Competition over the oil routes has become the central focus of most of the literature on Caspian energy politics since the mid-1990s. From the many approaches taken, two different schools of thought can be identified, whose adherents might be described respectively as ‘Gamers’ and ‘Oilers’.1 ‘Gamers’ focus on the states as players in the ‘oil game’ whereas ‘Oilers’ focus on the role of the non-governmental actors – the oil companies.

This paper aims to analyze both schools' view. It argues from the schools' standpoint how the involved powers, states and companies, have attempted to maximize their benefit from the Caspian's hydrocarbons.

**Governmental actors: Gamers' view**

From the perspective of the ‘Gamers’ the competition boils down to the question of whether Russia can retain its old monopoly on the transport of hydrocarbons from the region. At independence in 1991, oil and gas either passed through Russia for export or were used by Russia to free up its own oil and gas for exports to the lucrative West European market. Since then, Moscow has been trying to ensure that pipelines continue to be routed through its territory. Existing lines have been repaired, upgraded and expanded.2 Russia, the old ‘big brother’ of the region, has tried to maintain its profound influence on the region’s energy routes, to retain its control over strategic resources and infrastructure networks, and deny other external powers control of the region.3 In this connection, Moscow’s opposition to the US multiple-pipeline strategy reflects its strong desire to retain control over energy resources and infrastructure. President Yeltsin in 1998 emphasized: ‘We cannot help seeing the uproar attired up some Western countries over the energy resources of the Caspian. Some seek to exclude Russia from
the game and undermine its interests. The so-called pipeline war in the region is part of the game.\textsuperscript{4} Russia has put pressure on the Kazak government to choose an oil transit route through Russia rather than Turkey.\textsuperscript{5} Furthermore, Russia has an interest in controlling Caspian and Central Asian oil and gas exports to improve its own bargaining position with Western oil investors. Consequently, the Russian government has been concerned about the construction of new pipelines in other directions, and the potential for this to undermine Moscow’s predominance in the region.\textsuperscript{6} It strongly expressed the hope that oil would be carried through an existing pipeline running from Baku, on Azerbaijan’s Caspian coast, to Novorossiisk on the Black Sea.\textsuperscript{7}

Of course, although Moscow has tried to keep Central Asia away from the United States it could not achieve such a goal and Washington has remained a major competitor in the region. Yet, the United States also could not fully exclude Russia, due to its historical, economic and political ties with the region. Therefore, any regional or international actors in the Caspian have been warned that ‘Moscow [would] vigorously oppose all attempts to build up the political or military influence of third countries in the states adjoining Russia.’\textsuperscript{8} In other words, Russian officials believe strongly that Transcaspia, like the rest of the CIS, must remain Moscow’s sphere of influence, and that Russia should do more to resist Washington’s penetration. Boris Nemtsov, former Russian Deputy Prime Minister, in 1997 clearly asked Washington to remember that Moscow views the region as the United States view Latin America: a backyard where no strangers are allowed.\textsuperscript{9} President Putin put relations with the countries of the Caspian region at the very top of his foreign policy agenda. After assuming office, he moved quickly to name a special presidential representative for Caspian affairs, to commission a strategic study of Russian policy in the region, and to facilitate consortia of the major Russian energy companies, Lukoil, Gazprom, and Yukos, to develop Caspian resources.\textsuperscript{10}

These Russian efforts made Washington anxious. For instance, S.N. Heslin argued: ‘In the energy area, Russia has used its pipeline monopoly as a foreign policy tool to thwart Caspian energy development.’\textsuperscript{11} Accordingly, US decision-makers were concerned at the prospect of new oil and gas pipelines flowing through Russia. Washington’s determination to prevent Moscow from retaining a sphere of influence in the Caspian region became public from the mid-1990s. In May 1997, Edward Shirley, a CIA analyst, insisted that the United States must ensure that the Central Asian republics and their oil and gas wealth stay free of Russian power.\textsuperscript{12} In April 2001
Elizabeth Jones, Assistant Secretary of State for Europe and Eurasia, stressed the need to ‘guard against dependence on Russia and also prevent dependence on Iran, which would have an interest in controlling Caspian oil because it is a competitor in the oil market. The United States supported a policy of multiple pipelines, aiming to deny and break Russia’s monopoly.13

