

¹⁴ Another example is the disagreement between Rumania and Bulgaria, on the location of a new bridge that will be constructed over the Danube.

¹⁵ Although during the seven years of 1990-1997, two NATO Secretary Generals visited Bulgaria (Manfred Werner in 1991 and the current's SG, Javier Solana, in May 1996), they did not hesitate to speak openly of the difficulties presented by the Bulgarian case in particular, as a former loyal ally of the USSR. These positions were confirmed during the NATO Summit in Madrid on the Alliance's expansion (8-9 July 1997).

¹⁶ On 31 January 1997, the Russian Prime Minister V. Chernomyrdin declared in Davos, Switzerland, that Bulgaria has much to lose by becoming a NATO member; a development naturally passing through the most general policy of NATO towards Russia and its former allies. See relevant Bulgarian newspaper *24 Chasa* (1 February 1997).

¹⁷ The Greco-Turkish conflict and Bulgaria's balancing effort is apparent mainly on issues of security and military co-operation. On 9 December 1991, a similar Treaty between Bulgaria and Turkey followed (for Greece this was yet another opportunity to be mistrustful towards its neighbours, given that, for instance, during the 1984-1989 period we had the harsh Turkish-Bulgarian confrontation on Bulgaria's policy on the Muslim minority issue).

¹⁸ See texts of relevant agreements, *Bulgarische Militar Rundschau* (1992 test issue): 48-51 and (3-4/1993): 120-123 (this is an edition in both English and French).

¹⁹ *Bulgarische Militar Rundschau* (2/1993): 77-78.

²⁰ During the visit of the then Greek Minister of National Defence, G. Arsenis in Sofia on 21/2/1995, there was an agreement on the participation of the Greek Navy in joint manoeuvres in Bulgarian territorial waters in the summer of the same year.

²¹ Participation of Bulgarian units (along with respective Greek, American, Albanian and Rumanian ones) in Alliance manoeuvres in Peloponnissos (code name: New Spirit 1995) in May 1995 for training on earthquake-victims assistance-related matters.

²² Woodard (17 January 1997); T. Wilkinson (23 January 1997).

²³ Gocheva (7 July 1997).

The Geopolitics of Oil in Central Asia

CONSTANTINE ARVANITOPOULOS

One important geopolitical 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 newly independent and vulnerable states of the Caucasus and Central Asia. These energy resources and, in particular, the oil and natural gas deposits have now become the apple of discord in Central Asia introducing, according to analysts, a new chapter in the "Great Game" of control over Eurasia.¹

Although, the stakes involved remain the same, power-influence-security-wealth, the new playing field is further complicated by a vast array of problems. These include intra-regional conflict, political instability, fierce competition among multinational conglomerates, and a shortfall in commercial expertise and legal infrastructures.²

Moreover, the fact that the three countries that share the majority of the region's energy resources, Kazakhstan, Azerbaijan and Turkmenistan, are landlocked makes them dependent on their immediate neighbors for access to the Western markets.

The essence of this "new geopolitical game" in Central Asia is twofold: first, control of production of the oil and gas, and second, control of the pipelines that will transfer the oil to the western markets.³

From a geopolitical point of view, Central Asia has always been important.⁴ From the middle to the end of the nineteenth century,

while the region was part of the Russian empire, the oil-bearing areas of Baku were producing half of the world's oil supplies.⁵ In World War II, during his campaign against Russia, Hitler tried to capture Baku and the Caucasian oil fields as part of his strategy for world domination. After the war the Soviets retained those areas as reserves, choosing to exploit oil deposits on Russian soil, in Tatarstan and Siberia.⁶

Following the collapse of communism, the ex-Soviet republics of Central Asia, especially Azerbaijan and Kazakhstan, are trying to exploit their natural resources, since they consider oil to be the prime means of securing their economic and political independence. According to the estimates of geologists, the oil deposits of the Caspian Sea may not be quantitatively comparable to the deposits of the Persian Gulf, but they are still considered of excellent quality and able to constitute a significant alternative source of energy in the twenty-first century.⁷ In particular, it is estimated that the entire Caspian Sea is a basin full of oil and natural gas, starting from Azerbaijan and continuing to the opposite shore in the territory of Kazakhstan and Turkmenistan. These deposits take on enormous importance due to the expected exhaustion of the deposits of Alaska and the North Sea by the year 2015.

