Policy and business leaders from the United States and seven trans-Caspian corridor countries came together at the Hall of Flags of the US Chamber of Commerce to discuss opportunities and challenges for enhancing mutually beneficial strategic engagement in business, trade, and investment.

Vice President of Global Initiatives at the U.S. Chamber of Commerce Gary Litman, and Executive Director of the Caspian Policy Center Efgan Nifti kick-started the Forum. Their welcome speeches highlighted the importance of a shared platform, such as the Trans-Caspian Forum, for business leaders, foreign-policy experts, and government officials from the U.S. and the region to explore new directions and identify new opportunities.

Brian McFeeters, Principal Deputy Assistant Secretary, Department of State and Matthew Edwards, Director, Office of Russia, Ukraine & Eurasia, Department of Commerce delivered keynote statements. The Forum continued with addresses by the ambassadors and high-ranking officials from Azerbaijan, Afghanistan, Georgia, Turkey, and Turkmenistan.

Caspian Policy Center Board Member U.S. Ambassador (ret.) Richard E. Hoagland, moderated the first of four panels, titled Trans Caspian Region and the U.S.: Emerging Partnership Through
Trade and Commerce. Panelists included Deputy Assistant to the President and Senior Director for Central Asia at the National Security Council (White House) Lisa Curtis, Chief Advisor to the President of Afghanistan Dr. Mohammad Humayon Qayoumi, Deputy Minister of Transport, Communications and High Technologies of Azerbaijan Elmir Valizade, Deputy Minister of Economy and Sustainable Development of Georgia Genadi Arveladze, and Deputy Minister of Economy of Turkey Fatih Metin.

“We recognize the importance of the economic development in the Caspian region,” Ms. Curtis said, sharing her thoughts on the trans-Caspian corridor. “Our engagement with the Caspian region helps advance American influence there and helps attract more American companies.”

Foreign Policy Director at the Heritage Foundation Luke Coffey moderated the second panel, titled Linking the Trans-Caspian via Infrastructure Development: Air, Rail, Sea. Panelists included Regional Director for Air Cargo of BOEING Commercial Airplanes Tom Crabtree, Senior VP of SSA Marine Bob Watters, Baku International Sea Trade Port CJSC’s Advisor to the Director General Tural Aliyev, Chairman of the Afghan-American Chamber of Commerce Sulaiman Lutfi, Deputy Director General, Ministry of Foreign Affairs of Turkey Zafer Ates, and Head of Department of Azerbaijan Caspian Shipping at CJSC Tariyel Mirzayev.

“We are very excited about the Trans-Caspian Forum and think it will create many opportunities for the region countries,” Mr. Watters said. “The U.S. & Georgia Consortium will start the Port operations in 2020. Anaklia Deep Sea Port will receive Panamax & Post-Panamax ships which will dramatically increase the East-West connectivity.”

Former U.S. Ambassador to Azerbaijan Robert F. Cekuta moderated the third panel, called Trans-Caspian as a Global Hub for Energy Supply and Security. Panelists included Vice President of BP Bakhtiyar Aslanbeyli, Vice President of SOCAR Elshad Nassirov, Chief Advisor to the President of Afghanistan Dr. Muhammad Qayoumi, and Vice President of Political and Public Affairs and Head of DC Office at Equinor Geir Westgaard.

“For Azerbaijan, it is very important to build pipelines to unlock the country’s energy transportation and promote the Azerbaijan-Georgia-Turkey energy corridor,” Mr. Aslanbayli said about the trans-Caspian corridor and its benefits for the Caspian region.

The final panel, moderated by Mr. Nifti, focused on connectivity, regional transformation, innovation, and technology in the Caspian region. Panelists included William E. Simon Chair in Political Economy and Senior Adviser for Asian Economics at CSIS Matthew Goodman, Chief of Administration Azad Jafarli from the State Agency for Public Service and Social Innovation under the President of the Republic of Azerbaijan, Advisor to the Chairman of Azercosmos OJSC Abbas Mammadov, and Board Member of Azersun Holding Tahir Gozel.

“We started from the preparation of a young generation of public servants who understand the pros and cons of electronic public service delivery,” Mr. Jafarli said, speaking about the modernization of the public service delivery in Azerbaijan. “We won the UN Public Service award among 839 candidates for the best quality of public service.”

The Forum ended with closing remarks by Mr. Litman and Mr. Nifti.

"For Azerbaijan, it is very important to build pipelines to unlock the country’s energy transportation and promote the Azerbaijan-Georgia-Turkey energy corridor,” Vice President of BP Bakhtiyar Aslanbeyli said.
Supporting Innovation and Start-Ups
Experts from the U.S., the Caucasus, and Central Asia Meet in Boston

The Caspian Policy Center, working with the U.S. Chamber of Commerce and others, brought together practitioners from the U.S. and the Greater Caspian Region, including a large delegation from Azerbaijan, at the Caspian Innovation Summit in Boston on November 7-8, 2018. The summit served to augment the on-going endeavors of the United States and countries of the Caucasus and Central Asia to encourage new businesses as an avenue to boost overall employment and economic growth. Speakers at the summit discussed and analyzed experiences and insights on how to foster new ideas and turn them into successful businesses.