Washington’s attempt to diminish Russian influence has been part of a policy aimed at wresting Central Asia and the Caucasus from its sphere of influence by any means, including oil and gas pipeline construction, pressure by NATO allies, financial incentives for docile local leaders, and alignment of US media with others who oppose Russian alliances.14 At this point, as D. Blum has pointed out, it is hard to ‘escape the conclusion that America’s Caspian policy has been predicated on the illusion of a ‘unipolar moment’: ‘The notion that Washington can orchestrate, and subsequently maintain a convivial alignment of international forces. The implication is that it is possible to fashion relations in the Caspian region so as to constrain Russian decision-making with little or no blowback from Moscow.’15 According to the State Department sources, the new approach, coordinated by the National Security Council, was designed to break ‘Russia’s grip on Central Asian oil export. The objective [was] both to help ensure the survival of independence states in the region and to protect U.S. corporate interests.’16

Thus, the ‘Gamers’ usually end up in the same place as the government, recommending US support for non-Russian oil routes, and specifically for the initiative which did in fact, become the centerpiece of Washington’s policy toward Caspian energy in the second half of 1997: an ‘East-West transportation corridor’ consisting of a Baku-Ceyhan oil pipeline and trans-Caspian oil and gas pipelines.17

Iran is another US concern in the Caspian region. It is the only Middle East oil exporter and member of the key Organization of Petroleum Exporting Countries (OPEC) that borders the Caspian and Central Asia. Tehran has declared that Iran is the logical route (one of the shortest), for transport of Caspian oil to world markets.18 This declaration is based on Iran’s possession of several well-equipped ports on the coast of the Persian Gulf and Sea of Oman, and well-developed shipping terminals, a technically skilled workforce, and a widespread pipeline network that can be easily reached from Azerbaijan, Turkmenistan, or Kazakhstan.19

More importantly, routes from Iran do not pass through areas where Russia could bring substantial political or military pressure to bear. Furthermore, there is no major internal conflict in Iran to endanger the pipelines’ security. Therefore, one can argue that, compared to areas like...
Armenia and Azerbaijan, Iran is much safer option for long-term export of the region’s oil and gas.\textsuperscript{20} Besides, routing oil through Iran would be more viable economically.\textsuperscript{21} In fact, given its location, its highly-developed oil sector, and its existing network of pipelines, Iran could, as Iranian oil officials have stressed, offer a route for Central Asian oil that is ‘the easiest, the safest, and the cheapest. Its cost, for us, would not be more than $300 million. You cannot compare that with the $4 billion for a pipeline going to Turkey.’\textsuperscript{22} At a forum in New York, in September 2000, Iran’s Foreign Minster Kamal Kharrazi said: ‘We ought to choose the best route, free from any kind of political pressure and fanfare and non-economic parameters…The Iranian route is the shortest route for the transfer of energy resources.’\textsuperscript{23} 

These advantages and assessments have led many observers to suggest that Iran, by simple geography, may be the best export route for Caspian oil. W. Kang and F. Freeidum, for instance, have argued that to gain access to the Persian Gulf, and ultimately the Asia-Pacific, Central Asia must build its pipelines through Iran.\textsuperscript{24} B. Rumer has also noted ‘…one important economic factor that, objectively, makes relations with Tehran very important for the landlocked countries of the region: namely the territory of Iran not only presents the optimal route for linking this region with world markets, but is also the shortest route for other countries to reach Central Asia.’\textsuperscript{25} As for the region, some countries have displayed interest in Iranian routes. Azerbaijan and Turkmenistan, which each share a long border with Iran, have sought to include Iran in some of the key consortia, mentioned earlier, now being established, and that trend is expected to increase.\textsuperscript{26} 

Although Iran, based on the advantages mentioned, has sought to play a role in determining the future of Central Asia, Washington has viewed the region as a hedge against it. In this connection, some of the ‘Gamers’ believe that Iran should be banned from accessing the political and economic influence in the Caspian region that an export pipeline would bring.\textsuperscript{27} US policy had been to oppose any pipelines through Iran.\textsuperscript{28} Jan H. Kalicki, former Counsellor to the US Department of Commerce and US Ombudsman for Energy and Commercial Cooperation stated in 1998:

