

# Domestic Politics and Russia's Caspian Policy

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The known volume of Caspian oil and gas reserves is immense, and new discoveries are reported regularly. With deposits of oil alone totaling perhaps 200 billion tons, the Caspian stands to become the third most important source of international reserves in the coming decade (after the Persian Gulf and Siberia). Yet for Russia the blessings are mixed. Russia's own share of Caspian deposits is marginal; by far the largest deposits fall within the national zones claimed by Kazakhstan, Turkmenistan, and Azerbaijan. The vigorous competition for oil wealth on the part of Western, Japanese, and Middle Eastern companies is disquieting to many as a reflection of Russia's declining influence. Moreover, it raises the danger of severe environmental degradation. The question, then, is what Moscow--and beyond the center, what the Russian provinces of Astrakhan, Dagestan, and Kalmykia--want to do about the energy boom.

## **National Politics and the Caspian**

Russian politics is marked by sharp struggles between factional groups jockeying for control. Given this fact it is not surprising that official statements and actions regarding the Caspian often appear incoherent. Indeed, an extraordinary reflection of state weakness and elite conflict is that there are two groups pursuing essentially independent Caspian policies simultaneously. The first group, which is associated with the Foreign Ministry and which may be termed the geopolitical coalition, has demanded a combination of environmental protectionism and shared ownership of resources by all states bordering the Sea. The upshot of this position is to give Russia veto rights--or possibly equal extraction rights--regarding any proposed development project. The other group--which may be called the pragmatic coalition--has accepted the principal of individual state ownership, and has worked to maximize the share held by Russian firms in extraction and transportation projects. Associated with this policy debate is a juridical dispute about whether the Caspian should be considered a "sea" (subject to national EEZs (exclusive economic zones) in keeping with the Law of the Sea) or a "lake" (implying some form of joint ownership). The pragmatic coalition accepts the "sea" definition, as is also argued by Azerbaijan, Kazakhstan, and (more tentatively) Turkmenistan, whereas the geopolitical coalition favors the "lake" definition, as does Iran.

At first blush the geopolitical group's approach to the Caspian region appears to reflect a recognition of the need for environmental protectionism and, consequently, international cooperation. Leading Foreign Ministry officials have called for the establishment of a strict ecological regime governing the sea basin, including protection of natural resources, ecologically sustainable approaches to mining deep seabed and coastal deposits, safe navigation practices and transportation routes, and cooperation in managing the sea level (which has risen dramatically

over the past 20 years). Beneath the surface, however, such attitudes are driven by political calculations.

The ultimate objectives pursued by the geopolitical group are somewhat diffuse. Realpolitik elements tend to regard legal disputation as a form of leverage for increasing Russian involvement in Caspian projects. Virulently nationalist elements are more opposed to foreign intrusion into the region, per se, and to the tremendous gains in wealth and autonomy that Caspian development promises to Kazakhstan, Azerbaijan, and Turkmenistan. In the process, foreign--especially American--influence would supplant Russia from its traditional sphere, a point that connects the Caspian issue with NATO expansion. Yet despite these differences in emphasis, members of the geopolitical group agree in viewing Caspian issues in essentially political terms, and in using environmentalism as an excuse for blocking unacceptable outcomes.

By and large, the geopolitical group reflects the lingering existence of an ideological foundation that was shaped during the Soviet period. In this respect the Caspian debacle embodies everything that ended with the fall of the USSR: international prestige and influence, domestic order, and the social leveling associated with welfare entitlements. The prospect of vast enrichment by private elites, in league with Western and Japanese corporate interests, is perceived to be part and parcel of the larger decay of Russian values. For the same reasons this traditional orientation in foreign policy is associated with a strong preference for centralism in domestic policymaking, and for some form of central management within an artificially integrated CIS political and economic system. This involves mobilization of resources for state (including military) purposes, and implies an ideology consistent with national expansionism as well as a high degree of state control over foreign trade.

Although the pragmatic approach is also rather diverse, it tends to be associated with a far greater degree of decentralization. This is consistent with a loose federal or confederal system of governance in which regional administrations serve parochial interests regardless of their affinity for overarching national goals. It also involves an agnostic and essentially functional approach to CIS integration, according to which sectoral linkages are justified on economic, not political grounds.