THE ISSUE OF PRODUCTION

Azerbaijan

Azerbaijan belongs to one of the richest areas of the world in oil and has a long history in the production of oil and natural gas. Despite age-old production, Azerbaijan still disposes of considerable oil deposits which have remained unexploited. During the twentieth century the oil industry in Azerbaijan drew oil from the deposits of the country's land subsoil, while development of offshore fields began only in the middle of our century, and in small depth. The first major offshore oilfield from which oil was drawn was the Oil Rocks, in 1949. When this source was exhausted, it was replaced by another offshore oilfield, the Guneshli, which was discovered in 1980 and by 1991 supplied 57% of Azerbaijan's production. In addition, offshore exploration for oil deposits in the Caspian Sea had already borne fruit in the 1980's with the discovery of three major oil fields - Chirag, Azeri, Kapaz - at great depth.⁸

The problem was that, even though the Soviet oil industry had successfully dealt with the challenge of the development of offshore oilfields and was even among the pioneers in this field, it had done so through virtually primitive means. The Soviet oil industry was never technologically able to develop offshore oilfields at great depth. Thus, Azerbaijan's offshore oilfields have remained, to a large extent, undeveloped. Azerbaijan's government has invited major foreign oil companies that obtain the technology, the capital and project organization to develop its offshore fields.⁹ The three biggest Azeri oilfields are being developed by the Azerbaijan International Operating Company, a twelve company consortium that includes BP and Amoco.¹⁰

The negotiations on the development of these oil fields involve complex legal, technical and commercial issues. The most important problem is the lack of a legal framework for the development and exploitation of Azerbaijan's oil. Furthermore, the restructuring of the domestic oil industry and negotiations with foreign companies have been hampered by frequent changes in the government. In order to improve the prospects for foreign investment, Azerbaijan is considering the adoption of a more flexible legal framework on oil contracts. Within this context, in August 1992, the government of Azerbaijan founded a public oil company adopting the norms of modern international oil companies. Every negotiation with foreign companies is conducted through this government company, while the development of joint stock status is being considered.

In addition, in its efforts to follow the international practice and complete the negotiations as soon as possible, the government of Azerbaijan has sought the advice of experienced international consultants.¹¹

Apart from the development of the oil fields which has already begun, Azerbaijan continues its explorations for other deposits in the Caspian Sea. In the part of the Caspian belonging to Azerbaijan, around twenty-four sites have been singled out as suitable for drilling.

It is obvious that the development of the energy sector will have beneficiary effects on Azerbaijan's economic development, in general. The prospects of Azerbaijan's energy sector will depend on

whether new projects for the exploitation of the new subsea deposits pay off satisfactorily. The oil balance sheet is expected to show improvements compared to the current year, particularly if the exploitation of the Guneshli oil field continues unobstructed. In the long run, the total production of oil is expected to reach 25.6 million tons per year in the year 2000 and 45.2 million tons in 2005, by which time the exploitation of other offshore deposits will have begun. Since domestic consumption is not expected to rise significantly, the total of exports is expected to reach 20.8 million tons in 2000 and 39.7 tons in 2005.¹²

Kazakhstan

Kazakhstan, ranking second – after Azerbaijan – among the oil producing countries of the Soviet Union, also commands abundant energy resources. Due to the country's position, the transit routes and oil pipelines, Kazakhstan exports oil mainly to the Russian federation.¹³ Oil represents 15% of Kazakhstan total exports. If the program of reforms and the pace of foreign investments proceed according to schedule, it is estimated that in 1998 oil will constitute 60% of Kazakhstan exports.¹⁴

Kazakhstan has tried to attract foreign investors with advanced technology and know-how for the development of these deposits. A large number of foreign investments is already in progress in Kazakhstan. The most important ones include the agreement with Chevron to develop the oil field of Tengiz, in western Kazakhstan, and the agreement with a consortium that includes British Gas, Agip and Texaco, to develop the Karachaganak field in northern Kazakhstan.¹⁵ Chevron's investment in Tengiz began in 1993 and, when completed, it is expected to come up to the level of 20 billion dollars. The investment of the British Gas/Agip consortium is of approximately the same size. The completion of these investments will have important consequences on the oil exports and the economic development on Kazakhstan.

