

## AZERBAIJAN

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### THOMAS R. BUCHANAN Political Officer Moscow (1962-1964)

*Thompson R. Buchanan was born in California in 1924. He received a bachelor's degree from Yale University in international relations in 1947 and served in the U.S. Navy during World War II. Mr. Buchanan entered the Foreign Service in 1948. His career included positions in Paris, Frankfurt, Moscow, Bujumbura, Libreville, and Leningrad. This interview was conducted by Charles Stuart Kennedy on March 15, 1996.*

*Q: I would like to talk a little about the embassy first.*

BUCHANAN: Well, I took over from Spike Dubs in Moscow. As I said before, I arrived with the arrogance of youth, and of a professional with more continuity in Soviet affairs than most of Foreign Service colleagues. But that as my only advantage. I had to learn from scratch what had become old hat for most of my colleagues, namely, how to write a cable, protocol issues, how to make a call on the foreign ministry, etc. But it was an exciting time. Within the first two weeks, I went on a book buying trip with the publications procurement officer, Bill Morgan. We went to the Caucasus, first to the Baku, where the KGB agent watched us, slipped and fell on his face in the first heavy snow the city had in 25 years. Security kept getting tighter and tighter. We were

placed, in effect, in a closet with clothes hung all around us as we flew into Yerevan. We were allowed, however, to take a train along the heavily guarded border with Turkey, with its ploughed areas and border guards on horseback. On the high hill above Tbilisi, Georgia, near Stalin's statue, we suddenly read on a wall poster that five of our Embassy colleagues had been PNGed. The Soviets had finally caught our spy, Colonel Penkovsky. Lovely Taenia, Intourist guide, showed us around town, explaining how a radio commentator, who was a direct descendant of the Kings of Georgia, had recently married a girl of the same sort of noble lineage. At the airport, Taenia managed to get our 40 boxes of books onto Aeroflot, despite the glowering presence of two huge thugs, in green felt hats and comically wide pants, standing over us...Hollywood casting...

**WILLIAM T. PRYCE**  
**Publications Procurement Officer**  
**Moscow (1966-1968)**

*Born in California and raised in Pennsylvania, Mr. Pryce was educated at Wesleyan University and the Fletcher School of Tufts University. After service in the US Navy he worked briefly for the Department of Commerce before joining the Foreign Service in 1958. Though primarily a Latin America specialist, Mr. Pryce also served in Moscow. His Latin America assignments include Mexico, Panama, Guatemala, Bolivia and Honduras, where he was Ambassador from 1992-1996. Ambassador Pryce was interviewed by Charles Stuart Kennedy in 1997.*

*Q: What was the interest of the Soviet citizen that you talked to in the United States?*

PRYCE: One, they were very, very interested in what our economy was like. They obviously had been given a lot of propaganda. They were wondering what a capitalist economy did with poor people. They were always interested in what happened to minorities. They were also interested in music, culture and in the ability to have free thought and discussion; there was a great deal of interest in that. There was also as I say really a positive attitude toward the United States. I remember at one point, I think it was in Yerevan or maybe Baku...

*Q: You're talking down in the Caucasus?*

PRYCE: Yes, in the Caucasus. ...being taken to a museum of World War II and the guide made of special point of saying "Won't you please come back to the back part of the museum. There is a little area that shows a siege." And he says "Look at that truck, it's a Studebaker." They remembered Lend-Lease where the United States had supplies they had given to the Soviet Union during World War II.

*Q: When you were down in the Caucasus or in the Kyrgyz or Kazakhs or other places, were you picking up any reflections of it's them and us with us being the Kazakhs and them being the Russians?*

PRYCE: Oh yes, very definitely, very clearly. That's one of the things that we were trying to observe. Most of the top positions in all of the governments were held by Russians and that was resented by the local populace. There was very clearly the feeling that it was them and us. In the Baltic republics, Latvians and Lithuanians, but also certainly in the Caucasus and to a lesser degree in the Ukraine, Belorussia and in the far east, you really had people who to them the Soviet Union, and Moscow, was a distant place and almost a foreign country.