These contrasting attitudes between the geopolitical and pragmatic groups reflect profound differences in their social composition. The pragmatic coalition reflects the increasingly powerful position occupied by the financial-industrial oligopolies that have sprung up in recent years. Prominent among them are oil and gas elites or individuals with close ties to this sector, who have managed to promote their interests in the Kremlin, the State Duma, and at the local level in the Caspian basin. This includes figures such as Boris Berezovskii, a Deputy Secretary of the Security Council and a leading banker with holdings in oil production and transportation companies; Vladimir Potanin, the head of ONEKSIMbank and until March 1997 First Deputy Prime Minister; and senior officials at the Ministry of Oil and Gas, who have been able to utilize personal connections to circumvent the Foreign Ministry's policy. And behind the scenes stands Prime Minister Viktor Chernomyrdin, whose background as chairman of Gazprom seems clearly linked to his resistance to the Foreign Ministry's line.

The geopolitical group represents an outlook shared by many who have lost out in the social, economic, and political reconfiguration of Russia. This includes, first and foremost, the immediate architects of Russian policy within the Foreign Ministry: Evgenii Primakov and his deputies. The analytical and ambassadorial corps of the ministry has changed relatively little since the fall of the Soviet Union, and many of its members still hold fast to the values, assumptions, and ambitions of their formative years, even if the revolutionary-ideological tilt is now gone. In addition to such holdovers within the foreign policy establishment, the geopolitical group represents hard core Russian nationalists and elements of the military-industrial complex which have not adapted well to the demise of massive defense spending. Finally, a peculiarity of this policy issue is that nationalists are able to find common cause with environmentalists-- which, however, are a beleaguered group lacking much influence.

### **Local Politics and the Caspian**

The interconnections between domestic politics and foreign policy on this issue are further revealed by examining the way in which Russia's Caspian policy plays out at the regional level. The key linkage concerns the importance of local politics for the attainment of central policy goals, and centers on the increasingly powerful office of the regional governor. To some extent this is due to the institutional division of authority, since under the present Constitution the role of governors is enhanced by their guaranteed seat in the Federation Council. But even more important, implementation is a critical aspect of policymaking in Russia, since the process of formulation is so sharply fragmented. Consequently the ability of one or another faction to gain supporters within the bureaucracy and at the local level, so as to ensure the consistent enactment of desired policies, is a fundamental component of political power. From a bottom-up perspective the opposite holds true: authority and political leverage rest partly on the ability of local actors to gain support from central agencies, which can deliver the "goods" of investment, tax relief, transfer of property rights, and legislative autonomy.

Specifically with regard to Russia's Caspian policy, the feasibility of either the pragmatic or geopolitical approach is contingent on implementation in the maritime provinces of Astrakhan, Dagestan, and Kalmykia. Without political allies and unimpeded access to local infrastructure, the extractive program of the pragmatic coalition cannot be realized. Similarly, without local support for restrictions on pipeline construction and unilateral state extraction projects, the geopolitical policy would be undermined. This local capacity to "make or break" either policy means that the competing factions must cater to local needs to a considerable extent. For local officials this means a quid pro quo: implementation in return for various political and economic concessions.

The general attitude of the local administrations in all three provinces is similar--in favor of participating in extraction and transportation schemes. Each province has actively sought integration into the broader regional and international economy, soliciting trade and investment deals with all other states of the Caspian basin. This common position is determined by the shared need for revenues, since only the pragmatic approach offers immediate monetary rewards. Yet even if the outcome is effectively determined by financial exigency, the political picture is

considerably more complex, and offers insights into the nature of center-periphery relations as they affect the evolution and prospects of Russia's Caspian policy.

Both Dagestan and Kalmykia have relatively weak ties to the center, poorly developed infrastructures, and critically lagging economic output. Kalmykia is desperately impoverished and lacks substantial, proven oil deposits on the Caspian coast. Dagestan at least has some prospects for improving its position due to the possibility of new pipeline construction to bypass Chechnya. Such a development would provide Dagestan with significant transit and investment moneys, and could provide the province with more economic and political leverage within the Russian Federation.