The government of Kazakhstan is also examining various alternative proposals for the construction of an oil pipeline which will channel the oil to the West. The most feasible proposal seems to be the one that entails the upgrading of the already existing network. This network traverses the area around the northern part of the

Caspian Sea, ending at the port of Novorossisk and is being considered along with the modernization of the facilities of this Russian port. This solution entails close cooperation with Russia and Azerbaijan. Other proposals that are being examined include an oil pipeline which will cross the Caspian Sea, Azerbaijan and Georgia will end at a Turkish port. Another proposal, which was turned down after American pressure, involved an oil pipeline which would traverse Iran, ending in the Persian Gulf.

With regard to the financing of the oil pipelines, meetings are already being held and promises made by the World Bank, the International Monetary Fund and the European Bank for Reconstruction and Development. The construction of the new pipeline or the upgrading of the already existing network for the channeling of oil to the West will undoubtedly be the key to the country's economic development.

THE ISSUE OF PIPELINES

With the deals to develop the oil fields in Azerbaijan and Kazakhstan already signed, the biggest problem facing the foreign investors is how to transport the oil to foreign markets. Unlike any other big oil producers, Azerbaijan and Kazakhstan are landlocked. Therefore the issue of pipeline selection has acquired enormous geopolitical significance for the future of the region. The existing pipeline routes for oil from Azerbaijan and Kazakhstan ran through Russia to the port of Novorossisk in the Black Sea, giving Moscow a considerable advantage in the process of pipeline selection.¹⁶ Following the agreement between Chevron and Kazakhstan, Moscow initially refused to allow crude oil through its pipeline system while it later placed restrictions on the amount of oil that could be transported through its pipelines and imposed a series of high tariffs. All these maneuvers resulted in a deal which allowed Russia to become member of the Caspian Pipeline Consortium which will build a \$2 billion pipeline from Kazakhstan to Novorossisk.

The Azerbaijan International Operating Company's "early oil" is being transported along two routes "that for the most part use existing pipelines: a northern route through Dagestan and Chechnya to Novorossisk, and a second western route to the Georgian port of Supsa. Oil is already flowing along the northern route, and so far

the Chechens have been bought off with substantial transit fees."¹⁷

These pipeline arrangements are temporary solutions regarding only the transport of the "early oil." The final decision regarding the selection of the pipelines that will carry the "main oil" is expected sometime in 1998. In theory, new pipelines could go in almost every direction. Northern routes could enhance the already existing network and serve Russia's needs. Western routes could serve Europe, while southern or eastern routes could serve the Asian markets.¹⁸

The main options are the following:¹⁹

1. The northern route favored by Russia. According to this option Kazakhstan would expand its existing pipelines to link them to the Russian network and Azerbaijan would build a pipeline from Baku to Novorossisk. The shortcomings of this option are fear of excessive Russian control and the issue of security since the pipeline would go through Chechnya.

2. The western route favored by Azerbaijan, Turkey, Georgia and the United States. This pipeline route would bring the oil to the Georgian port of Supsa and then ship it through the Black Sea and the Bosphorus to Europe. Turkey insists that the straits can not cope with increased tanker traffic and has proposed, instead, to construct a pipeline from Baku to the port of Ceyhan on the Turkish Mediterranean coast. However, excessive cost (around \$2.9 billion) and serious security concerns (this route would pass through unstable Kurdish territory) make this option difficult to implement. Instead, Greece, Bulgaria and Russia have proposed a pipeline linking the Bulgarian port of Burgas with the Greek port of Alexandroupolis, thus bypassing the straits and Turkish territory.

