Oil Regions and Powers.


Raffaele Angius

Master Thesis Faculty of Social Science
Department of Political Science

UNIVERSITY OF OSLO
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Acknowledgments

This thesis has been inspired by Enrico Mattei. His figure is worshipped by the majority of Italians as the hero of the country’s oil industry against the bad majors. What I find fascinating is that Enrico Mattei, who used oil revenues to buy political influence, is not treated as a criminal because of his faith in national energy independence. This is one of the brightest examples of how oil and politics can be intertwined, and how this link can generate peculiar outcomes. Besides, I decided to write about oil because I like the smell of petrol in the morning.

It is with an e-mail on Enrico Mattei that I first took contact with my supervisor, Dag Harald Claes. This was two years ago, when I could hardly speak Norwegian. To me, he has been a sort of bard during these two years: I owe him much more than this work. As supervisor, he has been patient, perseverant and I wish to thank him for having been a good sparring partner.

The support of my families, the Italian and Norwegian one, have been decisive for my survival in Oslo. I wish to thank my mother and father for their help. In spite of dark and cold winters, I have enjoyed my stay. My colleagues at Vitenskapsbutikken and DI and the administrative personnel at the Department of Political Science deserve a thank. Thanks to Staffan, whose help has been important to my writing.

As I am writing these lines, some of the colleagues and friends of my graduation year are sitting and working on their theses. Others are elsewhere, enjoying the warmth of the Norwegian may. This work would have been very different without 804.

Finally, Anne has been involved in my studies and in this work almost as much as me since the beginning of my Bachelor. In a way, she is the co-author of this work. I would really love to say that responsibility for this thesis’ weaknesses is shared. Unfortunately, I am too proud of my own errors.

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1. Introduction

Oil should not need to be introduced. Almost every day it gets its first side on the main newspapers. A key resource, its importance cannot be assessed only in industrial or economic terms. According to Yergin (1991:13), oil is “a commodity intimately intertwined with national strategies and global politics and power”. It would not be exaggerate to treat oil as the single most important commodity at a global level, strategically and politically. This is the first starting point of the research I will conduct: oil is globally relevant in all the aspects mentioned above.

1.1 Oil in global politics

The other one has to do with the relationship between oil and global politics. In periods of warfare, the attempts to control resources are transparent. Both the First and Second World War have shown how in critical situations the competition for energy resources gets exacerbated, and latent great power interests in resource rich areas become active ones. Authors point at the relevance oil control has had before and during wars: above all, Yergin reports many examples, spacing from Winston Churchill at the eve of the First World War (Yergin, cit: 14); to Erwin Rommel during the second (Ibidem, 339 – 343); mentioning the First Gulf War as the episode in which “the first post – Cold War crisis turned out to be a geopolitical oil crisis”; before concluding the book by stating that we live in the “age of oil” (Ibidem: 781).

Indeed, Great Power interest and involvement in resource rich areas is evident during war, but it can have notable features also during more peaceful times. It is a consequence of the uneven distribution of oil reserves in the world, and really nothing new. Noreng (2005) states that a critical foreign policy goal for major powers
is to get control of oil resources located outside their boundaries. In less dramatic terms, the core of the problem is here what Turner (1983) explains with parsimonious efficacy: “The existence of oil has brought particular countries to the attention of the Great Powers”. This is valid throughout the twentieth century, and there is no reason to believe that the near future will bring a change of trend. If oil is intertwined with national strategies and global politics, the next step is to ask why, how and with which consequences: in other words, the problem is assessing what exactly is the content of the “attention” mentioned by Turner.

1.2 Why study the relationship between oil and Great Power politics?

Scholars have different views on the nature of this “attention”. For example, Jaffe and Manning (1999) argue that the question of whether the United States should be involved or not in a pipeline project in the Caucasus presents typical power politics features, and conclude that the Caucasus oil prize is not worth much involvement. Writing on the Second Gulf War, Claes notes that it is unsurprising that “a country that consumes a quarter of the world’s oil finds the region holding two-thirds of the world oil reserves of the highest political importance”, but points out that “even a hegemon cannot rationally expect that a deliberate political action can secure oil supply, influence price setting, or even control production.” (Claes, 2005: 48; 55).

The literature linking energy resources to foreign policies is already rich, and its growth in depth and spectrum testifies scholarly interest for the matter. Studies of Great power behaviour which take into account oil-related issues tend to focus either on a country’s foreign policy and its connection with its oil interests (Kinghoffer, 1977; Bromley, 1991; Jaffe and Lewis, 2002; Bahgat, 2003) or on the strategic importance of a region in a geopolitical perspective (Jaffe and Manning, 1999; Collins and Wohlforth, 2003; Fumagalli, 2007). In these studies, an interest in
understanding the general nature of the attention Great Powers use towards oil rich regions seems to be mostly collateral, supplementary or contextual to the real object of their analysis. Differently, this thesis studies and relates cases of Great Power involvement in oil regions with the objective to assess the importance of both geopolitical and domestic tensions (in relation to oil development and politics) in explaining the specific features of this phenomenon.

Within political science, the relevance of the matter is evident. The behaviour of states that have the necessary capabilities to pursue their goals in remote settings, and whose actions consequently have worldwide scope, interest scholars of international relations simply because its study makes sense. If it is true that energy resources, with oil as the standard bearer, attract the attention of heavy weights in the international scene, then the matter deserves notice. This is testified by the presence of a literature as already mentioned. This study therefore responds to the logic framed in King, Kehoane and Verba (1994:15ff.): it is consistent with the two criteria of importance in the real world and possible contribution to an existent and identifiable literature.

1.3 Research question and design.

In the above discussion, I have presented the thematic and motivated the need for research in the field. The research question is:

*What explains variations in Great Power Involvement in oil-rich regions?*

Some explaining factors that can be identified in the literature are: strength of institutions, structure of regional security, conflict pattern; pre-existent Great power involvement within the region; export routes and threats to flows from the region; average development, production and transportation costs; world oil balance (scarcity); price volatility; expected growth in global demand. Some of these factors
constitute the independent variables used in this study; these will be introduced in the second chapter.

Great Power involvement displays in a variety of ways. In any situation it should be possible to notice how their behaviour has been influenced by other factors. These can be historically contextual, such as the Cold War or the relative bargaining power of oil producers or multinational companies; or future projections of the context itself. The last ones are generally based on economic growth estimates, oil industry development, reserve exploration and political and strategic evaluations.

To discover which factors occur, and which ones trigger and stir Great Powers actions; to describe how involvement happens, and finally to explain why, I have chosen a qualitative, comparative approach, based on the analysis of four cases. This is useful in an explorative study, as it gives the possibility to manage many variables and a small number of units (Lijphart, 1971). Cases have been picked up primarily on the basis of the historical relevance of the two regions and on the existence of a consolidated literature focusing on issues related to the phenomenon which is to be studied here. This does not mean that the cases have not been tested against rigorously formulated, theoretically bounded variables; in other words, the cases respond to the needs of comparability (*Ibidem*).

### 1.4 Case selection.

Regions can be defined in terms of territorial boundaries, history, culture and oil industry. For the purpose of this thesis, oil industry is particularly relevant in defining a region. Oil development within a region’s geographical boundaries, is here a central criterium for definition. The regions in the analysis have to be *oil rich*. Defining the richness in energy resources is a challenging issue to face. Technology and exploration bring every year new insight in reserve estimates. Oil reserve distribution is as said uneven, today more than ever. Cross-examining reports form the
International Energy Agency (IEA) and the Energy Information Administration, Cordesman (2004) concludes that the world will grow even more dependent on Middle Eastern oil, and that other areas will be important in stabilising supply, rather than providing an alternative, thus stabilising prices. This fact can imply an asymmetric analysis, dependent on the regions chosen. Here has been deliberately chosen a situation of asymmetric endowment, as it is believed that reserve size is a key variable influencing the actors’ preferences.

The Persian Gulf and the Caspian basin are defined by the Energy Information Administration as global energy hot spots (EIA, 2007a and 2007b). The history of oil development in the regions is characterized by a high degree of foreign involvement, in economic, political and military terms. In different periods, this phenomenon has assumed different or similar features, which will be studied and compared from both cross – regional and historical viewpoints.


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These cases are worth studying both for their peculiar character and their global relevance. By comparing them, it should be possible to derive enough information to explain the characteristic features in which the phenomenon manifests itself. Treated
as regions, and seen in different periods, the Gulf and the Caspian differ in variables that are believed to influence the behaviour of actors. At the same time, they still are two neighbouring areas (or the same ones, but with a rough twenty-fifty years gap), which have developed an oil industry when this was at a very early stage of its life, and which have thus attracted political and military attention by the various world powers from the beginning of the 20th century (Yergin, op. cit.).

Time and place are the two standards on which I constructed the cases: the first criteria have been their early oil development, and their global relevance. The choice of periods and the geographical setting will be discussed in the next paragraph.


The first period has been chosen because the international oil industry was already well developed and the market was in the process of becoming globally integrated. Oil had already gained its place as development booster, and when it comes to its strategic value, it can be argued that this was understood even before oil became commercially important (Claes, 2005). In his history of oil companies in the international system, Turner (1983: 22 ff.) gives an insight on both company relations with consumer and producer governments, and consumer – producer relationship, as well as of the global oil situation. Turner divides the history of these relations until 1970 into four periods, based upon parent government1 involvement. Without discussing the other periods, it is sufficient reporting that the interval between 1954 and 1970 is treated as a Golden Age in which companies were “apparently independent of all governmental interference” (Ibidem: 23). By the end of the Second World War the Middle East had already become the centre of attention for the oil

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1 Parent government is defined as controlling “the country from which a company originates and in which the bulk of its management is resident” (Turner, cit: 20). Here has relevance the fact that parent governments, with the sole exception of Holland, were all major powers.
industry; the host governments (producers) didn’t have the influence over markets that they would eventually gain during the seventies; international oil companies still had control over upstream and downstream assets and, to a certain degree, price setting power. Their ability to secure supply was however in a declining phase. The international context was of economic growth in the West, low oil prices and Cold War. Yergin goes as far as reassuming this peculiar situation in the following way: “In the late 50s, the communist oil offensive, the Soviet drive for market shares stimulated the price cutting that gave birth to OPEC” (Yergin, cit: 774). Although it is far too simplistic to attribute the paternity of OPEC to the Soviet struggle for entering a market dominated by American and European oil companies, the passage gives an effective picture of the changes that the oil market was going through at the time. When it comes to the Caspian, it cannot be said that the region gave a major contribution to the Soviet oil war. In Azerbaijan, for instance, production increased during the fifties and sixties, arresting around 1970, and never reaching the peak of 1941 (see chapter 3 for a more detailed exposition).

The study of past cases is also interesting because may give a key to explain the present situation: “The structure of the market at t_1 constrains the actors’ behavior at t_2; the actors’ behavior at t_2 influences the market at t_3; and so on. The actors’ behavior changes the structure in which the same actors behave” (Claes 2001:365).

A large amount of factors makes the regions interesting in the second period of observation, 1990 - 2006. Just to cite two, the United States has already included oil and energy security as main issues in the National Security Strategy (NSS, 2002, 2006), and the two Gulf wars are yet other examples of evidently oil-related wars (not to be read as oil-motivated). Moreover, among scholars and policy makers have matured claims of a new Great Game with its epicentre in the Caucasus. (Jaffe and Manning, 1999; Rahr, 2001; Kleveman, 2003; Lovelace, 2004; Fumagalli, 2006; Tosi, 2006; Tosi, 2007). Although these claims have turned to be exaggerated, the Caspian Sea has, once again, become an important area of oil production and export after decades of not-too-devoted Soviet exploration pattern (Pear, 1990; Bahgat
Since the beginning of the nineties, first progressive and then intensive foreign interest in the region has boosted development and production in a region known since the Middle Age for its oil exports.

The choice of the cases results even clearer when put in its oil-historical perspective. I have already motivated the choice of 1954 as a starting point. The decades before that date are excluded because of mostly immature oil industry and market. Oil-related great power activity should manifest itself more evidently in times when the importance of the fuel is higher. In addition, more recent times offer more sources and therefore a large empirical scope which is precious for a study of explorative character. Differently, the period between 1970 and 1990 is excluded because of the massive restructuring that took place in the oil market in these years. Although the Organization of the Petroleum Exporting Countries (OPEC) had already been established in 1960, it is first with the Teheran and Tripoli agreements (1971) that producer countries gained some control on price-setting, and thus increase their market power at the expenses of the companies. During the seventies and the eighties, long-term contracts were gradually replaced by a spot market (Claes 2001: 60-91). In the new situation, both producer and companies have only relative control on price-setting, which is not only largely subjected to financial rather than commercial mechanisms, but cannot be a product of bilateral bargaining between a company and a producer. During the nineties this new structure has become more steady, a feature that provides a firmer basis for the analysis.

1.4.2 The Persian Gulf and the Caspian Sea.

Having already argued about the relevance of the two regions, I wish here to define what is inside the regions. Not defining exactly what Middle East stands for is grossly equivalent to point at an oil stain on a map. Middle East is a wide but understood concept which can be let implied, a suggestion which, paired with common knowledge, provides at least a frame of analysis which is generally considered as accurate enough. For the purpose of this thesis, however, a floating definition may be
evasive, in the worse scenario confusing, and therefore misplaced. Therefore it seems that the most rationale here is to sustain the approach advocated by Thompson (1981), and treat the membership in the region as an empirical question. Many scholars interested in oil hold focus on the Middle East, or the Caspian, but their definitions can differ greatly. Cordesman (2004) takes as unit of analysis the Middle Eastern and North African region (MENA), and divides the Middle East in two sub-regions: the Persian Gulf and the Levant. It is the first of the two sub-regions that will be at the centre in this study: Iran, Oman, United Arab Emirates, Saudi Arabia, Qatar, Bahrain, Kuwait and Iraq. The Caspian Sea is shared by Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan. According to Bahgat (2003:140), since the 1980s the region has “gradually occupied a central stage in the global energy markets”. It is necessary to remember that the region was important since the very beginning of oil exploration on this side of the Atlantic (Yergin, 1991, Baghat, op. cit., Turner, 1983).

Once discussed the thematic, exposed the research question, and presented the cases it is easier to attempt a thorough definition of the thesis’ groundwork by presenting the method which will be used to answer the research question; the most relevant concepts that will be used in the analysis, and the theoretical viewpoint; and an introduction to the sources that will be central in gathering the empirical evidence.

1.5 Defining Great Power involvement.

A study of Great Power politics opens several possibilities to the scholar of political science. I have chosen to focus on variations in Great Power involvement in oil-rich regions. The term Involvement could be generally defined as following: the modality and extent of the actors’ political leverage in a defined setting.

Settings are clearly identifiable as the cases described above. In this thesis, actors are Great Powers. According to Buzan and Wæver (2003), in the contemporary world
there is one superpower (the United States) and four great powers (the EU, China, Japan and Russia). This classification is not valid for the world during the Cold War: then there were two superpowers (USA and USSR) and five global powers (China, Great Britain, France, Germany and Japan). For the aims of my research, the divide between super and great powers is useful to the extent that it permits to predict the scope of the actor’s involvement. It is also necessary to remember that we are treating Great Powers involved in the regions which are object of the analysis. Therefore, I will only consider the actors which are clearly identifiable as active in the cases on the basis of the background information treated in Chapter 3. In Case 1, these are the United Kingdom, the United States, the Soviet Union and France. With the exclusion of France, the same actors are also present in Case 2. In Case 3, Russia, China, the United States, France and the United Kingdom. The former three are also the main actors in Case 4; the European Union, with France and the United Kingdom as foremost actors, has consistent interests in the Caspian Sea region but has not been involved as extensively as the other actors (Bahgat, 2003; Collins and Wohlforth, 2004; Fumagalli, 2007).

The extent and modality of political participation in the cases is the fulcrum of this study and a derivation and a specification of the general concept of **attention** mentioned above (1.1). The concept is akin to what Cantori and Spiegel (1970:25) define as **intrusive system**: “the politically significant participation of external powers in the international relations of the subordinate system”. The main differences between the two definitions is that actors in this thesis are Great Powers, and that they are not necessarily external ones. This is a necessary premise as oil regions can be shared by a Great Power. When it comes to the nature of their participation, there are many ways in which actors can exert leverage in oil regions. Participation can be military, economic, diplomatic. I have chosen to relay on Cantori and Spiegel (1970:26), in which **politically significant involvement**:

“produces participation in the balance of power of the subordinate system and may affect the dominant system’s balance as well. This participation is expressed by the possession of a colony; economic or military aid producing an alteration in the balance of power of the region; formal
alliance, troop commitment or any agreement which causes the external power to act in ways which resemble the types of action that would ordinarily be taken by a country indigenous to the region”.

The definition of involvement provided above permits to operate exclusively on modalities of participation that can radically influence the politics of the regions. These are the values of our dependent variable: variations in Great Power involvement. In addition, I have decided to consider the importance of arm sales to regional actors. The extent of participation needs to be evaluated qualitatively with respect to contextual factors and the other actors’ actions. Hence, I have chosen not to adopt a rigid measure of this dimension, but focus instead on variations in modalities: variations in extent, when detectable, will enrich the analysis.

1.6 Sources

The study is mainly based on pre-existent literature: scientific articles, books and monographies make a consistent part of the bibliography. Hence, the quality of the study depends vitally on the quality and scope of previous research. The literature should be broad and vary enough to provide a certain variety in arguments, whose discussion would help strengthening the analysis. Additionally, the use of other sources may help to improve the conclusions: thus, I will also make use of newspaper articles, official reports, and other documentary material such as diplomatic documents and speeches given by prominent politicians of both the parts involved. It is a good rule to collect “as much data in as many diverse contexts as possible”, because any additional source improves “the certainty of our inferences to some degree” (King et al. 1994:24;25). At the same time, it is unthinkable to analyse all the sources that are potentially relevant. This problem has been determinant in the decision of basing the research on pre-existing studies instead of primary literature. Not only using primary sources would have meant an unbearable amount of information; the risk of a biased analysis would have probably been greater because of the differences in availability of documentary sources and on the archival practices
of the actors. While it should not be a problem to trace American and European documents, a doubt remains when it comes to the Soviet Union’s, companies’ and producers’ ones. Needless to say, my inability to read Russian and Chinese has also played a role.

Choosing the sources is therefore an important part of the research process: here I have based my choice not only on the sources’ provenience and function, but also on the principles of relevance and trustworthiness (Kjelstadli, 1992:167-171). Critical reading of these sources combined with the weighing of different ones would hopefully minimize selection bias, as well as my errors, and help assessing each new contribution’s addition to the overall understanding of the evidence (Kjelstadli, op. cit:161). Rigorous annotation and reporting of the process for gathering information will also enhance reliability (King et al., op. cit.).

Oil reserve estimates deserve a special attention. Energy reports by the Energy Information Administration and other organizations or researchers can be considered as reliable. In the case of the energy estimates, however, it is necessary to take into account a certain bias due to the fact that they are mainly consumer-driven models, i.e. they take into account the prospected demand and the rise in supply which is needed to meet this demand (Cordesman, 2004). Moreover, there is uncertainty and scholarly disagreement on the accuracy and precision of techniques utilized to estimate reserve size (Darmstadter et al., 1971; Campbell, 2005). Also in this case, I have tried to enhance reliability by triangulating different sources.

1.7 Structure of the thesis

This study is structured around the four cases that compose its empirical part, and the analysis based on their comparison. The next chapter will present and defend the design of this thesis, by discussing the starting point for the choice of method and theory. The choice of the analytical framework is based on reflections on the scientific value of the level of analysis and the appropriateness of the method. The
independent variables that constitute my model will be presented in the last part of
the chapter. Chapter 3 constitutes the empirical part of this thesis, in which
information from different sources is gathered as evidence structured around the
variables. All the dimensions in which the cases differ or are similar are presented,
preparing the basis for the of analysis. This will be conducted in Chapter 4, in which
the data collected are evaluated through comparison and relation to the conceptual
model. Correlations found will be understood in the light of previous research,
explained qualitatively, and used to generate empirically testable inferences. Chapter
5 will reassume the results of the thesis and assess its value and contribution to the
understanding of Great Power politics in oil-rich regions. Eventually, the possible
development of this study would also be discussed.
2. **Method and theory: the comparative study of regionally embedded power politics.**

The study of Great Power interest in a regional context requires a theoretical approach that can help understanding variations in great powers’ actions and explain them from a variety of angles. The theory should comfortably fit the context, which means that it must support an area-wide level of analysis. Finally, being oil both a strategic and economic commodity, actors may have a plurality of intents in performing their activities: the possibility to link a plurality of contributes from other fields to a flexible theory is thus desirable.

### 2.1 **Level of analysis.**

The first concern when choosing a hospitable framework for the study of a political phenomenon regards the object of the analysis: what constitutes the *explanandum*? A second question, which depends on the first, regards the choice of suitable instruments of analysis: which *explanans* are appropriate and fruitful? (Hempel and Oppenheim, 1948). Relying on an appropriate set of general laws with empirical content enables us “not merely to record the phenomena of our experience, but to learn from them, by basing upon them theoretical generalizations which enable us to anticipate new occurrences and to control, at least to some extent, the changes in our environment” (Hempel et al., op. cit.:154). In this view the rigorous definition of the object of study is not sufficient, and must be supplied by a reflection on the inherent characteristics of the phenomenon, and on the goal of its scientific inquiry. A model is additionally required to provide accuracy of description, validity of explanation, and the possibility of reliable prediction (Singer, 1961: 78-79).
Scientific investigation is in first instance guided by a reference to almost antithetic ontological and epistemological dimensions. The system-level should be chosen when a more comprehensive and parsimonious picture of international relations is desirable. The position of this study is that this is necessary when a complex phenomenon is investigated in an explorative fashion. In other words, the need for tracing and explaining general, structural and common features of exogenous forces is given priority before the study of the sub-system in its specificity. This would also mean to ignore issues of phenomenological character. In the analysis, it will be assumed that the empirical evidence is collectable, and that the values detected for each variable effectively operate on the actors, influencing their choices regardless of their awareness. I have argued for the advantages of isolating regions and periods, and looking at the actors’ behaviour in a limited context. A structural perspective, such the one adopted in this study, corresponds to ontological holism and epistemological objectivism (Carlsnaes, 2002:332 ff.). A limit of choosing this level of analysis is, according to Singer (1961), that we may only speak of correlations, or apparent consequence; the explanations resulting from such a study should be seen as partial ones, to be tested in successive studies adopting a sub-systemic orientation and taking into account the phenomenological aspect (Ibidem), or adopting a statistical method to test the hypotheses on a large scale (Lijphart, 1971).

2.2 The comparative method.

Chapter one presented the background for the choice of method and the level of analysis. I have discussed the fruitfulness of the comparative approach, and wish here to explain and defend this choice in detail. A research strategy based on comparison is, according to Lijphart (1971:685), appropriate to a “first stage of research, in which hypothesis are carefully formulated”. Its major characteristic is to be a method which is particularly useful when “for scarcity of time, energy, and financial resources, the intensive comparative analysis of a few cases may be more promising than a more
superficial statistical analysis of many cases” *(Ibidem).* The need for partial generalizations in a first step and the manageability of the comparative method make it particularly comfortable when applied to area and era studies (Lijphart, op. cit.: 688). The design of this thesis is based on the comparison of four a-theoretical case studies. The cases are a-theoretical because they are purely instrumental to the comparative analysis, which will be done after the gathering of empirical information is completed. This implies that the cases have no inherent theoretical value. Descriptive information-gathering is in itself valuable, but its contribute to generalization largely depends on a good theoretical analysis based on the cases.