**JOHN P. HARROD**  
**Exhibit Officer, USIS**  
**Moscow (1969-1970)**

*John Harrod was born in Illinois in 1945, and received his BA from Colgate University. Having entered the Foreign Service in 1969, his positions included Moscow, Kabul, Poznan, Warsaw and Brussels. He was interviewed by Charles Stuart Kennedy on March 1, 1999.*

*Q: You were dealing with a Moscow exhibit both in Washington and in Moscow. This was from when to when?*

HARROD: Well, the exhibit was from June of '69 until maybe July of '70, and it was not Moscow. Moscow was one of them, but these were the large traveling exhibitions that USIA ran for many, many years, and we were in six different cities of the former Soviet Union, so having spent from roughly September of '68 to June of '69 working at the Washington end getting ready for this thing - the exhibit was "Education in the USA," and my job back in Washington had been to sort of get together some educational technology and other things that we would use as display items in the exhibit. And then in June of '69, off I went with the advance party to Leningrad, which was the first of our six cities, and then the exhibit opened, I think, in July of '69, and I spent a year... We were in, if I remember, Leningrad, Moscow, Baku, Tashkent, Novosibirsk, and Kiev, I guess were the six cities, not in that order.

*Q: How about any of the areas you went to, were there any problems, stories, or anything else that you think of?*

HARROD: The first time around, in that '69-70 period on the exhibit, Novosibirsk, out in Siberia, we had some particular security problems that I probably don't want to go into, but I mean it was during Vietnam, and it was a difficult time, and people were out to get us. Same in Tashkent. I remember being in Baku and having a different feel about Baku, and that was partly because there was a new Communist Party boss who had just taken over in Azerbaijan and he was trying to thumb his nose at Moscow, so they were being nicer to us there than they were somewhere else, and I went back to Baku on another exhibit in '75, and it was

even more the case then. I mean, it was a very sharp contrast, and that's when you begin to see that this isn't one country; this is a lot of little satrapies connected to Moscow. But there were plenty of security problems. 1970 was, again, the height of the Vietnam situation, and it was a little bit difficult at times, but a fantastic experience. I mean, one thing that the Foreign Service didn't do in those days was get you out of Moscow or Leningrad. There were travel restrictions. If you were assigned to the embassy or the consulate you were pretty much stuck, whereas the program I was on, I got to see a lot of the real Soviet Union.

*Q: Were there people who were trying to come to the exhibit to sort of vent their dislike of the system and all that, you know, Soviets who were fed up with things?*

HARROD: A few, a few. Some of them, as I said, got beat up in the parking lot outside the exhibit, and some would come and try to make a contact with an American and try to talk to them afterwards, particularly, I remember, in Leningrad, which was sort of an intellectual center of the Soviet Union, there were a number of quasi-dissidents who kind of sidled up to us as the Americans in town and would try to see us after hours and make contacts. There was a bit of that, less so if you were in a place like Tashkent or Baku, where there was less of an intellectual opposition network. There was some of that in Novosibirsk, and I alluded to security problems we had in Novosibirsk, and some of it was connected with the fact that there were possibly dissident-possibly provocateur types out there who were trying to make contact with us.

**JOHN P. HARROD**  
**Exhibit Officer, USIS**  
**Moscow (1975-1978)**

*John Harrod was born in Illinois in 1945, and received his BA from Colgate University. Having entered the Foreign Service in 1969, his positions included Moscow, Kabul, Poznan, Warsaw and Brussels. He was interviewed by Charles Stuart Kennedy on March 1, 1999.*

*Q: A personnel man would make note of this.*

HARROD: Yes, "a rapid progression up through the ranks" is what I would say, but some of it was fortuitous. I mean, my Poznan thing getting curtailed from three to two I explained, and at least one of the jobs in Moscow was totally unexpected. But I went there in the beginning of '75, and I spent the first 15 or so months, from the beginning of '75 through April of '76 working on another one of these exhibits, and as I explained before, this time it was a different job. This time it was a sort of a roving branch public affairs officer position. I had a diplomatic passport, was accredited as an assistant cultural attaché, and my job, essentially, in every city where the exhibit set up shop (there were six of them - Tashkent, Baku, Moscow, Zaporozh'ye in the Ukraine, Leningrad at the time, and Minsk) and in each one of those cities my job was sort of to set up a branch of the embassy, in a way, and meet as many people as I could, conduct special VIP tours of the exhibit for VIPs, and in three of