3. The southern route. Economically, this is the most viable option, since Iran already has an extensive pipeline system, and the Gulf is a good exit to the Asian markets. For the time being, however, the U.S. has practically vetoed this option.

4. Eastern route. This pipeline would transport oil from Kazakhstan to China. It will be the costliest pipeline (covering 2,000 km in Kazakhstan alone) but the Chinese consider it as a strategic decision and are willing to go through with it.

5. Southeastern route. Unocal, an American oil company has proposed the construction of oil and gas pipelines from

Turkmenistan through Afghanistan to Pakistan and later to India. This route makes sense geographically but not politically since it will have to go through unstable Afghanistan.

The final decision about the pipeline or the pipelines that will transport the Caspian oil will be taken sometime in 1998 and it is hard to predict given the multiplicity of options and competing interests. Given the strength of the Russian and American support for the northern and the western routes respectively, those pipelines seem to have an advantage over the others.

THE POLICIES OF GREAT POWERS IN CENTRAL ASIA

US Foreign Policy

The structure of the oil industry in the West changed radically and perhaps permanently in 1973. Control of the world's oil resources shifted from the big multinational oil companies to a small number of oil producing countries, most of them members of OPEC. The oil crisis of 1973-4 and the two increases in oil prices that followed, one in 1973 and the second at the end of the 1970's, forced the countries of the West to redesign their policy on energy matters emphasizing alternative sources of energy. Despite that fact, the fall of oil prices in the 1980's, which could not have remained in the high levels of the 1970's, increased demand and oil imports. Thus, while in 1973 the world oil consumption was 57 million barrels a day, in 1994 it approximated 68 million barrels daily.²⁰

The USA leads the world in oil consumption, with 17 million barrels a day in 1991. From this quantity 50% is imported and the dependence on oil imports is expected to rise steadily in the next decade. Even though U.S. governmental committees, examining the issue, found that dependence on oil imports threatens US national security, American oil policy did not change radically with regard to imports. These findings did not lead to the formation of a new oil policy, which would aim to the progressive reduction of oil imports. They did, however, lead the American government to seek diversification of supply, to avoid dependence on a single supplier or a group of suppliers. The addition of new exporters, such as Kazakhstan and Azerbaijan, to the already existing oil producing and exporting countries, provides more freedom of choice to importing countries as the U.S. and, additionally, helps keep oil

prices down.²¹

Within this framework one can explain the American interest in the restructuring of the Russian oil industry as well as the participation in the development of oil fields in the Caspian Sea and the surrounding countries. These oil deposits constitute new sources of supply from countries outside the OPEC and are, for this reason, extremely important on the political as well as economic level. The Caspian sea basin has attracted US interest for the following reasons:

1. The oil of this region is considered to be of good quality.
2. The biggest part of this oil is intended for export, since the needs of the producing countries are ranging at relatively low levels and are expected to remain low.
3. The fact that the countries of the region lack the capital and the technology to proceed independently to the development of these oil fields, presents American companies, such as Chevron, with investment opportunities.

In this context we can better understand the geopolitical and economic aims of the US in Central Asia. At the geopolitical level, the United States wants to help the countries of Central Asia to develop their oil and natural gas industries. According to the estimates of the American government, this development will bring about economic growth and will help these countries move away from the Russian sphere of influence. At the economic level, the development of the oil industry of these countries means investment opportunities for the American construction and oil companies. Politically, the United States will be in a position to control these new important energy resources and diversify its supply. American private companies have been supported by the US government, in at least two countries of Central Asia, namely, Kazakhstan and Azerbaijan. Other American political objectives include the containment of Iran and the reinforcement of Turkey's role in the region. The US has not only blocked any pipeline route passing through Iran, but has also canceled Iran's participation in the international consortium which has undertaken oil production in Azerbaijan.²²

All this could change, however, if relations between the two countries continue to improve leading to a rapprochement.