2.2.1 Comparing regions

The idea of comparing regions is by no means new. Seminal studies are, for instance, Russett (1967 and 1968), and Cantori and Spiegel (1969 and 1970), whose approach is less focused on the problem of security then the one chosen here. The problem of defining the regions in the early works is one of their major weaknesses. Cantori and Spiegel (1970), for instance, make large use of the concepts of core and periphery, and the result is a rather complicate theoretical framework, which serves poorly the aim of comparative research based on composite entities as regions. The quantitative technique utilized by Russett (1967), is also difficult to utilize in a study of regions, but his effort to an empirical definition of regions is very useful, and its echo can be found in Buzan (1991) whose concept of Regional security complex (RSC) is later fully developed in Buzan and Wæver (2003). The first attempt to develop a theory of security based on the concept of regional security complex is probably Lake and Morgan (1997). Their work is closely related to Buzan and Wæver (2003), inasmuch it is based on territoriality as a central issue and makes use of the concept of RSC. Moreover, their use of the *security externality* concept to wider the range of security issues seems more elastic than the *securitisation* one, and perhaps closer to the point of view of this thesis. There are some reasons why here is preferred Buzan and
Wæver’s construction: the first is that Lake and Morgan open to the possibility that a
great power not situated in the region could, by virtue of a *centrality* of the region in
its foreign policy and its own centrality to the region, be identified as a member of it
(Morgan, 1997:28). The second is a problem which depends on the first: by
deconstructing the region and admitting at the same time the looser concept of
security externality, the theory results weakened inasmuch it opens to the possibility
of constructing an indeterminate amount of complexes; an obvious consequence is
that the pillar of territoriality would no longer rest on firm ground.

2.3 *Regional Security Complex Theory.*

Having in mind that the aim of this study is to understand and explain variations in
Great Powers’ policies in different settings, it does not seem useful to pick up a
theory or two and test them against empirical evidence, to see whether their
prescriptions hold. The problem is not what kind of answers we can obtain by seeing
the world through the lenses of an established theory, but what kind of approach
would better suit the task of this study. Moreover, the nature of the matter to be
studied here pertains several sub-fields of International Politics, each with some
peculiarities, each with internal theoretical issues, each with the possibility to provide
a unique contribution to the analysis (Carlsnaes, 2002). The theoretical analysis
would then be more fruitful if it makes use of different contributes from sub-fields
such as Foreign Policy Analysis, Geopolitics, Security studies and Diplomacy.
Although desirable, a multilevel approach would be unmanageable in a minor
research such as a master thesis. Consequently, the analytical instrument chosen here
- Regional Security Complex Theory, RSCT - will rather be a guide used in the
interpretation and explanation of empirical evidence than an analytical instrument to
be used in a prescriptively manner. This study will be successful if it manages to
modify our way to interpret facts - i.e. if it produces new empirically testable
propositions, not if it merely strengthens or falsifies hypotheses formulated on the basis of RSCT.

Regional security complex theory is the evolution of a concept elaborated by Buzan (1991) and then developed into a more comprehensive theory by Buzan and Wæver (2003). Their starting point is a wish to merge realist, globalist and constructivist approaches through a redefinition of the concepts of security and interest, which in their definition includes both territorial issues and not territorial ones, and which depends on the actors’ securitisation process. Regional security complex theory takes into account the territorial, material character of security problems and merges it with broadly defined concepts of interest and security. A stated goal of RSCT is “to enable comparative regional studies” (Buzan et al., op. cit.: 468). The advantages that the theory gives when used together with the comparative approach are numerous, both in terms of theoretical value and contributes to empirical understanding and policy-making. A thorough discussion of these aspects is to be found in Buzan and Wæver (2003:468 ff.).

Characteristic of RSCT is the division of the world into regions, an intermediate level of analysis between the global and the local ones. These are the only two dimensions traditionally considered by both realism and globalism (Buzan and Wæver, 2003:27 ff.). In RSCT, interaction between actors happens preferably at the regional level, where regional security issues are usually tackled by regional powers. The role of superpowers and great powers is considered mostly in the wider perspective, as their actions can - and will, whenever it is in their interest to do so - transcend the borders of the respective complexes, which otherwise are bounded by geographically determined borders: “The standard form for a regional security complex is a pattern of rivalry, balance-of-power, and alliance patterns among the main powers within the region: to this pattern can then be added the effects of penetrating external powers” (Buzan and Wæver, 2003:47).

In the contemporary world there is only one superpower (the United States) and four great powers (the EU, China, Japan and Russia). The present situation does not
correspond neither to a unipolar nor a multipolar one, a situation in contrast with the predictions of neo-realist scholars. The first period of analysis in this thesis, 1954-70, is instead described as a bipolar system enriched by the presence of five great powers (Japan, Germany, China, with France and Great Britain increasingly leaving the podium) (Buzan et al., cit., 35 ff.). As noted in Chapter 1, the choice of actors in this thesis is based on their effective involvement in the regions.

2.3.1 Use of Regional Security Complex Theory in this study.

When applying Regional security complex theory in this thesis, it is to notice that RSCT is based on a widened concept of security, which is assumed to be developed by actors through the process of securitisation, and is assumed to change with time (Buzan and Wæver, 2003:71-74). Moreover, the economic relevance of oil has security implications which transcend the value of petroleum per se.

RSCT is not only useful because it enables the regional approach which is central in this thesis, but also because it gives the possibility to establish the links between the global, regional and local levels in a clearer way than more classical approaches. Specifically, its major contribute would be in assessing the value of local and regional issues in shaping the different strategies and their outcomes. However, RSCT does not assert that the regional level will always be the dominant one, rather that it cannot be omitted. To empirical observation is given the task to establish which of the four levels of security (domestic, inter-state, inter-regional, and the interplay with the global) is dominant for a region (Buzan and Wæver, op. cit: 51-52). Some further observations will help a correct application of the theory.

First, this thesis does not fall but partially in the security studies realm as traditionally defined. This is a study of a phenomenon in which oil security is expected to motivate the actors, as it will be clear at the end of this chapter.
The second point has still to do with borders, but of other nature. Even if the importance of the regional level is sustained here, it is assumed that oil holds a peculiar place in the picture, in virtue of its economic importance and of the global nature of oil markets - and, by consequence, eventual oil-related crises. This is conflicting with the view that wars and rivalries in a given complex affect security patterns in other ones only in a minor way (Buzan and Wæver, op. cit.). Security concerns in oil regions are likely to originate security concerns of other kind in other regions and states. It is fully possible to argue that high oil prices triggered by conflict in the Middle East lead to the development of tar-sands in Canada, rising serious environmental issues that can be considered a matter of security in North America. Such hyperboles do not fall into the domain of interest of this study. It is however necessary to keep in mind this deviation from RSCT.

Third, RSCT does not account for the role of non-state actors, although it admits their influence in regional complexes (Buzan and Wæver, op. cit. 186). Companies are important actors in oil regions, where they interact with states on several bases and exert influence with different magnitudes, depending on several factors (Claes, 2001). Turner (1978:115 ff.) individuates several roles which the companies have assumed in relating to parent and host governments, sometimes acting as agents on behalf of parent governments. In such cases, firms’ behaviour may enter our analysis.

2.3.2 Cases and RSCT.

The two regions which are object of this study, the Gulf and the Caspian, are not defined unambiguously as regional security complexes by Buzan and Wæver (2003). The Gulf constitutes a subcomplex, that is, “a half-level within the regional one”, which represents distinctive patterns of security interdependence that are nonetheless caught up in a wider pattern that define the regional security complex as a whole” (Buzan and Wæver, op. cit.:51). In the Middle Eastern RSC, Iran, Iraq and the Gulf Cooperation Council countries make up a subcomplex, formed in 1971 after the
British withdrawal, and centred on a “triangular rivalry” among the mentioned states (Buzan and Wæver, op. cit: 191). Although the period in which one of our cases is set seems not to be covered by this definition, the authors explicitly admit a “pattern of regional turbulence that was already strongly active”, delineating and differentiating the region from its neighbours. The reason for this partial lack of structure is the protracted Western (British) colonial presence until 1971 (Buzan and Wæver, op. cit.:198). In RSCT’s own taxonomy, this relational deficit makes the Gulf a pre-complex (Buzan and Wæver, cit: 491). In this thesis, whose aim is not to study regional security patterns, but great power activity, this differentiation could be ignored for all aspects but one: the fact that weaker regional interaction is expected to facilitate involvement.

The Caspian region was during the Cold War (and in our first period of analysis) partly within a superpower. The Caspian Sea was locked between the Soviet Union and Iran. After the dissolution of the USSR, the littoral Soviet Republics became independent states. Oil policy in the region and during the first period of observation was thus a largely internal matter. It was however linked to the Union’s foreign oil policy, a connection that will be considered. Moreover, being the Caspian shared by the USSR and Iran the legal regime was established by these two actors - a regime which partially survives nowadays, or struggles to survive, in the latter’s view. After the end of the Cold War, the post-Soviet RSC was formed. It is a great power-complex, centred on Russia. Central Asia (Kazakhstan, Turkmenistan, Uzbekistan, Kyrgyzstan and Tajikistan) is defined as a subcomplex, being it a candidate for a separate RSC in which Russia’s involvement is still strong. The Caucasus constitutes instead a mini-complex (Buzan and Wæver, cit: 423 ff.). This partition, in which States that in our operationalisation constitute the Caspian region after the Soviet collapse are part of different complexes (i.e. share different security concerns) seems at a first glance not to be fitting our framework. The Caspian Sea can still be studied as the border between a superpower and a pre-complex (i.e., the Gulf, as argued above still in formation) in Case 2, and as the border between subcomplexes embedded in two standard RSCs (the post-Soviet space and the Middle East) in Case
4. But it is also to remember that this thesis does not focus on security issues alone, and not on “patterns of amity/enmity” which are the basis for the definition of RSCs (see above). This study takes oil as a concern for great powers, and tracks the variation in their behaviour in oil-rich regions. When the focus is shifted to oil, Buzan and Wæver (2003:422) seem to make a concession to this approach, when they assert that “the main prize in the geopolitics of Central Asia and the Caucasus is control of the transportation of oil and gas”. Thus, they assume oil as a regional issue, the plausible involvement of great powers (geopolitics), and the possibility to view the region in a single, joint perspective, even maintaining intact the original theoretical construction. Moreover, this formulation tips us about what to look at (transportation) and, some lines below, that “this is a complicated story and, as we write, one far too big to be recounted here” (Ibidem). It is this challenge that this study addresses.

2.4 Security of supply

The concept of security of supply is relevant for this study inasmuch it defines the required characteristics of oil supply to the markets. It is expected that Great Powers should be motivated to take action when these requirements are missing or to prevent such an eventuality. In this paragraph, I will give a definition of the concept; this will help individuate the energy-related mechanisms through which the independent variables influence great power involvement. During the Russian 2006 G8 summit, a particular emphasis was dedicated to the problem of energy security. The official paper Global Energy Security individuates the goal of the “eight big” in “ensuring sufficient, reliable and environmentally responsible supplies of energy at prices reflecting market fundamentals” (G8, 2006:1). The definition individuates four fundamental challenges. Sufficient means that supply and demand will have to grow approximately of the same measure. Reliable means that the market should not experience shortages. All this at market-driven prices, and without environmental hazard. Implicit in this definition is the fundamental principle of diversity, which
according to Yergin (2005) is still the paramount for energy security. Every new alternative source lessens security concerns. Diversity means that whether a region could contribute to a minor dependence from other sources, then its development is desirable. The definition given by Kalicki and Goldwyn (2005:9) puts diversity in more explicit terms, while ignoring the environmental problems: “The provision of affordable, reliable, diverse and ample supplies […] and adequate infrastructure to deliver these supplies to market”. What does this imply?

2.4.1 Affordable, reliable, diverse and ample.

That supply has to be affordable means that market prices should not be too high and reflect market principles. Price level needs to be defined empirically. Crude oil differs in gravity (quality) and these differences are reflected on prices: “Different oil regions have different compositions of oil qualities, making prices vary across regions” (Claes, 2001:43). Production and development costs may also differ greatly, depending on the field’s location: for example, the investment required for the development of an offshore field is larger than the one required for onshore development, as depth is a determinant of price (Adelman and Shahi, 1986). In addition, transportation costs account for a variation dependent on distance and transport method. In 1992, for instance, the transportation cost for each barrel carried between the Middle East and Europe was $1.30 (Rodrigue et al, 2006). These differences, however, account only partially for the final market price. Price has always reflected the monopolistic character of the oil market. Generally, prices have been considered reasonable in the range of $18 to $22. In 2004, Saudi Arabian oil minister proposed $35 as a fair price (Kalicki and Goldwyn, 2005). The most important target for energy security, however, is another: price stability (Ibidem). Excessively volatile prices “can generate uncertainty in financial markets and corporate strategies” (Leoni et al., 2001:3, my translation); in more prosaic terms, volatility “shocks the global economy” (Kalicki and Goldwyn, 2005:9). A price’s
historical volatility is given by the distance between price growth rates and their average in a given period. The measure is used by traders to understand how the market behaves and in making projections (Leoni et al., 2001).

Reliability refers to the predictability and continuity of crude oil flows to the market: supply should not suffer disruption, as this not only may affect prices, but creates uncertainty and, if prolonged, may harm consumers’ economies. Therefore, supply disruptions are among the most important concerns for actors interested in oil stability. Most notably, embargoes have been occasionally utilized to achieve political goals, particularly in relation to other events, such as wars. Among the main factors affecting disruption are conflicts and terrorism (Yetiv, 2004:6ff.). Although an increase in suppliers since the 1980s has reduced the effect of a confined disruption, and the consumers’ ability to deal with shortages has improved, the potential effects of oil shortages are still important, and “the risk of a serious interruption in Middle Eastern oil export, and particularly Gulf Exports, cannot be ignored” (Cordesman, 2004:95). As noted by Kalicki and Goldwyn (2005:10), “in the twenty-first century, the threat to producers’ stability comes increasingly from within - from revolution, civil unrest, economic collapse, and acts of terror”. The connection between shortage and domestic polities will be addressed in the next paragraph.

It has been noted that diversity is one of the most important principles of security of supply: why? Shortly, because several suppliers may help to reduce the effect of price volatility and prevent shortages. Thus, diversity can be seen as a basic principle whose relevance is instrumental to the others. Dependence on the Persian Gulf is a chronic feature of the global oil balance (Cordesman, 2004, EIA, 2007a). Several producers, supplying the markets from different areas, can lessen its effects (Kalicki and Goldwyn, 2005). Moreover, the goal of diversity is reflected in transportation routes: the availability of several transport routes is serviceable if diversity is a goal (Rodrigue, et al. 2006).

The term ample can be read in two ways: as physical-geological abundance or market-driven scarcity. As the latter is already captured by prices (Adelman, 1995), I
have decided to focus on geological abundance. It can be argued that the larger the number of oil producers, the larger the abundance of crude oil available to the markets. In this sense, ample and diverse are synonyms. In this thesis, however, what is important is the region’s contribution to the global oil balance. Assuming that a certain region, if developed, could contribute to lessen dependence on other areas, then its development is desirable. Every new alternative source reduces security concerns. Of course, the larger a region’s reserves, the higher its contribution in these terms.

2.5 Regimes

As noted in the preceding paragraph, threats to the stability of exporting countries are expected to come increasingly from within. This paragraph discusses closely the issue of domestic threats to production. The starting point for the following discussion is the link between oil production and institutions in producer countries and the importance of domestic stability in these polities for oil supply security, as argued above. The second issue is straightforward: a country whose domestic institutions are unstable can be an unreliable supplier. Cordesman (2004:108), reassumes domestic risks in these terms: “Aging leaders, unstable regimes, uncertain replacements, and Islamic extremism”, and identifies a major problem in the fact that “Practical governance and energy development […] are heavily dependent on the quality of the region’s technocrats”. (Cordesman, 2004:110). Karl (1997) conducted a comparative analysis based on five case studies (Venezuela, Algeria, Iran, Indonesia and Nigeria), contending that expansion of economies due to resource booms tend to weaken state institutions. Her starting point is that the internal dynamics of oil-exporting countries have global implications: “Change inside a major exporter not only shapes and possibly immiserates the lives of its own people but can also reverberate powerfully throughout world markets and even threaten global peace” (Karl, 1997:7). Karl has been criticized because of her lack of method and a general messy organization of the
evidence, which together with a vague or lacking definition of her variables does not permit the testing of her numerous hypotheses. Moreover, the study has been criticized for being excessively focused on one of the cases (Ross, 1999). Her study, however, has received the attention of scholars.

2.5.1 The resource curse

The term Resource curse denotes “the hypothesis and empirical study of an inverse relationship between natural resource dependence and several aspects of a country’s life” (Angius, 2007:63). On the one side, oil supply depends vitally on the stability of oil producers to assure reliability; on the other, producers themselves can be seriously harmed by their heavy dependence on oil. There are three main directions in the study of the resource curse: the literature linking natural resources to poor economic growth; the one linking resources to civil war; and finally the one linking resources to domestic institutions (Rosser, 2006; Angius, 2007). The resource curse as a scholarly field within the social sciences owes its origins to an influential paper in which Sachs and Warner (1995) argue for a negative effect of resources on economic growth, and claim that the study “has confirmed the adverse effects of resource abundance on growth on the basis of a worldwide, comparative study of growth” (Sachs and Warner, 1995: 3). Focusing on the correlation between natural resource wealth and the weakness of polities, Wantchekon (1999) studies a large array of African countries in a forty-years period, and shows that “natural resource dependence and rentier economies tend to generate authoritarian governments and socio-political instability” (Ibidem: 2). This claim is lately corroborated by Jensen and Wantchekon (2004). Ross (2001), found that a state’s reliance on oil exports does tend to make it less democratic, both in the Middle East and elsewhere. Interviews with members of the Azerbaijani political elite conducted by Heradstveit (2001), show that local politicians perceive the role of Western oil companies, and of the oil sector as a whole, as determinant for the emergence and support of autocratic regimes. Most
recently, scholars have shown that there is a clear correlation between the quality of institutions and the economic performance of a country (Torvik et al., 2006; Robinson et al., 2006). Although studies are characterized by low interaction between the three literatures and sometimes there is disagreement on the validity of the findings, the resource curse as a scholarly field seems presents some evidence that suggests the existence of a link between the abundance in resources, institutional features, the misuse of oil revenues (rentier states is a widely used definition), economic performance and regime stability (Rosser, 2006; Angius, 2007).

Actors interested in the security of oil supply are also interested in the domestic stability of oil producers. An external actor can essentially intervene in three ways to guarantee stability: support polity formation, consolidation, or change.

### 2.6 Model and variables.

The theoretical framework thus permits to identify some variables and construct a model to be used in the analysis. Although for the sake of flexibility I have decide to not utilize a strict hypothesis oriented strategy, variables are generated by the making of hypotheses based on the theoretical framework. Sartori (1970) warns against the perils of conceptual stretching, that may weaken the validity and reliability of the model, and argues for the necessity to operate with stringent categories. The problem arises especially when scholars utilize the same concept in different settings (Collier and Mahon, 1993). Choosing a variable on the basis of a concept and then defining it operationally, implies that a part of the concept under investigation will be lost where a higher precision of measurement is required. At the same time, it is to remember that although curtailing concept richness, operational definitions do not substitute for conceptual definitions (Sartori, 1970). I have decided to maintain a lower precision level and will mostly define the variables in nominal terms. Thus, theoretically defined concepts will be maintained.
2.6.1 Model

The analysis will be structured in the following way: as oil supply security is believed to provide motivation to action, I have decided to identify oil-related variables on the basis of the security supply concept defined above. These are called *motivational variables*. “Motivational explanations are better suited when we are studying well-informed individuals with large action scope and the power to act” (Kjelstadli, 1992:244, my traduction). Great Powers do indeed fit this definition; I have defended this view above (2.1). The variables are: price, crude oil reserves, and transport issues.

The logic of energy security, coupled with the Regional security complex theory and the problem of domestic stability of oil producers, helps us to individuate possible mechanisms shaping the lines of action of external actors in the region. These are called *scope limitation variables*, and are the institutional characteristics defining the opportunities or limits actors encounter in pursuing their goal motivated by the oil-related variables. These are Great power positioning, Conflicts, Regimes, and Regional security structure.

The empirical part is structured on cases and variables. All the variables will be presented in a paragraph for each case, except price which transcends the cases. The analysis, however, will be conducted in a different way: I shall focus on the scope limitation variables to show how actors have pursued their interests, while motivational variables will remain in the background. In other words, motivational variables will not be presented in own paragraphs in the analysis. Rather, their role will be assessed continuously in the discussion, and will provide the red line for the argumentation.
2.6.2 Variables

**Motivational variables**

I have provided the conceptual basis for the motivational variables in paragraph 2.4.1. Price is expected to generate reactions when it is unstable. Although price instability can only be defined in empirical terms, the cases have been selected to reflect to distinct price situations. It is to be expected that in the first two cases, when prices are low and stable, Great Powers will not be interested in acting to change this context. Price will be pictured as a numeric variable, on the basis of average US refiner acquisition costs. On a global scale, this measure approximates world oil prices (Cordesman, 2004). What is to be noted, however, is that I shall primarily focus on fluctuations. Price is thus operationalized as a numeric variable.

Crude oil reserves represent the abundance dimension of supply security. It is believed that actors will be more interested in the security of regions in which this measure is higher. This is also in line with the concept of diversity. In my analysis, where endowment is asymmetric, this means a higher grade of involvement in the Persian Gulf. The variable is operationalized as proved reserves, whose estimate is more reliable than probable and possible reserves (Darmstadter et al., 1971; Cordesman, 2004).

Export issues are an additional factor determining diversity. Thus, this variable operates closely with the reserve variable, as exports form a region holding large reserves are expected to be higher than export from a minor region. Actors are motivated to secure existent export routes and encourage their multiplication. The operational definition is based on the geographical position of the region and depends on whether this is landlocked, presents chokepoints or there are no limits to exports.

**Scope limitation variables**

Scope limitation variables descend from the logic of security of supply and the theoretical framework based on Regional security complex theory. Moreover, the
regime variable rests on the resource curse and its link to domestic stability in exporting countries, and between the latter and oil production. These variables are believed to influence the modalities of action by providing opportunities or limits. The distinction between super- and great powers provides for differences in the extent of involvement.

Great power positioning is nothing else than pre-existent Great power involvement at the beginning of the observation periods. It can be regarded as a barrier to entry, as the presence of other actors in the regions is believed to limit the ingress of other actors, and the extent and nature of their involvement. The variable does not differ from the dependent variable in operational terms. What differentiates the two is time. Great powers will seek positions in regions not previously occupied by other actors.

Conflicts are believed to act on the reliability of supplies, and therefore are to be seen as threats to supply security. Great Powers may be motivated to prevent conflicts to take place, influence the outcome or even intervene militarily. The operational definition of conflict is the one adopted by the Uppsala Conflict Data Program (UCDP), which is the source of my dates. Here, conflict is defined as “contested incompatibility that concerns government and/or territory where the use of armed force between two parties, of which at least one is the government of a state, results in at least 25 battle-related deaths” Wallensteen and Sollenberg (2001:643). Data will be assessed nominally, depending on the threat the conflict poses to supply security.

The starting point for the Regime variable has been framed above. As unstable polities could threat the flow of oil from the region, great powers are likely to support institution-building when one or more regional states are non consolidated polities. My operational definition of stability is based on the Polity IV data, presented in Marshall, M. and Jaggers, K. (2004). More precisely, I use the variable POLITY2 in version Polity IVd, in which authors have converted “standardized authority scores” (i.e., -66, -77, and -88) to conventional polity scores (i.e., within the range, -10 to +10)” (Marhsall and Jaggers, 2001:16). This helps to represent the polity score in a graph. As -10 indicates institutionalized autocracy and 10 indicates institutionalized
democracy, values in the range 5>x>-5 are treated as potentially unstable polities. Variations of 3 points define regime change (*Ibidem*).

Finally, the structure of regional security influences the dynamics of great power involvement. Regional actors are assumed to act independently, and to shape their policies on the basis of regional security and economic patterns. It is expected that the regional level will be prominent, although this is less valid when regional actors are weak states, or when regional security complexes are less stable or part of a great-power centred complex, such as in the contemporary Caspian. To this pattern of relations is added Great Power involvement. This variable has been largely discussed in the theoretical framework in 2.3. Values coincide with the different kinds of security complexes identified in Buzan and Wæver (2003:62). This definition is reported in table 2.1.

