The geopolitical importance of the Caspian region does not stem solely from its energy potential. Whether or not the area emerges as a major energy producer, its central geographical location, the considerable potential for regional instability and internal and interstate conflict, and the competition among external powers for influence all suggest that events in the region will shape the balance of power in Eurasia and the geopolitical order that will supplant Russian hegemony. The West, therefore, will have an interest in preserving peace, order, and stability in the south Caucasus and Central Asia.

Over the next decade, Caspian states will make fundamental choices about their national identity, interests, external relationships, and place in the world.¹ Further, these choices will be made within an extremely fluid environment characterized by an active and increasing competition for influence among several outside powers, including Russia, Iran, Turkey, China, and the United States and its European allies. Each of these countries will be pursuing its own agenda and this dynamic will present the states of Central Asia and the south Caucasus with opportunities and challenges in charting their future.

The dissolution of the Soviet Union aroused widespread apprehension that the existence of fragile and unstable states in Central Asia and the south Caucasus would create a “strategic vacuum” and ignite an intense and destabilizing competition among outside powers to fill it. However, predictions that the region would fall prey to the

¹Graham E. Fuller elucidates these choices well in Central Asia: The New Geopolitics (1992).
domination of an outside power have thus far proved to be unduly alarmist. To be sure, the presence and influence of outside powers will continue to grow. That said, most of the states in the Caspian and Central Asia have proven adept at increasing their independence and maneuvering room by playing off outside powers against each other. Indeed, there is no “power vacuum” for outside powers to fill and a multipolar regional balance of power is evolving, which will make it extremely difficult for any single country to establish regional hegemony.2

The discussion below focuses on the main external actors—Russia, China, Turkey, and Iran. However, other regional actors also hope to cultivate close ties with the Central Asian and Caucasus states. Of these, perhaps the most interesting are Pakistan and India. For both of these countries, strong relations with Central Asian states represent important political opportunities and regional leverage. However, these countries lack the capability to exert major influence over regional events and are therefore touched on only lightly.

RUSSIA: THE ONCE BUT NOT FUTURE HEGEMON

Russia continues to see Central Asia and the south Caucasus as vital to its security interests. Since the mid-1990s, these interests, which are enshrined in a September 1995 presidential edict on Russian policy toward the CIS, have been defined as establishing an exclusive Russian sphere of influence, minimizing the expansion of foreign presence and influence on CIS territory, preventing or containing local wars, and protecting ethnic Russians.3 Russia has relied on three main tools to advance these interests: (1) integration of the CIS under Russian domination; (2) the use of military, economic, and political leverage to subordinate the independence of the Caspian states to Russia’s interests; and (3) international recognition of an exclusive Russian-led CIS peacekeeping role and Russia’s “special powers” as

---


guarantor of peace and stability in the space occupied by the former Soviet Union.

From the vantage point of Western policy and interests, the key questions are: (1) whether Russia will continue to pursue these ambitions and, if so, whether Moscow will be successful in preserving Russian supremacy, and (2) what measures are available to NATO and the West to counter Russian actions that threaten the independence of the Caspian states and access to the region’s energy resources.

Russia’s expansive conception of its security interests in the Caspian region, which many observers have labeled “neo-imperialist,” is reflected in several different ways: 4

- Russian military doctrine stresses regional threats and local conflicts, the need to improve the mobility and deployability of Russia’s conventional forces to deal with conflicts on Russia’s periphery, the imperative of protecting Russians in the “near abroad,” and the importance of preventing other countries from gaining a foothold in the region. Further, senior Russian military officials have expressed the view that Central Asia’s borders are Russia’s as well, and that because of the vulnerability of the area to Islamic fundamentalism Russia needs to maintain a strong military presence to prevent the Caspian states from falling victim to Islamic extremism. As one expert on Russian military policy has observed, the Russian military thinks of Central Asia as a buffer zone along its southern border and has adopted a forward defense strategy predicated on the belief that the defense of Russia’s borders starts at the CIS border in Central Asia. 5

- High-ranking Russian civilian and military officials have repeatedly emphasized that Russia’s security can best be protected by establishing a sphere of influence in the former Soviet south and by defending Russia’s special rights, interests, obligations, and

---


responsibilities in the region. Russian officials have repeatedly proposed that the United Nations grant the CIS the status of an international organization and confer on the CIS an exclusive monopoly over peacekeeping responsibilities on Russia’s southern periphery.

- Russians across the political spectrum defend Russia’s right to use force to protect the rights of the Russian diaspora, an attitude reflected in the Russian government’s long-standing proposal that Russians living in Central Asia should be granted dual citizenship.

- The Russian government mounted an intense and ultimately successful effort to revise the Conventional Forces in Europe (CFE) flank agreement to allow Russian forces to exceed regional subceilings, thereby increasing the forces Russia could bring to bear on its southern periphery. The Russians have also successfully pressured some countries to reallocate their shares of CFE equipment entitlements to Russia.

- The Russians have frequently exploited local conflicts to deploy peacekeeping forces and to use the presence of these units to extract agreements from local states permitting Russia to maintain bases, border guards, and forward-deployed forces.