the cities, well, in every city, we had a couple of American specialists. This exhibit was on "Technology in the American Home," so in each city we'd have a couple of people who were either professional builders or architects or whatever who would come and spend some time with the exhibit. And in three of the cities we conducted full-dress symposia for like three days, where we'd bring over a panel of American experts in a particular aspect of construction or design or architecture and have a real full-fledged symposium. And my job was to coordinate all of that and also to develop a Rolodex of who's who in each of these cities, the concept being that we would then have a sort of public presence in cities where we didn't have consulates and we could go back from time to time and we'd know who the rector of the university was and we'd have met the mayor and the local Party officials. In theory, it was wonderful. I found when I got back to Moscow after the exhibit was over and the PAO had changed (the man who conceived the idea was gone, and a new PAO came in), that the old Moscow-centered view of Russia, or the Soviet Union, sort of predominated, and I really never got a chance to go back to most of these cities and follow up. In fact, at the end in '78, I had to pay my own way to go back to Baku, which was my favorite place, and see all my old Baku contacts because the embassy wouldn't even foot the bill for it.

*Q: During this first part, '75-76, what would you say was the state of relations between the United States and the Soviet Union, and how was it reflected, you know, out there beyond Moscow?*

HARROD: Okay, a two-edged answer to that. First of all, relations, particularly in the early part of that period, the first half, middle of '75, were officially quite good because that was when we had the Apollo-Soyuz joint space mission, the so-called in Russian *rukopozhat iyev kozmose*. That means 'handshake in space.' So while our cosmonauts were getting ready for that flying around up there, the official state of relations was supposed to be good. What I discovered was - and this was something that really shaped my view of the Soviet Union... I'd picked it up on my earlier exhibit. I'd picked it up as early as my '66 grad-school time there, but this one really confirmed it, which is that each one of these cities really had a different character and a different view of things, depending on who the Party bosses were. In '75, we were in Baku, the capital of Azerbaijan when this whole handshake in space business was going on, and we were treated exceptionally well. The ambassador came down to open the exhibit-

*Q: The ambassador was-*

HARROD: -was Walt Stoessel at the time, and he was received by the Communist Party boss in Azerbaijan, Haidar Aliyev, who has since come back to life as the president of an independent Azerbaijan, but at the time he was the Communist Party boss (former KGB official) and had never - I believe his people told us - received a Western ambassador until Stoessel came down in May of '75 to cut the ribbon. And that reflected sort of our general reception in Baku. They were exceptionally nice. I had contacts with a number of party officials. I remember one of my discussions with an *apparatchik*. He asked me how I liked Baku, and I gave him my usual diplomatic bit about how it was a lovely city, and in fact, I had met my wife in Baku on the earlier exhibit, so I said, "I have great fond memories of Baku because it's where I met my wife, and I'd love to come back some day as the first

American consul general perhaps.” And he looked at me, Communist Party official, and he said, “How about the first American ambassador?” Well, I didn’t get a chance to go back as the first American ambassador. Somebody else got that, I think Dick Miles, but to have a Communist Party official drop that little hint was something. Later on in other cities, Minsk being the one I remember particularly, we had some difficulties with the authorities, the security was very tight, but not in Baku. In fact, at one point, one of my Communist Party buddies in Baku asked me if I’d been followed. I said, “I don’t know, if they’re any good I wouldn’t know it, would I?” And he said, “Oh, I guarantee you’re not being followed. You know, we consider you guys friends here.” He’s probably lying through his teeth, but-

*Q: You know, I’ve gotten this from other people, even in the most difficult times, saying that when they got out to particularly the Caucasus and Central Asia, a whole different world.*

HARROD: But not always a good one. I mean, we had a lot of security problems in Tashkent in both exhibits that I worked on. The Tashkent KGB branch seemed to be a particularly tough one. But Baku was different. Baku was warm and friendly in those days.

*Q: These Tatar looking people are having a wonderful time.*

HARROD: But there wasn’t much else in Zaporozh’ye, although in a small town like that we had almost regular access to the mayor and Party officials. The two cities where we had the best access of the six, and my job being access, were Baku, where we got everybody in the whole hierarchy all the way up to Mr. Aliyev, and Zaporozh’ye, but the problem in Zaporozh’ye was there wasn’t much of a hierarchy to get up to.