**Table 2.1 Independent Variables.**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Values</th>
<th>Level of measurement</th>
<th>Operational definition</th>
<th>Relationship with dependent var.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>Stable or unstable</td>
<td>Nominal</td>
<td>US refining acquisition cost</td>
<td>Volatility motivates action</td>
</tr>
<tr>
<td>Crude oil reserves</td>
<td>Numeric</td>
<td>Numeric</td>
<td>Proved reserves</td>
<td>Influences efforts to seek positions in the region</td>
</tr>
<tr>
<td>Export issues</td>
<td>No limitations; chokepoints; landlocked.</td>
<td>Nominal</td>
<td>Access to seaways</td>
<td>Actors encourage protection of routes</td>
</tr>
<tr>
<td>Great power positioning</td>
<td>Colonies, troop deployment alliance, arm sales.</td>
<td>Ordinal</td>
<td>Same as dependent variable, except time</td>
<td>Influences the possibilities to seek and gain positions</td>
</tr>
<tr>
<td>Conflict</td>
<td>Conflict/ no conflict</td>
<td>Nominal</td>
<td>UCDP/PRIO conflict database</td>
<td>Prevention, support of belligerents, intervention</td>
</tr>
<tr>
<td>Regimes</td>
<td>Stable/ Unstable</td>
<td>Nominal</td>
<td>Polity IV data, 5&gt;x&gt;-5=unstable, change of 3 points defines regime change</td>
<td>Actors support institution building or polity change</td>
</tr>
<tr>
<td>Regional security structure</td>
<td>Standard; super- or great power-centred; institutional; Great power RSC; Supercomplex; Overlay; Unstructured</td>
<td>Nominal</td>
<td>Buzan and Wæver (2003:62)</td>
<td>Defines the interaction between Great Powers and regional actors</td>
</tr>
</tbody>
</table>

In this chapter I will gather the evidence that will lately provide the basis for the analysis. Evidence is organized on two levels: the chapter is divided in five under-chapters, corresponding to price and the four cases. This means that each case can be read as an individual unit, facilitating the organic view of its feature. Each paragraph presents an independent variable, in this order: first, the oil-related variables, as it is assumed that they provide motivation to Great Power involvement. Then, the institutional variables, as it is through them Great Powers are expected to act. As the variable price transcends the boundaries of the regions, it will be presented in a dedicated section.

3.1 Price

One of the components of security of supply can be individuated in prices that are affordable and reflecting “market fundamentals”. Another important target is price stability (see 2.4). Figure 3.1 shows crude oil price trends in a sixty-year period, both in nominal and real terms (2006 US$). The figure displays a substantial increase in prices since 1973, followed by a tendency to assume a more volatile character since the end of the 1980s. The change in price pattern is due to the transformation occurred in the oil sector following the introduction of new trading mechanisms such as options and future markets at the New York and London stock exchanges (1983-86 and 1988-89, respectively): market opening provoked the erosion of producers’ market power (Claes, 2001:78ff; Leoni et al., op. cit.).
Until the Tripoli and Teheran agreements of 1971, large, vertically integrated international oil companies were able to control the oil market and set the price. The price ratchet phenomenon, a temporary rise of prices due to a shortage or a pretext, appeared twice in this period, following the closure of the Suez Canal in 1953 and 1957. Companies managed to maintain slightly higher price levels in 1953, but not in 1957 (Adelman, 1995:53). Price stability and reliable supplies were secured over the longer period. It is to note that in real terms prices decreased from an average of circa 14 US$ in 1950 to less than 10$ in 1970. As prices showed in the figure are calculated on US estimates, the decrease in Persian Gulf prices is not showed: in the same period, price fell from ca. 9.79$ to 3.78$ (Adelman, 1995:48). An example of the companies’ ability to contain price increases is the attempted 1967 Arab embargo on the United States and the United Kingdom: it ended in a complete failure in which the “biggest losers turned out to be the countries that instituted the embargoes”, and whose outcome “seemed to confirm how secure the supply of oil was” (Yergin, 1991:557-558). Following the 1971 agreements, ex and the 1973 oil embargo, the
situation changed in favour of producing countries, now organized in OPEC: its members constituted a monopoly of which companies were mere agents (Adelman, 1974:58). The OPEC years are characterized by a not so steady blend of policies reflected in the high unpredictability of prices between 1973 and 1986, when OPEC chose to focus on productions levels and abandoned price-setting (Claes, 2001; Kohl, 2002). As the two oil shocks of 1973 and 1980 changed the very structure of the market, the organization lost the overwhelming market dominance it enjoyed during the 1970s; market power was thus redistributed to consuming countries and companies (Claes, 2001:70ff.). Figure 3.2 shows real oil prices (in 2006 US$) and major interruptions in oil supplies.

Figure 3.2 Price (inflation adjusted, 2006 $) and disruptions.

Source: Adapted from Rodrigue (2006) and Yetiv (2004).

Neither the Suez War nor the Six Day war caused an increase in real prices. Later interruptions, such as the 1973 Arab embargo and the Iranian Revolution/Iran-Iraq War are matched by price rises. So is the 1990 Iraqi invasion of Kuwait. The 1999
price increase is due to the decision of OPEC to cut production to rise prices; the 2002-2003 interruption is identifiable with the Venezuelan and Nigerian crises, whose combined effect was to take 3.5 million barrels off the market. The Iraqi war estimate in figure 3.2 is from 2004 (Yetiv, 2004:11). Although OPEC countries can still influence prices, as suggested by the figure, their ability to control them is presently constrained: they are no longer “in the position to increase both price and production at the same time” (Claes, 2001:346). Rather, OPEC has become an organization of swing producers, and prices have become progressively more influenced by demand/supply interaction and investors’ expectations in a situation of imperfect competition (Leoni, et al. 2001).

3.2 **Persian Gulf 1954-70.**

3.2.1 **Crude oil reserves**

The Persian Gulf gained its status as the world’s most important petroleum region during the Second World War, and especially in the years following the conflict, when many of the giant oil fields were discovered. As an illustrative example, the super giant Ghawar field in Saudi Arabia was discovered in 1948 and came on stream in 1951 (Lujala et al., 2007).

According to Odell (1999), successful exploration in the Middle East (and the Gulf in particular) from 1945 to the end of the 1960s, was the most important factor of a world average annual discovery rate of 35 billion barrels. Drake (1974:52) estimates an average discovery rate of 18 billion barrels for the years between 1949 and 1974; this number is slightly higher for the years of observation 1954-70, but not close to Odell’s estimate. Drake admits that the numbers on which his assessment is made were still “subject to revision” (*Ibidem*). It is nevertheless interesting to note that both Odell and Drake cite the Middle East as the decisive factor for the discovery growth.
Darmstadter et al. (1971:48) also note that “between 1950 and 1968 proved oil reserves increased by a multiple of 5.2 (i.e. 420 percent), while worldwide oil production went up 3.8 times (i.e. 280 percent)”. The increase is, as noted above, largely due to discovery in the Persian Gulf. Estimates of proved oil reserves in 1968 are shown in table 3.1. The numbers confirm a clean preponderance of the Middle East over the rest of the world. The data collected by Lujala et al. (2007) show that the Gulf countries account for almost the totality of these reserves.

### Table 3.1 Proved world Oil Reserves, 1968

<table>
<thead>
<tr>
<th>Area</th>
<th>Barrels (billions)</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East</td>
<td>269.865</td>
<td>58.5</td>
</tr>
<tr>
<td>Communist area, total</td>
<td>55.733</td>
<td>12.1</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>135.666</td>
<td>29.4</td>
</tr>
<tr>
<td>World, total</td>
<td>461.265</td>
<td>100.00</td>
</tr>
</tbody>
</table>

*Source: Adapted from Darmstadter et al. (1971:48)*

It is important to notice that these estimates are based on proven reserves estimates, which constitutes only a minimum estimate of potential world oil resources. Proven reserves are defined as “the amount of oil remaining in the ground which, on the basis of geological and engineering information, can with reasonable certainty be assumed recoverable in the future from known reservoirs and under current economic and technological circumstances.” (Darmstadter et al. 1971:45). Including unproven reserves may change the outlook consistently, for reasons of both terminology and accuracy. Table 3.2 shows several estimates of the world ultimate recoverable reserves of crude. It is interesting to note that estimates present a minimum of a
trillion barrel and a maximum of 2.4 trillions, attesting at 1.9 trillions, a much higher number than that of proven reserves alone.

Table 3.2 Estimates of the world ultimate recoverable reserves of crude oil.

<table>
<thead>
<tr>
<th>year</th>
<th>source</th>
<th>$10^9$ m$^3$</th>
<th>$10^9$ barrels</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949</td>
<td>Levensen</td>
<td>238</td>
<td>1500</td>
</tr>
<tr>
<td>1949</td>
<td>Weeks</td>
<td>161</td>
<td>1010</td>
</tr>
<tr>
<td>1953</td>
<td>MacNaughton</td>
<td>159</td>
<td>1000</td>
</tr>
<tr>
<td>1956</td>
<td>Hubbert</td>
<td>199</td>
<td>1250</td>
</tr>
<tr>
<td>1958</td>
<td>Weeks</td>
<td>238</td>
<td>1500</td>
</tr>
<tr>
<td>1959</td>
<td>Weeks</td>
<td>318</td>
<td>2000</td>
</tr>
<tr>
<td>1965</td>
<td>Hendricks (U.S.G.S.)</td>
<td>394</td>
<td>2480</td>
</tr>
<tr>
<td>1967</td>
<td>Ryman (Esso)</td>
<td>332</td>
<td>2090</td>
</tr>
<tr>
<td>1968</td>
<td>Shell</td>
<td>286</td>
<td>1800</td>
</tr>
<tr>
<td>1968</td>
<td>Weeks</td>
<td>350</td>
<td>2200</td>
</tr>
<tr>
<td>1969</td>
<td>Hubbert</td>
<td>215–334</td>
<td>1350–2100</td>
</tr>
<tr>
<td>1970</td>
<td>Moody (Mobil)</td>
<td>286</td>
<td>1800</td>
</tr>
<tr>
<td>1971</td>
<td>Weeks</td>
<td>394</td>
<td>2290</td>
</tr>
<tr>
<td>1972</td>
<td>Warman</td>
<td>302</td>
<td>1900</td>
</tr>
<tr>
<td>1972</td>
<td>Bauquis, Brasseur &amp; Masseron (I.F.P.)</td>
<td>310</td>
<td>1950</td>
</tr>
</tbody>
</table>


On the basis of an estimate for proven reserves derived from these numbers, Drake concludes: “The presently known reserves are extremely irregularly distributed, with 70 % of the total located in a comparatively small part of the Middle East, and the remaining 30 % divided fairly evenly between North America, Africa and the rest of the world”. Darmstadter et al. (1971:50-51), however, citing a study made by Hubbert in the early 1960s, stress the fact that the Middle East is credited with a level of ultimate reserves equal to that of proved reserves showed in Figure 3.1. The implication is that the share of oil reserves of the Persian Gulf would be no higher than a rough 25% of world total, which is not insignificant, but still a major gap if confronted with Drake’s numbers. Unproven reserves, however, are by definition those that uncertainly and with future technological developments are perhaps recoverable. In a longer perspective they may help releasing concerns on shortage,
but as there is plenty of proven reserves, unproven ones are of little economic and political importance.

3.2.2 Export issues

Shipping is the preferred method of moving oil from one place to another. In the case of the Persian Gulf, which is a major origin of oil flows, the large majority of these flows passes through the Strait of Hormuz, situated between Iran, Oman and the United Arab Emirates. Maritime routes head then to Europe through the Red Sea and the Suez Canal, or Japan and North America via the oceans. Hormuz is arguably the most important strategic passage in the world, for the sole reason of its access to the Gulf oil fields. While alternatives to transportation through Hormuz are very few and still insufficient at the present time, between 1954 and 1970 there were two: the Kirkuk-Tripoli, of the Iraq Petroleum Company, and the Trans-Arabian, or Tapline (Yergin, 1991:411ff.), both linking oil fields to the Mediterranean Sea. As Great Britain maintained a presence in the Gulf there was no real threat to flows through the Strait. Nevertheless, tankers directed to Europe had still to traverse other two straits, Bab Al Mandeb and the Suez Channel, the last being the most sensible to blockade because of its width of 300 meters at the narrowest point (EIA 2008c:2). Yergin (1991:480) reports that “By 1955, petroleum accounted for half of the canal’s traffic, and, in turn, two thirds of Europe’s oil passed through it”. Suez is an artificial waterway situated in north-eastern Egypt; it connects the Red Sea with the Mediterranean providing a shortcut for ships between both European and American ports and ports located in southern Asia, Eastern Africa, and Oceania (Rodrigue, 2004). In case of a closure of the channel the maritime route from Europe to the Persian Gulf or to the Indian and Pacific oceans would contour the Cape of Good Hope at the southernmost point of the African continent: the commercial and strategic importance of Suez is evident.
With the 1954 agreement, Egypt and Great Britain provided for the gradual withdrawal of all British troops from the Canal Zone; by June 1956, the last British troops were gone, in accordance with the arrangement. Shortly after, British and US financial support for the Aswan High Dam project was also withdrawn (Yergin, 1991:482). A mere week after the loan was cancelled, Nasser occupied the Canal Zone and nationalized it. In late October, Israel invaded the Sinai Peninsula, while France and Britain seized the Canal Zone. Nasser sank dozens of ships in the Canal, effectively closing for an entire year; at the same time, the Iraq Petroleum Company’s pipeline was sabotaged. The combination of the two events interrupted the normal route for three-quarters of Western Europe’s oil supply (Yergin, 1991:490-491). Aggravating the situation was an oil embargo issued by Arab producers (principally Saudi Arabia) on Britain and France. The war ended when Britain and France where pressured to pull out by US President Eisenhower. As a result, British Prime Minister
Anthony Eden resigned. An agreement about the usage of the canal was eventually reached, but as Arab-Israeli tensions increased during the 1960s, the Canal was again theatre of military operations during the 1967 Six-Day War and the 1973 Yom-Kippur hostilities. On June 6, 1967, Egypt closed the Suez Canal again, and maintained it closed until 1975 (Yergin, 1991:554). UN Resolution 242, passed in the aftermath of the crisis to lay down the principles for Middle East peace, had as one of its conditions free navigation for all ships through international waterways such as the Suez Canal (Rodrigue, 2004). Although it would be difficult to conclude that the oil industry gained from the closures, the building of larger carriers such as Very Large Crude Carriers (VLCC) and Ultra large ones (ULCC) minimised the losses. As Turner (1983:51) points out:

“Oil companies were able to rearrange world oil-flows to minimise the economic damage threatened by an event like the closure of the Suez Canal and were thus in a position to emasculate any attempt to use oil as a weapon against the importing nations”.

Yergin (1991:496-497) describes how Japanese shipyards managed to build the first VLCCs, surprising the industry for their ability to provide quickly an economical and safe alternative to Suez. According to Odell (1986), the Six-Days War caused a milder crisis than the 1956 Suez War because of unused tanker capacity built in the aftermath of the first Suez crisis. Paradoxically, the USSR was hardly hit, as the Canal’s closure interrupted its oil shipments to Japan, saved by swap arrangements with BP (Odell, 1986:192-193). Moreover, the longer blockade of the Suez Canal “significantly destabilized international transportation and favoured the development of ever larger tankers to use the long circum Africa route” (Rodrigue, 2004:368). For Gulf countries, the Suez closure and oil embargoes had another undesired effect, as other areas such as Libya, Nigeria and Venezuela became more competitive (Odell, 1986:193).
3.2.3 Great Power positioning.

The Persian Gulf states were, after the San Remo conference of 1920 and since the first decade after Second World War, included in the British imperial structure as one of the main pillars, while France had acquired control over positions in the Levant, such as Syria and Lebanon (Persson, 1998:38). This division of the former Ottoman areas had already been drafted in the 1916 Sykes-Picot agreement (Yergin, 1991:188). Moreover, the 1921 Cairo conference had introduced a new element in the British way to deal with the Middle Eastern issues: the “sharifian policy”; a result of this policy was the creation of Transjordan and Iraq and the use of the Hashemite family “to create a cost-effective indirect rule over the territories” (Persson, 1998:38). The British-friendly elite in Iraq, together with King Faisal, held power until the 1958 military coup. Bahrain, Oman, Qatar and the Trucial States (U.A.E.) were British protectorates until British withdrawal gave them independence in 1971, while Kuwait had already gained independence a decade earlier (Yergin, 1991; Buzan and Wæver, 2003). The United Kingdom remained the dominant external power in the Persian Gulf region after the second world war, although this hegemony was to leave more space to other actors, especially the United States, after the 1956 Suez crisis. Saudi Arabia and Iran where never colonised, but a protectorate was established on Saudi land between 1915 and 1927, before the unification of the Kingdom (Buzan and Wæver, 2003). It is through these two countries that the United States entered and became hegemon in the Persian Gulf. American interests in the region were initially limited to missionary and philanthropic endeavours; during the two world wars, economic interest in the Middle East had expanded, and following American entry in World War II, Saudi oil, on which ARAMCO held vast concessions, became a matter of strategic importance (Anderson, 1981:33). Already in 1945–46 military relations with Saudi Arabia were established and further strengthened in 1951 and 1953 (Persson, 1998).

Independent Iran had suffered Soviet and British occupation during World War II, supported by the United States shortly after. According to Persson (1998:42),
American forces in 1942 had supported the Soviet Union with supplies. After the war, US policy in Iran was of non-involvement. Hermann (1990:66-67) argues that the reasons that triggered Stalin’s withdrawal in 1946, and the resulting Soviet relative passivity, were the ascension of Qavam as Prime minister and the lack of pressures on Iranian government from the American side (see also Case 2). Mossadegh’s short parenthesis, and his overthrown in 1953 by the United Kingdom with the support of the United States marks the beginning of stronger American involvement in Iran, and the prelude for a baton exchange between the two Great Powers. Since 1953, the formation of an anti-Communist alliance in the Middle East took form as the Baghdad Pact was being discussed: “During the 1950s and the years of the Northern Tier and the Baghdad Pact, the Americans and the British were dominant while the Soviet Union gradually increased their involvement in the politics of the region” (Persson, 1998:37). As a result, very little space was left for France and the Soviet Union, although both states were involved - on two different sides - in the processes orchestrated by the United Kingdom and the United States. According to Golan (1990:1), the Middle East has “never been a region of primary Soviet interest”, arguably not a result of antecedent massive positioning by other actors, although this feature may have contributed to the formation of the USSR’s interest.

3.2.4 Conflicts.

The conflict situation in the Persian Gulf region during the period of analysis does not present major incompatibilities leading to a situation of conflict as defined here and with external powers entering the conflict to actively support belligerents. The sole exception to this rule is Oman, where in 1957 the United Kingdom sent troops to side with the Sultan of Oman against a rebellion (Harbom and Wallensteen, 2007). In Iran, the major concern was the continuous attempt of the Kurd Democratic Party of Iran (KDPI) to seize territories occupied by the Kurd minority. As early as the late years of the Second World War the USSR backed both Kurdish and Azerbaijani
separatist movements; when it pulled out of Iran, as a result of several factors, help to the KDPI diminished (Hermann, 1990:65-67). The conflict revitalized in the years 1966-68, but it did not trigger external intervention, thus remaining an internal controversy. Iraq had to deal with the KDP of Iraq from 1961 to 1970, but also this conflict was mainly internal (Harbom and Wallensteen, 2007).

In the wider Middle East, the Arab-Israeli conflict requires some attention: its importance as the main line of conflict in the region is discussed in the paragraph on the regional security complex; here is important to stress the threat posed on the Suez canal. The United Kingdom had already fought Egypt for control over the Canal in 1951 and 1952, a situation solved in favour of Egypt when king Farouk I was dethroned and monarchy replaced by a republican regime (Yergin, 1991). The Suez crisis of 1956 was triggered by Nasser’s nationalization of the Canal, opposed by Israel, France and the United Kingdom. The tripartite aggression ailed in re-establishing the status quo, as the USSR threatened intervention in Egypt and the United States responded by calling for a cease of hostilities (Golan, 1990:44ff.). The Canal was threatened again during the six-day war of 1967, in which Israel confronted Egypt, Iraq, Jordan, Lebanon and Syria (Harbom and Wallensteen, 2007). In this case, the Great Powers maintained a low profile (Golan, 1990a and 1990b; Odell, 1986).

### 3.2.5 Regimes

Some of the states in the Gulf region were in a period of transition from colonial rule to independency during the 1954-70 years. Bahrain, Qatar and the Trucial States were British protectorates until 1971, Kuwait until 1963. It can be said, however, that the regimes established after independency are similar to those of the other Gulf monarchies (that is, all the states but Iran and Iraq). These countries show remarkable regime stability, even with some change in the degree of autocracy, as figure 1 shows. A reason is that the ruling families of these states have “held power, largely
unchallenged, for decades if not centuries” (Byman and Green, 1999:20). Somehow different is the situation in Iraq and Iran. In Iran, where the Shah Mohammed Reza Pahlavi had been in power since 1941, Mossadeq was overthrown in the August of 1953 by a coup instigated by the British MI6 and the CIA. He had been Prime Minister for only two years, in which he had nationalized the Anglo-Iranian Oil Company (Yergin, 1991:456-470). General Fazlollah Zahedi succeeded to Mossadeq. By the end of 1954 the regime was consolidated, its security forces strengthened with the contribution of the USA and its domestic institutions acquired a strongly repressive character: thus the Shah was to maintain control over the country until 1979 (Gasiorowski, 1990:161).

In Iraq, On July 14th, 1958, the Army ousted the Hashemite Monarchy and established a Republic with General Qassim as the head of State. The coup was welcomed by the Soviet Union, which recognized the Republic two days after the revolution had taken place (Golan, 1990b:162). One of the first moves of Qassim was to take Iraq out of the short-lived Baghdad pact in 1959. The General was then ousted in a bloody coup d’état of 1963, led by a six-man military junta, whose head was Qassim’s pupil Abdul Salam Aref; he was later killed in an incident in 1966 and replaced by his brother. After having murdered the latter, the nationalist Ba’ath party took power in 1968 (Mobley, 2001); as shown in figure 3.4, this meant a more autocratic turn for the country. It is to note that all the countries’ regimes either remained strongly autocratic or became autocratic in the period of observation. The polity score average for the region is -9. All the polities but Iraq can be considered as fairly stable.
3.2.6 Regional security structure.

After World War II and until 1971, the Persian Gulf was still partially subject to British colonialism, though this was in its late declining phase. At the same time, other powers entered the region, not as formally as the United Kingdom previously had, though almost as heavily (see paragraph 3.2.3). Under such circumstances, regional security dynamics in the Gulf appears as strongly limited, both because of the dominant presence of an external power and the still unripe nature of interstate relations. Thus the Persian Gulf in the period of observation can be defined as an unstructured region from the point of view of security, where both heavy external penetration and power weakness make the regional actors unable to interact in a totally autonomous way. It is, indeed, a RSC in the making, a pre-complex where bilateral relations between Saudi Arabia, Iran and Iraq could already show the “the potential to bind together into an RSC”, albeit still without sufficient cross-linkage among the units to be an autonomous one (Buzan and Wæver, 2003:64). According to Cantori and Spiegel (1970:168), the rivalry was generated by the question of who
was to fill the gap left by the prospective coming British withdrawal. Specifically, the trigger would have been the possibility to exert control over the Persian Gulf; an hypothesis corroborated, but not confirmed, by Iraq’s claim of Kuwait after the latter declared independence in 1961. Iran and Iraq, moreover, had pending territorial disputes, and were further divided by the question of the Kurd minority in Iraq.