- Russia has played hardball to maintain its preeminent position in the region, prevent the spread of foreign influence, muscle its way into energy development consortia, and retain exclusive control over energy pipeline routes. Heavy-handed attempts at blackmail, coercion, subversion, and violence include interventions on behalf of Abkhazian separatists in Georgia (which the Russians exploited to extract basing agreements from Tbilisi), military support of Armenia in its conflict with Azerbaijan (which the Russians used to leverage Baku into joining the CIS), attempts to install more pliant regimes in Azerbaijan and Georgia when these governments resisted Russian pressures for tighter CIS integration, and numerous cutoffs of oil and gas exports from Azerbaijan, Turkmenistan, and Kazakhstan.6

6Russia’s “neo-imperialist” activities in the former Soviet south have been richly described by several authors. See, in particular, the following articles: Stephen J. Blank, *Energy, Economics, and Security in Central Asia: Russia and Its Rivals*, U.S. Army War
Russia’s policies in Central Asia and the south Caucasus have had mixed results. Russia remains the predominant external power and has had limited success in establishing a partial sphere of influence throughout the former Soviet Union. Many post-Soviet Caspian states remain dependent on Russia for trade, energy supplies, military equipment and training, and internal stability and external security, and Moscow maintains strong political, economic, and military ties to several states. Further, the Russians have exploited their leverage and the weakness of Caspian states to extract military and economic concessions, including basing rights, participation in energy projects, and favorable decisions on pipeline routes. Russia maintains a basing structure and military presence in the region and continues to lead regional peacekeeping operations and international efforts to mediate regional conflicts. In the south Caucasus, the area of greatest concern to Moscow, the Russians have established important footholds in Armenia and Georgia: bases, installations, and security treaties. Russia’s arrangements with Armenia, in particular, are especially far-reaching and Moscow has recently transferred more advanced conventional weapons to Armenia. Finally, the Russians have achieved a partial degree of CIS integration, most notably the creation of a customs union with Belarus, Kazakhstan, and Kyrgyzstan.

At the same time, there are numerous signs of Russia’s shrinking influence and the erosion of its once hegemonic position.

- **CIS integration.** As previously noted, the development of CIS political, economic, and military integration is a central goal of Russian foreign policy. Nonetheless, CIS cooperation has been

---

9 The authors would like to acknowledge the contribution of RAND colleague Abraham S. Becker to the discussion of CIS failings. These are described further in “Russia and the Caucasus-Central Asia States: Why Is Moscow Floundering?” paper prepared for the RAND Conference on Security Dynamics in Central Asia and the Caucasus, March 1998.
plagued from the outset by intramural disputes, conflicting agendas, lingering rivalries and mistrust, and, most important, Russia’s lack of resources. As a result of these centrifugal forces, the CIS has not evolved into a coherent and effective regional organization—a major setback for Russia in light of Moscow’s goal of using a rejuvenated CIS under Russian leadership to restore Russia’s great power status. The most dramatic example of the decrepit state of the CIS is the inability or unwillingness of CIS members to implement more than a handful of the roughly 1300 CIS integration agreements.

Russia’s hopes for CIS integration have also been dashed by the refusal thus far of Azerbaijan, Uzbekistan, and Turkmenistan to join CIS political and economic structures. These ambitions were dealt a further blow by the recent decisions of Azerbaijan, Georgia, and Uzbekistan to withdraw from the CIS Collective Security Treaty. Consequently, the limited integration that has been achieved to date is largely informal and tenuous; although some CIS states remain dependent on Russia militarily and economically, most of this cooperation has been achieved within a bilateral rather than multilateral framework. In short, the CIS resembles a “Potemkin” organization and the prospects are dim that Russia will be able to rescue it from near-certain oblivion.

- **Energy development and transport.** Russia’s ability to control energy production and export is declining in several areas. After years of heavy-handed Russian pressure, Moscow has recently moved closer toward accepting the position of Azerbaijan and Kazakhstan (and occasionally Turkmenistan) that Caspian Sea resources should be divided into national sectors. Russia has also lost its exclusive monopoly over pipeline routes with the recent completion of an oil pipeline and the opening of a new rail route that will allow Azeri oil exports to bypass Russia. Kazakhstan and China have concluded an agreement on the construction of a major pipeline across Chinese territory which, if implemented, would further erode Russian control over the flow of Caspian oil. Finally, some of the more extreme Russian demands for equity shares in oil development consortia have been rebuffed and Lukoil, the giant Russian oil company, has lost bids entirely on some other projects.
The Threat of Regional Hegemony

The Threat of Regional Hegemony

Search for alternative powers. In varying degrees, the Caspian Basin states have enjoyed success in reducing their dependence on Moscow and diversifying their economic, political, and military relationships. Trade with Russia is declining as the Caspian states develop commercial ties with non-CIS countries, including Turkey, Iran, Pakistan, China, Korea, Japan, Israel, Germany, France, Italy, and the United States. Scores of multinational companies, led by the oil and gas industry, have poured huge investments into the region, and the rapidly expanding regional transportation network, spearheaded by the European Union (EU) effort to create an east-west transportation corridor, promises to increase links between the Caspian states and the outside world. High-level diplomatic contacts between Caspian states and Western countries have increased dramatically. All the states of Central Asia and the south Caucasus have joined NATO’s Partnership for Peace (PfP) program and some have sought the assistance of outside countries in restructuring and professionalizing their armed forces.\(^\text{10}\)

More recently, Azerbaijan has shown interest in a proposal for the so-called GUUAM countries to form a joint battalion to protect planned oil pipelines that would operate independently of the UN or the CIS.\(^\text{11}\) In March, Azerbaijan, Georgia, and Ukraine signed a defense protocol and the following month they conducted a joint military exercise to protect oil pipelines—developments that further underscore the decline of both Russian power and the Russian-backed CIS as the major security organization in the FSU.\(^\text{12}\)

The future of Russia’s policy toward the Caspian region remains uncertain, but the possibility cannot be ruled out that Moscow may shift to a more cooperative and less confrontational policy, given Russia’s deep economic and financial woes and the political and

---


\(^\text{11}\)Valasek (1999).

economic currents sweeping the region. At least in the short run, Russia’s traditional military, security, and intelligence elites will likely cling to the view that conflict and instability along its southern border, coupled with the expansion of Western influence, especially in the south Caucasus, pose a threat to Russian security interests. These nationalist and conservative elements within Russia’s foreign policy establishment are likely, therefore, to continue advocating an assertive policy of defending Russia’s interests in maintaining primacy in the region and thwarting inroads by outside powers.

