

What's Next for the Caspian Region

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Russia & Central Asia

Oct. 26 2017

Situated at the crossroads of Asia and Europe, the greater Caspian region (Central Asia and the Caucasus) plays an oversized role in geopolitics. With several global and regional powers nearby, it is an arena for strategic competition, and domestic developments are closely correlated with the behavior of those major geopolitical players. In recent years, these powers have altered their policies toward the Caspian region. How these changes affect the interaction between global and domestic politics will shape developments there.

Change in the status quo

The Caspian region directly borders superpowers Russia and China, as well as several regional powers: Europe, Turkey and Iran. These powers – as well as the United States, the only superpower located outside the area – vie for geopolitical advantage in the region.

The competition is not only due to the concentration of powers, but also its unsettled security hierarchy. Russia has the strongest influence on security, but China, the U.S. and, in the South Caucasus, also Turkey and Iran, are challenging Moscow's dominance. Most countries in the region want more U.S. support to balance and potentially deter Russia, China and Iran.

The region also serves as a neutral meeting ground for representatives of Russia and the U.S. For instance, in February 2017, General Valery Gerasimov, the chief of the General Staff of the Russian Armed Forces, met with his U.S. counterpart, General Joseph Dunford Jr., in Baku, Azerbaijan. The main Syrian peace talks are held in Astana, Kazakhstan's capital.

In recent years, global and regional powers have made some significant changes in their policies toward the Caspian region. First, China's behavior there is challenging the status quo. Its Belt and Road Initiative (BRI) places the Caspian region at the center of its efforts to facilitate trade with Europe and the Middle East. The policy envisions huge investments around the Caspian that are likely to give Beijing greater influence. China's growing sway, though formally only in economics and infrastructure and not explicitly in security, will probably elicit Russian and local opposition down the road. While states in the region have courted Chinese investment, Beijing's increasing economic involvement may soon reach a tipping point, leading to a backlash, especially in Central Asia.

Moreover, it is unclear how successful the BRI will be. China is betting on the continued importance of land-based transportation, which could be undermined by new technologies. Such changes have altered the Caspian region's geopolitical significance in the past: during periods when land transportation was dominant, this largely landlocked part of the world served as a center of economic, scientific and intellectual activity. However, when sea transport has led global trade, the region's influence has waned. Depending on technological developments in transportation, the BRI could take its place in history alongside mega-projects

such as those that were common in the Soviet Union, draining resources and bringing little benefit.

Russia's influence in the Caspian region has greatly increased over the last decade, especially in the Caucasus. In contrast, Turkey's involvement in Central Asia has declined as Ankara has focused on security threats. Turkey's turbulent relations with its NATO partners also means it no longer channels the alliance's activity in the region, as it did in the first 15 years after the collapse of the Soviet Union. However, in the South Caucasus, Turkey's influence is still eminent.

The two wild cards in the region are Iran and the U.S. Iran, newly free from most international sanctions and with renewed political ties to Europe and other regions, is now better able to exert more influence in the region. However, Iran may be facing increasing domestic security threats (terror attacks, as well as Kurdish, Baluch and Ahwazi Arab insurgencies). Some of these are influenced by developments in the Caspian region, potentially constraining Iran's activity there.

The U.S.'s position is also unclear. In the decade following the Soviet collapse, Washington had vast influence over the region's security. Not only was the U.S. highly committed to the area, but most of the states there desired a strong U.S. presence to bolster their independence and serve as a counterweight to Russia and Iran. During the administration of President Barack Obama (2009-2017), Washington showed little interest in the region, and its influence waned.

Under the administration of President Donald Trump, U.S. policy toward the region is still developing. President Trump's decision to continue deploying troops in Afghanistan will most likely make reviving alliances in the region an important part of U.S. strategy. Additionally, in its quest to constrain Iran, Washington may find it useful to partner with states in the Caspian region, as it has in the past when trying to contain Tehran. If the U.S. returns to an activist security policy in the Caspian region, it will be received well by local states.

Domestic politics

Countries in the region have, by and large, succeeded in establishing solid state institutions. Since 1990, Uzbekistan, Turkmenistan and Georgia have remained stable during political transitions. At the same time, major powers continue to meddle in their domestic politics. Despite this, the governing elites of most of the states in the region have managed to promote their national interests and implement independent policies. However, due to external pressure, several of the states have abandoned clear pro-U.S. foreign policies in favor of more neutral ones.

Most of the countries in the region have also successfully established civic identities. Accordingly, the region's leaders frequently stress the notion of commonality among the polities within each country, regardless of ethnic or religious heritage. A reflection of this is the official emphasis on the territorial-based names of the nations that inhabit the region – Azerbaijani, Kazakhstani, Uzbekistani, and so on, and not ethnic names (Kazakh, Uzbek, etc.).

Despite the large disparity between the political and ethnic borders in most of the region, large parts of it have avoided ethnic conflict since independence.

Muslim extremists have targeted the secular systems in Caspian region states

In Central Asia, the initial post-Soviet leaders strictly recognized the borders between the Soviet-era republics as the international borders between the new states and took strong action to prevent intervention on behalf of co-ethnics in the region. In contrast, in the Caucasus, Armenia and Russia challenged the Soviet-era borders and occupied territories in neighboring Azerbaijan and Georgia.

Next stage

Among the global trends that will affect the region's future are the prevailing technologies of mass trade (land-, sea- or air-based) and changing attitudes toward international free trade. Struggles within the Muslim world over models of religion and state will most likely have an impact as well. The Muslim-majority states of the Caspian region offer a unique, completely secular state model. In fact, Azerbaijan is the only secular Shiite-majority state in the world. Muslim extremists have targeted the secular systems in Caspian region states, and this threat seems to be growing.

The relative influence of Russia, the U.S., China, Iran and Turkey will have a big impact on the future of the region. Because domestic developments in the region are often affected by the actions of the external powers, it is difficult to separate external and domestic trends. Several trends are therefore likely over the next decade. First, the future of the Caspian region will vary considerably by subregion, especially as it relates to conflict and cooperation. In Central Asia, there is a growing tendency for intraregional cooperation. In contrast, the likelihood of violent conflict in the South Caucasus is growing, and the heightened tension between Moscow and Washington raises this probability. There are three major conflicts taking place in the South Caucasus: the Russian occupations of Abkhazia and South Ossetia, as well as the Nagorno-Karabakh conflict, where Armenia occupies close to a fifth of Azerbaijan's territory. At the same time cooperation between the subregions seems to be growing, especially between Azerbaijan and the Central Asian states.

The region's economies will probably remain based on the export of natural resources

Second, state institutions will continue to strengthen in all of the region's countries, increasing their resilience to threats from Islamic extremists and (mostly) to meddling by the region's neighboring powers. Third, the mega-infrastructure projects led by China in the region will not have a significant impact. Many will not be realized, while some will become white elephants. Asian companies will, however, play an increasingly important role in the region's economies. Lastly, the region's economies will probably remain based on the export of natural resources. While economic diversification is a popular concept for development and policy experts, few major exporters of oil and natural gas have succeeded in diversifying their economies. The

Caspian region will probably not be an exception. This will continue to link the region to major energy import markets in Europe and Asia.