The Persian Gulf security dynamics can be defined even better by considering its belonging to the wider Middle East, where a regional dynamic began to reveal strongly right after the 1945. Early activity displays in what is defined by Buzan and Wæver (2003) as the Levant subcomplex, and is due to the conflict with Israel and the Palestinians, which originated hostility between Israel and its immediate neighbours and the Arab world: “It was the shared symbols of Arabism and Islam, and their focus on the conflict with Israel, that enabled the security dynamics of the Middle East to link up across such large instances” (Buzan and Wæver, 2003:191). This suggests that the Gulf would have developed in a separate RSC, had it not been for the project of an Arab nation and the quarrel with Israel, a signal of the peculiarity of the Persian Gulf which has to be found later in the development of the Gulf as a definite subcomplex after 1971. Pan-Arabism and Islam were, though, as much uniting factors in the quarrel with the Zionist threat, as they were dividing ones among the Arab countries in times of appeasement with Israel. As noted by Kelidar (1970), Islamic reactionaries (expressed mostly by Saudi Arabia and the other Gulf monarchies) and Pan-Arabic revolutionaries (Syria, Egypt and Iraq, together with Yemen) have often been split during the period in question. It is therefore possible to understand why Korany (1976), points at the 1954-55 Baghdad Pact debate consultations as one of the decisive factors in shaping the structure of regional relations: in Nasser’s verbal attack against Iraq for having entered the Pact, can be found both the tentative of defending the Pan-Arabic cause and the refuse of an alignment with the United Kingdom and the United States, as well as the delusion over the “defection” of a radical actor as Iraq.
The presence of external powers have not only been determinant, but essential: according to Korany (op. cit: 37), the Middle Eastern system was originally architected by the United States (backed by Great Britain), as a countermeasure against the peril of Soviet expansion. This emphasis on the role of outsiders should however be considered in the context of RSC formation: the passage from British/French control to US/Soviet influence permitted the development of a regional dynamic that was built-up and reinforced between the Suez crisis of 1956 and British withdrawal in 1971. Neither the United States nor the Soviet Union managed (or wanted) to downplay the formation of regional linkages: both found themselves “at the mercy of domestic and/or regional dynamics”, and both were “either invited in or thrown out as a result of changes in regime” (Buzan and Wæver, 2003:199). Reassuming, as the Gulf develops into a subcomplex, the magnitude of external leverage changes from overlay to heavy penetration.

3.3 Caspian Sea, 1954-70

3.3.1 Crude oil reserves.

Relevant fossil fuel deposits in the Caspian Basin, particularly those situated near Baku, had been well-known for decades. According to Mir-Babayev (2001), industrial oil development in Azerbaijan has to be dated 1846, when the first well in the world was drilled in Bibi-Heybat. The strategic importance of the region was already clear during World War I, when Germany attempted to take control of the oil fields in the region, an interest confirmed during World War II (Yergin, 1991). After the war, further exploration yielded several discoveries in Azerbaijan, Russia and Kazakhstan. It is difficult to find reserve estimates for this area, as is for the Soviet Union in general. Nevertheless it is possible to attempt an estimate by noting that, of the five largest hydrocarbon fields operating in the Caspian basin at the present time, the major two (Karachaganak and Tengiz, both situated in Kazakhstan) were
discovered in the late seventies, while the Shah-Deniz and Kashagan deposits (the latter containing mostly gas) were discovered in 1999 and 2000, respectively (Lujala et al., 2007; EIA 2007). Known reserves, including not proven ones, hardly exceeded 17.5 billion barrels (EIA, 2007).

As a consequence of a greater effort in exploration made by the Soviet government, large deposits were found in other areas of the Soviet Union, especially in the Volga-Ural region, largely developed during the 1950s and the 1960s, West Siberia (Lujala et al., 2007). Stowell (1974:8) reports that the Volga-Ural region “was hailed as the most important Soviet oil-bearing region and rapidly developed for extraction”. The Caspian region was then down-prioritized because of more economically viable production in this and other areas (Stowell, 1974:5-9; Yergin, 1991). Figure 3.5 shows that production decreased rapidly, at least in the Azerbaijan SSR. In Turkmen SSR and Kazakh SSR, however, production is estimated to have increased of about 40% and 500%, respectively, between 1965 and 1970 (Stowell, 1974:11). The fivefold expansion of Kazakh output may be due to the Emba fields, situated in the estuary of the river, but it is difficult to assess whether this is the case.

Figure 3.5: Oil Production in Azerbaijan, 1870-2020.

Source: Adapted from Javanshir, 2006.
3.3.2 Export issues

Three considerations are to be done when studying exports from the Caspian region during the period that stretches from the mid 1950s until the late 1960s. The first one is that the Soviet Union became a net exporter of oil in 1953, and that export increased sizably throughout the period. The so-called “oil offensive”, with which the USSR was to gain market positions in the non-communist world (Yergin, 1991:515), was mainly permitted by a few favourable conditions: policies limiting the number of motor vehicles yielded low domestic consumption, while discoveries in the new oil provinces of Second and Third Baku granted a steep growth in oil production (Klinghoffer, 1977:49). The second important consideration is that exports from the region in this case are to be considered most as movements from the region to the rest of the Soviet system. In other words, the region is to be studied as a part of an integrated system at a macro level. Finally, important production levels were achieved only in the Azeri SSR, and only later (1965-70) in the Kazakh and Turkmen SSR, as seen in the paragraph on reserves and production. Azeri production was concentrated in the Baku area. Existing export infrastructure in the mid 1950s were mostly of three types: railways, pipelines and tankers (Hassmann, 1953:69ff.). The typical barrel was produced in Baku, refined on the spot, and then moved by one of these three alternatives. The Caucasian railroad network provided a good grid, but was up to three times more expensive than pipelines (Klinghoffer, 1991:53). The only two pipelines originating in Baku were directed to Batumi on the Black Sea, from which oil could be shipped either to Novorossiysk or to ports on the Sea of Azov. Shipped directly in Baku, it could reach Makhachakla in Dagestan, Astrakhan on the Volga, or Krasnovodsk in Turkmenistan. From these ports could it be sent up to Rostov on the Sea of Azov (by pipeline); shipped to Central Russia via Volga (not during the winter freeze), or Eastern Turkmenistan by pipeline. As Hassmann (1953:70) points out, long distances and reasons of strategic nature made of Baku a region with disadvantages that could not be overlooked.
Figure 3.6 Major Soviet pipeline systems.

As argued above, production in the region increased until 1967, when Second and Third Baku were prioritized. Although production increased further in the Turkmen
and Kazakh SSR after 1970, volumes are mainly due to other areas than the Caspian basin, where exploration yielded some promising results, but deposits were not developed for production (Stowell, 1974:8-11). A look at the pipeline grind in Figure 3.6 shows that the system of pipeline was not developed further, and it is possible to conclude that the Caspian basin was mostly located at the border of a Soviet oil system which was moved northwards. Development of the network during the 17-year long period of observation is thus negligible when compared to massive development in the Ural-Volga region and Siberia (Stowell, op. cit.).

3.3.3 Great Power positioning.

After World War II the Baku oil fields were the major source for oil supply of the Soviet Union, and therefore of the highest concern for Soviet officials. The most important event in Great Power positioning in the post-war years was probably the Soviet occupation of Iran and its subsequent withdrawal. Yergin (1991:421) reports a conversation between Stalin and the American ambassador in Moscow, in which the Soviet ruler stated that, being close to the Iranian border, Baku oil fields were “very vulnerable”, and were to be secured if the USSR was not to risk its oil supply. This is reflected by the reluctance with which the Soviet Union pulled back from Iran, prolonging its occupation of almost four years. The 1942 Tripartite Treaty stated that troops had to be withdrawn within six months. While British and Americans respected the treaty, Soviets did not, in spite of several requests by the Iranian Prime Minister Qavam. Moreover, “Stalin asserted the right of the Soviet Union to maintain forces in Iran in accordance with the 1921 treaty. He referred to asserted Iranian threats to the Baku oilfields” (Persson, 1990:71). Withdrawal did not happened before the case was taken up in the UN Security Council and discussed several times between January and April 1946, when the USSR eventually withdrew (Ibidem). According to Yergin, the real Soviet interest was Iranian oil. Moreover, Soviet Foreign Minister Molotov would have asserted goals much beyond the mere
acquisitions of concessions in Iran, declaring that “the area south of Batum and Baku in the general direction of the Persian Gulf be recognized as the centre of aspirations of the Soviet Union” (Yergin, 1991:421). Hermann (1990:67) argues that while “the Soviet Union did not want Great Britain or the United States to control Iran”, it did not need Iran’s oil, something in stark contrast with the arguments advanced by Yergin. Golan’s account of the mechanisms that led to Soviet withdrawal seems to strengthen Yergin’s view. Golan (1990:30-31) reports that the Iranian Prime Minister Qavam was in agreement with Stalin on the conditions of withdrawal: “Qavam conceded to the creation of a joint Soviet-Iranian oil company (with majority Soviet interests) and to honour Kurdish and Azerbaijani rights, although both companies denied that any deal had been made”. Moreover, “Qavam brought three Communists into the government” (Ibidem). Both concessions were abandoned in 1947 as a consequence of anti-communists agitations in the south; Allen, the American ambassador in Teheran, apparently played a major role in convincing the new government to change position. Klinghoffer (1977:125) gives a version of the story in which the role of Iran’s institutions is stronger. Iran had agreed only because of the occupation, and:

“managed to back out of the deal with the USSR, using the legislature’s action of December 2, 1944, as a legal basis. Since its approval was needed for any oil concessions granted to foreigners, the legislature accordingly voted on October 22, 1947, to reject the deal with the USSR, thus nullifying the action already taken by the Prime Minister”.

An increase in British and American involvement in Iran may have accelerated the decision to withdraw, but this was not a consequence of their pressures. As Gasiorowski (1990:146) notes, the American approach was particularly relaxed until the early 1950s: U.S. officials actually encouraged better relations between Iran and the Soviet Union, and saw Iran largely as a “British security responsibility”.
3.3.4 Regimes

Right after the death of Stalin in March 1953, the Soviet Union went through a transition period of collective leadership, becoming at the same time slightly less authoritative; its polity score raised from -9 of 1952 to -7 in 1954 (Marshall and Jaggers, 2004). Nikita Khrushchev was appointed First Secretary of the Central Committee of the Communist Party, while Malenkov held the position of premier of the Soviet Union until 1955, when Bulganin was appointed as his successor. Khrushchev became premier in 1958. The reason of the higher score in comparison to the Stalin era is largely due to a relieve in the use of coercive means, and to a higher flexibility of the political leadership, consequence of a renewed role of the Communist Party of the Soviet Union and the administrative apparatus after Stalin’s strictly personal rule (Heller and Nekrich, 2001).

![Figure 3.7: Polity scores USSR, 1954-1970](image)


In 1964 Brezhnev became First Secretary and Kosygin Premier; they maintained their position, and power, until 1982 and 1980, respectively. The change in leadership did not bring significant variation, as there was neither a return to the strictly authoritative regime that characterised the Soviet Union in the Stalin years, nor a change in the opposite direction: the average of -7 (see figure 3.7), indicates limited
political participation and closed executive recruitment (Marshall and Jaggers, 2004). The USSR is a stable polity, with a highly centralised power structure where the elite was “monolithic in nature, extending across all spheres of party, state and social life” (Kryshtanovskaya and White, 1996:713).

3.3.5 Structure of Regional security

The structure of security in the Caspian region during the Cold War presents some peculiarities in respect to the other cases in this thesis. As noted above (Chapter 2), it is not a RSC but a border. However, the entities bordering it are neither standard nor centred RSCs. Thus it is not straightforward that interaction should be relatively limited because of stronger interaction within neighbouring regions, as the theory would otherwise suggest (Buzan and Wæver, 2003:51). The regional level of interaction has therefore little to contribute to the understanding of the region during the Cold War: there is simply absence of bordering RSC dynamics defining the security reality of the region.

The Caspian sea in the period of observation is the boundary between a Superpower and a standard RSC in fieri, more specifically between the Soviet Union and the Gulf pre-complex. Given this premise, there are seemingly two ways which can be utilized to study the USSR-Iran security relationship in the region. The first is to give priority to the global level, assuming that it is the logic of penetration in the Middle East that lays the basis for this relationship. The second is to downplay the global level in favour of the local one: thus the relationship is one between neighbouring states tackling local issues. Neither of the twos can be considered as dominant in this case. Given the massive external penetration by Britain and later the United States in the Gulf subcomplex, giving the priority to the state-to-state view would necessarily underestimate the global level. On the other side, considering Iran only as an pawn in the “great chessboard” would mean ignoring its strength face to face the great powers: the Shah’s Iran developed a complex relationship with both superpowers
which was based on its aspiration to regional hegemony more than Cold War-inspired calculations. As Herrmann (1990:71) notes:

“Positive Soviet-Iranian relations developed, despite the continuing American dependence on Iran as a strategic ‘pillar’. They also developed in spite of Soviet support of Nasser in the 1960s, for Iraq in the early 1970s, and for other regional adversaries of the Shah, such as the rebels in Dohfar”.

To summarize, the region is at the intersection between a heavily penetrated pre-complex and a superpower and the structure of security is therefore of difficult definition, being it dependent on the regional dynamic within the Persian Gulf and the wider Middle East and the entity of external leverage in the subcomplex, as well as bilateral relations between Iran and the Soviet Union.

### 3.4 Persian Gulf 1990-2006.

#### 3.4.1 Crude oil Reserves

There have not been major discoveries in the region in the last twenty-thirty years. The large majority of onshore fields were already known by the end of the 1970s and account for the major share of the Gulf countries’ production. During the nineties the offshore sector in Iran and Qatar was developed at a faster pace, and several fields were discovered or put into productions in the later years (Lujala et al., 2007). Table 3.3 shows key statistics for the Persian Gulf states. According to Cordesman (2004), global dependence on supplies from the region will increase in the future.
### Table 3.3 Persian Gulf Countries Petroleum Statistics (2006)

<table>
<thead>
<tr>
<th>Country</th>
<th>Reserves (Total Liquids – billion bbl)</th>
<th>Capacity (Total Liquids - Million bbl/d)</th>
<th>Production (Total Liquids – Million bbl/d)</th>
<th>Consumption (Total Liquids - Million bbl/d)</th>
<th>Net Exports (Total Liquids) Million bbl/d</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>262.3</td>
<td>12.1</td>
<td>10.7</td>
<td>2.1</td>
<td>8.7</td>
</tr>
<tr>
<td>Iran</td>
<td>136.3</td>
<td>4.3</td>
<td>4.1</td>
<td>1.6</td>
<td>2.5</td>
</tr>
<tr>
<td>Iraq</td>
<td>115.0</td>
<td>2.0</td>
<td>2.0</td>
<td>0.6</td>
<td>1.4</td>
</tr>
<tr>
<td>Qatar</td>
<td>15.2</td>
<td>1.2</td>
<td>1.1</td>
<td>0.1</td>
<td>1.0</td>
</tr>
<tr>
<td>UAE</td>
<td>97.8</td>
<td>3.1</td>
<td>2.9</td>
<td>0.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Kuwait</td>
<td>101.5</td>
<td>2.8</td>
<td>2.7</td>
<td>0.5</td>
<td>2.2</td>
</tr>
<tr>
<td>Bahrain</td>
<td>0.1</td>
<td>0.1</td>
<td>0.05</td>
<td>0.03</td>
<td>0.02</td>
</tr>
<tr>
<td>Oman</td>
<td>5.5</td>
<td>0.8</td>
<td>0.67</td>
<td>0.06</td>
<td>0.69</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>728.0</strong></td>
<td><strong>23.6</strong></td>
<td><strong>23.6</strong></td>
<td><strong>5.3</strong></td>
<td><strong>18.2</strong></td>
</tr>
</tbody>
</table>

*Source: EIA (2007a). Saudi reserves include the Neutral Zone located between Saudi Arabia and Kuwait.*

*Saudi Arabia* is by far the country with the largest deposits. It holds approximately a fifth of the world’s proven reserves, and is the largest economy in the Middle East (EIA, 2007i:1-2). A larger part of Saudi oil is high quality light or extra-light, and although currently operated fields are up to one hundred in number, eight fields are estimated to hold more than half of the country’s reserves. In Saudi Arabia are situated Al-Ghawar and Hout, the world’s largest onshore and offshore oil fields (EIA, 2007i:2). As shown in table 3.1, Saudi Arabia is not only the region’s key producer, but also the only one with significant spare capacity, estimated to be as large as Iraq, Iran, Venezuela and Russia together (BP, 2007). The possibility to increase oil production rapidly and importantly is what enables Saudi Arabia to influence the market to a large extent, one of the features that make the Kingdom a hegemon among oil producers, increasing its relevance for the security of supply, and its influence in the market. The effective manner in which Saudi Arabia has used its capacity to dampen prices after the invasion of Kuwait in the August 1990 is an example (Claes, 2001:207ff.;232). Recently it has been argued that Saudi capacity is shrinking, and that there is necessity for an increase to meet global requirements. As
Barnes and Jaffe (2006:149-150) point out, it is unclear whether the planned increase to 15 mb/d would be sufficient.

*Iran* is the second OPEC exporter, the third global reserve holder and the fourth exporter. Moreover, Iran holds the second largest gas reserve in the world. While there are 40 fields in operation, the majority of reserves is located near the border with Iraq (EIA, 2007e). The majority of the country’s exports goes to Asian and European nations, mostly Japan, China, India, South Korea and Italy (*Ibidem*). Although the state-owned National Iranian Oil Company (NIOC) is responsible for oil and gas production and exploration, and private ownership of upstream functions is prohibited under the Iranian constitution, the government has since the beginning of the 1990s introduced buyback contracts, allowing foreign oil companies to side NIOC through an affiliate (Naroei, 2006). U.S. sanctions have since 1995 seriously limited the investment opportunities for citizens of the United States.

*Iraq* is the Gulf country which currently has the lowest reserve/production ratio, due to infrastructural weakness and need for modernization after years of U.N. sanctions and two Gulf Wars. According to the US Energy Information Agency, “Iraq has the world’s third largest proven petroleum reserves and some of the lowest extraction costs, although just a fraction of its known fields are in development” (EIA, 2007f:1). Energy analysts have estimated that there could potentially be another 100 billion barrels of oil in the Western Desert of Iraq. Production could expand from the current 2.5 mb/d to 6 mb/d. Cordesman (2004:90) points out that attacks and sabotages of production facilities have increased after the US and British invasion, further limiting production volumes.

*Kuwait* is a little state with huge resources. Its economic dependence on the energy sector is so heavy that the country relies on oil revenues for more than 90% percent of total export revenues, which makes 80-85% of the government income and about 40% of the GDP (Cordesman, 2004:197). Though the strong one-sector economy does not pose a direct problem to the country at the present time, the will to diversification is evident: Kuwait was one of the first producing countries to invest in
the downstream sector, both at home and abroad (especially in Europe and the USA), and still is among the largest downstream investors (Claes, 2001:83). However, upstream and downstream sectors are not labor intensive activities, and the country is trying to attract foreign capital to diversify its economy and lessen its dependence on the petroleum sector (Cordesman, 2004:201; EIA, 2006a).

The United Arab Emirates (UAE) is a federation of seven emirates, of which the two largest (Abu Dhabi and Dubai) account for over 80 percent of the federation’s total income (Cordesman, 2004:203). As shown in table 3.1, reserves within the federation rank fifth in the Persian Gulf. Market-driven and efficient energy development have been placed side by side with a strategy to attract foreign investment. According to the EIA (2007j:1) “the non-oil sectors grew 18.6 percent in 2006 and have tripled during the last three years. Good relations with Asian trading partners and a growing domestic population have helped diversify the thriving economy”. Being the UAE a member of OPEC, production quotas are subject to a double bargaining. As Dubai does not consider itself a member of the organization, its production policies affect other emirates (Cordesman, 2007).

Bahrain, Oman and Qatar are not major oil producers, but their position in the Gulf make them politically important because of the potential risks associated with the eventual rise of unfriendly regimes in these countries (Cordesman, 2004:205). Qatar holds considerable oil and gas reserves, and is the world’s largest exporter of liquefied natural gas (LNG). As a consequence of the government’s long-term strategy, Qatar is trying to establish itself as a leading country in the gas sector, and is developing its service sector (EIA, 2007h). Oman’s petroleum deposits were discovered some decades after most of those of its neighbours, during the 1960s and 1970s (Lujala et al., 2007). Oman’s fields are smaller, generally less productive, and therefore pose higher production costs than in other Persian Gulf countries. The Energy Information Agency (2007g:1) reports that “the average well in Oman produces only around 400 barrels per day (bbl/d), about one-tenth the volume per well of those in neighbouring countries”. As the other Gulf countries, Bahrain is
strongly dependent on the energy sector and oil revenues, although in the last decade the country has started a series of reforms to modernize its economy and reduce its vulnerability.

To summarize, the Persian Gulf states is still the region in which the bulk of the world’s oil proven reserves is located. Although estimates of reserve size and production are either incomplete or unreliable, Cordesman (2004:8ff.) notes that the general trend indicated by forecasts is of growing dependence on Gulf energy resources. In the event of a high oil price, dependence may be lower, but still considerable.

### 3.4.2 Export issues

Oil flows from the Middle East pass through the same points analysed above (paragraph 3.2.3). Hormuz is still the most important chokepoint. Between 15 and 17 million barrels are shipped through the Strait each day (Cordesman, 2006). Although the Strait has a width between 48 and 80 km, “navigation is limited to two 3 km wide channels, each exclusively used for inbound or outbound traffic” (Rodrigue, 2006). As a large number of tankers operating in the Gulf are either very large (VLCC) or ultra large crude carriers (ULCC), circulation is highly constrained. In 1996, Iran built an airport on the island of Abu Musa and a power station on Greater Tunb, situated at the mouth of the Strait and occupied since 1971. The United Arab Emirates, which opposes Iranian sovereignty claims on some of the islands in the Strait, protested strongly, backed by the Gulf Cooperation Council (BBC, 2008). At the same time, Iranian artillery and troops were being deployed on some of the islands, rising concern for military build-up and the security of the Strait. According to Nincic (2002), a series of naval manoeuvres conducted by the Iranian Navy in April, “had the effect of slowing ship traffic through the Strait of Hormuz”; tank owners opted for holding their vessels away from potential risks, thus causing an increase in prices that led to a “price drop in U.S. capital markets (Ibidem). Defense Department
spokesman Ken Bacon is reported to have commented: “I can tell you that their activities and buildup in the Gulf seem to go far beyond their defensive need, particularly on those three little islands” (McIntyre, 1996). There is little or no risk that Iran would close Hormuz, as it would be one of the greatest losers.

Bab-al-Mandab is another chokepoint whose closure could have important consequences, limiting the oil flow directed to the Suez complex. The Strait is particularly vulnerable to threats from non-state actors, pirates or terrorists. The two latest attacks are the bombing of the American destroyer USS Cole in 2000, and the attack on the French VLCC Limburg, carrying 400,000 barrels of crude, two years after. None of the attacks resulted in a closure, but oil prices jumped as a consequence of the Limburg bombing. In case of closure, the Petroline (East-West) pipeline, which runs through Saudi Arabia bypassing both Hormuz and Bab-al-Mandab, and has a capacity to move five Mb/d, could minimise losses (EIA, 2008c).

The Suez Canal has not suffered blockade since it was reopened in 1975. Among the improvements that followed the end of hostilities, there is the widening of the Canal to accommodate larger carriers, and the building of the Sumed pipeline as an additional route (Rodrigue, 2006). In case of hostilities with Egypt, both the Canal and pipeline may be interrupted, causing severe delays and higher transportation costs.

There are no other routes adding significant capacity: many of the pipelines that could serve as alternatives are either blocked or operating at a fraction of their planned capacity. This is the case for the ISLP pipeline linking Iraq to Syria and Lebanon, and for the Iraq-Turkey from Kirkuk to Ceyhan (EIA, 2007a).

Figure 3.8 Oil transit points, Persian Gulf.
3.4.3 Great Power positioning.