Nonetheless, given Russia’s resource constraints and internal problems, as well as the growing assertiveness of the Caspian states, Moscow faces a huge and perhaps irreversible gap between its ambitious objectives and the means available to achieve them. Simply put, as many commentators have noted, Russia lacks the military and economic wherewithal, as well as the political competence and ideological legitimacy, to maintain its supremacy in the region and to prevent other states and international organizations from gaining increased influence and access.13

Moreover, it is by no means certain that Moscow will continue to pursue a hard-line “neo-imperialist” policy in the Caspian region. Despite the consensus that developments in the southern CIS states are important to Russian security and that Russia should remain engaged in the region, differences have emerged within Russian decisionmaking circles over how Russia should define and pursue its interests there. As one leading Central Asian analyst has put it, Russia has been confused over what constitutes Russian interests in Central Asia and how to pursue them.14 Indeed, these divisions within Russia’s foreign policymaking process have complicated Russia’s ability to formulate and implement a coherent strategy toward the Caspian region.15

13See, for example, Stephen J. Blank, “Russia’s Real Drive to the South,” Orbis, Summer 1995, p. 324.
Russia’s traditional foreign policy and security establishment continues to espouse a muscular policy toward the region that relies largely on old-fashioned Soviet-style tactics of confrontation, intimidation, and coercion to protect Russian equities. At the same time, some of its new “capitalist” class and increasingly powerful oil, gas, and financial interests support a more conciliatory policy based on cooperation with the West and accommodation with Caspian states. These interest groups are dependent on access to Western markets, investments, and technology and are primarily interested in integration with the West and market reform. Accordingly, they are motivated primarily by a desire to earn profits from participation in oil and gas development rather than geopolitical considerations, and have little taste for flouting international norms and the West to maintain exclusive control over pipeline routes. Moreover, these elites harbor serious reservations about CIS reintegration because of the additional resource burdens it would place on Russia as well as the risks reintegration would pose to expanding Russia’s economic relations with the West.

Russia’s ability to realize any “neo-imperial” designs it may have on the region will be handicapped by these discordant voices and the fragmented nature of Russian foreign policymaking. A fundamental problem is the lack of any clear consensus on Russian strategy, objectives, and priorities in the “near abroad.” Hence, while many Russian officials share a general interest in preserving Russian preeminence in the Caspian region, they disagree over the form this preeminence should take and how to achieve it, especially what price Russia should be willing to pay in support of an assertive policy. In addition, as many observers have noted, the Russian decisionmaking

---

16 On how Russia’s oil and gas interests influence Russian policy in the Caspian region, see Igor Khripunov and Mary Matthews, “Russia’s Oil and Gas Interest Group and Its Foreign Policy Agenda,” Problems of Post-Communism, Vol. 43, No. 3, May–June 1996, pp. 32–49. It is important to note, however, that given their inability to compete with Western oil companies, these interests are forced to rely on the Russian state to leverage them into deals.

process is characterized by disorganization, severe factionalism among the ruling elites, fragmented and confused lines of authority, a plethora of semi-autonomous bureaucratic fiefdoms, and a lack of centralized planning, coordination, and political control. For these reasons, many Russian actions toward the Caspian region since 1992—for example, independent Russian military activities in Georgia’s separatist conflicts and the open dispute between the Russian Foreign Ministry and Lukoil over development of Caspian Sea oil—are best explained by lack of foreign policy coordination, rather than the result of an organized and centrally directed effort to establish a Russian sphere of influence.

The eventual outcome of this schism remains uncertain. Events in the region, of course, will have a major influence on Russian behavior, as will the nature of Russia’s regime and the extent of its economic power in the years ahead. That said, recent Russian actions suggest that the center of gravity within Russia’s decisionmaking structure may be shifting, albeit slowly and fitfully, toward the advocates of a softer policy toward the region. A growing number of Russian officials, for example, admit that Russian assertiveness has been counterproductive and express frustration over Russia’s inability to achieve its economic and geopolitical objectives in the Caspian. A recent series of Russian moves to mediate a resolution of ethnic conflicts in the south Caucasus and the change in Russia’s position on the legal status of the Caspian Sea are other indications of a moderation of Russian policy.

---


19 A full treatment of the complicated legal issues related to the status of the Caspian Sea is beyond the scope of this report. Although the delimitation of the sea’s boundaries and resources has not been fully resolved, and the situation remains highly fluid, Moscow has moved closer to accepting the position that the Caspian Sea should be divided into national sectors and that each littoral state would have unilateral control over the disposition of resources within its sector. There have been a spate of articles detailing the ongoing negotiations over Caspian Sea delimitation. See, for example, Michael Lelyveld, “Russia: Moscow’s New Caspian Policy,” Radio Free Europe/Radio Liberty Report, April 7, 1998; Merhat Sharipzhan, “Central Asia: New Developments in Russian Caspian Policy,” Radio Free Europe/Radio Liberty Report, April 17, 1998; John Helmer, “Kazakhstan/Russia: Caspian Oil Disputes Linger,” Radio Free Europe/Radio Liberty Report, May 13, 1998; and Paul Goble, “Caspian: Analysis from Washington— Pipelines Under Troubled Waters,” Radio Free Europe/Radio Liberty Report, July 10, 1998.
From the standpoint of Western security interests, one long-term trend appears clear: Russia has lost its hegemony over the region and has little hope of restoring its control or an exclusive sphere of influence, because of Moscow’s preoccupation with economic problems and other domestic challenges, the costs of an imperial policy and Russia’s resource constraints, the lack of domestic support for military adventures in the region, shifting demographic and trade patterns, and firm Western support for the independence of the Caspian states. Thus, occasional Russian demonstrations of muscle flexing on its southern border belie the underlying trend of a steady reduction in Russia’s role and influence in the region. At least for the next five to ten years, Russian leverage over most of the Caspian states will decline further, as will Russian influence relative to that of other external powers with regional interests.