Indeed, were this to transpire Dagestan would be in position to capitalize on the opportunity through the involvement of its native son, Ramazan Abdulatipov, who is currently Deputy Prime Minister in charge of ethnic relations, national state-building, and regional problems. And yet Dagestan is widely viewed with suspicion as a culturally separate, religiously dangerous, and politically explosive entity. At least for the foreseeable future its influence in the center--and its significance as a bargaining lever in Caspian policy--is likely to remain marginal.

Of the three Caspian provinces, Astrakhan is by far the most well-off in economic and political terms. In contrast to Kalmykia and Dagestan, Astrakhan is relatively solvent (or at least less insolvent than most regions in Russia) and enjoys a much higher level of political stability. It is a key transit point for energy and other goods along the entire Volga River and from countries to the south, has a well developed infrastructure and industrial plant, and is more important for fishing than the other provinces because the Volga basin lies on its territory. Finally, the oblast governor Anatolii Guzhvin is widely respected as an energetic and capable manager, and is distinguished by his strong local and national bases of support. Astrakhan, then, matters most among the littoral provinces in its ability to assist or, alternatively, impede the realization of either the geopolitical or pragmatic policy.

As already mentioned, energy revenues are tremendously alluring, and the oil and gas lobby is powerful. Governor Guzhvin has encouraged oil and gas prospecting on oblast territory, and has worked to accelerate construction of Astrakhan's section of the main pipeline from Kazakhstan's Tengiz field to Novorossiisk on the Black Sea--a sure source of hefty tariff revenues. In return for permission to develop two oil fields, Lukoil promised to make Astrakhan its regional headquarters, thereby helping Guzhvin to coopt local construction and shipping elites. Thus to a significant extent Guzhvin supports the policy of the pragmatic coalition. Moreover, he represents democratic and market approaches to Russian development (against powerful Communist Party opposition). Guzhvin has pursued economic cooperation with neighboring provinces; has signed a decentralizing power-sharing agreement with Moscow; and has eagerly solicited foreign capital and helped cobble together joint-stock initiatives. He has also gained economic concessions from the center in the form of construction funds, fishery investment, and an increased share of customs revenues.

Yet in Astrakhan there are ambivalent attitudes. Whereas on the national stage environmentalism is cynically manipulated by the geopolitical group, for the local populace it is a prominent and genuine issue, which Guzhvin has tried to coopt by embracing the notion of "sustainable

development." Thus, although Guzhvin and his associates have so far frustrated the geopolitical policy and instead thrown in their lot with the pragmatic coalition, this is not an immutable fact. If the regional ecology were to be significantly damaged by incautious energy exploitation, the economic and political consequences could be enormous. Although it seems unlikely, such an outcome could conceivably discredit the pragmatic approach wholesale, leading to a reassertion of nationalistic policies in reaction to the pernicious influence of outside actors. Perhaps more likely in this event would be the emergence of a powerful environmentalist impulse, which would curtail energy extraction and which could--at least at the local level--lead to the ouster of reformist elements and their replacement by the Communist Party or other opposition groups.

## Conclusions

1. The geopolitical group has lost out in the debate over Russia's Caspian policy. It has been unable to prevent exploitation in practice, by Russian as well as foreign firms, and seems unlikely to be able to do so in the future (its apparent success in the recent Turkmenistan-Azerbaijan squabble is due to uncertainty about state borders in this sector and a reluctance to take sides, and does not reflect a principled position). All indications are that the Yeltsin administration is leaning in the direction of accelerating Russia's involvement in Caspian energy exploitation, as reflected in the government's August 1997 announcement of a tender for developing several fields claimed by Kazakhstan, and which are to be offered exclusively to Russian firms.
2. The victory of the pragmatic approach reflects the influence of financial-industrial elites at both the local and national levels, as well as the overwhelming pressures for short-term revenue maximization.
3. The victory of the pragmatic approach also indicates the emergence of a competitive but potentially accommodating Russian foreign policy posture, as well as a decentralized, structurally democratic, and oligopolistic-market orientation in Russian politics.
4. Environmentalism is a key local issue and could, under certain conditions, become important for Russia's operational Caspian policy. However, it is not currently a major priority within the pragmatic agenda, and it does not have strong popular or institutional support in Russia.