By the end of the 1980s, the United States had already assumed a clear-cut foreground role in the Persian Gulf, and was to become even more involved in the politics of the region; without doubt, the most involved external actor. As argued above (chapter 3), the British withdrawal “East of Suez” that was announced in 1968 and completed in 1971, had left the “core responsibility for regional stability to the United States. Washington did not assume this responsibility directly until the Carter Doctrine was announced (Carter, 1980; Yetiv, 2004:62). According to Bromley (2005:242ff.), the United States shaped a “new form of influence” during the eighties, based on the alliance with the Gulf States and on the special relationship with Saudi Arabia. This was not only a consequence of position-seeking, as the country already
had a foothold in the region. It is rather due to several factors related both to the global situation and to area-wide events. Additionally, low dependency on imports from the Middle East, coupled with the inherent weakness of the policies pursued by potential rivals, made the US approach - which in these terms appears as an almost solitary and uninterested actor - very difficult to match. Bromley (2005:243) points out that “European states pursued national, rather than EU-wide, policies towards the region that could not match US efforts and Japan had virtually no influence”.

Among European states, France was arguably the most active in the wider Middle East, with close ties to Lebanon and the OLP. In the Persian Gulf, however, France “has never been present” (Beauchamp, 1987:974, my translation). Beauchamp (op. cit: 978) judges France’s Middle Eastern diplomacy as “schizophrenic”; for Kodmani-Darwish (1995:941) “ambiguous” is the term that should be associated with French relationships with actors in the region. During the 1980s, both the Lebanon war and the Iran-Iraq war made French efforts to regain some influence in the Middle East even more difficult to sustain. The invasion of Lebanon by Israeli forces in 1982, and the Syrian offensive against the OLP “finally deprived France of its operational projections of both its influence (Lebanon), and its principles (OLP)” (Beauchamp, op.cit.974). Relations between France and Iran were adversely affected by the former’s unconditioned support of Iraq during the Iran-Iraq war of 1980-88. A consequence was the exclusion of French petroleum entrepreneurs from positions in Iran granted (Kodmani-Darwish, 1990;1990; Beauchamp, 1987). It is to note, however, that France was Iraq’s arm supplier number two (Yetiv, 1995:99; SIPRI, 2007). Great Britain was also little active in the region during the eighties, although it maintained its links with its old protectorates, something reflected in consistent arm supply (SIPRI, 2007). When it comes to Germany, “up to the early 1990s at least, it was widely accepted across the political spectrum that Germany did not, would not and indeed need not have a Middle East policy” (Perthes 2004). Poorly, if at all coordinated policies of the European countries made their effort almost negligible in comparison to that of the United States and the Soviet Union (Bromley, 2005).
The invasion of Afghanistan by the USSR had been met with fear by the Gulf countries, South Yemen being the only regime to support the war. South Yemen was also the sole state in the Arab peninsula to have established a close relationship to the USSR. The Soviet effort, however, did not seem to yield strong results in terms of influence. The region had been among the special priorities in Soviet foreign policy during the 1970s (Breslauer, 1990:11), and there was certainly no lack of Soviet commitment during the 1980s. An increase in diplomatic activity in Gorbachev’s first years had improved relations with Jordan, Egypt, Iraq, as well as the Gulf monarchies. Nevertheless, the USSR was to face a strong decline both in the Middle East as a whole and in relation to the region’s oil. Several factors had undermined the USSR’s capability to both pursue its goals and, as Golan puts it, to “deliver” to its allies (Golan, 1990a:165). Relations with Syria were aggravated by different views regarding Lebanon. The Soviet Union did not want Syria to control the Lebanon, but was willing to help the former maintain strategic parity with Israel (Golan, 1990a:160). Moreover, while the seek of a solution to the Arab-Israeli conflict had been traditionally treated with caution both by Brezhnev and Gorbachev, the establishment of diplomatic relations with Israel in 1987 was definitely a new element of concern for the Arabs. Iraq was another difficult issue: the relationship with Ba’athi Iraq made relations with Syria more tense, while almost alienating the regime in Teheran. During the Iran-Iraq war the Soviets backed Iraq substantially: from 1984 to 1987, Iraq was the largest beneficiary of Soviet arm sales in the whole Middle-East; almost two-thirds of all arms directed to the region were to reach Baghdad (Moltz and Ross, 1990:141). Nevertheless several opportunities helped improving relations with Iran. In 1987, increased American involvement in the Gulf met strong protests form the revolutionary regime in Teheran, opening possibilities to the Soviet Union. Gorbachev, aiming to broaden the alliance base in the Gulf, as well as limiting American military presence, pushed solutions that would have favoured Iran; Iraq’s protest was feeble, mostly because of its dependence on Soviet arms (Golan, 1990b:284 ff.). Oscillating policies toward the belligerents may appear as the sign of difficulties in maintaining a coherent profile than of a new thinking in foreign relations. However, the clumsy incidents of 1988, in which the United States first
destroyed an Iranian oil platform and then shot down an Iranian civil aircraft, were not fully exploited by the USSR to gain a position in Iran. Although an increase in trade and diplomatic normalization were not accompanied by increased Soviet influence in Teheran (Moltz and Ross, 1990:141), rapprochement can be seen as an important goal in itself. According to Golan (1990b:288), the real prize was that the end of the conflict could signify the end of American military build-up in the Gulf. In this direction cannot be interpreted the closeness of the two superpowers in the last years of the war: as noted by Cottam (1991:284), “so parallel were Soviet and American policies in the Gulf that Americans and Soviets were reportedly warning each other about the proximity of Iranian naval vessels”. Both the Soviet Union and the United States had protected Kuwaiti oil tankers, although Americans did it more massively, and after the Soviets (Golan, 1990b:284). This seemingly suggests that both the superpowers were interested in weakening the two belligerents without letting them destroy each other; at the same time the goal was to limit the losses and prevent the other superpower to gain an advantage. Or, as suggested by Cottam (1991:285), the problem was “lack of a parallel crystallization of objectives […] on part of either superpower”, simply an inherent confusion reflected in the “inconsistency, uncertainty, and the absence of any strategic focus”.

Thus, at the beginning of the 1990s the United States could count on firm relations with the Saudis and the other Gulf monarchies, which according to Bromley (2005) “exchanged military security for cooperation on pricing and production decisions in OPEC”. Dual containment of Iran and Iraq, as well as preventing outside powers from gaining influence in the Persian Gulf region had been the other pillars of this strategy during the 1980s. The Iran-Iraq war had weakened two potential regional hegemons, while other powers’ activity had been important, but not enough to challenge the United States’ primary role. The Carter Doctrine effectively stated the willingness to defend this prominent position with the use of force.
3.4.4 Conflicts

Five main conflict lines have stormed the region since 1990. Of these, three present a massive external participation and are centred on Iraq. The other two are driven by Kurdish separatism in both Iraq and Iran, and are internal to the States (Harbom and Wallesteen, 2007). These conflicts are dependent by the States’ internal policies, and are of little relevance for this study, although they provide a good picture of the tense political situation between the central government of the two states and the Kurd minority. The other three conflicts are, as said, centred on Iraq.

In August 1990, Iraq invaded Kuwait, created a puppet government, annexed the country. A week after the invasion, the United States had already deployed defence forces in Saudi Arabia to protect the Kingdom. In the following months, a coalition of 34 states was built up, and following the resolution 678 passed by the Security Council, intervened to drive Iraq out of Kuwait. As a result of the occupation, oil prices peaked at 27.5 $/barrel, to rapidly return to the previous level following the an increase in production by Saudi Arabia (Bromley, 1991:245ff.; Claes, 2001:107ff.; Yetiv, 2004). As a consequence of the war and of the successive sanctions imposed on Iraq, the country was weakened both militarily and economically, and although remaining the largest military actor in the region, could no longer seek dominance (Yetiv, 2004:42ff.). The Iraq War of 2003 definitely eliminated the regime of Saddam Hussein, though opening a Pandora’s box, as a US Foreign Officer is reported to have said in The Guardian (Borger and MacAskill, 2006). The removal of Hussein has only partially yielded a desirable outcome. A dangerous tyrant who was likely to pursue nuclear power and finance terrorism has left the place to a very weak regime in a country torn by terrorism and faction war. Since the end of the war, an international occupation force helps the country’s regime to gain control over these groups. Iraqi oil production has recovered to the 2002 level, but is still far below its potential (EIA:2007).

The rest of the Middle Eastern RSC is dominated by the Arab-Israeli conflict in the Levant subcomplex. Although several steps have been made, especially under the
auspices of the United Nations and the Quartet (USA, Russia, EU and the UN) in the direction of a solution to the issue of Palestine, there have been several failures, too, and a settlement is yet to come (Arafat and Rabin, 1993; Buzan and Wæver, 2003:210-211; UN, 2002) The Roadmap seems so far not have lead to any major improvement. Violence swept through the region almost constantly, as a result of confrontations between Israel and Hamas, Fatah. In southern Lebanon, clashes with Hezbollah have occurred without continuity solution between 1990 and 1999, and worsened in 2006, leading to war in Lebanon (Harbom and Wallesteen, 2007).

3.4.5 Regimes

With the exception of Iraq, where after thirty-five years of uninterrupted government the Ba’athi regime was ended as a consequence of the 2003 war, there has not been major political change in the Persian Gulf in the period of observation. The Iraqi war is the largest polity change compelled by exogenous forces in the region since the redesigning of the Middle East that followed the fall of the Ottoman Empire after World War One. The invasion was made with the goal to depose a worrisome dictator, whose military power and willingness to use it represented a danger for the security of the whole region (Pollack 2002 and 2003). The challenge in Iraq is now that of “creating a stable postautocratic regime in a state with massive internal economic problems” (Cordesman 2004:109). But the whole region has to deal with domestic social and political problems. The Gulf monarchies have to deal with a population growth reaching levels that turn it into a problem of demographic pressure on economies in slow development and with uncertain perspectives for growth. (Cordesman, 2004:111ff.). Being a major part of the budgets, and providing, as Noreng (2004:29) notes, a “substitute for democracy”, oil revenues play a major role in defining the political sustainability of these systems. (Noreng, 2004:13-20). Without Saddam Hussein in Iraq, the overriding goal for the Arab States is to “minimize domestic discontent” (Pollack, 2003:10). This concern is probably the
reason why a set of modest relieving measures have been introduced in some of the minor monarchies, notably Kuwait, Bahrain and Oman, rising the polity score of some points, as shown in figure 3.9 (Marshall and Jaggers, 2004). As a rule, however, the political landscape has not changed. As argued by Byman and Green (1999:21), the Gulf governments have used a combination of six strategies to prevent social unrest: “strong security services; the co-optation of potential dissidents; divide-and-rule measures; ideological flexibility; token participation; and accommodative diplomacy”.

![Figure 3.9: Polity scores Persian Gulf Region, 1990-2004](source: Elaborated from Marshall and Jaggers, 2004.)

In Iran, there has been limited political change in the years of the Khatami presidency. Elected in 1997, Khatami has been the cautious driving force of a moderate reformist movement that has introduced some elements of democracy in the Islamic republic. His presidency, however, has not been entirely successful in promoting change, having to deal constantly with the conservative forces represented by Ayatollah Kahmeini (Boroujerdi, 2004:64-65). In early 2004 the reformers lost eventually their dominance in the legislature: the Council of Guardians barred several
of the reformist candidates from standing for the February elections, thus *de facto* driving a conservative victory (Steele, 2004; BBC, 2004).

The average for the region in the period of observation (1990 to 2004) is - 8.

### 3.4.6 Regional security structure.

The end of the Cold War is coeval with the Gulf War of 1990-1991. These two events partially changed the structure of the Middle Eastern RSC, with important consequences for each subcomplex, and especially for the Gulf and the Levant. Before dealing with the transition after 1991, however, a short premise on the development of the Gulf subcomplex between 1971 and 1990 is needed.

It has been noted elsewhere that the formation of the Persian Gulf as a partly autonomous security complex within the Middle Eastern RSC is to be dated after the British withdrawal of 1971. The rivalry between Saudi Arabia with the Gulf monarchies, Iran and Iraq is the core of the subcomplex. In 1981 Saudi Arabia, Qatar, Bahrain, Kuwait, Oman and the UAE formed the Gulf Cooperation Council (GCC), as a response to the events of 1979-80, the Iranian revolution and the Iran-Iraq war. It is important to note that formal birth of the GCC took not more than three months, an example of impetuous decision-making which is unseen in the regional integration and particularly striking being its founders conservative monarchies with the tendency to “procrastinate on a decision with potential ramifications for their sovereignty” (Abdulla, 1999:154). This quickness can be perceived as a tangible sign of the triangular rivalry; nevertheless the GCC is not to be considered as a strong regional security alliance, mostly because of different views on the nature of the GCC itself (Abdulla, 1999:155-160).

The Second Gulf War did not change this structure radically. It did, however, make Iraq virtually unable, weakening at the same time Pan-Arabism (because of Saddam Hussein’s use of Pan-Arabist rhetoric) and opening for a peace process with Israel
that enfeebled the dynamic of the wider Middle Eastern RSC. In addition, the defeat of Iraq and the contemporary Soviet pull out strengthened the position of the United States in the GCC countries, which were pushed “into something like protectorate status vis-à-vis the West and particularly the United States” (Buzan and Wæver, 2003:205). Iran maintained a neutral position during the war, profiting from Iraq’s weakness while improving relations with the Baghdad regime (Korany, 1999:51). The Hussein regime in Iraq was then definitely knocked out of game by the 2003 invasion, which had also the side-effect to increase the relative power of Iran. Iran’s capacity to seek a stronger regional role has thus increased since 1990 and especially after the 2003 war; however, the continuous enmity with the Arab world and the persistent quasi-isolation from the international system prevents the country to assert this influence convincingly, with the exception of the occupation of islands near the Strait of Hormuz since 1992 (Barnes and Jaffe, 2007). An interesting question is how the nuclear debate will develop, and with which consequences for the regional balance.

In short, the post-Cold War period shows a persistency of the triangular relationship with the GCC, Iraq and Iran as fulcra. The position of Iraq was at first weakened, and then sunken, by the two US-led wars of 1990 and 2003. The Gulf subcomplex is still a standard subcomplex, but external leverage has progressively increased, weakening the local dynamics and partially changing its structure, with the GCC countries and Iran competing for a role in the new Iraq. In the wider Middle East, the Gulf has developed closer links to the Levant and a looser relationship to the Mahgreb.
3.5 Caspian Sea, 1990-2006

3.5.1 Crude oil reserves

After the discovery of the Tengiz field and the joint venture between Chevron and Kazakhstan, it was widely perceived that the world had regained a main oil region. Estimates of the Tengiz own size where up to 35 billion barrels, and the total region was believed to contain reserves that if not match, could come close those of the Persian Gulf (Pear, 1990; Forsythe, 1996). According to Jaffe and Manning (1999), the U.S. Department of State in 1997 reported to the Congress that the region could hold up to 200 billion barrels. Kazakhstan had suddenly become the next Saudi Arabia, and the Economist was warning on the danger of the Dutch disease. Although those estimates where exceptionally high, the Caspian Sea holds significant resources. Current estimates vary from source to source. The Energy Information Administration reports that “proven oil reserves in the region range between 17 and 49 billion barrels, which is comparable to OPEC members Qatar on the low end, and Libya on the high end.” (EIA, 2007b:2). BP estimates indicate 46.8 billion for Azerbaijan and Kazakhstan. It is to note, however, that Kazakhstan has inland fields which are included in the estimate. Possible reserves have been indicated in up to 200 billion barrels, confirming the initial estimate by the Department of State (Nanay, 2002; Kohl, 2002; Bahgat, 2003)

Kazakhstan is the country with largest reserves. The two major offshore fields in Kazakhstan are Tengiz and Kashagan, containing between 15 and 22 billion barrels (EIA 2008b). Tengiz has been developed by the Tengizchevroil (TCO) joint venture, initially Chevron and Kazakhstan, now ChevronTexaco 50%, ExxonMobil 25%, Kazmunaigaz 20%, LukArco 5% (Forsythe, 1996 and EIA, 2007d). The Kashagan field, “the largest oil field outside the Middle East and the fifth largest in the world (in terms of reserves), is located off the northern shore of the Caspian Sea, near the city of Atyrau” (EIA, 2007d:4). The operator, Agip KCO estimated the field's recoverable reserves at 7-9 billion barrels of oil equivalent, with further potential
totalling 9 to 13 billion barrels (*Ibidem*). Other important fields are Kurmangazy and Karachaganak, both operated by international consortia (*Ibidem*).

*Azerbaijan* is, among the new producers, the second most important in terms of reserves, believed to be between 7 - 13 billion (EIA, 2007c). Its resources are mainly located offshore in the Caspian, and are operated mainly by the State Oil Company of the Azerbaijan Republic (SOCAR), which produced 59% of total oil resources in 2005 (*ibidem*). Between 2005 and 2006, production increased of 44.9%, almost totally due to the Azeri - Chirag - Guneshli (ACG) field, operated by the Azerbaijan International Operating Company (AIOC), an international consortium including BP, Chevron, SOCAR, Statoil, ExxonMobil and other minor companies (BP 2007, EIA 2007c). Two-thirds of the production goes to export in Russia, Italy, Germany and Turkey (EIA, cit.). The second largest hydrocarbon field, Shah Deniz, holds mainly gas.

Regarding *Turkmenistan*, oil production is not so relevant at the present moment. Proved reserves are estimated to be in the order of half a billion, and its production is almost insignificant in comparison to the other two states (BP, cit:8; EIA, 2007b:2.3). Turkmenistan has important gas reserves.

*Russia* and *Iran*, finally, have important oil interests elsewhere, and have explored their sectors without main discoveries. The most important project in the Russian sector sees the development of Kurmangazy, a 7.33 billion barrels field located at the border with Kazakhstan. Russian LukOil is also involved in the exploration of the Iranian sector, where it collaborates with the Iranian Northern Drilling Company, and with Norwegian StatoilHydro. By far, there have not been major discoveries, and production is not relevant (EIA, 2007b).
3.5.2 Export issues

Troublesome export options have for a long time been considered as one of the most difficult problems regarding oil development in the Caspian basin. In the early 1990s, export routes did not offer more possibilities or less problematic options than before. Exemplary is the case of Azerbaijan: following the development of other regions, and the resulting decline of Caspian production, alternatives for transport from the Caucasus were actually reduced: the pipeline from Azerbaijan to Batumi had not been in operation for two decades; the only railway to Iran ran through Armenia and was subject to sabotage by Armenian guerrilla; shipping via Volga and Don was impossible during the winter and transport over the Soviet rail system was “increasingly costly, as the newly independent republics demanded customs and port duties in hard currencies” (Riva, 1994:83). The fragmentation of the Caucasus into several new political entities added some new possible difficulties. The inconveniences of cross-border pipelines are of three different kinds: the involvement of several actors with different interests; a lack of legal jurisdiction to regulate all the activities; sharing of rents (Raballand and Esen, 2006). In politically unstable areas, these issues can become very problematic, and may eventually face conflict in the area, terrorism or separatism. Pipeline projects, thus, must follow both political and economic considerations.

From Kazakhstan and Azerbaijan, where the most promising projects were being developed, the challenge was to build routes capable to export large quantities of oil. As long as volumes exported were up to 200,000 bpd, existing facilities could be upgraded or rebuilt, while swaps with Russia and Iran could provide extra space for excess oil (Forsythe, 1996). Two pipelines with a total capacity of 245,000 bpd were built shortly after independence, connecting Baku to Novorossiysk and Supsa, respectively (EIA 2007b).

The route via Georgia to Novorossiysk was considered an interesting alternative, in terms of economical viability and political stability, also because of the possibility to provide an optional arm to the Caspian Pipeline Consortium (CPC), a long-term
pipeline project and the first of new export facilities from the Caspian Sea. The CPC was a result of the Tengiz deal between Chevron and Kazakhstan (Forsythe, 1996). The Consortium was formed by Russia, Kazakhstan and Oman in 1992 to build a pipeline which was projected to transport oil from the Caspian region to the deep-water port of Novorossiysk by completing and upgrading existing Soviet infrastructure, thus linking the Caspian fields to the Black Sea and providing a route to Europe. The North-eastern arm of the pipeline was to run from Tengiz to North Caucasus, where it would have reconnected to the Grozny - Novorossiysk, thus creating a single system of transport through Russia (Riva, 1994:99). The CPC alone, however, was not adequate for the significant increase in oil volumes being generated by the many projects begun after the dissolution of the Soviet Union: already before its construction, participants in the project had “already booked virtually 100% of the pipeline's capacity” (Forsythe, 1996:32). Moreover, as Forsythe (1996:26) pointed out, the pipeline was overwhelmingly in Russian control, meaning:

“Leverage that neither the Caspian countries nor the international oil companies want to see. The countries fear the political uses of such leverage, and the oil companies fear that competition among export routes would minimise tariffs and provide alternatives in case of political instability or other disruption”.

Among the other options considered, three were particularly promising: a route from Azerbaijan to Turkey, either through the Caucasus or Iran and Armenia; and one through Afghanistan and Pakistan to the Indian Ocean (Forsythe, 1996:29). The last two did not prove viable for political reasons.

The BTC pipeline from Baku, Azerbaijan, through Tbilisi, Georgia, to Ceyhan, Turkey, was completed in 2006. The opening of the new route is truly the reason of the almost 50% increase in Azerbaijani production from 2005 to 2006 (see above). The pipeline is planned to transport up to 1 Mbdp, and to reach this goal, the feasibility of another arm joining Kazakhstan to Azerbaijan is currently being studied (Tosi, 2006; EIA 2007b). The new route joins a pre-existent net of pipelines to the west, avoiding bad weather problems in Novorossiysk, as well as the problematic Bosporus strait (Jaffe and Manning, 1999; EIA, 2007b). The pipeline avoids also
excessive Russian control over exports from the Caspian, and was therefore strongly
advocated by US officials that saw in it an important contribute to diversification;
Russia and Iran provided both arguments and competitive projects against other US-
backed options for future routes. As noted by Woehrel (2007:16): “The success or
failure of these projects will likely depend more on whether private energy firms find
them profitable than on U.S. diplomatic skill and energy”.

Swaps with Russia and Iran account at the present time for a relatively small volume
of exports. Turkmenistan and Kazakhstan are currently making use of low-volume oil
swaps with Iran; an export possibility that may increase when Iran will upgrade its
overland facilities (EIA, 2007b). The Russian connection with northern Kazakhstan is
decreased in importance after the CPC has begun working. Russia, however, controls
pipeline routes to Novorossiysk and a grid of gas pipelines that accounts for a large
share of gas exports (Tosi, 2006; EIA, 2007b).

Currently, the possibility to build transport facilities to the Asian markets is being
studied. China in particular seems very interested in absorbing part of the Caspian
production. A pipeline from Kazakhstan to Xinjiang would diversify China’s supply,
meeting at the same time its growing demand, and eventually providing a “land
bridge to the Persian Gulf” (Jaffe and Lewis, 2002:124). The project presents some
intrinsic problems: it is 3000 Km long, and therefore very costly; and besides
possible unrest in Central Asia there is a problem linked to ethnic separatism in
Xinjiang (Ibidem).

### 3.5.3 Great power positioning

The Caspian Sea basin before 1990 was, as known, shared by the USSR and Iran. Of
the two neighbours, the former was soon to give place to a set of newly independent
countries; the second was an independent state without strong formal ties to any great
power active in the region. Iran actually appears not only completely free from
influence by external powers, but nearly isolated in its foreign relations. Clearly, the only great power to be strongly involved in the Caspian region until 1990 was the Soviet Union. Soviet presence met strong challenges in Transcaucasia, particularly in Azerbaijan, in the late 1980s. A short account of these events can be helpful for the understanding of Azerbaijan’s relatively looser ties to Russia, compared with other former Soviet republics in the Caspian region. During the late Gorbachev years, and especially after 1988, *perestroika* and *glasnost* policies stimulated a serious increasing unrest in the Caucasus region, with the renewal of the old Azeri-Armenian ethnic conflict, previously muffled by Soviet rule, to be perceived as a sign of “the structural crisis of an overextended empire” (Swietochowski, 1995:193). Violence worsened during and after the process of decolonization and the fragmentation of the former Soviet empire; still raging conflicts in Caucasus are relevant when decisions related to oil exports are taken (Jaffe and Manning, 1999).