Nonetheless, it would be a mistake to write Russia off because of its declining influence. Despite the difficulties Russia has encountered in pursuing an effective and coherent policy toward the Caspian, most Russian elites continue to view an extension of Western influence in the region as a threat to Russian national interests and harbor anxieties about Moscow’s declining control there. In addition, many Russian civilian and military officials firmly believe that Russia has a legitimate role to play there as the chief guarantor of stability and security. Despite the occasional rhetoric, a number of CIS states, including Kazakhstan, Tajikistan, and, to a lesser degree, Turkmenistan and Uzbekistan, see Russia as a stabilizing force and fear that Russian disengagement would exacerbate the internal and external challenges they face. Indeed, chaos in the region may draw Russia in, and few states are poised to replace Russia as “peace-keeper.”

For a more extensive discussion of the legal dimensions of the Caspian Sea dispute, see Cynthia M. Croissant and Michael P. Croissant, “The Caspian Sea Status Dispute: Content and Implications,” Eurasian Studies, Vol. 3, No. 4, Winter 1996/97, pp. 23–40. These articles paint a rapidly shifting and, at times, confusing picture of intense maneuvering for position among the parties to the dispute. In the final analysis, however, it is hard to disagree with Paul Goble’s view that a formal and definitive resolution of this dispute will prove elusive, setting the stage for endless conflict among the countries and companies involved.

A number of observers of Russian policy toward the Caspian region have a tendency to assume that Russia has achieved its dominant position through raw coercion and intimidation. These analysts appear oblivious to—or are unwilling to admit—the
Equally important, Russia’s decline in the Caspian region must be viewed in relative terms. Russia, as Rajan Menon has argued, is neither an omnipotent predator nor a paper tiger. In fact, notwithstanding the contraction of Russian power, Russia remains the dominant power because of the weaknesses of the Caspian states and the constraints on the ability of other outside powers to project influence into the region and to commit resources on a scale sufficient to supplant Russia’s predominant role. For better or worse, many states in the region will remain dependent for some time on Russian security guarantees and military assistance and Russia will continue to play a substantial role in shaping political, economic, and security developments.

Thus, while Russia may be irreversibly locked into a long-term process of “involuntary” disengagement from the region, Russian weakness will not necessarily mean Russian passivity. As Zbigniew Brzezinski has observed, Russia will be too weak to reimpose its imperial domination but too powerful to be excluded. For historical, geographic, cultural, ethnic, and strategic reasons, Moscow will try to

---

use Russia’s remaining leverage to protect Russian interests in a weak, fragmented, and unstable region. The perception that Russia retains considerable leverage to influence developments in the region is reflected in the growing tendency of Caspian states to try to co-opt rather than exclude Russia from participation in key energy development projects.

CHINA’S LIMITED INFLUENCE

In 1997, China successfully entered the Central Asian oil sweepstakes by securing the rights to develop and transport oil from one of Kazakhstan’s major fields. China’s success raised alarm in some quarters that the Chinese were bent on establishing hegemony in Central Asia and supplanting American and Western multinational oil corporations.

Such concerns are not without merit. China sees the Caspian region as a major source of much-needed energy resources. Chinese calculations about Central Asian oil supplies are not based on market considerations of cost effectiveness, but on the goal of securing energy resources at any cost; hence, China’s plans to construct a pipeline from Kazakhstan to eastern China are political/security rather than economic in character. China may thus contend vigorously in Central Asia to secure energy supplies, including supplying arms for oil. Moreover, China views the United States as a key geopolitical rival in the region, and its policy toward Central Asia is one element of a broader strategy to reduce Chinese vulnerability to U.S. power and to create a multipolar world. Beijing is unlikely, therefore, to embrace the liberal Western agenda of democratization and “globalization” for Central Asia. Similarly, China does not share the commitment to opening the region to liberal global markets or to removing the region’s neo-communist regimes from power. Rather, China would prefer to dominate the region to keep a lid on nationalism and the West at bay. In particular, China has no interest in seeing nationalist

---


27On this point, see Mark Burles, Chinese Policy Toward Russia and the Central Asian Republics, RAND, MR-1045-AF, 1999.
governments come to power in Central Asia that might embolden or support the Uighur separatist movement in China.

Nonetheless, it is important to bear in mind that Chinese policy toward Central Asia and the Caspian Basin reflects a complex and subtle set of political and strategic motivations. China’s primary objective is to maintain the country’s territorial integrity by ensuring that the Xinjiang-Uighur Autonomous Region (XUAR), historically the scene of Turkic and Muslim separatist agitation, remains firmly under Beijing’s control. To further this objective, Chinese policy is designed to maintain stability and contain ethnic, religious, and nationalist separatism through economic development. Key to success of this policy is China’s ability to forge trade and commercial relationships with the Central Asian countries bordering China, including the development of rail and transportation links and pipeline construction, and to maintain tranquility along the borders between the XUAR and Central Asian republics.

The Chinese, moreover, want to prevent trouble in Central Asia from interfering with Beijing’s access to the region’s energy resources, including China’s potentially vast oil reserves in the Tarim Basin, or from hindering efforts to integrate neighboring Central Asian countries into the Chinese market. As one prominent expert on Chinese energy policy has observed, Beijing’s concerns about energy security are a driving factor behind China’s forays into the Central Asian oil market. The key to the success of China’s strategy for energy security is the cooperation of Russia and Kazakhstan in linking the energy resources and markets of Central Asia to northwest China.