*Q: As a student. How did you find it? Was there a different student than when you were there, from the American point of view? How did this interaction go?*

HARROD: I didn’t have much contact with American students when I was off in places like Zaporozh’ye because there weren’t any.

*Q: Who were the guides?*

HARROD: The guides were all American graduate students there, but they were there for six-month tours. The end result, I think I mentioned that the earlier group in ’69 and ’70 was pretty much of a piece. This was sort of their first long-term exposure to the Soviet Union, and most of them came as fairly liberal and left as fairly convinced conservatives. But I think particularly those who spent... The first half of the guides were in Tashkent, Baku, and Moscow, and I think that group probably had a better appreciation for that multi-ethnic character by being in Uzbekistan and Azerbaijan. The second bunch, which was in Zaporozh’ye, Leningrad, and Minsk, officially was in three different republics, all of different ethnicity - you know, Russia, Ukraine, Belarus, but there wasn’t a great deal of difference. I do note, though, that all three of those republics had seats in the UN, and when we were in Minsk, Senator Edward Brooke from Massachusetts was chosen to come out and cut the ribbon. He was in Minsk for basically just one day to do that, but the Byelorussian Foreign Ministry had an official lunch for him, and the Byelorussian foreign minister, who

had been their ambassador to the UN - I think that's probably one of their only diplomatic postings - was there to host the lunch. So they still their little trappings of being quasi-republics, even if they were part of the Soviet Union at the time.

*Q: Did you find yourself being used, debriefed? Or any interest from the embassy - and I include both the CIA and as well as our political officers and all that?*

HARROD: Well, in each city where I was, I would go out and meet as many people as I could, I said, and try to get to know who was who in this particular town, and I would from time to time write essentially scene-setters that I would send back to Moscow. We had a courier service that would go back and forth, and so I'd sort of do a mood piece or a biographic sketch on somebody, send them back to Moscow. What happened when they got back to Moscow was sort of up to the embassy. In some cases, they were turned into - if you remember - the old airgrams we used to have and would be sent back to Washington, and in one particular case I got a letter from someone in the intelligence community back in Washington later on who commended me for my profiles of Mr. Aliyev down in Baku. I had seen him on, I think, three different occasions, once with the ambassador and twice at other kinds of events, and had done sort of a little, you know, "impressions of Haidar Aliyev," and I got a little specific note thanking me for that because they said they really didn't get very many reports on what they called "provincial Party officials." As I say, Mr. Aliyev is now the president of Azerbaijan, and he came here last year, I think, on an official visit, and my wife, who works at the Commerce Department, was invited to a dinner with the U.S.-Azerbaijani Business Council and took (with her) a picture that had been taken of me with Aliyev and showed it to him at the dinner, and he apparently waxed ecstatic and autographed the picture for her and went on to Houston and then in his speech in Houston mentioned this picture as evidence of how, you know, long the relations between the U.S. and Azerbaijan had been friendly. I take some small credit for having... I spotted Aliyev back in '75 as a very atypical politician for the Soviet Union. He was not dour and at death's door like most of them and was rather lively. He reminded me of a ward-heeler in Chicago.

**THOMAS M.T. NILES**  
**Assistant Secretary, Bureau of European Affairs**  
**Washington, DC (1990-1993)**

*Ambassador Thomas M. T. Niles was born in Kentucky in 1939. He received his bachelor's degree from Harvard University and master's from the University of Kentucky. Upon entering the Foreign Service in 1962, he was positioned in Belgrade, Garmisch, Moscow and Brussels, and also served as the Ambassador to Canada and later to Greece. He was interviewed by Charles Stuart Kennedy on June 5, 1998.*

*Q: When you are doing these trips, what was the European Bureau doing? There was an awful lot of work, trying to find out who...*