### 3.5.4 Conflict

As nation-building is one of the most used strategies to keep the new countries together in spite of the existence of large minorities, the region presents ethnic and religious groups at the centre of separatist conflicts, religious fundamentalism, and sometimes terrorist actions (Sabonis-Helf, 2004; Fumagalli, 2007). Other problems are related to unsettled border disputes. All these conflicts, however, are set in the Caucasus. Central Asia has not been theatre of conflicts, with the sole exception of the hostilities between Uzbekistan and Kyrgyzistan, on the one side, and the Islamic extremists of IMU and JIG in 2000 and 2004, respectively (Harbom and Wallesteen, 2007).

In the Caucasus, the only conflict involving littoral states other than Russia is the one between Armenia and Azerbaijan for the control of the Armenian populated territory of Nagorno-Karabakh (Jaffe and Manning, 1999). The Nagorno-Karabakh conflict started as early as 1990, in the first moment involving Armenian separatists and the
Soviet Union, and lately becoming a dispute between Azerbaijan, which controls the territory, and Armenia. The dispute is not settled (Harbom and Wallesteen, 2007). Both Russia and the United States have intervened diplomatically in favour of Armenia. In 1992 the United States imposed sanctions on Azerbaijan (Jaffe and Mannin, 1999); relations improved after 2001 (Gault, 2004:142). Numerous other conflicts for independence take place in Northern Caucasus, especially in Georgia: Abkhazia, South Ossetia, Ajaria and Javakheti, all of which involving Russia in a high grade (Jaffe and Manning, 1999) South Ossetia and Abkhazia are the most violent among these ones, leading to violent outcomes in 1992 and 2004 (Harbom and Wallesteen, 2007). The Chechnya conflict between Russia and the Republic of Chechnya has been particularly problematic between 1994 and 2006 (Harbom and Wallesteen, 2007), and has recently expanded to Ingushetia: “The number of Chechen fighters on Ingush territory is now even larger than in Chechnya itself. Some of these fighters have targeted energy infrastructure to achieve political goals in previous years” (EIA, 2007b:9).

Finally, there is the risk that the conflicts in Afghanistan and in Iraq may spread to the neighbouring countries, such as Iran, Turkey and Turkmenistan. According to Bahgat (2003:154 ff.), these factors are likely to affect oil development in an unexpected way.

### 3.5.5 Regimes

The regional average of - 4.5 is an indication of general unstable and autocratic political regimes at the regional level for the whole period of analysis. This is especially due to the first five-ten years after 1991, a period in which the newborn states were in their consolidation phase. Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan are now established authoritarian states. The Republics in Central Asia and the Caucasus are similar in many features. Turkmenistan and Uzbekistan are by far the most repressive. In all the Central Asian states “elites have managed to
preserve and consolidate their position and isolate themselves from the possible challenges coming from opposition” (Fumagalli, 2007:11, my translation). Turkmenistan in particular “has been described as a “sultanistic regime,” a category of regimes first named by Max Weber, and characterized by personal rule, large-scale corruption, and manipulation of fear and rewards” (Sabonis-Helf, 2005:165). The construction of a strong national identity, however, keeps it together. Kazakhstan is democratic only nominally. The political system presents some pluralistic traits, obfuscated by other pathological features: “Key opposition leaders are in exile, and political parties other than those supportive of the President do not tend to endure. Members of President Nursultan Nazarbaev’s extended family own substantial stakes in promising private and parastatal industries” (Sabonis-Helf, 2005:173). According to Borgen (2007), Azerbaijan is a country where phenomena as “corruption, brutality, greed and oppression” are the norm, and in the last two years a journalist has been killed and other eight imprisoned because they had criticized the regime. As long as foreign firms are treated better than local citizens, however, this kind of situation do not threaten development of oil reserves. In Russia, the transition has been characterized by an initial extrication crisis that was particularly harsh after Yeltsin was elected president, and was only solved after the forced dissolution of the congress and the parliament, and the approval of a constitution that strengthened the role of the President within the institutional system (Easter, 1997:193-195). The war in Chechnya and the consecutive loss of popularity for Yeltsin, however, made the president vulnerable to the pressures of interest groups, notably the oligarchs. As Dunlop (2001:60) notes, their influence “exacerbated the already severe lack of a rule of law in Russia. A corrupt ‘soft state’ made its appearance during the first Yeltsin term. It plumbed new depths during his second term”. The election of Putin in 2000 has re-established the power of the executive and of the state in general, weakened the oligarchs and reasserted control over the Duma (Hurley, 2001). Political coercion, limited or decreasing during the first period of the Putin presidency, seems to have increased in his second term. The fact that, according to the Western monitoring group, the march 2008 presidential elections lacked freedom (Finn, 2008), indicates a worsening of the political environment in the country since the 2000 elections,
considered fairly free and open (Hurley, 2001). In short, the political regime is stable, although perhaps increasingly undemocratic.

Source: Elaborated from Marshall and Jaggers, 2004

3.5.6 Structure of regional security

According to Buzan and Wæver (2003:343-351), the states that are part of the Caspian Sea region as defined in this study are included in four security realities. With the exclusion of Iran, they are all part of the post-Soviet great power RSC centred on Russia, which is in turn one of the two components, with the Western European great power RSC, of a Weak European supercomplex. Within the post-Soviet RSC, Azerbaijan is one of the states in the Caucasus mini-complex, while Turkmenistan, Uzbekistan and Kazakhstan are part of the Central Asian subcomplex. For the needs of this study, there is no substantial difference between these types of complexes other than the wideness. The theory postulates that the bulk of activities resides at the RSC level: this matryoshka-designed reality permits then to postulate
that the security relations of the littoral states are homogeneous only to a certain grade, i.e. the common security issues depending by the inclusion in the post-Soviet complex. However, the lower level is made by issues which are not shared by all states. Iran is included in the Gulf subcomplex of the Middle Eastern RSC (see chapter 3 and 5), and is therefore only linked to the other states by the common interests in the Caspian Sea. What is mostly relevant for this thesis is the relationship within this space and between the two mentioned subcomplexes, Russia and Iran as a member of the Gulf subcomplex.

The security dynamic of the post-Soviet Caspian basin is largely defined by the dominant presence of Russia, whose “near abroad” focus is strongly manifested in its relationship with all the states in the RSC and its relative subcomplexes (Foreign Policy Conception, 2005; Allison, 2001:445 ff.). This leadership manifests itself inside the Commonwealth of Independent States (CIS), and has been challenged, though weakly, by the attempt of some of the states in the RSC to form a balancing coalition. GUAM, an acronym indicating the membership of Georgia, Ukraine, Azerbaijan and Moldova, was founded in 1996 and has conserved the original composition after a short parenthesis as GUUAM (with Uzbekistan as the second “U”). The alliance cuts across the sub-units of Caucasus, Central Asia, Eastern Europe, indicating a decrease in the level of cohesion within the subcomplexes, and a corresponding growth in the relevance of the wider post-Soviet RSC, in which GUAM should counter-balance the centrality of Russia - or at least explore the possibility for such balancing (Buzan and Wæver, 2003:409). The importance of GUAM should not be inflated, but is an indicator of the perception of Russia as a threat in itself, and of the fluidity of security arrangements within the RSC.

The Caucasus as a mini-complex can be further divided in two main areas with partially separate dynamics: Northern Caucasus, in the Russian Federation, and Southern Caucasus, shared by Georgia, Armenia and Azerbaijan. Separatism is the principal security issue in Northern Caucasus, having Chechens “always fought Russian control” (Buzan and Wæver, 2003:400). The Republic of Dagestan,
moreover, presents an extremely complicated ethnic composition. A destabilisation in Northern Caucasus could interrupt crucial pipelines. Southern Caucasus presents important issues of separatism in Georgia (Abkhazia, South Ossetia, Adzharia), where Russia is highly implicated, and in Azerbaijan, whose Armenian-populated region of Nagorno-Karabakh is theatre of violent attempts to secede from the country and join Armenia. A conflict in this area does not threaten directly the development of oil fields, however any change in the political geography of the Caucasus may have repercussions on the control of westbound transportation routes.

Central Asia is “a weak subcomplex whose internal dynamics are still forming and in which the involvement of Russia is strong” (Buzan and Wæver, 2003:423). Turkmenistan, Uzbekistan and Kazakhstan are, together with Tajikistan and Kyrgyzstan, its constituents. A striking characteristic of this area is that, in spite of a complicated ethnic pattern and serious domestic problems, the level of conflict has not been as high as in other areas of the former USSR. This is a product of low interaction capacity united to low national identity. The weakness of nationality in these states is a consequence of the creation of the states ex novo by the Soviets. Except for Kazakhstan, none of these states has been founded on an identity-based or national background other than language (Akiner, 2004:71). According to Buzan and Wæver (2003:426), interstate relations in Central Asia are virtually inexistent: “No pattern of amity and enmity has formed among the states, except the traditional suspicion and competition for regional leadership between Uzbekistan and Kazakhstan”. Such lack of structure should open to penetration by external actors; surprisingly enough, the main external powers have shown “little or no interest despite oil and pipelines” (Ibidem). This seems to suggest that Great Power involvement is triggered by specific events that put at risk the development of reserves or the exports, rather than being motivated by the urge to “control” resources, as scholars arguing for a Great game have suggested (see paragraph 1.2).
4. Analysis

In the previous chapter I have constructed the cases and organized evidence following the independent variables. Framing the cases in this way made possible to dispose contextual threads in a way that facilitates their connection in a texture. Describing and relating different features of Great power involvement in the cases, their interaction with countries within the region and with other external actors, will add the red thread. In the discussion, the division of the variables in two categories (scope limitation and motivation) will be held; more precisely, I will give a description of external actor’s choices and actions and discuss the evidence in light of the motivational (oil-related) variables. The latter will provide the underlying explaining dimension and remain in the background. The outcome of the analysis should bring us near to a general definition of foreign-regional relations, a description of their distinctive traits and an assessment of their outcomes and impact.

4.1 What scope limitation variables tell us: getting access, maintaining influence, relating to the context.

Some of the independent variables have been presented as scope limitation variables. These are Great power positioning, the structure of security relations within the region regimes and conflicts. Great power positioning defines the further development of the intrusive system in the region. It is related to RSC structure, regime and conflict, as the presence of external actors can influence other variables. The regional security structure can also be a barrier to entry: for example it can be difficult for an external power to become a dominant actor in a standard security complex where relations among members are strong, or in a centred security complex, while the situation is different in the case of a pre-complex in which
security relations between regional actors are not yet developed (Buzan and Wæver, 2003; see also Lake and Morgan, 1997:60ff., for a discussion on the relationship between the global system and the regional one). Viewing the region as the level of analysis implies that complexes are assumed to remain the most important level in which security issues arise and are addressed; actors with politically significant involvement in the regions are added to the regional framework (Cantorii and Spiegel, 1970; Buzan and Wæver, 2003). The regime and conflict variables are further limitations of the options available to external actors. Stable regimes are more likely to provide the good of supply security than unstable ones. The formers are also less likely to generate conflict with neighbours, although in the Gulf intrastate stability cohabits with a high regional level of interstate conflict (Byman and Green, 1999). External powers can thus choose to support friendly regimes, contain conflicts and counter meddlesome foreign powers seeking to reconstruct the regional arrangement. In all the cases the regional framework provides a useful dimension (Buzan and Wæver, 2003).

An analysis conducted by looking first at the pre-existent intrusive system and then to the regional security arrangements is consistent with the object of this study, that is, great power involvement. The following paragraph will focus on evidence for obstructions to external involvement detectable in the four cases framed in chapter 3, and present the development of new intrusive forces (i.e. new Great power involvement) in the two regions during the period of observation.

4.2 Great power positioning and development of new involvement patterns.

The cases provide four main examples of Great Power involvement in oil-rich regions; the variable is relevant as it permits to assess the who and why changes positions in the structure of external leverage. Case 2 and 4, in which first the Soviet
Union and then Russia are internal actors, rather than external, are especially interesting when related to the other two cases. In Case 1, the main transformation is pictured in the passage from heavy British presence, in which all the characters of an intrusive system can be observed simultaneously, to a less formal but equally important presence of a Superpower: the United States. Both the Soviet Union and France, the only two others Great Power being consistently involved in the Middle East, are mostly left out, although the Soviet Union gained ground in Iraq after the 1958 coup. Case 2 presents a totally different situation: the Soviet Union had already occupied most of the Caspian littoral states and remains the only Great Power to conserve such a presence in the region throughout the observation period; Great Britain and the United States were allied with Iran, though, even if it has been argued that the Shah managed to balance foreign influence by flirting with both sides, and that Western interests faced South. There is no other change in Great Power presence than the British-American shift. The other main shift on the Caspian front is an internal oil matter of the Soviet Union: following the discovery of more promising and less costly oil regions, the development of the Basin’s riches suffered an important slowdown, determined by strategic as well as economic factors. It can be interesting to estimate to what extent British and American presence in Iran influenced this decision. Throughout Case 3, the United States figures as the most influent external power in the region. It is allied with the oil-rich Gulf Monarchies, and has twice shown its willingness to defend the status quo against a troublesome regional power such as Iraq. At the same time, the United States’ position seems to be compressed between its role as the sole guarantor of power projection that can secure regional stability, and the increasing scepticism and political difficulties raised by its very presence (Cordesman, 2004:91-92). Case 4 presents a situation in which a previous Superpower, now degraded to Great Power but still with prominent interests in the region, is challenged by other external actors seeking positions. The United States, China and the EU have economic interests in the Caspian basin, and seek political influence in the region. The outplay is not necessarily competitive, though. Even if several scholars have claimed evidence of competitive behaviour and of a race to resources, others have pointed out that Great power interests in the region are
different but complementary and that involvement in the region may foster rather than compromise stability (Jaffe and Manning, 1999; Collins and Wohlfforth, 2004).

4.3 Intrusive systems and newcomers: Great power involvement displayed.

Still, relics of the pre-existent Soviet system and the renewed Russian new abroad approach to foreign policy are important to understand how the newcomers interact with the Caspian littoral states and Russia itself (Jaffe and Manning, 1999). In the same way, the United States unique position in 1990 is key to explain why the security of the Gulf still remains dependent on Washington, as the baton passage in Case 1 was made possible by the fact that Great Britain and the United States had common interests in the Gulf. Table 4.1 reassumes evidence for the variable Great Power positioning presented in chapter 3.

Table 4.1: Great Power positioning at the beginning of the observation period and changes in Great Power involvement.

<table>
<thead>
<tr>
<th>External actors</th>
<th>Involvement</th>
<th>Newcomers</th>
<th>Involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1</td>
<td>Great Britain</td>
<td>Possession of colonies, protectorate treaties, deployment of navy and troops, arm sales</td>
<td>United States, Soviet Union</td>
</tr>
<tr>
<td>Case 2</td>
<td>Soviet Union, Great Britain</td>
<td>Partially internal; the rest is formal alliance and arm sales</td>
<td>United States</td>
</tr>
<tr>
<td>Case 3</td>
<td>United States</td>
<td>Formal alliances, troop commitment, arm sales</td>
<td>Russia, China</td>
</tr>
<tr>
<td>Case 4</td>
<td>Russia</td>
<td>Territory, alliance, troop commitment</td>
<td>United States, China, EU</td>
</tr>
</tbody>
</table>

Although this is not presented in the table, it is clear that the only cases in which there is a purely intrusive system are Case 1 and Case 3: the Persian Gulf, in both periods. The position of the Soviet Union in Case 2 and of Russia in Case 4 cannot be
considered purely intrusive. In the first of the two cases half of the Caspian Basin was within the USSR; in the second, Russia is one among other littoral states: in both cases, the USSR and Russia’s interests go far beyond those of an external power. There are arguably three main dimension that whose analysis permits the fruitful study of how pre-existent Great power involvement has permitted or hindered access to other actors. The available data point to extent and nature of the intrusive system, as well as relations between established actors and newcomers.

4.3.1 Great power involvement in case 1

In Case 1, extent and nature of British intrusion are both very strong. Possession of colonies, military presence and its traditional involvement in the affairs in the wider Middle East are important ties. In the period of analysis, both dimensions change and wane as the United Kingdom chooses to withdraw “east of Suez” and the United States takes its place. The Second World War had increased oil production in the Middle East, making the area the most promising for the oil industry. As soon as 1948, Saudi Arabia had become the dominant focus of American policymakers. In 1953 Iran, the CIA and the MI6 collaborated closely to remove Prime Minister Mossadeg with Operation Ajax (Yergin, 1991:467ff.); but it was prominently American secret services that a year later took the lead building up the country’s security forces (Gasiorowski, 1990). The passage from United Kingdom to United States’ supremacy in the Gulf before 1970 progressively put the Soviet Union and France in a marginal position. According to radical scholar Simon Bromley (2005:254): “The very success of the USA in Saudi Arabia (and later in Iran) meant the defeat of British imperialism in the Middle East as part of the creation of a unified international capitalist economy under US hegemony”. This interpretation is disputable. The United States’ diplomatic apparatus had actually been deployed in the inter-war period to help the majors gain important positions in the Gulf region (Turner, 1983:44-45). After Mossadeg had been thrown out, the State Department
had become the dominant political force in oil negotiations. Turner (op. cit.) offers a different interpretation, in which the United States uses the oil majors as agents to preserve the Free World’s main oil supply area from communism. This is the case for the early challenge that took place to gain positions in the oil industry, which endured until the Second World War; but when in 1945 Truman approved the completion of the first American air base in Dhahran, Saudi Arabia, and agreed with King Ibn Saud to commit to Saudi security in 1947 (Yetiv, 2004:61), the phase in which the United States was challenging Great Britain was already gone. Both powers had interest in collaborating for Gulf stability and for the protection of its resources from the Soviet Union. There can be little doubt about the fact that Great Britain was no longer able to sustain its position: its decline, or the “defeat of British imperialism” (Turner, 1983:102), is captured by the 1956 Suez War, together with the reappraise of French aspirations in the Middle East (Yergin, 1991; Kodmani-Darwish, 1995). In fact, Eisenhower (1957) had already expressed his concerns over the USSR’s “hope of dominating the Middle East”, and stated the American commitment to support “without reservation the full sovereignty and independence of each and every nation of the Middle East”, while President Nixon had opened to the proxy option in 1969 (Nixon, 1969a and 1969b), whose application in the Middle East was the twin pillar policy of support for Iran and Saudi Arabia (Bromley, 1991:115-117). The direct assumption of responsibility was first enunciated in the Carter Doctrine (Carter, 1980):

“Let our position be absolutely clear: An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force”.

This was a response to the Iranian revolution, but mostly by the Soviet invasion of Afghanistan, an attempt “to consolidate a strategic position […] that poses a grave threat to the free movement of Middle East oil” (Ibidem). With this statement, the United States assumed the role of “chief guarantor of oil stability” (Yetiv, 2004:59); the major result of this commitment is the 1991 Gulf War. The process through which the United States became the mostly involved external actor in the region appears
thus as a long and progressively tighter close-up towards the politics of the Persian Gulf.

Here is to note that Great Britain remained the responsible for regional stability until its withdrawal, the choice of leaving the Gulf being a product of international circumstances as well as domestic ones. According to Watt (1971:310), “The decision of the present British Government to withdraw from the Persian Gulf by 1971 provided an outstanding illustration of all that is wrong in current British official decision-making processes” and “possibly may yet prove to be the most expensive decision any British government has taken and one taken, furthermore, for totally irrelevant and extraneous reasons” (Watt, 1971:321). It seems possible then to conclude that the change was possible because a common interest in regional stability had replaced the initial focus on positions in the oil sector; the declining British capability to provide that stability; and the special relationship between the two Western powers. I will come back to these factors later, in the paragraph on the Regional Security Complex. First, it is necessary to comment the Soviet and French behaviour.

Excluded from the Gulf, France was indeed present in the Middle East (Persson, 1998). Its position, however, was seriously damaged because of the failed Suez War of 1956, whose effect was to exclude the previously prominent actor in the Levant from positions in Egypt and Syria, both countries being tied to the Soviet Union. An additional consequence of the Suez War was that De Gaulle re-evaluated the role of Israel in his policy, concluding that it was best for France to “estrange itself from Israel”, although this did not prevent him to treat Ben Gourion as a “respected friend” (Hoffmann, 1971:664;660). Moreover, France had to focus on its colonies in Maghreb, which would eventually gain independence in the 1960s, and whose revolutionary drive in the name of Arab nationalism made difficult for France to expose itself in other areas of the region (Hoffmann, 1971:660). The developments of the Algerian issue in 1962 marked a silent and shift in French Middle-Eastern politics, a subtle change that was “ignored or misperceived by Israel” (Ibidem), but
that expressed the end of the alliance between Israel and France (Beauchamp, 1987). The result of these changes was a policy with which France wanted to present itself as the friend of the Arab world, maintaining a close relationship with Lebanon and the OLP and a much lower profile in Iraq (Beauchamp, 1987).

For the Soviet Union, the Middle East was not the highest foreign policy priority, although upon occasions the region became reason of concern and Soviet involvement turned out to be especially important in several crises, such as the 1956 Suez Crisis, the 1957 Syrian-Turkish crisis, the 1958 Lebanese-Iraqi crisis and the Six-Day War in 1967 (Golan, 1990a; 1990b). In the last case, there is “widespread agreement among analysts” that the Soviet Union played a major role in triggering the crisis (Miller, 1990:250). In all these occasions the USSR threatened intervention, sometimes risking US counter-reaction, most of the times as a calculated attempt to end the issues quickly in collaboration with the United States and even confronting risks related to likely discontent of its Arab allies (Golan, 1990b, especially chapters 1 and 4; Miller, op. cit.). It is to note that even if the USSR “stood by while the West slowly worsted the nationalist regime of Mossadegh”, it was able to establish itself “as a major power in the Middle East” (Hunter, 1969a:1) and exercise political leverage on several actors, especially through its relations with Syria and Egypt. Nevertheless, this position is strong in the Middle Eastern RSC, while there are not important signs of Soviet leverage in the Persian Gulf until 1958: it is first through its support of the coup d’état in Iraq that the USSR gained its first foothold in the Gulf region, though not a very steady one. In Iran, the Soviet Union stepped in after the United States in 1965 had stated that Iran was a “developed country which no longer stood in need of military and economic aid” (Hunter, 1969b:7). In 1966, Soviet arms were made available to Iran, and in the five-years period until 1970 “it sold approximately $344 million worth of military hardware to Iran”, representing 12% of Iran’s total military imports, not much compared with Washington’s 85% share (Herrmann, 1990:70; SIPRI, 2007). This is definitely a politically significant ingress as defined in this thesis. It was not destined to last long, though, as already in 1969 the Nixon administration opened to a steep increase in arm sales to the Shah, “in

4.3.2 Great power involvement in Case 2

The relationship between the Soviet Union, on the one side, and Iran and the Anglo-Saxon powers, on the other, can be useful to explain developments in the Caspian Sea region. The evidence collected and exposed in Chapter 3 presents actors watching two different directions: North and South, that is, the Caspian Sea and further North, where the Soviet Union repaired after Stalin ordered withdrawal from Iran, and where its oil industry was concentrated after oil was found in the Volga-Ural region; and the Persian Gulf, where Great Britain and the United States had their economic and political interests. These three actors met in Iran, whose role seems that of a buffer for the two regions. The Caspian can therefore be comfortably considered from the two perspectives. On the one side, there is an internalized, impenetrable Soviet sector, in which there is no space for external leverage in the Kazakh, Azerbaijan and Turkmen Republics. On the other, there is the Iranian sector, whose proximity to the Soviet borders has been an element of concern for Moscow since 1946. The role of the British and the Americans in Iran has been discussed above; the behaviour of the Soviet Union has also received some attention, but the discussion has focused on alleged Soviet interests in the Persian Gulf. The development of the Caspian intrusive system in the seventeen years of observation shows that there is a strong correspondence between the pre-existent structure of the intrusive system and the changes that there occurred after 1954. The Soviet sector was an area within a Superpower, and in such a situation ingress could not be granted to other powers. In Iran, on the contrary, Great Britain and the United States had a strong commitment to the Shah; still, both were external powers exerting influence on a state whose institutions were becoming stronger, and whose ruler was learning to perceive its country as a regional power capable to “resist imperialist pressures” (Klinghoffer,
Considering the extent of existent penetration, it is of no surprise that the actors aligned on both sides of the Caspian do not show particular interest in each other’s shoreline. As Millar (1971:78) puts it: “There was no point in raising suspicions of Soviet intentions while there were the British forces there, suspicions which might induce them to remain”. The argument is one of two advanced to explain why the Soviets had not been especially active in the Gulf, the other being self-sufficiency in oil.