Put slightly differently, Chinese interests, at least in the short term, are primarily negative in character—Beijing is more interested in preventing unwanted developments than in pursuing a grand vision or “master plan” for carving out an exclusive Chinese sphere of influence in Central Asia. China will seek to expand its political and economic influence in those areas adjacent to its borders. Furthermore, given China’s geographic proximity, size, and economic dynamism;


cross-border ethnic ties; and the interest of Kyrgyzstan, Tajikistan, and Kazakhstan in reducing their dependence on Russia and developing markets for their own products, Chinese influence and presence in these areas are bound to grow and could eventually result in a dominant Chinese role. That said, the easternmost regions of Central Asia are of significantly less strategic concern to the West. More important, a host of factors limit China’s ability, as well as opportunities, to project its influence in the western portions of Central Asia and the south Caucasus. These include:

- China’s lack of foreign capital for investment: Tajikistan and Kyrgyzstan lack oil and gas resources and therefore must rely on foreign capital for economic development, particularly in exploiting the region’s hydroelectric sources of energy. As a developing country with its own enormous need for capital investment, it is unlikely that China will be able to make vast sums of capital available to these countries—or even to Kazakhstan, where the stakes are higher.

- Kazakhstan’s ethnic, economic, and geopolitical orientation: Much of Kazakhstan’s oil reserves, manufacturing sector, and mineral deposits are in areas that are close to Russia and contain large Russian populations; moreover, Kazakhstan’s economy is still closely integrated with Russia’s. In addition, the Kazakhs are cultivating strong energy and economic relationships with a number of countries and multinational corporations whose influence and resources dwarf China’s. Consequently, most of the strategically and economically important areas of Kazakhstan will be less susceptible to Chinese economic influence.

- China’s remoteness from the heart of Central Asia: Both Uzbekistan and Turkmenistan are physically separated from China. The Uzbeks have their own aspirations to regional domination and thus are unlikely to welcome a significant expansion of Chinese influence. Because of its location and natural gas resources, Turkmenistan is oriented toward developing improved ties with Iran, Turkey, and Azerbaijan. It is hard to visualize an ascendant China in Central Asia if these two countries prove resistant to Chinese political and economic penetration.
• Central Asian threat perceptions: As Roland Dannreuther has observed, the three countries bordering China feel threatened by China and harbor suspicions of long-term Chinese intentions. Moreover, China’s penetration of local economies has engendered resentment and hostility. Although recent Chinese actions—especially the settlement of outstanding border disputes—have allayed these fears, an abiding distrust of China will complicate Beijing’s quest to expand its influence.

For at least the next five years, Chinese objectives in Central Asia are likely to remain limited and defensive in nature. The focus of China’s security policy will be Northeast and Southeast Asia, and Central Asia will be a region of secondary importance, unless there is a major outburst of ethnic separatism and disintegration of public order. Furthermore, China’s relationship with Russia and Russia’s role in the region will loom large in Beijing’s calculations of benefits, risks, and costs as it considers its moves on the Central Asian chessboard. Beijing will almost certainly take Russian sensitivities into account, given the growing importance of their bilateral relationship. Moreover, in many areas, such as maintaining stability and preventing the growth of both radical Islamic fundamentalism and pan-Turkic nationalism, China and Russia share common interests. China would appear to have little incentive, therefore, to risk a rupture in its relations with Russia by pursuing an overly aggressive policy that challenges Russian predominance in the region and is out of proportion to Beijing’s limited ends and means. Indeed, China appears content to let Russia take the lead in stabilizing the region, and would move more aggressively only if Russia, because of its weakness, could not play this role. Even under these circumstances, however, Beijing lacks the military, political, and economic capabilities to project influence much beyond its border areas with Central Asia.

That said, over the longer term Chinese success in dominating the region economically would have major political repercussions, and

---

would certainly arouse Russian resentment and hostility, if not conflict. Indeed, Russian-Chinese tension in Central Asia is likely to grow in the next decade and could become a flashpoint for confrontation. Even if China is not successful in establishing its domination over the region or making major inroads, there are two other sources of potential Russian-Chinese conflict. First, notwithstanding Chinese calculations, economic development may not solve the Uighur separatist problem; to the contrary, economic advancement might stir up Uighur aspirations as Uighurs develop stronger ties to the countries of Central Asia. Under these circumstances, and depending on the overall state of Russian-Chinese relations, Russia might succumb to the temptation to support the Uighurs to weaken China. Second, within the next decade it is likely that one or more Central Asian states will seek alignment with outside countries (e.g., China, Russia, Iran, Turkey, or India), which will precipitate the formation of hostile blocs within Central Asia. This process of alliance-building, which could pit Uzbekistan and China against Kazakhstan and Russia or China and a “rump” Kazakhstan against Russia (after it has annexed northern Kazakhstan), could increase the risk of war in Central Asia and a Russian-Chinese military conflict, especially if the current neo-communist regimes are replaced by nationalist leaders. Although these problems will be far removed from NATO and the Alliance will wish to keep them at arms length, they will be cause for concern.

Finally, the growth of Chinese influence in the region is not totally detrimental to Western interests and may indeed be of some benefit. Like the United States and its Western allies, China has an interest in containing the spread of radical Islam; reducing the dependence of Central Asian states on Russia; promoting the independence, stability, and economic development of the Muslim republics; transporting the region’s oil to international markets; and opening up the economies of the Central Asian states to the outside world. It would be shortsighted and perhaps counterproductive to allow an unreasonable fear of Chinese expansionism in Central Asia to obscure these common interests, which provide a basis for mutual cooperation rather than conflict.
The end of the Cold War and the demise of the Soviet Union have had a profound impact on Turkey’s security environment and national security policy.32 The disappearance of the Soviet military threat, which Turkey played a central role in containing, elevated the importance of several divisive issues that had been muted by Cold War imperatives. The human rights situation in Turkey and the Turkish military campaign against Kurdish insurgents have been particularly thorny issues that have complicated Turkey’s relations with Europe and the United States. Turkish disaffection with Europe has reached new heights, largely because of the EU’s continuing rejection of Turkish membership and Turkish perceptions that Europe is indifferent or even hostile to Turkish concerns, especially regarding the Greek-Turkish dispute over Cyprus. Further, a common vision of shared purposes has yet to emerge that might cement a new U.S.-Turkish relationship for the post–Cold War era.33 Consequently, over the past few years Turkey’s ties with the United States and especially Europe have weakened.