To sum up, the cornerstones of US foreign policy in Central Asia are shaped as follows:

1. The US intends to help the former Soviet republics of Kazakhstan and Azerbaijan develop their oil and natural gas industries.
2. Through the development of their oil and gas industry, which will bring economic growth, the US hopes to extract them from the Russian sphere of influence.
3. The US government is actively supporting American companies, in Central Asia, involved in oil development as well as in the construction of pipelines which will channel the oil to the West.
4. The US will try to channel the oil of those countries in international markets in order to diversify its supply and keep oil prices at low levels.
5. The US government believes that economic growth will promote regional stability and the resolution of local disputes.
6. Finally, the US aims at reinforcing Turkey's role in the region while at the same time cautiously improving relations with Iran. For that reason it has actively lobbied for a pipeline that will transport oil from Baku to the Turkish port of Ceyhan.

Russia

The geopolitical upheaval that followed the disintegration of the Soviet Union produced significant changes in the status of the Caspian Sea basin and of Central Asia more generally. Before the Soviet Union's collapse, the Caspian Sea was in effect a Russian lake, with a small southern sector falling within Iran's perimeter.

"With the emergence of the independent and strongly nationalist Azerbaijan-reinforced by the influx of eager Western oil investors-and the similarly independent Kazakhstan and Turkmenistan, Russia became only one of five claimants to the riches of the Caspian Sea basin. It could no longer confidently assume that it could dispose of these resources of its own. The emergence of the independent Central Asian states meant that in some places Russia's southeastern frontier had been pushed back northward more than one thousand miles. The new

states now controlled vast mineral and energy deposits that were bound to attract foreign interests."²³

Control over these energy resources has set off a smoldering rivalry between Russia and the US, which has two dimensions: the first concerns control of oil production and specific questions relative to the legal status of the Caspian sea. Russia claims that the Caspian is an inland lake and not a closed sea, which means that is not subject to the Law of the Sea. Consequently, exploitation of the Caspian resources must be subject to an agreement among all five coastal states.

Azerbaijan and Kazakhstan maintain that the Caspian Sea is just that, a sea, and as such should be divided into national sectors. The U.S. holds the same position and it recently took a firm stand on the issue. Glen Rase, the director of international energy policy at the U.S. State Department declared in March 1995 that "each of the countries in the region has the right to develop its own economic resources according to its own best interests...and there should be no misunderstanding. The US recognizes legitimate security concerns but does not recognize spheres of influence. The US will defend our companies' interests in the Caspian."²⁴ In this context the American government has supported the private companies that have undertaken production on behalf of the ex Soviet republics of the Caspian Sea. The United States wants to avert Russian control of the Caspian energy resources and will resist it to the extent possible.

Russia, on the other hand,

is concerned with the attempts to oust it from its traditional sphere of influence but is also worried that investment in the Caspian Sea oilfields will divert Western financial banking and interest from its oilfields in Siberia and the Far East and capture some of its market. In the competition over Caspian oil, therefore, Russia sees both the erosion of its geopolitical position and the loss over key economic resources and their potential revenues.²⁵

Moscow's initial response was an effort to strengthen the frame-

work of the Commonwealth of Independent States but was not met with success. Russia is now trying to find ways to deal with its competitors. In this context it has recently cooperated with Iran to offset Azerbaijan's and Kazakhstan's claims in the Caspian and has participated in the construction of the Burgas-Alexandroupolis pipeline in an effort to bypass Turkey.

In the past the Soviet Union rarely used oil and gas exports in the support of national interests.