It is worth to note how both newcomers in Iran, the Soviet Union and the United States, were using a soft-handed approach in dealing with the Shah. The United States because of the view that Iran was a British issue (see chapter 3), because the Shah was a reassuring presence, perhaps also because Washington’s Middle Eastern policy was yet to be defined in its whole, as seen above; the USSR because it was not in its plans to encourage a build-up in its Southern border. This view is better understood if another element is taken into account: the considerations that led the Soviets to explore new possibilities of oil development in the Volga-Ural region shortly after Hitler’s attempt to reach Baku and that later in the 1960s provided the strategic motivation for moving the centre of the oil industry north of Astrakhan (Klinghoffer, 1977). The Caspian sea was not only economically less interesting than the Volga-Ural or Siberia: it would have been too vulnerable in case of a crisis (Hassmann, 1953). An attack on Baku would have damaged seriously the major source of oil supply for the Soviet Union, and a seizure would have cut it for good. Developing other regions was economically attractive and necessary strategically. From this viewpoint, both early Soviet withdrawal from Iran and late detachment from the Caspian Region seems to respond to the need to yield control of objectives that perhaps were as described by Klinghoffer (1977:109ff.) “Soviet and American policies coincided, since both states desired stability in the Gulf and wanted to restrict each other’s role”. In other words, the former did not wish to have a U.S. client at its borders, but was not able to draw the Shah into its sphere of interest; the United States did not want a communist Iran, but as long as the Shah was strong and inclined to give support to Western policies in the Gulf, there was no need for a proxy,
although this light-handed policy was hazardous and open to several possible complicated and undesired outcomes, as Hurewitz (1972) has noted. Seen in this perspective, Iran is also the most significant evidence of the interaction between two distinct Regional Security Complexes; this aspect will be treated below.

4.3.3 Great power involvement in case 3

Yetiv (1995:97) asserts that whereas Great Britain and the United States were the primary external actors in the Persian Gulf Region before the Iran-Iraq war, both “played a secondary security role in the region”. While agreement on the first argument is widespread, the view that the Anglo-Saxon Powers played a secondary role can be disputed. Much of the Gulf security was constructed on the basis of British and American preferences and, at least until 1971, a substantial part of the regional equilibrium rested on British presence and commitment (Standish, 1967; Wright, 1973). Seen from the vantage point of a post-Gulf War observer, however, the argument acquires consistency: foreign powers had never participated to the Gulf regional security in such a massive way as in the 1991 Gulf War. Following the war, the United States confirmed its role as the leading external power in the region, strengthened its ties to the Arab Monarchies and built up an unparalleled military presence that rested on key alliances with the GCC countries, all of which host American military bases (Economist, 2007; Yetiv, 1997; Chapman and Khanna, 2004a). With such a large presence in the Persian Gulf, the United States is the guarantor of Gulf security (Bahgat, 2003; Bromley, 2005). At the same time, the overall structure and level of external penetration has changed significantly. Most of the southern states have bilateral defence agreements not only with the United States, but also with the UK or France, both of which are among the major arm suppliers in the region (Chapman and Khanna, 2004a; SIPRI, 2007). The Soviet Union, which in the preceding decades had been importantly involved in Iraq and in the wider Middle East, disappeared and left its place to Russia, which renewed its links with Iraq in
Russia had also opposed the overthrow of Saddam, together with China and France; the three powers were also the most active in pressing the United Nations for easing or lifting the sanctions against the Hussein regime, whom rewarded them by awarding gas and oil concessions (Bahgat, 2003:86). Nonetheless, following the Iraq war and during the first period of occupation the unclear future of the newly established Iraqi democracy makes difficult to identify clear roles of foreign powers in the country. As long as Iraq is occupied by the United States and Great Britain, the government will show more interest in re-establishing its oil output and getting control of the country than in finding suitable allies to re-acquire its primary role in the region.

Great Britain, although not regaining its prominent pre-1971 position in the Gulf, showed signs of significant involvement by contributing militarily to the Gulf war, to the Iraqi war and being interim governing power, together with the United States, in the Coalition Provisional Authority. Britain’s diplomatic, cultural and economic ties to the region are still very important, especially with the smaller Gulf monarchies (Yetiv, 1995).

France’s participation in the politics of the Persian Gulf had been closely linked to its relationship with Iraq, a relationship by no means obsolete, and renewed since the mid 1990s, as argued above. After the Gulf war, France was able to shift partially its political focus in the region and to revive relations with the Arab Monarchies. It is to note that these relations had been a part of the French Arab policy at least since the 1970s, although with the tendency to be discussed periodically, especially when there have been changes in the regional political balance (see Kodmani-Darwish, 1990; Hoffmann, 2000, for the general trend; and Kleber, 1981; Beauchamp, 1987 for the redefinition of French priorities in the Middle East and the Persian Gulf). Nevertheless, as noted by Kodmani-Darwish (1995:944), it is necessary to distinguish between having a policy and being present: “France has had a policy in Iraq, it has had a policy in Lebanon, but it has a presence in Saudi Arabia, in the small Gulf monarchies and in Iran”. The very concept of “French Arab policy” became obsolete
as the context and actors have changed, France does not longer have the possibility to establish a national policy in the Middle East and the Gulf, and the Gulf war itself has “accelerated the process of Europeanization of its foreign policy” (Kodmani-Darwish, 1995:942; Yetiv, 1997).

Whereas the Gulf monarchies are mostly aligned with the United States, Great Britain and France, and Iraq has been first neutralized by the Gulf War and UN sanctions and then deconstructed by air strikes and the 2003 War, from which it still has to recover, the situation is different for Iran. Almost isolated by Western powers, Iran has attracted the attention of the newcomers, namely Russia and China (Barnes and Jaffe, 2006; Jaffe and Lewis, 2002). Neither Russia nor China, however, are seen as leading regional powers. Their position vis-à-vis the United States and the European powers is still too weak and their political significant leverage is reduced.

The most important advancements have been made by China, which has strengthened its ties with Saudi Arabia and the other GCC countries: in July 2004 China and the Gulf Cooperation Council announced that they would start talks to establish a free trade agreement (Yao, 2006:181). China established significant relations with Iran: at the present time, Sino-Iranian relations represent probably the most important achievement made by a newcomer in the Persian Gulf. Being Iran a country presently under US sanctions, China’s oil policy has triggered some reaction in the United States: “in September 2005, then U.S. Deputy Secretary of State Robert Zoellick accused China of adopting a mercantilist strategy for achieving energy security” (Yao, 2006:189). Barnes and Jaffe (2006:146) downplay assumptions of a rivalry between the United States and China and judge these claims as misplaced fears, “as neither Washington nor Beijing may be able to attain secure oil supplies from the Persian Gulf in the coming years”. Failure in cooperating to ensure stability in the Persian Gulf may nevertheless turn into competition, and the ties between China and Iran are defined elsewhere as worrisome (Barnes and Jaffe, 2006:155). Yao (2006) argues that between China and the United States, cooperation rather than competition is widespread when it comes to energy matters. This view is to be interpreted as a
biased interpretation of the Gulf’s security arrangement: although an American analyst may see China’s position as menacing, the reality is that US supremacy is overwhelming.

As noted above, shortly after the Gulf War Russia re-established the pre-existent Soviet ties to Iraq, although its support for the regime came late and was necessarily limited in extent. In addition, since 1992 Russia has taken over China’s lead, becoming the largest supplier of arms to Iran (SIPRI, 2007). Relations with Iran have improved also because of Russian collaboration to the country’s civilian nuclear programme. In 1999, the United States placed sanctions on Russian companies accused of illegally providing nuclear material to Iran (Bahgat, 2003:133). Russia has shown support for Iran’s programme in several occasions, and in 2005 has signed a new agreement in spite of protests by the United States and of the European Union’s efforts to find an alternative solution (BBC, 2005a; BBC, 2005b; CNN, 2005). By supporting Iran’s development of nuclear power plants, and defending its cause against the United States and the European Union, Russia has shown its willingness to play a relevant political role in the region, but has also contributed to foster Arab concerns about Iranian alleged pursuit of regional hegemony (Economist, 2007). In considering Russia’s role and political leverage in the Persian Gulf, it may be useful to take into account its huge oil and gas resources and its interests as a producer. Russian oil exports are increasing and directly challenging OPEC countries in terms of market share, though perhaps only in a short-time perspective. This means that Russian interests as an oil producer and as a Great Power are not necessarily compatible, and are hardly in line with those of the Gulf countries (Morse and Jaffe, 2005:82-83). Implications for Russian policy in the Gulf are not yet clear, but it seems reasonable to assume that, as in the case of the Soviet Union, the choice may be between the politics of influence and the politics of oil (Tosi, 2007).
4.3.4 Great power involvement, case 4

The same dilemma is at the basis of political choices in the Caspian Region, where Russia is both regional hegemon and a producer with considerable oil interests; although it has been noted that the bulk of Russian oil industry is located elsewhere, many of the transport routes from the Caspian Basin traverse Russia. Iran is the second most important regional actor, whose interests in the Caspian are also mainly linked to perspective export routes. Development of hydrocarbon resources in the Russian and Iranian sectors of the Basin has been relatively modest: the large part of oil and gas production in the Region comes from Kazakhstan and Azerbaijan. It has been estimated that reserves in these two countries may be equal to one sixth of non-OPEC proved resources (Tosi, 2007:11). The Soviet Union, that previously was the only Great Power to have a role in the region, has given its place to Russia and to a fistful of small states, the littoral countries. Of these, many have inherited a substantial part of the Soviet apparatus and conserve strong ties to Russia (Easter, 1997; Akiner, 2002). At the same time, new ideologies were utilized to strengthen the national characteristics of states, whose national features, as noted in Chapter 3, are mainly a product of Soviet administrative divisions. As a result, “Government-sponsored Islam in post-Soviet Central Asia is a continuation of Soviet-era policies of co-opting religion to serve the needs of the state”. (Akiner, 2004:74). A partial consequence of institutional control of religion as a nationalizing factor is that the development of the state in Central Asia is to a certain extent freer from Russian involvement than countries in the South Caucasus. Whereas Kazakhstan, Turkmenistan and Uzbekistan have developed more steady and stronger regimes since the mid-1990s, Azerbaijan and Georgia “are still nationalizing states” in which Russian presence weighs more (Rondeli, 2004:112ff.). Strengthening of domestic institutions have significantly increased independence since the mid-1990s. Still, Russia maintains strong security relations with the Caspian littoral states, the Region being part of its near abroad, as clearly stated in the 1993 Foreign Policy Conception of the Russian Federation (Foreign Policy Conception, 2005). Russia’s policy in the Region thus appears as a partial continuation of the Soviet one as pictured in Case 2,
with the main difference that Russia is no longer the centre of an empire, but a Great Power that has its feet in the Caspian Sea. Its economy is strongly dependent (about 40 percent of the GDP) on gas and oil production, and a large part of its oil and gas interests are situated in the Northern part of the Caspian Basin (Chufrin, 2004). Hydrocarbons of the Caspian constitute thus a very relevant part of Russia’s interests in the Region, but although there are some signs that “Vladimir Putin aims to maximize the role Russia’s oil and gas play in Russia’s foreign policy” (Olcott, 2004:29), their importance should not be overstated. If the Caucasus and Central Asia - and the Caspian Basin in the middle - are central security issues for Moscow, this is mainly explained by a more traditional (i.e., purely territorial) approach to security and by the existence of several threats to the Region’s stability that have direct significance for Russia as a neighbouring country: terrorism, narcotics, arm trafficking and arm build-up, ethnic violence (Buzan and Wæver, 2003; Jaffe, 1998:35ff.). External penetration by other powers, mainly the United States and China, have added a source of insecurity for Russia, whose “leadership is sensitive to the West exploiting what it considers its temporary weakness in the Caspian Basin” (Jaffe, 1998:33). Several scholars have pointed out that policy makers, both East and West of the Caspian, seemingly have considered the Caspian Sea as the centre for a new Great Game, in which power politics and natural resources are deeply intertwined and may trigger a race to resources, a resource war, or simply a competition to get access to resources (see Forsythe, 1996; Jaffe, 1998; Xu, 1998; Jaffe and Manning, 1999; Fumagalli, 2006; Tosi, 2007). There has indeed been a large interest in the Caspian Region since the Soviet Union’s breakup: “the Caspian Basin, once a backwater of American foreign policy, has achieved a new and surprising salience with the US Government”, and the reason is “simple: oil and gas” (Barnes, 1998:2). The United States first approached the region following oil companies that had tried the way of oil exploration in Russia, with frustrating results due to a complicated legal framework, domestic monopolies that were difficult to challenge, as well as a chaotic institutional and administrative climate (Stern, 1993; Barnes, 1998). The most important element in oil-related American political leverage has been to promote the construction of alternative export routes for Caspian oil and
gas. Although initially there was an unjustified hype around the Caspian’s presumed riches, reserves are important, as seen in Chapter 3; the Caspian does not constitute a second Persian Gulf, nor is an alternative to dependence from Middle Eastern resources (Barnes, 1998; Cordesman, 2004). The importance of the Caspian resources is mainly in two effects connected to supply security as defined in this thesis (see Chapter 2): price and, most importantly, diversification. Caspian oil “on line” would put a downward pressure on prices and provide essential diversification. The fact that it is landlocked, as seen above, means that pipelines have to be constructed. Hence, the importance of new pipeline routes to bring oil to the markets. Both the United States and China have proposed routes that bypass Russia, to lessen the latter’s leverage on exports. These have been discussed in the paragraph on export issues (see Case 4). These projects have been criticized by economists for not being economically viable, at least in a situation of moderate price as it was before 2003. In the words of Stauffer (2000:63):

“We shall show that all four of the pipelines that figure in U.S. policy efforts are deeply flawed. The proposed Bayu-Cayhan oil line is not worth financing without massive subsidies from some extra-regional power. The trans-Caspian gas line is, in absolute terms, uneconomical. The proposed trans-Afghan gas line, like the Baku-Ceyhan oil route, cannot be financed. The fourth pipeline in the U.S. policy arsenal—a Turkmenistan-Turkey gas line—is no more than a phantom—flawed, too, but in a different manner”

Eventually, the Baku-Tbilisi-Cheyan (BTC) route was completed in 2006, in spite of the “missing link” (Stauffer, 2000:67) with the largest oil projects in the region, situated in the Tengiz area in Kazakhstan. The BTC has been hailed as a success of American oil diplomacy, although its financing has been mostly a product of higher oil prices and of high production potential of the Azerbaijani offshore fields, than of political pressures from the United States: political pressures alone would not have been enough (Gault, 2004). Raballand and Esen (2006) put the stress on the importance of both economic and political factors in developing export routes. The development of the route from Kazakhstan to China, planned for 2006, has been
much slower (Xu, 1998; Jaffe and Lewis, 2002). The main reason for this delay is
that the pipeline did not respond to economic imperatives, but rising Chinese imports
and higher prices may make this route viable (Raballand and Esen, 2006:145).
Politics, however, is not without importance in these issues. It matters, as testified by
another route that has not been developed for mere strategic and political reasons: the
Southern one, through Iran. The Iranian pipeline, the less costly alternative, has
apparently been blocked by bad relations between the United States and Iran:
sanctions issued by Washington have inhibited investments and discouraged the
development of the route (Jaffe, 1998; Raballand and Esen, 2006). Thus, there are
three principal regional actors in the Caspian Region at the present time: Russia,
which has inherited much of the Soviet political relevance; the United States and
China, both with important energy interests in the region and concerns about securing
supply. Priorities, however, need to be discerned: China, Russia and the United States
have several reasons to become involved in the Caucasus and Central Asia, besides
oil. Security interests in the wider regional space are of great importance. Cagnat
(2005) argues that American involvement in the region has always been driven by
other considerations than oil riches, testified by Rumsfeld’s discreet visits to
Azerbaijan in 2005. “Attributing a projection 12000 km. from their homes only for
energy reasons is quite reductive”, writes Cagnat (2005:167, my traduction),
advancing the hypothesis that the real reasons behind Rumsfeld’s visit is that of
gaining a position in a region that may permit to counter-balance Russia and Iran at
the same time. Similarly, while in the mid-1990s oil could be the main reason for US
involvement in Central Asia, since 2001, with Operation Enduring Freedom, the
United States has increased greatly its military presence. As noted by Collins and
Wohlforth (2004), following American insertion in Central Asia relations between
China, Russia and the United States have improved greatly, a sign that more than
being a competitive quest for oil resources, relations between the main external actors
in the region are driven by common interests in several security issues such as
terrorism, narcotics and Islamism.
4.4 Preventing, steering, waging conflicts.

Conflicts can menace supply security by leading to temporary shortage of oil in the markets and to price-rises; through their effect on the oil markets, conflicts can provide motivation. Conflicts can also be primarily defined as a limitation of possible options offered to Great Powers, as it is done here. On the basis of this definition, there are principally three ways in which external actors can involve themselves in conflict situations: prevent, steer or wage war. In the first case, actors carry out measures to prevent conflicts, or to limit their indirect affection of the oil markets’ stability. By steering a conflict, external actors seek to reach an outcome that is favourable to their preferences: there is no direct use of force by a Great Power, but support for a belligerent. Involvement becomes direct when actors use military force. Evidence from the four cases offers the possibility to analyze all the three types of action.

Case 1 opens with the direct use of force by the United Kingdom and France, together with Israel against Egypt, a conflict motivated by the Nasser’s nationalization of the Suez Canal; in this case is to note that while oil constitutes a strong motivation to intervention, other possible explanations, such as the general commercial importance of the Canal, and the colonial heritage of the two external powers involved, may have played a major role (Turner, 1983). The behaviour of the United States and the Soviet Union, whose pressures contributed to the French-British withdrawal from the Canal Zone, was strictly aimed at buffering the conflict, avoiding the perils of a large-scale war (Bromley, 1991; Persson, 1998). The outcome of the conflict was a supply disruption: the intervention in itself had as a consequence a limitation of oil flows through the Canal. Another outcome was that, by stimulating the construction of large tankers, the Suez War contributed in lowering the strategic importance of the Suez Canal in relation to oil traffic (Odell, 1986). The 1967 Six-Day war, in which the Great Powers did not intervene directly, had very little effect on the general levels of oil supply: as noted above, the use of the oil weapon by the Arab states was a failure (Yergin, 1991). Again, Soviet and American pressures
yielded a quick resolution of the conflict, but in this case motivations are not related to energy factors (Golan, 1990b:65-67).

In Case 2 there is general absence of conflict situations threatening directly oil supplies. Iran and the Soviet Republics share the Caspian pacifically. Their main interests are located elsewhere, as for Iran, or are on the verge to be relocated elsewhere, as in the Soviet Case. In addition, US and British support for Iran helps preventing possible actions from the Soviet Union, at least until 1965; Soviet arm sales to Iran in the late 1960s, however, can be interpreted as a sign of disinterest for the Caspian region, although it is important to note the détente context in which the deal was made. In the Soviet Republics there are no major conflicts because of the Soviet iron law; repression and other policies aimed at controlling the Republics cannot be considered a conflict-preventive measure, as these are endemic characteristics of the Soviet Regime (Swietochowski, 1995).

Also Case 3 opens with a direct use of force by external actors, although in this case the international community largely participates to the mission. The war is a watershed for several reasons: it was the first large-scale foreign military intervention in the Persian Gulf; it internationalized foreign presence in the region to a larger extent; it provided motivation for massive military build-up by small states in the region and, although several reasons can be adduced for the intervention, it was primarily motivated by the necessity to prevent Iraq from controlling Kuwait’s oil, a move that probably would have made Iraq leader of the Gulf area (Bennett et al., 1994; Noreng, 2003:65; Chapman and Khanna, 2004). It is interesting to note how the main external actors contributed to the war according to their relative interests and presence in the Persian Gulf and to their capability to project force. Whereas the United States, Great Britain, Saudi Arabia and France all deployed large contingents (in decreasing order of contribution), Germany and Japan, both highly dependent on Gulf oil imports, contributed only economically (Bennett et al. 1994). Nevertheless, while giving the first signals of effective European cooperation, the Gulf War seemed
to confirm the perception of the Europeans as nearly passive receivers of a public good provided by the United States (Yetiv, 1995:98-99). To the Gulf war followed a strict control of the Iraq regime, occasionally interrupted by a series of air-strikes conducted by Great Britain and the United States (code-named Desert Fox), whose aim was to degrade (or destroy) Iraqi military capabilities to prevent future expansionism. At a UN Security Council emergency meeting to consider the military strikes, several members (most notably France, China and Russia) condemned the action (Pollack, 2002; Bahgat, 2003:93). Iraq was hit again in 2003 by a coalition of the willing in which the United States and Great Britain were again the major forces. The Iraqi war, however, was justified as a pre-emptive measure because of Iraq’s seek for WMDs. Even if this motivation has been weakened, previous Iraqi expansionism can be seen as a direct threat to Gulf stability and therefore the Iraqi war may be seen as a measure to prevent prospective conflicts. While the 1991 Gulf war had limited effects on the oil market, consequences of the 2003 Iraq War were more important and durable. In the first case, Saudi Arabia’s spare capacity could easily replace the missing Kuwaiti and Iraqi barrels, and the war had little effect on the oil price. In the second case, the disruption was longer and followed by further disruptions in Nigeria and Venezuela (Yetiv, 2004). An important consideration to be made when considering the Persian Gulf is that the overwhelming presence of the British (Case 1) and US Navy (Case 3) in the Gulf actually has reduced the regional actor’s incentives to get involved in conflicts. According to Watt (1973:314), British presence was “essentially regulatory, that of the disinterested peace-keeper”. While it is possible to contest that “disinterested”, it is a fact that naval presence has been regulatory and an important factor in peace-keeping (Yergin, 1991; Yetiv, 2004; Bromley, 2005; Barnes and Jaffe, 2006).

In Case 4, a discreet number of ethnic and territorial issues led to minor conflict situations in the Caucasus. These are security matters that are widely addressed by Russia and international organizations such as the OSCE, although the OSCE’s involvement is based on a feeble Eurasian policy of difficult implementation (Ghebali, 2003). There is very limited involvement on the part of the United States,
that in 1992 issued a ban on direct assistance to the government of Azerbaijan (Section 902 of the 1992 Freedom Support Act, eventually waived in 2002) (Jaffe and Manning, 1999). In Central Asia, separatist and ethnic issues that potentially may trigger a reaction from Russia and China. So far, the Shanghai Cooperation Organization deals with these matters at an intergovernmental level, and has shown signs of progressive consolidation (Fumagalli, 2007:29ff.). Generally, it is to note that conflicts in Case 4 are confined to small portions of territories, and have not produced large scale offensives. The threat to oil exports is existent but limited, attacks on pipelines may have caused some interruption but not large-scale disruptions. There have not been attempts, such as in the Suez War, to gain control of major export routes; nor efforts to seize a country’s oil fields, as happened in Kuwait. The restricted extent of the conflicts, and the modest motivational character provided by oil in Case 4 conflicts (i.e., the absence of a direct threat on supply security), can explain the mellow responses by the United States, the most important among the purely external powers. Russia’s involvement is justified by its proximity, that is, its generally strong involvement in the near abroad.