Against this backdrop of Turkey’s growing disillusionment with its Western connection, the emergence of independent states in the Caspian region presented Ankara with new opportunities and options in an area of growing geopolitical importance, where Turkey felt strong ethnic, cultural, historical, and linguistic bonds. By offering itself as a bulwark against the spread of radical Islam, Turkey hoped to demonstrate its value to both the United States and Europe, and thus reap additional political and economic benefits. Ankara sought to profit economically from the independence of the Caspian states by capturing markets for exports and tapping into the region’s oil and gas reserves to meet its own growing energy needs. The independence of the Caspian states offered Turkey an opportunity to renew its sense of national identity and purpose by asserting its leadership within a broader pan-Turkic community.


The United States urged Turkey to fill the vacuum left by the crumbling of the Soviet empire, in part to serve as a counterweight to Russian and Iranian influence. Many of the Caspian states (and even Russia) saw an expansion of Turkish influence as insurance against the growth of Iranian-led Islamic fundamentalism, and welcomed Turkey as a source of economic and technical assistance, a potential bridge to the West, an outlet for the region’s oil and gas, and a counterweight to Russian pressure. Azerbaijan, in particular, was eager to strengthen its ties to Turkey and Ankara was eager to reciprocate.34

The widespread support for an enlarged Turkish role in the Caspian region sparked euphoric expectations that Turkey would emerge as the major regional power and the unofficial leader of a broader pan-Turkic community.35 From 1992 to 1996, Ankara sought to expand trade and investment and Turkey’s political, economic, and cultural influence:

• Ankara sought to use its cultural and ethnic ties to the region to promote its secular, democratic, pro-Western, free-market state as an alternative model to Iranian fundamentalism. For example, Turkey actively supported Islam in Central Asia, opened cultural centers and Turkic schools in almost all of the Central Asian states, and agreed to provide training and technical assistance in Turkey to thousands of Central Asian students. Turkish television broadcasts in Azerbaijan continue to provide a means of expanding Turkish cultural influence.

• Turkey has provided $80 million in humanitarian assistance and extended over $1 billion in credits to various countries, including a recent $300 million line of credit to Kazakhstan. In addition, Ankara has invested over $1 billion in Kazakhstan and is participating in 100 joint ventures in Kazakhstan and 22 in Kyrgyzstan in energy, mining, and construction.

Despite Turkey’s natural advantages over many of its regional rivals, Ankara’s ambitions to rally the states of the south Caucasus and

34Larrabee (1997).
Central Asia around the cause of pan-Turkic solidarity have gone largely unfulfilled. Following a burst of Turkish activism in the immediate wake of the Soviet Union’s collapse, which was followed by a period of declining interest during the rule of the pro-Islamic Welfare Party, Ankara has cautiously pursued its regional agenda and lowered its profile.36 Turkey’s tempered expectations are attributable to several factors that will continue to hinder Turkish efforts to increase its role and influence in the region:

• First, Turkey’s own domestic problems, in particular Kurdish separatism, the growth of Islamic influence, and economic weaknesses, diverted attention away from the region.

• Second, Turkish diplomatic energy in the Caspian region was drained by other more pressing security challenges, including threats to the south from Syria, Iraq, and Iran, instability to the north in the Balkans, and ongoing disputes to the west with Greece over Cyprus and the Aegean.

• Third, Turkey’s lack of geographic proximity to Central Asian countries limited Ankara’s ability to project influence there.

• Fourth, as it became abundantly clear that cash-strapped Turkey lacked capital for large-scale economic aid and investments, Central Asian countries lost much of their interest in Turkish proposals for regional economic integration.

• Fifth, Turkey’s chauvinism and cultural arrogance and its pretensions to leadership of the pan-Turkic cause offended the sensibilities of many Central Asian leaders, especially in the face of fewer common cultural, social, or even linguistic links than many of the parties expected.37 As one expert on the region has noted, the peoples of the south Caucasus and Central Asia have a strong sense of national pride, and—having suffered for years under the

36Gareth Winrow is one of many specialists who has commented on Turkish disappointment over its failure to make greater inroads in the south Caucasus and Central Asia. See Gareth Winrow, Turkey in Post-Soviet Central Asia, Royal Institute of International Affairs, London, 1995.

yoke of Soviet colonialism—were not about to become the “little brothers” of Turkey or any other outside power.38

• Sixth, as many of the Central Asian countries developed their own relations with Western countries, they felt less need to rely on Turkey as an intermediary with the West.

• Seventh, Turkey’s capabilities to project military power are limited, especially beyond the south Caucasus.

• Finally, Ankara remains wary of taking actions, especially in Georgia and Azerbaijan, that might antagonize Russia, a major trading partner and significant source of energy and the only country still capable of bringing heavy military pressure to bear on Turkey.

In retrospect, Turkey’s short-term goals and expectations were unrealistic. Although Turkey has raised its profile in Azerbaijan, it has nonetheless been frustrated in its desire to improve relations with Armenia. Moreover, Ankara’s ties with Georgia, while growing, are constrained by Georgia’s continued military and economic dependence on Russia. Indeed, Russia has enjoyed some success in thwarting a significant expansion of Turkish influence in the region, especially Kazakhstan, and Turkey has been careful to avoid challenging important Russian interests.