These exports were viewed as the best earners of hard currency the country had and nothing more. That approach seems to be changing. Russia has become much more aware of the geopolitical role that energy can play. And intends to use its oil and gas strength as a means of supporting foreign policy aims.²⁶

It is quite evident that there can be no game unless Russia is invited to the table. Giving Russia a seat at the table means "equity participation both in pipeline construction and operation and in oil development projects."²⁷

RAMIFICATIONS FOR THE BALKANS AND GREEK-TURKISH RELATIONS

The geopolitics of oil in Central Asia feed into the broader context of Greek-Turkish relations in the Balkans, the Aegean, and the Eastern Mediterranean. Turkey has lobbied aggressively for the Baku-Ceyhan pipeline as the major outlet for the Caspian Sea energy resources stressing the following strategic advantages: its proximity to the Caucasus and Central Asia, its existing pipeline network, a major refining center and port at Ceyhan and the political backing of the United States.²⁸

Indeed, Turkey has tried to capitalize on its prominent place in U.S. strategy in the aftermath of the Cold War, as a pivotal state in the regions of the Middle East, the Balkans and Central Asia. A 1995 Pentagon report sums the official US attitude towards Turkey as follows: "Turkey in particular is now at the crossroads of almost every issue of importance to the United States on the Eurasian continent including NATO, the Balkans, the Aegean, Iraq sanctions, relations with the NIS, peace in the Middle East, and transit routes for Central Asian oil and gas."²⁹

With regard to Central Asia, Brzezinski argues that

"Turkey stabilizes the Black Sea region, balances Russia in the Caucasus, still offers an antidote to Muslim fundamentalism, and serves as the southern anchor for NATO. A destabilized Turkey would be likely to unleash more violence in the southern Balkans, while facilitating the reimposition of Russian control over the newly independent states of the Caucasus."³⁰

In its effort to promote a stable and independent southern Caucasus and Central Asia the US administration has opted to strengthen Turkey while at the same time exploring an improvement in American-Iranian relations. Accordingly, America has used its influence in Europe to encourage Turkey's eventual admission to the EU and has made a point of treating Turkey as a European state, provided internal Turkish politics will not take a dramatic turn in the Islamic direction. The U.S. has also consulted regularly with Ankara regarding the future of the Caspian Sea basin and Central Asia in an effort to foster in Turkey a sense of strategic partnership with the U.S. America has also strongly supported Turkish aspirations to have a pipeline from Baku to Ceyhan as the major outlet for the Caspian Sea basin energy sources.³¹

In order to fulfill these aspirations Turkey has tried to upstage the northern and the western routes that would bring the oil to Novorossisk (Russian port) and Supsa (Georgian port) and then ship it through the Black Sea, the Bosphorus and the Aegean to the Mediterranean and the West.

Turkey, by virtue of its control of the straits is trying to pose problems to these options by insisting that the straits can not cope with increased tanker traffic. The obstacles raised by Turkey in the straits could be overcome by the Burgass-Alexandroupolis proposal (put forward by Russia, Bulgaria, and Greece) that would transfer the oil from the Black Sea to the Aegean bypassing the straits. Turkey, however, has tried to destabilize the area by challenging the legal status quo of the Aegean Sea through a series of aggressive acts that include the violation of Greece's national airspace, a threat of war in case Greece exercises its right to extend its territorial waters to 12 n. miles, and the dispute of Greece's sovereignty on Aegean islands.

Turkey and the U.S. have been alarmed by the purchase from the Cypriot government of a Russian made defensive anti-aircraft missile system (S-300) because they believe that a boiling crisis in and around Cyprus, which is strategically situated across the Turkish Ceyhan terminal, would enhance the already existing doubts about the security of the pipeline and peril its feasibility.

If developments in Central Asia and the selection of pipelines seems to feed the Greek-Turkish conflict with yet another element they might serve as a catalyst to the reconceptualization of the relationship as a non zero sum game. If the selection of multiple pipelines prevails the U.S., Greece, and Turkey will share in this case a common interest. Their aim would be to ease tensions in the Aegean and Cyprus to accommodate the oil pipelines via Burgass-Alexandroupolis and the Aegean as well as via Turkey to Ceyhan. A flare up of hostilities would equally hurt their vital interests as well as hamper plans for American and European investments in the energy resources in the Transcaucasia region.

CONCLUDING REMARKS

Energy resources are reshaping the geopolitical map in Eurasia. Eventual control of the development of oil deposits as well as the eventual pipeline routings will determine the political and economic future of Russia, Turkey and the Central Asian states; it will determine Iran's position in the region and its relations with the West; it will determine the realignment of the strategic triangle among the US, Russia and China; and it will have strategic consequences by lessening dependence on Persian Gulf oil.