4.5 Regimes.

Essentially, a regime can constitute a threat or a guarantee for security of supply, depending the strength of its institutions, the foreign policy it conducts and the importance of oil revenues for its economy. The development of regimes is due to previous economic relations and colonial history, as well as other characters, and is not the object of analysis (see for example Owen, 2002; Ayubi, 2001). The aim here is to analyze in which ways Great Powers have assisted polity formation or consolidation, supported regime change, and the connection between oil issues and regime policies. Both in the Gulf and in the Caspian, regimes are mostly authoritarian or even autocratic. In Case 2, stable and institutionalized polities do not require attention: the comparison will be made on the basis of the other cases.
In Case 1, Case 3 and Case 4 is provided large evidence for Great Power policies addressing polity formation and consolidation. In the first case, the United Kingdom and the United States are largely involved in supporting the consolidation of a strong anti-communist regime in Iran after the 1953 coup. The coup, organized by the British and American secret services and perhaps motivated by Mossadegh’s nationalization of the oil industry, has been analyzed in Chapter 3. It has also been noted that after the coup, the CIA was particularly important in forming the Shah’s secret police, an important instrument for maintaining control over the country (Gasiorowski, 1990).

Support for polity change is what happens in Iraq in 1958: the Soviet Union helped the military ousting the Hashemite monarchy that had been put in power by Great Britain and promptly aligned with the new regime (Chapman and Khanna, 2004b; Golan, 1990b:54-55). The move was due to the necessity for the Soviet Union to find an ally in the Persian Gulf, a Region from which was almost totally absent. The shift in regime orientation is evident: “Before 1958, military and economic assistance to Iraq came entirely from the West” (FRUS, 1969-72), while the new regime purchased its weapons almost solely from the Soviet Union and East European countries (SIPRI, 2007). The small Gulf states were, as noted, British protectorates until they were granted independence; state formation based on the Sharifian policy would grant stable, friendly polities. All the small states maintained strong ties to Great Britain throughout the period of analysis (Owen, 2002). It is interesting to note how the United States used a refined mechanism to support local rulers: income tax credits, mostly subsidy of ARAMCO’s position in Saudi Arabia (Adelman, 1995). Companies could deduce from the US income tax payments made to host governments. In this way, US taxpayers indirectly financed US companies’ positions in the Gulf states. The credit had also an effect on prices: the mechanism of income tax credit made royalties deduced from US income tax rather than income, and a price cut would have led to a reduction in producer countries’ income. Since 1959, as posted prices “lost their meaning as a price”, income tax credits became essentially excises (Adelman, 1995:54-55). ARAMCO was also a key factor in ensuring the
normal administration of the Saudi Arabian state: at least until 1953 the company’s own personnel could be employed to support Saudi Arabia’s poor bureaucracy (Owen, 2002:56).

Caspian regimes until the late 1990s had not very strong institutions, and were therefore highly inclined to be influenced by external powers. Elements of continuity with the Soviet Republics have been noted in the previous chapter and in paragraph 4-2, but since the late 1990s, development of the polities have assumed original features and has showed a characteristic tendency to the consolidation of authoritarian regimes. Involvement of external actors in the formation and consolidation of regimes have been limited; as noted above, it is mainly Russia that has become involved in the internal politics of the littoral countries. The United States has been largely absent: as noted by Barnes (1998:10): “assistance to the region, with the exception of Armenia and Kyrgyzstan, is minimal. Given budgetary constraints and the abiding distaste of the American public for foreign aid, this situation is most unlikely to change”. Military assistance follows the rule, although it increased after September 11 and the war in Afghanistan. Recipients, however, are generally not among the littoral states (Ibidem). In 2002, the United States waived Section 902 of the 1992 Freedom Support Act, banning direct assistance to the government of Azerbaijan), the waiver has been extended repeatedly as a measure to counter international terrorism (Chufrin, 2004).

In Case 3, Middle eastern regimes hold relatively firm control on their populations, have complex and advanced bureaucracies and do not need to tax their citizens. But are these strong states or are they simply balancing on a razor-thin edge? According to Ayubi (2001), Gulf states are not strong at all, and could not resist without external support and oil revenues. This view is in line with Cordesman’s (2004) analysis of prospective challenges to the countries of the MENA region. According to Byman and Green (1991), most of the stability of the Gulf monarchies can be explained by endogenous features (see paragraph on regimes, Case 5). Regime change in Iraq was a determined objective of external powers, and a consequence of their own initiative. With the 2003 Iraq War the United States and Great Britain achieved the objective of
removing a major source of political instability in the Persian Gulf and a regime that pursued regional hegemony. Democratic institutions have been established and at the present face the challenge of controlling the country and guarantee stability; so far, evidence supporting the sustainability of a democratic form of government in Iraq is poor (Tufteland, 2008).

### 4.6 Structure of regional security

Evidence collected in the four cases displays a strong interaction between the regional structure for security and involvement of external actors. Regional Security Complex Theory (RSCT) asserts that the regional structure, once formed, becomes the dominant dynamics, and that to the “pattern of rivalry, balance-of-power, and alliance patterns among the main powers within the region […] can then be added the effects of penetrating external powers” (Buzan and Wæver, 2003:47). Studying the regions through the framework of security complexes, in which oil (more precisely, supply security) is assumed as a security priority and regional patterns of relations make up the preferred level of interaction, improves the model’s ability to explain variations in Great power involvement. Regional security complexes are here treated as scope limitation variables. In presence of strong security dynamics among the regional actors, external penetration inserts itself in the regional structure; regional patterns remain important, although extensive external penetration can override these relations (Case 3). When relations between regional actors are weak and cannot be said to form a security complex, security is primarily addressed by external actors (Case 1). Another important contribute of RSCT is to explain the poor regional dynamics found in Case 2 and 4, in which security relations seem to follow the boundaries of their pertaining complexes, instead of manifesting a common attention to the Caspian Sea. This result, however, must be assessed on the basis of the region’s hydrocarbon resources, whose relevance for the two largest regional actors is relatively limited.
Great Power involvement can be related to the regional security structure in several ways: arm sales and the formation of alliances are effective instruments in changing the regional balance-of-power; supporting conflicting parties or participating in conflicts adds an important dimension.

### 4.6.1 Interaction between regional and external actors

In Case 1, the regional dimension of security is, as noted, weak and largely dependent on the presence of the United Kingdom and the rising involvement of the United States. The presence of external powers has been essential in designing the dynamics of the Persian Gulf: the Baghdad Pact can be seen as a first project for a regional security formation, architected by Great Britain with the participation of the United States as a detached partner (Persson, 1998). The Pact was mainly a system of alliances that was to limit the Soviet Union’s expansion, seen as the main threat concerning security policy and whose containment was necessary (Korany, 1976): a Soviet expansion in the Middle East would have threatened “the oil fields in the Persian Gulf, British defense installations, and general British and American security interests” (Persson, 1998:194). Oil resources in the region and the strategic position with respect to communication routes had been the main cause of former Great Power competition for influence in the region (Yergin, 1991; Persson, 1998:41-44). The initiative of a comprehensive policy of containment was British and in a first moment the focus was on an alliance with Egypt; as the latter refused the proposed arrangements twice, the United States’ Northern Tier policy, based on the states immediately south of the Soviet Union, provided the framework, “and the Baghdad Pact was the resulting organization” (Persson, op. cit.:194). The Pact was thus the first attempt to form a security arrangement in the region, architected and implemented by Great Powers that had the objective to protect their oil interests. In the words of French General Catroux, “the policy that has been implemented has been inspired and directed […] as much by the United States as by Great Britain,
without taking sufficiently into account the restraints of France” (Catroux, 1956:20). Nor those of the Soviet Union, that promptly backed the 1958 coup in Iraq, an event that was to tear down a pillar of the policy and the whole Pact, which was re-arrayed and renamed as CENTO, a looser organization that “never really developed into an effective security alliance” (Gasiorowski, 1990:158). Stronger relations between the United States, on the one side, and Saudi Arabia and Iran as regional partners developed later into Nixon’s twin pillar policy, whose formation coincided with British withdrawal (Bromley, 1991:115-117). This policy, however, was not a substitute for British colonialism; rather it marked the beginning of a stronger regional security dynamics and the interaction between this and Great Power involvement in a way which is consistent with the regional security complex framework: regional actors become the dominant forces, leading to the formation of a subcomplex that partially substitutes involvement.

This structure is grossly maintained intact until the second period of observation (Case 3), where developments during the 1970s and 1980s have played an important role in accentuating the main lines of interaction between the major regional powers - Iran, Iraq and Saudi Arabia -, whose relations have acquired a firmer structure in the so-called triangular rivalry (Buzan and Wæver, 2003:191). A sign of this polarization is the Gulf Cooperation Council (GCC), formed as a response to the Iran-Iraq war. In Chapter three, it has been pointed out that the GCC countries are also mainly allied with the United States. European countries, whose Gulf policies converge but are generally not coordinated, have also established firm relations with the Monarchies; therefore, the GCC states seem keen to pursue a “multidependence strategy” (Bahgat, 2003:29). The model of the triangular rivalry, however, has been first weakened by the 1991 Gulf war and the successive air strikes (Operation Desert fox); and then redesigned by the 2003 invasion of Iraq. The intrusive system, based on the prominent role of the United States, has in this case intervened in the Gulf subcomplex, and participated actively in its security relations, producing major changes. An important consideration is needed: the change manifests the will and the attempt to maintain a status quo (i.e., triangular rivalry) continuously menaced by
Saddam Hussein’s expansionism (Bahgat, 2003:75). The general trend of arm sales opens to further considerations: China and Russia are the largest (and almost sole) suppliers of arms to Iran; the United States, France and the United Kingdom are overwhelmingly present in the GCC countries and in Iraq after 2004 (SIPRI, 2007). This clear-cut polarization indicates a possible evolution of the security complex and the intrusive system. Still, it is to note that the EU is Iran’s most important commercial partner (Bahgat, 2003).

4.6.2 Different interaction patterns

Whereas both in Case 1 and 3 there is a very large participation of external powers, whose role is important to the understanding of their development as security regions, such a rich dynamics is not displayed in Case 2, nor in Case 4. In these two cases, security priorities are defined mostly by the presence of a Great Power as a regional actor. And in both cases, relations between the littoral states are weak and make the Caspian security structure much looser than in the Persian Gulf. The composition of regional relations is largely in accordance with the fundamental lines drawn by Regional Security Complex theory; the change during the period of analysis is minimal, as seen in Chapter 3. It is to note that neither the global nor the state-to-state level can be taken as main guidelines for the understanding of this interaction. Still, relations between the main powers involved in the Region, that is, the Soviet Union north and the United Kingdom and United States in Iran, can account for changes in Soviet relations with Iran in the late 1960s, that can be seen as a product of the general détente climate.

More interesting, although still poorer than in the Persian Gulf, is the change in security relations that is displayed after the Soviet Union’s fall. Lacking in structure if seen with the Caspian at the centre, the character of security relations that followed the formation of the newly independent countries acquires a more organic morphology when studied through the lenses of Regional Security Complex theory:
the result is a complex patchwork of bounded territorial relations between neighbours, that only occasionally transcend this rule. In the south, Iran is mainly tied to its position in the Gulf subcomplex; its interests in the region are quite limited and there is no evidence whatsoever of a main Iranian interest in other security arrangements shared by the Caspian states. In South Caucasus, Azerbaijan and Russia share security issue that are related to conflict situations pictured in Chapter 3 and paragraph 4.3. On the other side of the Caspian Sea, Turkmenistan, Uzbekistan and Kazakhstan share common issues of different nature, the space having maintained a pacific character. There are two exceptions to this division: the common belonging to the post-Soviet space and the formation of GUAM, which is related to Russia’s “near abroad” policy.

Great Power involvement is moderate and seems to follows the morphology of regional interactions. As seen above, Russia maintains a strong presence in the whole region, and is by far the main actor in the Caucasus; China and the United States are involved in Central Asia, although to a different extent and with generally different motives and interests (Collins and Wohlfarth, 2004). Oil-related issues account only marginally for the external actor’s involvement, whose main interested is in developing alternative routes for export from the region, a goal mainly achieved because of favourable contextual conditions, such as higher oil prices (Xu, 1998; Raballand and Esen, 2006; Bahgat, 2003).

The general conclusion is that Great Power involvement interacts with the regional security structure in manners that generally correspond with the framework elaborated by Buzan and Wæver (2003), and by the respective importance of the oil-related interest. While in Case 1 a situation in which large resources and poor interaction between regional actors opens to a general external involvement that is very extensive and comprehensive and produces changes in the security structure, in Case 2 the level of Great Power penetration is so overwhelming that the security structure is static and divided between two different security realities. In Case 3, the structure of regional security, previously strong, is weakened by the outcome of the
Gulf war in 1991, whose effect was to open to further external penetration and a change within the subcomplex largely due to variations and contrasts, in force and intensity, of the dynamic relationship between the intrusive system and the regional level. In Case 4, the belonging of the littoral countries to different security complexes is the main reason of a largely loose conformation of the regional security patterns.

The main security space remains the wider RSC; specifically, the Middle Eastern RSC in Case 1 and 3 and the post-Soviet space in Case 4. The possibility to observe a stronger interaction between regional actors in Case 3 is also consistent with the predictions of RSCT, in which the development of a subcomplex implies a more autonomous security dimension.
5. Conclusion

The thesis has explored the problem of Great Power involvement in oil-rich regions from the vantage point of oil as a security issue. The analysis has been conducted on the basis of four cases and a limited number of explaining variables. Regions have been chosen because of their importance in terms of resources, their proximity and the existence of a consistent literature studying issues related to oil development in the countries located in the areas. External actors have been sorted out by considerations related to their capability to project power, their pre-existent interests in the regions or their renewed attention. The variables, applied to the cases, have been useful to define the contextual features to which the general pattern of external penetration has been added. By analyzing, as thoroughly as possible, cross-case variations and the detected effect of the independent variables, I have attempted to examine and relate differences among these cases. Variations in Great Power involvement have been explained on the basis of the interaction between the contextual, regional framework, whose reality limits the scope of action of the actors, and the motivational variables identified by specific oil-related aspects typical for the regions or the period of analysis. The main finding is that oil-related security issues can help to explain variations in Great Power involvement in oil-rich regions to a certain extent. In this conclusive chapter, I wish to briefly reassume these findings; assess the utility of the comparative method and of the chosen theoretical approach; defend the relevance of this work in the scholarly literature and suggest some interesting viewpoints from which it could be fruitful to deepen this study.

5.1 Results of the analysis.

The analysis has pointed out the importance of the explaining variables to the proper assessment of variations in the actors’ behaviour in the cases examined.
Most evidently, the size of oil reserves largely explains variations in involvement. Whereas in Case 1 and Case 3 (the Persian Gulf, 1954-70 and 1990-2006) actors display a clear, constant interest in the security of the regions, manifested by an important involvement along all the scope limitation variables and during the whole duration of the analysis, in Case 2 and in Case 4 the main actors’ interest decreases or increases with the relative importance given to the region. Specifically, in Case 2 a shift of location in the Soviet oil industry weakens the Region’s perceived importance, leading to a net decrease in oil production. The fact that both strategic and economic considerations have played an important role strengthens the starting point based on oil as a security commodity. Finally, in Case 4 interest in the area has been stronger at the beginning of the period of analysis, and has decreased when new estimates have downplayed the region’s role.

Similarly, export limitations have clearly a relevant role in the preferences of Great Powers involved in oil-rich regions. In Case 1, the closure of the Suez Canal triggered French and British intervention, and although Suez’s importance was only partially due to oil movements, abstention from intervention in the second closure (1967) can be explained by the relative lower importance of the Suez Canal due to the development of large tankers and corroborates the thesis that oil was among the motivations for the first intervention. In both Case 1 and Case 3, an important naval presence is mainly justified by the necessity to protect oil flows. In Case 2, again, economic and especially pressing strategic disadvantages linked to export routes may have been among the reasons that contributed to the exploration of new regions; this conclusion is however limited by the scarcity of evidence to corroborate this conclusion. In Case 4, however, it is evident that diversification of export routes is the most important concern for Great Powers, whose main interest is to avoid disruptions and monopoly over pipeline nets.

On the basis of the analysis conducted here, price apparently assumes a secondary importance. It is a major determinant of choices relating to the development of fields in regions where the investment and operating costs are high, as showed in Case 4.
There is no evidence of actions taken to avoid rising prices, although many of the measures taken to grant continuity of supply has also the effect of stabilizing prices. Rather, the analysis shows the importance of Great Power involvement in explaining variations in prices. This conclusion can be drawn on the sole basis of evidence provided in Case 3, and is mainly due to the overwhelming importance of the Persian Gulf states for world oil supply.

Scope limitations variables have proved useful in explaining how external actors participate in the regional political framework in terms of opportunity and limits.

The conflict variable has shown that Great Powers can basically try to prevent conflicts, support one of the belligerents parts to pilot the outcome, or get directly involved by using their capability to project force. The analysis seems to underline the general preference to maintain the status quo as long as regional powers accept it, making the region unstable. Sources of instability are generally addressed with the first two options, and direct conflicts are therefore to consider as not-preferred options. It is to stress that the intervention to subvert the Hussein regime is, on the basis of evidence from the other cases, an important exception. As noted, this event can probably be justified by the long-term threat the regime has posed to the stability of the region since the 1980s. Case 4 strengthens this view.

Regimes constitute an important limit - or opportunity - for the external actors’ behaviour in oil-rich regions. As noted, it is difficult here to find a pattern of action other than the very general lines of formation, support or opposition and subversion. The evidence suggests that involvement in the formation of regimes is limited to cases where the external actors have been present in the region with colonies, and that the use of this option has decreased importantly. Contrarily, support and opposition have been and are a widely utilized strategy (all four cases display evidence supporting this conclusion), though presently limited to the establishment or the prohibition of commercial and military agreements.
Finally, patterns of Great Power involvement are apparently well inserted in the structure of regional security. As asserted by Regional security complex theory, Great Power penetration is more important in extent and forms in regions where relations between states are not yet developed in their complexity. Moreover, it seems possible to note that the main lines of security complexes framed in Buzan and Wæver (2003) can explain variations in the approach to regional security by external actors. The theory seems to capture also variations over time. In Case 1, the logic of global rivalry is initially dominant and suffocates the interplay between regional actors, retarding the formation of the complex, whose formation is possible after the withdrawal of the main external power (Great Britain). The same passage is to be seen between Case 2 and Case 4, although the Caspian region is divided into several complexes. Moreover, it is important to note that the relative capabilities of external actors, as well as their global alliances, play an important role in defining which actors can actually play a determinant role in regions.

5.2 On model and method.

It is therefore possible to argue that the chosen model, the comparative method and the theoretical framework used to explore the regions from a security point of view can seemingly yield some robust inferences that can provide a basis to generalization. The theory, that here has been used only as support and not as a comprehensive analytical tool, seems to provide a good framework for analysis. Its potential is only partially developed in this research. On the other side, the model has integrated RSC theory with previous studies, especially Cantori and Spiegel (1970), whose account of the intrusive system is better developed than in Buzan and Wæver (2003), although precisely because of its excessive broadness and articulation is of difficult application if not properly limited. The resulting construction seems useful when the aim is to capture more fully the reality of Great Power involvement in oil-rich regions, as it has the potential to contribute to the understanding and explanation of
the dependent variable from a richer variety of angles. It may also be useful when the focus is not on Great Power involvement, or when the objective of the study is to detect or enlighten different aspects of the relationship between global actors and the regional level. There are some major problems that are inherent in the model: when applied to a field in which non-state actors, such as the International oil companies, can have political relevance, the model is not refined, and does not have the instruments to assess the relative importance of their actions. If the need is to study in detail the role of such actors, the model can be integrated with elements from International Political Economy.

The comparative method seems a comfortable approach when dealing with area studies: it combines the richness of the case study approach with the possibility to extract more general inferences by comparing the cases. The difficulty of using it in area studies arise because of the need to take into account a large amount of information. Simplifying the model is an alternative that could lead ease of use and stronger predictive power for the conclusions; the price to pay is loss in insight. On the wake of the attention to the phenomenon of regionalism, the application of the comparative method to area studies may acquire a renewed place in the literature.

5.3 Place in the literature.

The place of a master thesis in the scholarly literature is usually very limited: this paragraph is a reflection about the usefulness of the approach used in the development of the study of International Relations. It is based on some basic assumptions: first, a comprehensive study based on the approach chosen here is useful inasmuch it systematizes knowledge while providing a basis for its causal interpretation. Moreover, regions are seldom studied as objects of comparison, as already noted in Chapter 2, and the task of understanding regional international politics can therefore convey interesting angles of interpretation. Additionally, the
matter treated here seems promising and interesting, and needs more attention: the scholarly study of the relationship between oil and politics can help to eradicate unjustified or exaggerated beliefs and claims and provide equilibrated analyses of the factors whose importance is real, and not only alleged. For example, the analysis does not show support for claims of a new Great Game with the Caspian Region as the prize. Are there any ways such as study may provide useful for something else than the field of study in which it naturally finds its place? For policy-making, just to cite an example, the implications of providing new ways to understand facts and knowledge can be important or even decisive. I have tried to understand specific events, and explain their causes with the starting point in defined and specific subsystems. There are many other ways to study these problems.

5.4 Suggestions for further research

The combination of cases, variables and evidence utilized in this thesis is the product of a judgment and constitutes only a fraction of the possible combinations available to scholars endowed with curiosity and knowledge.

A natural starting point would be to use the same model to compare other regions, refining the model and testing it at the same time: completing the picture will permit to gain precious information and to show if the model actually works when applied to regions in which other global actors are relevant; in which colonial history has not been so a so heavy heritage as in the Persian Gulf; in which regional actors and the regional security structure is different; or in which the oil industry is built on other premises. The Pacific Rim, the Gulf of Mexico, the North Sea, and North and West Africa are all interesting candidates to a potential broadening of this research. An alternative strategy would be the opposite: reducing the research to look closer at the role of specific actors positioned in different regions. I have stressed the role of Iran as a hinge between the Caspian and the Persian Gulf; as its relevance for the
understanding of dynamics has been a constant in the four cases, focusing on this kind of role may be a fruitful analytical approach.

Another possibility is to use other time settings: I have deliberately chosen to focus on periods in which relations between Great Powers are relatively relaxed and stable, but studying the same regions during warfare can give insight in which choices are made during crises and what kind of behaviour emerges, if it is collaborative, competitive or hysterical.

Further, it can be interesting to change the market premises. In the cases presented here, power in the oil market was either held by non-state actors or more diffuse among the three actors in the oligopoly (consumers, producers, companies) and subject to forces that these actors could not control. What kind of choices do Great Powers have when market power is held by states? This question leads to another variable whose potential has not been fully used: price. This study has not studied reactions to price shocks in depth: the first period of analysis presented a situation in which price were stable and there was plenty of oil in the market. In the second period analysed, there are frequent episodes of scarcity in the market, which means, moments in which the balance between supply and demand is perceived as tight. In these conditions, consumers are mostly price takers, although for different reasons.

Another possible interesting aspect to consider is what kind of interests actors have in the oil industry, that is, to consider the producer-side of the actors. The United States, the Soviet Union, Russia and Great Britain are also producers, other than consumers, implicating that their own domestic oil industry is significant to the formation of their energy policies. Among the reasons taking China away from the Persian Gulf in the first case was its self-sufficiency. What kind of relevance has the domestic oil industry for actors involved in oil-rich regions?

Finally, the framework of supply security as described here is also incomplete: since the 1973 embargo, consumers have taken several measures to improve their ability to manage a crisis. An evaluation of the importance of these measures, and an
assessment of the role of the International Energy Agency (IEA) as a monopsony organization would add information and thus increase the model’s explaining power. At the same time, it could mean a loss of parsimony and make the model too complicated.

What is important to stress is that the possibilities offered by different combinations of variables, settings and actors are numerous: this study has not only explored a very limited portion of the globe’s surface, but an even more limited part of the possibilities given by the instruments of scientific research to an imaginative mind.
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