That said, Turkish engagement in the Caspian remains substantial, and the long-term prospects are promising for increased bilateral cooperation and a steady, if unspectacular, expansion of Turkish influence, given the ethnic and cultural bonds that exist and the number of young Central Asians who are being trained in Turkey. Turkey is operating on a crowded playing field, however, and it is unlikely that Ankara will emerge as a dominant player, much less attain regional hegemony. For now, accordingly, Ankara has a more realistic appreciation of the difficulties it faces and has trimmed its policies and expectations to fit these realities.


Nonetheless, Turkey’s desire to be a major actor could create problems for the United States and the West, and it would be a mistake to see Turkey as representing United States interests over the longer term. Ankara, for example, may pursue increasingly independent policies that the United States and other Western countries may find difficult to control, depending on the degree of Turkey’s disenchantment with the West and whether ideological considerations (e.g., promotion of the Islamic cause) assume a more prominent role in Turkish foreign policy. Moreover, there is a long-term potential for a serious Turkish-Russian clash in the south Caucasus, particularly if Ankara is unable to resist the rising tide of Turkish nationalism and pressure from public opinion and ethnic groups for a more assertive Turkish posture in the region. Still more seriously, there is a longer-term risk that the competition for influence between Turkey and Iran (fueled by the dangers of Azeri separatism), the conflict between Azerbaijan and Armenia, and the clash of rival Islamic and Turkish secularist ideologies could lead to Turkish-Iranian armed conflict in the south Caucasus. A Russian-Armenian-Iranian war against Azerbaijan and Turkey is another plausible scenario.

IRAN: CHIPPING AWAY AT THE MARGINS

In stark contrast to the warm reception given to the Turkish engagement in Central Asia and the south Caucasus, Iran’s forays into the region after the collapse of the Soviet empire were met with deep fear and mistrust among the ex-Communist rulers of the Muslim Republics—a hostility reinforced by the widespread perception that Tehran was providing material and financial assistance to the Islamist opposition forces in Tajikistan. In the early 1990s, Iranian-sponsored Islamic fundamentalism was perceived throughout the region as the most serious threat to regional peace and stability.

Since the middle of the decade, however, Iran has had some success in projecting a more positive image, in part because of the realization that Tehran did not have a major hand in supporting the Islamic groups in Tajikistan, and in part because Iran played a responsible role in helping Russia broker a diplomatic settlement of the Tajik civil war and in trying to mediate the Armenian-Azeri dispute over
Nagorno-Karabakh. More important, however, Iran has kept a low profile in the region and Tehran’s policies have been pragmatic, cautious, and moderate. Tehran, for example, has not attempted to export the Iranian revolution through propaganda, subversion, terrorism, or inflammatory religious and cultural activities. Instead, Iran has attempted to expand its influence by providing technical and financial assistance, supporting regional economic integration, expanding cultural links, and facilitating the efforts of Kazakhstan and Turkmenistan to develop alternative transit routes for oil and gas.

Although Iran has made limited inroads, several factors will circumscribe Tehran’s opportunities for achieving substantial influence and presence in the near term:

• Iran’s revolutionary vision, especially its anti-imperialist and anti-hegemony overtones, has broad appeal among all Muslims, including Sunni movements. Nonetheless, many Muslims in Central Asia have little sympathy for Iran’s brand of radical Islam.

• Notwithstanding Iran’s heightened interest in Central Asia and the south Caucasus and pipeline routes, Tehran’s domestic and foreign policy priorities are currently focused primarily on economic reconstruction at home, safeguarding the Iranian revolution against perceived external threats, and asserting Iran’s historical claims to regional domination in the Persian Gulf. These preoccupations will consume much of Tehran’s energies for the foreseeable future.

• Because of Iran’s own ethnic problems, especially unrest among its large ethnic Azeri minority, Iran’s stability and territorial integrity could be undermined by the Azeri separatist movement. Because Iran lacks the leverage to influence those developments,


41 This is the conclusion reached by Edmund Herzig in his careful and incisive appraisal of Iranian policy toward Central Asia and the south Caucasus. See Edmund Herzig, Iran and the Former Soviet South, Royal Institute of International Affairs, London, 1995.

Tehran relies on Russia for this task. This dependence, combined with Iran’s growing reliance on Moscow for conventional arms and nuclear technology, gives Iran a strong stake in maintaining close relations with Russia, and this cooperation has hindered the expansion of Iranian influence in the region. It is unlikely, therefore, that Iran would take any actions in Central Asia that might cause serious harm to its relations with Russia. That said, Iran’s close ties with Russia today are to a major extent a function of U.S. policy to isolate Iran. Once this policy changes (as it may well be starting to do), the Iran-Russia relationship will in all likelihood weaken.

- With the exception of Turkmenistan, Iran does not border any of the Central Asian states, and this lack of proximity makes it more difficult for Iran to project its influence.

- Iran currently lacks the resources to become a major economic actor. As in the case of Turkey, Iran is not in the position to make major investments, and the abysmal performance of the Iranian economy over the past two decades is hardly a model that the Caspian states would wish to emulate. Furthermore, though Iranian technical expertise could aid in the development of Caspian energy, there is little “complementarity” between the economies of Iran and the Caspian states. Iran sees the Caspian as a market for Iranian goods, especially processed agricultural products, wood products, and light industry. Nonetheless, as Patrick Clawson and others have noted, Iran is unlikely to emerge as a major market for Caspian products, and there is a far greater possibility that Iran and the states of the region will become trade competitors rather than partners.

- As long as Iran remains a pariah state and politically isolated, it will be extremely difficult to carve out a major niche for itself as a significant pipeline route.