The importance of the eventual pipeline routings was pointed out by the Russian newspaper *Izvestiya*:

"The struggle for future routings of oil from CIS countries to the world market is entering a decisive stage. The victor in this struggle will receive not only billions of dollars annually in the form of transit fees. The real gain will be control over pipelines, which will be the most important factor of geopolitical influence in the TransCaucasus and in Central Asia in the next century."³²

¹ The phrase "Great Game" has been borrowed from Rudyard Kipling's description of the rivalry among Tsarist Russia, Victorian England and the Ottoman Empire in Central Asia for control of trade routes to India in the 19th century. See Fiona Hill, "Pipeline Politics, Russo-Turkish Competition and Geopolitics in the Eastern Mediterranean" in *Security and Cooperation in the Eastern Mediterranean*, Andreas Theophanous and Van Coufoudakis eds. (Cyprus: Intercollege Press, 1997) p:200.

² Rosemarie Forsythe, "The Politics of Oil in the Caucasus and Central Asia," *Adelphi Paper*, no 300, (May 1996), p. 6.

³ While the Central Asian states have physical possession of the oil and gas reserves, they do not possess the capital and the technology that would allow them to go in to production alone, which brings in the foreign companies with a share in production and revenues.

⁴ Colin S. Gray, *The Geopolitics of the Nuclear Era: Heartland, Rimlands, and the Technological Revolution* (New York: Crane, Russak and Co., 1977).

⁵ The Rothschilds, and the Nobel Brothers, first provided Russia with the know-how to develop the Caspian oil resources. See Robert W. Tolf, *The Russian Rockefellers*, (Stanford, CA: Hoover Institution Press, 1976), pp. 50-60.

⁶ Daniel Yergin, *The Prize: The Epic Quest for Oil, Money and Power* (New York: Simon & Schuster, 1991).

⁷ Proved and inferred reserves are estimated to be as high as 200 billion barrels, putting the region on a par with Iraq. In addition, the area is rich in natural gas with estimated and proven reserves of up to 7.89 trillion cubic meters – as much as those of U.S. and Mexico combined. Rosemarie Forsythe, "The Politics of Oil in the Caucasus and Central Asia", p. 6. Caspian can not compete with Persian Gulf oil in terms of easy access to the major world markets, nor will this oil be able to compete in terms of levels of production or costs of production. When the Caspian region will be producing at its peak, and that will be in the order of several million barrels per day, the contribution to world oil supply may not be pivotal but nevertheless important. Those reserves are significantly bigger, for example than Europe's proven reserves of about 50 billion barrels of oil equivalent. See Robert E. Ebel, "The Dynamics of Caspian Sea Resources," paper presented to a Conference on Conflict Resolution, organized by the Institute of International Relations, Panteion University, at Corfu on August 30-31, 1996. Also see "Central Asia: A Survey", *The Economist*, (Feb.7-13, 1998), p.6.

⁸ *Azerbaijan: Energy Sector Review*, Document of the World Bank, Report no 12061-AZ (World Bank: Washington D.C., 1993).

⁹ For these oil companies, the Caspian holds a further attraction. Un-

like the majority of the world's proven oil reserves, these resources are available for exploitation by western firms. Iran and Iraq, the underdeveloped giants of the Persian Gulf, are closed to outsiders, so for the moment the oil firms are concentrating on the Caspian. "Central Asia: A Survey" p. 6.

¹⁰ Ibid.

¹¹ *Azerbaijan: From Crisis to Sustained Growth*, A World Bank Country Study (The World Bank, Washington D.C., 1992).

¹² *Azerbaijan: Petroleum Technical Assistance Project*, Document of the World Bank (The World Bank, Washington D.C., March 28, 1995).

¹³ *Kazakhstan: The Transition to a Market Economy*, A World Bank Country Study (The World Bank, Washington D.C., 1993).

¹⁴ Ibid.

¹⁵ "Central Asia: A Survey", *The Economist*, p. 6.

