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DATE: APR 2007

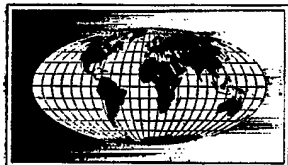
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Directorate of Intelligence



Economic Intelligence Weekly

CIADT ----- | EIW 98-016 -----

25 April 1998



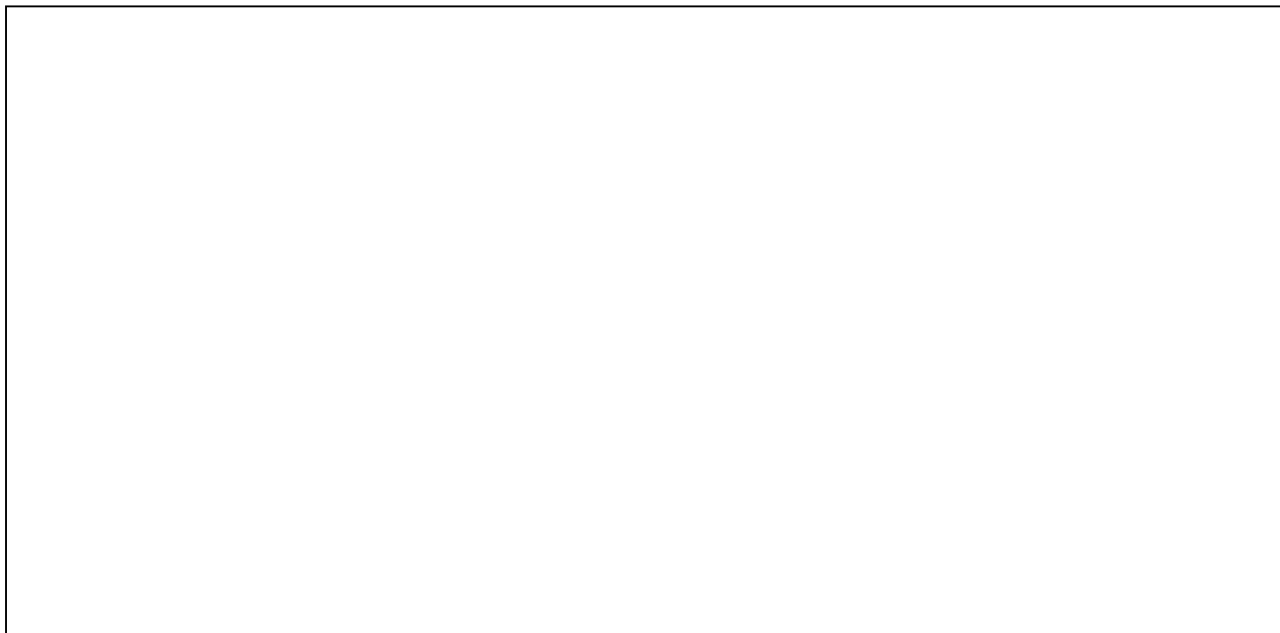
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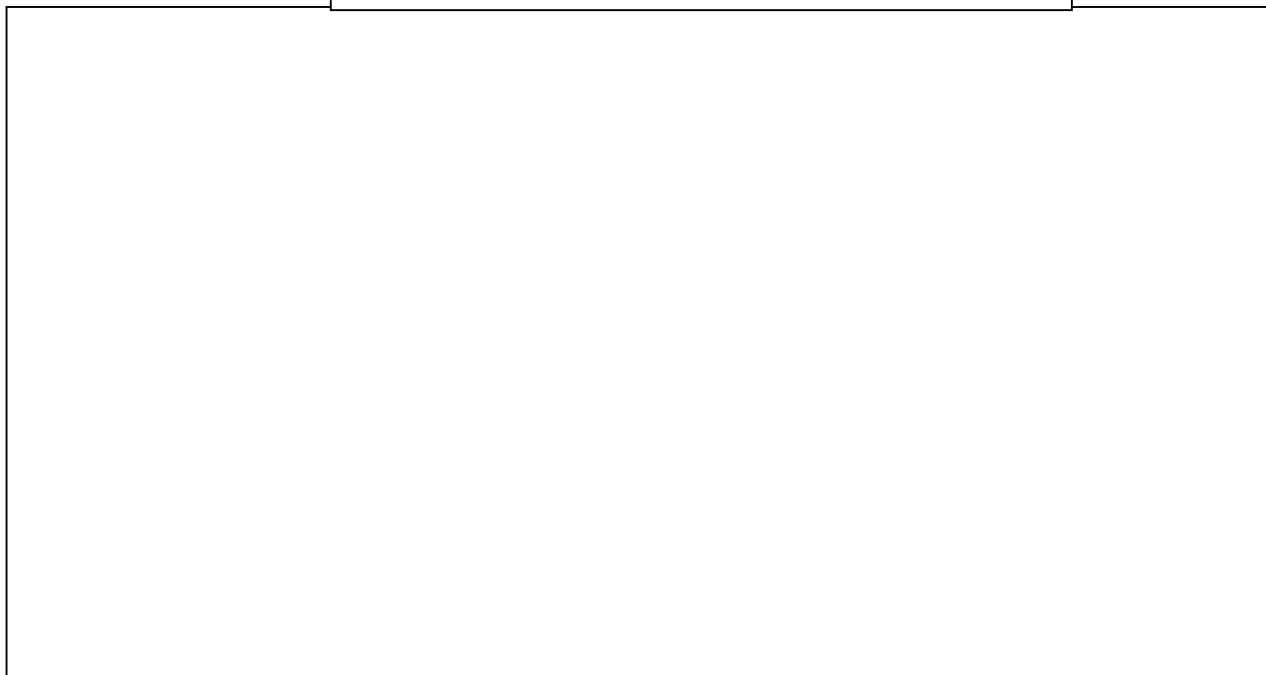
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Caspian Sea Demarcation Remains Obstacle to Cross-Caspian Pipelines

The Caspian littoral states are moving toward accepting a sectoral division of the Caspian seabed but remain divided over how to treat water resources, including fisheries, environmental management, and navigation rights, according to local press reports. Russia and Kazakhstan plan to sign an agreement this month to divide the seabed resources into national sectors based along an equidistant median line and jointly manage water resources and navigation.

— Azerbaijan and Turkmenistan support a full division of the Caspian Sea into national sectors along a median line, but they disagree over the method for drawing their common maritime boundary.

— Iran—publicly and in some diplomatic exchanges—continues to call for joint ownership of the sea,

The dispute between Baku and Ashgabat revolves around the ownership of three fields in the central Caspian—two of which are under development by the Azerbaijan International Operating Company—and neither side appears willing to compromise sufficiently to move negotiations forward. Turkmen President Niyazov has said a cross-Caspian pipeline cannot go forward until the dispute is resolved.

— Iran, should it accept a sectoral division of the sea, could claim a larger share of the sea using a median line approach than what it is allocated on current Azerbaijani and Turkmen maps. Its proposal for equal division of the sea would give it an even greater share.

Even if boundary issues could be resolved soon, Russia and Iran would challenge proposals for cross-Caspian pipelines on environmental grounds. Russian officials have told cross-Caspian pipelines are environmentally unsound and could threaten the sturgeon population.

— Moscow's insistence on joint management of water resources suggests it would argue that it has veto power over any cross-Caspian pipeline.

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