1

The Background: History and Political Change

Bülent Gökay

The Caspian–Caucasus region has received considerable attention over the past seven years, both because of its potential as a source of oil and gas for world energy markets, and because of the environmental consequences of such development for this ecologically delicate body of water. The Caspian Sea is an enclosed body of water, roughly 700 miles from north to south and 250 miles across, lying directly between the states of Central Asia and the Transcaucasus. It is a salt-water body, connected to the Black Sea by the Volga and Don rivers, the artificial Volga–Don canal (all passing through Russian territory), and the Sea of Azov, a branch of the Black Sea.

The Caspian–Caucasus is a region of complexities, rich in the diversity of peoples, nations and language. Hardly anywhere else on the planet can one find a territory of a comparable size as heterogeneous in terms of language, religion and culture. The countries of this region are blots on the map, pimples on the backs of Russia, Turkey and Iran. They are represented in Western perceptions by equally scrappy images: genocide and earthquake in the case of Armenia, wild horsemen and smiling centenarians in the case of Georgia, utterly foreign and barbar Muslims in the case of Azerbaijan and the North Caucasus. The total inhabitants of this area are not more than 30 million. Yet their cultural and historical heritage goes back further than those of many European nations. Caspian–Caucasus has always had a romantic appeal for foreigners. Thousands of years ago the routes connecting northern and eastern Europe with Asia Minor and the Greek colonies passed through here. The Argonauts were the first ‘foreign tourists’, so to speak, to visit the Black Sea coast of the Caspian–Caucasus. Prometheus, who brought fire to mankind in defiance of Zeus, was said to have been chained to a cliff in the Caucasus.
Thousands of years have passed since then, but people are still attracted to the region of Caspian–Caucasus. The recent attraction of the region is related to its natural resources, especially the oil reserves of the Caspian Sea basin. Since 1991, oil has become a major symbol of the region’s potential. During the Soviet period, the Caspian basin was politically closed to the world oil industry. The hydrocarbon potential of the Caspian basin states had been suspected by outsiders but remained unconfirmed during the Soviet period. Moscow had been unwilling to invest in oil and natural gas development in the region, and the resource base has remained relatively untouched. With the collapse of the Soviet power and the emergence of the new independent republics in Central Asia and the Caucasus, the Caspian Sea basin, with its vast oil and natural gas resources, has become an area of great interest as well as foreign investment. The oil industry has returned to the region after decades of Soviet isolation, hoping to rebuild the Caspian Sea basin into one of the world’s great oil-exporting regions.

Current industry estimates put oil reserves under the depths of the Caspian Sea at up to 13 billion tonnes, more than any region outside the Persian Gulf. The oil potential of this colossal territory is so significant that the analytical centres of the world’s large oil and refining companies consider it to be more long-term than the unstable Persian Gulf. Such reserves put the region on a par with Saudi Arabia, and it is expected that the Caspian basin will become the second most important source for oil for the world’s industrialised centres in the next century.

Since 1991 the oil rush to the Caspian has been underway. Large oil companies are racing one another, eager to invest billions of dollars to tap unexploited hydrocarbon resources of the Caspian Sea basin. The intensifying struggle for control of the vast oil resources of the Caspian Sea basin is often cast as a replay of the nineteenth-century ‘Great Game’, in which the British and Russian empires fought each other for political power and military influence in the same region.

**Early history**

Since ancient times, the Caspian–Caucasus has been one of those regions of the world where there is a long history of involvement with oil. Early travellers’ reports attest to the historic presence of the oil in the Baku region. Oil over the centuries seemed as much a magic potion as an industrial commodity. Exploitation by collection from springs and shallow pits was well noted in the earliest historical records. Oil was being extracted and considerable commerce was carried on in the area,