[T]he US government steadfastly opposes the transit of Caspian oil and gas through Iran. We welcome signs of positive change in Iran, and we will seek to encourage future change. But when it comes to energy – a commodity on which our economies depend – we must look to our overriding security needs and
remember that Iran is a competitor of the Caspian states, not a partner. On gas, for instance, Iran has set its sights on the growing markets of Turkey, Europe and Pakistan – the same markets sought by Turkmenistan. At the risk of stating the obvious, it does not strike me as a smart business decision to run pipelines through the territory of a major competitor.29

Similarly, in Congressional testimony on 31 March 1998, Deputy Secretary of State Strobe Talbott warned that Washington would continue to caution nations throughout Central Asia and the Caucasus against developing close relations with Tehran.30 He said: ‘As a state-sponsor of terrorism and a nation bent on the development of weapons of mass destruction, Iran still poses a threat to all its neighbors’ and that ‘we are against any state in the region being allowed to dominate the region, politically or economically.’31 He then made it clear that the United States would continue to work with all the states of Central Asia and the Caucasus to thwart the growth of Iran’s influence.32 Such an idea was a reflection of Washington’s containment policy towards Tehran. Equally important, US economic sanctions against Iran, particularly the Iran-Libya Sanctions Act (ILSA) of August 1996, the imposition of penalties on major international investors (investing more than $20 million) in Iran’s oil and gas industry, which were prolonged again in August 2001, have directly affected the possibility of Caspian pipeline development through Iran.33 In practice, ILSA banned foreign investment in Iran’s energy sector. William Courtney, a senior Director for Eurasian Affairs at the National Security Council, summarized ILSA’s attitude to the potential transport of Caspian oil through Iran:

[Washington] does not believe it is in the energy security interest of the United States, Russia, or other new independent states for Caspian oil to go through the Strait of Hormuz. Pipeline through Iran would give it dangerous leverage over the economies of the Caucasus and Central Asia. Until there is real evidence of changes in Iran’s policies, it would be reckless to give it a stranglehold over [Caspian] oil.34

Initiatives such as ILSA gave US decision-makers additional powers to punish companies that trade with Iran. They claimed that Tehran had not renounced terrorism and was seeking weapons of mass destruction (WMD). Accordingly, some Western analysts called on Washington to overthrow the government of Iran.35 The last paragraph of US Senate Resolution 306, which was passed on 25 July 2002, stated: ‘In dealing with Iran we must focus all of our efforts on the
people and their hopes of a free and democratic nation. The Voice of America, Radio Free Europe and Radio Liberty must redouble their efforts to provide uncensored truth to the Iranian peoples.\(^{36}\) Although the resolution called for democracy and public freedom in Iran, indirectly it was against the existing Iranian regime of Iran. In contrast, some other American analysts suggested rapprochement with Tehran and an end to sanctions. Brzezinski for example, preferred a ‘position by the United States which does not exclude the pipeline through Iran.’\(^{37}\) He thought such a pipeline would be implemented instantly in any case, and said ‘it is not wise for the United States to be opposing the possibility of international financing of a pipeline also through Iran.’\(^{38}\)

Similarly R. Sobhani insisted:

> Ironically, that leaves an option involving Iran as the most feasible export route in the near term from both a business and political viewpoint. The President [Clinton] should exercise his Iran option by supporting American energy companies negotiating an ‘early oil’ swap arrangement to export Azerbaijani and Kazakh oil from the Caspian Sea through Iran's existing pipeline infrastructure. This also buys time to decide which long-term pipeline route is the most feasible; through Russia to the Black Sea; through Turkey to the Mediterranean Sea; or through Iran to the Persian Gulf.\(^{39}\)

Sobhani even argued that ‘by encouraging Azerbaijan and Kazakhstan to export their early crude oil production through Iran with the assistance of American oil companies working in the Caspian Sea, Washington could achieve a number of strategic and foreign policy objectives.’\(^{40}\)