The Head of International Business Strategy, from the Office of Boston Mayor Marty Walsh, Sarah Delude noted that Boston seemed to be in trouble in the 1970s and early 1980s. However, the city overcame its difficulties to become an attractive center for new businesses—disproving those who said its best days were behind it. The city now serves as an example of successful innovation.

Different speakers noted that Boston and its metropolitan area boast the highest concentration of life science activity in the world. Growth in the digital health, robotics, and tech sectors account for 12 percent of Massachusetts’s gross domestic product (GDP); the state’s GDP totaled about $527.4 billion in 2017. The U.S. Chamber of Commerce has ranked Boston the number one U.S. city for fostering entrepreneurial growth and innovation two years in a row.

Boston certainly recognized and used the advantages that came from having a heavy concentration of universities in and around the city, but it also discovered and utilized additional resources and methods. Boston's sustained efforts continue to pay off.

The city, which boasts residents from over 150 countries and 60 different languages, draws talent from across the world. One of the Summit’s keynote speakers pointed out that thirty percent of the start-ups in the region have foreign-born founders. Another pointed out that about two-thirds of the workforce in Boston’s medical community is international.

Building a sizable pool of talented people, both domestic and foreign born, has been critical to Boston’s ecosystem of entrepreneurship and growth. There must be both entrepreneurial visionaries, as well as talented, capable employees who can help realize those visions and scale up business operations into sustainable, viable companies. Moreover, once firms reach a certain size—six to ten people—experience shows that the new company is more likely to stay put rather than move elsewhere.

The range of practitioners who spoke at the event...
"Speakers also emphasized the importance of empowering all elements of a country’s population—both male and female—to embrace innovation and entrepreneurship."

repeatedly stressed that fostering collaboration, as well as individuals' skills, is essential for developing the ecosystem for innovation. Speakers from the Cambridge Innovation Center and Mass Challenge noted the strong results they have had in the Boston area by providing workspace and offering mentorship and building a community that recognizes and supports success. These are key tools for helping entrepreneurs handle the risks inherent in starting and growing a company. MassChallenge reported its accelerator program for entrepreneurs has meant the creation of 1,500 jobs. Furthermore, MassChallenge is in the process of taking its accelerator programs for entrepreneurs international.

The Middle East Technical University stressed the importance of entrepreneurs and innovators being able to meet and establish relationships. Entrepreneurs and innovators tend to look out for one another and reinforce each other's interests when they meet, the speakers said. The University also emphasized that recognizing and celebrating successes fosters innovation, boosts economic growth, and increases prosperity. Experts impressed the importance of the role that government authorities play in this regard. Furthermore, they stated that governments must address and eliminate corruption along with the conditions that exacerbate it, as corruption has the power to stop innovation and economic growth in its tracks.

Although there is a great deal of focus on entrepreneurs and start-ups, studies show medium-sized companies may be the engines that yield the greatest boosts in economic growth and employment. Moreover, innovation and entrepreneurship occur within established firms as well as in start-ups. Studies find both that older and new companies are equally likely to be transformative in developing ideas and putting them on the market. Growth also tends to be sporadic and non-linear. Babson College's Founding Executive Director Professor Daniel Isenberg told the summit that many of the greatest breakthroughs and best products at Apple were made twenty-five or more years after its founding.

The summit flagged other efforts and lessons from the Greater Caspian Region. Entities such as the Astana International Financial Center and Azerbaijan’s new High Tech Park are helping realize new ideas and establish new businesses. While much focus was paid to the organizational and physical aspects necessary to encourage innovation and entrepreneurship, speakers and participants also stressed the human angle. Director of Global Partnerships at Fulbridge Gaetan Kashal noted that critical and analytical thinking skills, as well as teamwork and networking skills, are necessary and teachable tools for entrepreneurs and innovators alike. Multiple speakers, including Caglar Iscioglu of the Young Guru Academy, a non-profit leadership school in Turkey, noted the importance of teaching and cultivating good leadership. Mr. Iscioglu also flagged the value of fostering a sense of corporate social responsibility. He suggested that a sense of responsibility for one's community and overall society often leads to ideas for new products. He cited examples, including technology developed to improving the mobility of the visually impaired.

Speakers also emphasized the importance of empowering all elements of a country's population—both male and female—to embrace innovation and entrepreneurship. Chairwoman of the 100 Business Women of Azerbaijan Tatyana Mikayilova noted that it is critical for creating the ecosystem that supports innovation and growth to recognize and celebrate successful entrepreneurs of both sexes, especially given that women account for as many as 70 percent of the start-ups in certain countries. What country can afford to ignore 50 percent or more of its talented resources?