---

43Dianne Smith (1996), pp. 152–153. Her view is representative of the consensus among regional scholars and analysts that Iranian sensitivity to Russian interests in the Caspian exerts a restraining effect on Iranian behavior. For example, see Herzig (1995), pp. 8–10.

As long as the fundamental character of the Iranian government remains unchanged, the leaders and populations of the Central Asian states will remain highly suspicious of Iranian intentions. Despite these obstacles to Iranian encroachment, the Caspian region enjoys a higher profile in Iranian foreign policy thinking today. Over the long run, Iran will likely play a growing role, especially in Turkmenistan and Tajikistan, for both geographic and cultural reasons. More fundamentally, important mutual interests bind Central Asia and Iran. From the vantage point of the Caspian states, access to Iran’s oil pipelines and transportation networks offers an opportunity to break free of Russia’s grip and to reap enormous profits from oil and gas exports. From Iran’s perspective, close relations with the Central Asian states offer several benefits—breaking out of its international diplomatic and economic isolation, expanding its influence and leadership position within the Islamic world and the Persian Gulf, earning profits from oil and gas transit fees and participation in Central Asian energy projects, containing ethnic and regional conflicts that could threaten Iran’s internal stability, and enhancing its international political status.

In sum, for at least the next decade, Iran’s strategy toward Central Asia will probably be defensive and cooperative rather than threatening and confrontational. Because Iran has a strong stake in preserving regional stability to minimize the risk of ethnic separatism at home, Tehran will likely behave as a status quo rather than a revolutionary power. The ruling elites in Tehran almost certainly understand that any overt, aggressive Iranian attempt to foment an Islamic uprising—or throw Iran’s geopolitical weight around—would be met by strong opposition from Russia, the United States, China, and Turkey. Iran does not currently possess and, for at least the next decade, is unlikely to acquire the military, economic, and political strength to overcome this opposition. Simply put, if Iran could not establish its hegemony over the Gulf Arab states, where Tehran enjoyed many natural advantages, it seems hardly likely that the Caspian zone will fall under Iran’s domination. Nevertheless, as long as Iran is excluded from the development and transport of the region’s

---

energy resources, Tehran will try to play the role of spoiler wherever possible.

**INDIA AND PAKISTAN**

India has ambitions to play a larger role in Central Asia, but it lacks the capabilities to expand Indian influence in any significant way. A key priority for India in Central Asia is to preserve peace and security, reflecting Delhi’s fears of the potentially destabilizing consequences of conflict in Afghanistan and civil strife in Central Asia. As a result, India will support the region’s secular regimes to contain the spread of Islamic fundamentalism. However, India does not have the military or financial wherewithal to assume major security responsibilities, and must therefore rely on other external powers—Russia or China—to maintain order and security.

India also sees Central Asia as an important arena for trade and investment. However, the Indians, who inherited a lively trade with the Central Asian republics from Soviet times, have encountered obstacles to increasing economic cooperation and have been hampered by lack of funds for investment. Direct access poses another formidable obstacle to India’s economic ambitions. Air routes between Afghanistan and Central Asia are insufficient for any major transfer of goods and services and political disintegration and civil war in Afghanistan make overland transit prohibitive.46

India views the evolving Caspian security environment through the prism of its rivalry with China and Pakistan. For instance, India is deeply disturbed at greater Chinese inroads in Central Asia and could be tempted to play the Chinese separatism card in Tibet or the Xinjiang/Uighur region to keep China off balance. Moreover, although India has maintained a low profile in Central Asia over the past few years, a more nationalist government could become assertive. Tensions between India and China are also likely to arise over Caspian energy development, since both countries are competing for access to oil and a share in the region’s pipeline sweepstakes. In short, India and China are likely to be rivals for influence in Central Asia. This competition will add a new geopolitical dimension to their rivalry.

---

and, in particular, will only strengthen existing Indian-Russian strategic cooperation.

Pakistan sees economic, political, and strategic opportunities in Central Asia, but confronts many of the same obstacles to expanding its role as India does, particularly lack of direct access and resources for investment. Pakistan has expanded trade with several Central Asian countries and actively promoted Islamic education as well as social, cultural, and religious activities. Pakistan’s common ethnic and historical roots with Central Asians notwithstanding, Pakistan has made only limited economic inroads in the region.

In sum, while Pakistan and India are important actors in the shifting regional economic and security arrangements, both countries lack the capabilities to exert major influence over developments in the region. Both countries, however, see Central Asian states as potential allies in their conflict with each other. Thus, an increasing rivalry between Pakistan and India is likely to be played out in their regional policies.

* * * * * * * * * * *

Several key trends and implications emerge from this examination of the policies of the major external powers in the Caspian region: First, there will be increasing competition for influence, most notably growing Russian opposition to U.S./Western inroads, heightened Russian fears of Chinese economic penetration, and the tendency of states to support their oil companies as they maneuver for position. Second, a multipolar balance of power is taking shape that helps preclude any single country from attaining regional hegemony. The major external actors are too weak to impose their hegemony yet strong enough to successfully oppose the hegemonic designs of others. Third, at least in the near to mid term, the interests and objectives of China, Turkey, and Iran largely coincide with U.S. interests and objectives. These countries share a common interest with the United States in maintaining regional stability. Moreover, if successfully implemented, the policies of these three states would support the independence and sovereignty of the Caspian states, increase access to the region’s oil and gas resources, and promote economic development and domestic stability. Thus, despite the preoccupation of many analysts with the rivalries and competition for influence among extraregional powers and the tendency to portray the “great game” in
zero-sum terms, there are elements of open and tacit cooperation among these countries. Fourth, even if the intentions of these countries (and Russia) were to become more threatening in the long run, they would confront serious limits on their ability to project influence in a meaningful way. Finally, given the limited nature of U.S. interests in the region as well as the limits on American influence, the United States is likely to cooperate with these countries to maintain a favorable regional balance of power.