Despite such assessments, the US position on energy-related matters in Central Asia has been clear, discouraging construction of oil and gas pipelines through Iran, and working hard to promote westbound pipelines instead.\(^{41}\) In 1997, D.B. Ottaway and D. Morgan wrote in *The Washington Post* that the Clinton administration, facing erosion of its efforts to isolate Iran’s regime economically, had begun aggressively pushing an initiative to convince the Caspian region’s countries ‘to scrap plans for oil and gas pipelines through Iran in favor of a costlier ‘Eurasian transportation corridor’ to the West.’\(^{42}\) They quoted J.H. Kalicki, who had said: ‘Iran is a competitor, not a partner for the Caspian states when it comes to oil and gas exports.’\(^{43}\) Further he proclaimed: ‘We think the Caspian states will want to avoid an Iranian hand on the oil and gas spigot.’\(^{44}\)
China is another external player whose position in Central Asia has attracted the ‘Gamers’ attention. China became a net oil importer in the 1990s, and its involvement in the Caspian region is a significant component of the ‘oil game’. China shows, is the world’s second largest energy consumer. Its oil imports have risen slowly over time, now averaging around 1.5-1.7 million barrels per day, and are expected to grow to between 2 and 4 million b/d in the 2010s. In the face of declining energy deposits, deteriorating production and increasing domestic consumption, Beijing has to find some alternative energy resources if it is to maintain the momentum of its economic development. Accordingly, China started to play a pro-Central Asian card because of its need for the region’s oil. It has a strong interest in developing Caspian oil and gas fields, particularly of states that are located in its ‘backyard’, west of the province of Xinjiang.

China’s rising energy needs are fuelling investment in Kazakhstan’s oil fields and pipeline projects. When in 1997 the CNPC won a privatization tender enabling it to purchase a majority stake in one of Kazakhstan's oil-production subsidiaries, Beijing gained exclusive rights to develop another Kazak oil field, and pledged to do a feasibility study for a new oil pipeline to be built from Kazakhstan’s western oil fields to the Chinese border, and presumably beyond. China reached a provisional agreement with Kazakhstan in September 1997 that, if implemented, would involve construction of a 3,000 km pipeline linking energy fields in Kazakhstan with Xinjiang. But the deal also had a political dimension. China desired closer relations with Kazakhstan in order to increase its influence in Central Asia and to develop its energy security. Beijing has also planned to build a long-distance gas pipeline from Turkmenistan through China to Japan and the Republic of Korea.

Although US policy toward China has not reached the level of its opposition to Russian and particularly Iranian influence in the Caspian region, there has been no sign of intent to cooperate with Beijing. A. Cohen’s observation reflects US policy:

> [T]he issue of access to the oil and natural gas of the Caspian Sea region is not an isolated one; it is linked to other important U.S. geostrategic interests in Eurasia. For example, U.S. policymakers are becoming increasingly concerned about the possible re-emergence of a new Russian empire, and they realize that ready access to the rich oil and gas resources of this region could fuel such an expansion. A new Russian empire conceivably might seek to gain exclusive control over the...
region’s pipelines and limit U.S. access. Furthermore, the radical Islamic regime in Iran could move to turn Central Asia into its strategic rear, viewing the Islamic states of Central Asia as a potential sphere of influence. Even China has the potential to become involved.54

From China’s perspective, the impact of a multiple pipeline strategy is indirect; anything exported westward is unavailable for export eastward.

To the extent that the United States has been seeking diversity of supply to global oil markets, it would plainly prefer that the Caspian region enjoy energy policies free from the influence and control of Russia, Iran and China. Influential American experts have viewed each of these countries as an actual or potential threat to US interests in the region and to some extent globally.55 Indeed, this policy was part of a grand strategy to help America develop hegemony over an important part of Eurasia, as strongly advocated by Brzezinski.56