¹⁶ Ebel, p. 6; Hill, p. 209, *The Economist*, p. 6.

¹⁷ "Central Asia: A Survey" p.8.

¹⁸ Ibid, p.8.

¹⁹ For a detailed analysis see Rosemarie Forsythe, "The Politics of Oil in the Caucasus and Central Asia," pp.44-55; "Central Asia: A Survey" pp. 8-9.

²⁰ Robert E. Ebel, "Petroleum: A New Factor in the Black Sea Security Context", unpublished paper presented to a conference on *Security and the Black Sea*, held in Varna, Bulgaria, 9-10 May 1995; Robert E. Ebel, Michael P. Croissant, Joseph R. Masih, Kent E. Calder, Raju G.C. Thomas, "Policy Forum: Energy Futures", *The Washington Quarterly*, vol. 19, no. 4 (Autumn 1996):71-99.

²¹ Ibid.

²² Ibid, p. 6; Rosemarie Forsythe, "The Politics of Oil in the Caucasus and Central Asia", p.55-58; Hill, "Pipeline Politics", pp. 212-217.

²³ Zbigniew Brzezinski, *The Grand Chessboard*, (New York, NY: Basic Books, 1997) p. 94.

²⁴ Ebel, "Petroleum: A New Factor in the Black Sea Security Concept" p. 7; John Lloyd, "Battle Lines Drawn Over Caspian Oil and Gas" *Financial Times*, March 3, 1995.

²⁵ Hill, "Pipeline Politics", p.216.

²⁶ Ebel, p. 9.

²⁷ Ebel, "The Dynamics of Caspian Sea Resources" p. 8.

²⁸ Fiona Hill, "Pipeline Politics, Russo-Turkish Competition and Geopolitics in the Eastern Mediterranean" p. 220.

²⁹ Department of Defense, Office of International Security Affairs, *United States Security Strategy for Europe and NATO*, (Washington D.C.: The Pentagon, 1995)p.25.

³⁰ Brzezinski, p. 47. Brzezinski, however, expresses the fear that the internal strains within Turkey are likely not only to get worse but to greatly reduce the stabilizing role Turkey can play within this volcanic region. Such a development, he argues, "will in turn make it more difficult to assimilate the new Central Asian states into the international community, while also adversely affecting the American dominated security in the Persian Gulf region. In any case, both America and the international community may be faced here with a challenge that will dwarf the recent crisis in the former Yugoslavia." *Ibid*, p. 53.

³¹ Brzezinski, pp. 203-204.

³² Ebel, p. 9.

The Balkan Entente: A Reassessment of an Aspect of Balkan Diplomacy in the Interwar Period*

SEBASTIAN H. LUKASIK

The Balkan Entente – these two, seemingly incongruous words describe one of the least known and most misunderstood aspects of inter-war European diplomatic history. Signed in February 1934 by representatives of Romania, Yugoslavia, Greece and Turkey, the diplomatic agreement known alternatively as the Balkan Entente or the Balkan Pact represented yet another attempt to introduce a measure of security into a region whose reputation for volatility has always been proverbial. That the initiative for such an attempt did not originate from any of the Great Powers of Europe but from the Balkan states themselves endowed the Balkan Entente with a particularly unique character.

In spite of its singularity, however, the Balkan Entente has yet to receive satisfactory treatment from historians. Even today, virtually all English-language works dealing with the subject seek to assess the origins, achievements and the ultimate fate of the Balkan Entente on assumptions formulated by a small number of writers in the late 1930s.¹ Eventually, these views were synthesized into a single, cohesive school of thought by L.S. Stavrianos in the early 1940s.² As a result, Stavrianos' theories have dominated the historical discourse pertaining to the Balkan Entente.³

The thrust of Stavrianos' thesis, faithfully emulated by other historians is that the Balkan Entente represented little more than an exercise in futility.⁴ According to the noted historian, the Balkan Entente did not contribute to the stabilization of the Balkan Peninsula and only served to further alienate Bulgaria and Albania, the