

their original states. Though certain problems are specific to each conflict and call for a specific response, the Caucasus region as a whole cannot regain stability and security unless the solutions proposed take each of these conflicts into account.

1.1.4 Oil resources of the South Caucasus

The presence of natural resources, especially oil, is a factor that can offset a certain lack of interest in this region on the part of the international community. From this standpoint, the South Caucasus enjoys a considerable advantage over the SEE region. Oil development calls for money from international investors, which opens up prospects of major subsidies and a continuous flow of hard currency into the region.

The growth of Caspian Sea oil development and its transmission to Western markets⁷ affects, not only Azerbaijan, but the entire Caucasus, due partly to the choice of transmission routes, which has become a highly politicized issue in the region. These considerations sometimes fly in the face of economic logic, which would choose the routes cheapest to operate.

Corporations prefer to finance the construction of oil and gas pipelines that bypass unstable areas or are obliged by US legislation to finance regions felt to be unacceptable in the eye of the US government. As well, the development of the oil and gas resources of the Caspian Sea gives rise to a legal debate about the status of that body of water – is it a lake or a sea? – which is dividing the coastal states into two camps with major implications for regional stability.⁸ If it is a lake, the coastal states have to share the product of its development equitably. Russia and Iran, which would have the poorest shares, prefer this position. On the other hand, if it is a sea, the law of the sea would apply and the oilfield would be carved up into sectors. This is the position taken by Azerbaijan, Kazakhstan and Turkmenistan, being the best endowed.

1.2 Problems with stability

1.2.1 Problems with representation of all groups

Since the seventeenth century, the dominant form of social organization has been a system of states. In this system, ethnic and other types of groups that stress the protection of collective rights aspire to some kind of share of national power. After the independence movements of 1991, the “titular groups”⁹ monopolized power in their respective capitals and refused access by minority groups to the structures of government. Some of them even developed overtly xenophobic policies toward other groups. The abrupt accession to independence of certain titular nationalities was perceived by the other groups as an injustice, or an uncompleted process to free the peoples of these regions.

⁷ See Netherlands Economic Institute, *Evaluation of the Tacis Interstates Programme in Environment*, Evaluation Unit of the Joint Service for External Relations of the European Commission, September 30, 2000. <<http://europa.eu.int/comm/europeaid/evaluation/reports/tacis/951553.pdf>>.

⁸ Lester W. Grau, “Hydrocarbons and a New Strategic Region: The Caspian Sea and Central Asia,” *Military Review*, Vol. 81, No. 3, May-June 2001, pp. 17-26. <<http://www-cgsc.army.mil/milrev/English/MayJun01/PDF/grau.pdf>>.

⁹ By “titular groups,” we mean ethnic groups that have been nominally assigned a territory which bears their name and where they generally formed the majority during the administrative organization of the USSR and former Yugoslavia.