**Non-Governmental actors: Oilers' view**

Contrasting with the ‘Gamers’ approach to the ‘pipeline game’ is a second perspective whose adherents might be termed ‘Oilers’. While the ‘Gamers’ emphasize states as actors in the game, the ‘Oilers’ place oil companies at the centre of their analysis, believing that the companies, rather than states are the major forces behind the exploitation of new pipelines from the Caspian region as they possess the necessary technology, capital and project-organizing ability. American scholars such as Robert Ebel, John Roberts and Rosemarie Forsythe have best articulated this school of thought.57 The ‘Oilers’ suggest a commercial game, played by international and regional oil companies, though they believe that states are certainly able to block or complicate pipeline projects. The oil companies have been competing fiercely to sign production-sharing agreements for the remaining Caspian oil fields, and to comply with tight deadlines for exploration and development.58 With the possible exception of the Chinese, Turkish and Russian alternatives, none of the proposed pipeline projects is likely to have states or state-owned companies leading financing and construction efforts. In effect, ‘Oilers’ emphasize the geo-economics features of the oil routes, rather than geopolitical logic rooted in the balance of power and competition between states.
An approach that focuses on the decisive role played by oil companies in choosing pipeline routes has been strengthened by the fact that the Caspian countries themselves, contrary to conventional wisdom, have thus far been more observers than central actors in the pipeline derby. Turkmenistan and Kazakhstan have focused primarily on near-term efforts to get more of their current oil and gas production exported through Russia, using the existing Soviet-era infrastructure. A commentator in Almaty has argued that, for the region’s landlocked countries, Russia is the only functioning route for oil and gas exports to the world markets, so most Kazak oil and Turkmen gas reaches foreign consumers via Russian pipelines. Cooperation with Moscow could, therefore, provide better access to those markets and with it higher profits.\(^{59}\) The impetus for exploring various future oil routes, however, has come from external actors. The CPC project, planned to build a new pipeline from northwest Kazakhstan to the Russian Black Sea port of Novorossiisk has been a public-private partnership, with private oil companies taking the lead and providing the finance.\(^{60}\) The same is true for the proposed oil and gas pipelines from Turkmenistan to Pakistan’s port of Gwadar via Afghanistan.

**Conclusion**

One significant geopolitical and geo-economics consequence of the demise of the Soviet Union was the rise of an intense political and commercial competition for control of the vast energy resources of the Caspian region. Both international players, states and oil companies, became involved in a serious competition in the fields of oil, gas and pipelines. The role that has been played by these players is studied by two schools, oilres and gamers.

These two perspectives, and the two distinct logics that underlie them, must be combined in order to achieve a full understanding of the Caspian energy development and pipeline affairs. In other words, both states and companies have a role to play in the ‘oil game’. The essence of this game in the region is twofold: first, control of production of the oil and gas, and second, control of the pipelines that will transfer the hydrocarbons the world markets.

In the US case, the government and American oil companies were involved in the region’s oilfields to gain geopolitical and economic advantages. US multiple pipeline policy has aimed to exclude those viewed by Washington as ‘contenders for pipeline monopolization’ of Caspian oil, namely Russia, Iran and to some degree China.\(^{61}\) Such policy has led these regional powers
towards enhancing their influence in the region's energy reserves in order to develop geopolitical and economic interests.

*Dr Enayatollah Yazdani (PhD in International Relations from ANU, Australia), Assistant Professor Department of Political Science The University of Isfahan Email: yazden@polt.ui.ac.ir

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6 Becker, op. cit., pp.91-132.


19 A. Maleki, ‘Iran and Turan: Apropos of Iran’s relations with Central Asia and the Caucasian republics’, Central Asia and the Caucasus (online), Vol. 11, No. 5, 2001 at http://www.ca-c.org/journal/eng-05-2001/11.malprimen.shtml [accessed 15/8/2004]. In addition, there are a number of refineries in northern Iran that are particularly suited to handle oil swaps with the Caspian states.


24 Wu and Fesharaki, op. cit., pp. 18-20, 22-23.


31 Ibid.

32 Ibid.

34 Quoted from Turkish Daily News, 10 May 1998, by Karagiannis, op. cit., pp. 151-162.


40 Ibid.

41 Wu and Fesharaki, op. cit., pp.18-20, 22-23. For a comprehensive description of the Baku-Ceyhan project see Karagiannis, op. cit., pp.151-162.


43 Ibid.

44 Ibid.


58 Heslin, op. cit., pp. 12-16.