NILES: You are asking how we got a line on what was going on in some of these places, where we had previously not been represented, and had very limited sources of information. Various means were used, and the Secretary's visit was one of the means that we used to find out whom we were going to be dealing with there, at least at the outset. In connection with the Secretary's visit, we sent advance teams out. Those advance teams briefed the Secretary when we arrived in Chisinau, Yerevan, Baku, and places like that. Those teams in some cases served as the nucleus of what was to be the United States embassy in those countries. But in some cases, we were moving into very unstable political environments. For example, Azerbaijan, Armenia, and Georgia went through fairly violent and unstable political developments in 1992. For instance, when we went to Baku in February 1992, Mr. Mutalibov, who was the former First Secretary of Communist Party, was the President. He was overthrown shortly thereafter by Mr. Elchibey, who was in turn overthrown, much to everyone's surprise, by Gaydar Aliyev, who had been a senior member of the Soviet Politburo during the Brezhnev period. He is the leader, as we speak today. But, in other cases, in Uzbekistan, Kyrgyzstan, Turkmenistan and Kazakhstan, the number one guy at the time of independence - Karimov, Akayev, Niyazov and Nazarbayev - is still there. Those people managed to hold on, and we got to know them pretty well over the years. Secretary Baker knew President Akayev of Kyrgyzstan, I can't remember exactly how, but he had a high regard for this gentleman, who is still the President in Bishkek, Kyrgyzstan.

**HENRY L. CLARKE**  
**Ambassador**  
**Uzbekistan (1992-1995)**

*Ambassador Clarke was born in Georgia in 1941. He attended Dartmouth College and enlisted in the US Army. He later entered Harvard University and then entered the Foreign Service. His career included positions in Germany, Nigeria, Romania, the USSR, and Israel. He was later appointed Ambassador to Uzbekistan. He was interviewed by Charles Stuart Kennedy in 1998.*

*Q: Were we concerned about ecological matters? Looking at the Caspian Sea, oil apparently was all over the ground. They weren't making any effort to reduce wastage. It was misuse of nature.*

CLARKE: Right. We viewed those as Soviet problems rather than global problems in those days, it's fair to say. But even though we weren't generally able to go to oil fields, in our travels around the Soviet Union we had no trouble running into environmental disasters. In the case of Baku, it was not a closed city for us. We could visit Baku. I did several times, partly because of our interest in the oil industry. We had sanctions against the oil industry too, trying to keep American companies out of the oil business in the Soviet Union. I never did agree with that. But the scene around Baku is ghastly. That was not news. The question of whether they would reroute the northern Siberian Rivers to flow south into Central Asia was already an issue during the early 80s. It was being discussed. That was one of the few issues actually in which you could find conflicting public opinion in the Soviet Union. There weren't many such issues but this was

one. Russian nationalists would speak up when it looked like something disastrous might happen to Russia in favor of Central Asia, for example, in the case of these rivers. Some environmental protest was sometimes made.

One of the first signs that Andropov might be introducing some reform after Brezhnev's death was in the economic pages of *Izvestiya*. Even though I hadn't been there very long by then, it was my impression that they had eased restrictions on reporting about economic problems, specifically environmental problems. This was the end of 1982. I'd only been there for a few months. It was very interesting that we for once learned of an environmental disaster out of the Soviet press before we knew about it from some other source. This was a major waste chemical spill. I'm trying to remember now. It was on the Dneister or the Dnieper River. It was a disaster. It ruined the water supply for many, many towns and villages and killed all the fish for a long stretch of the river until it came to a dam where it was somehow contained.

Just the fact that the story was published while it was still news before everybody heard about it on Radio Liberty was an interesting sign. That continued pretty much after Andropov came in. Nothing changed on the front page of *Pravda* or *Izvestiya*. All the political propaganda was in place but if you turned inside, there were certain pages – I forget exactly which pages, but I think maybe pages two and three – that were usually devoted to economic developments. That went from almost totally phony stuff to some interesting stuff about such things as why they couldn't get spare parts for certain oil fields. Then later it even began to creep into TV. You'd actually see a TV program in which somebody would be saying, "Yes, this is not working right." That was unheard of when I first came.

**MICHAEL W. COTTER**  
**Ambassador**  
**Turkmenistan (1995-1998)**

*Ambassador Michael W. Cotter was born in Wisconsin in 1943. He graduated from Georgetown University in 1965 and received a JD from the University of Michigan in 1968. Postings throughout his career have included Saigon, La Paz, Can Tho, Quito, Ankara, Kinshasa, Santiago, and an ambassadorship to Turkmenistan. Ambassador Cotter was interviewed by Charles Stuart Kennedy in 1998.*

*Q: Today is the 5<sup>th</sup> of February 1999. Mike, we are going to talk about oil and oil lines because the main thing about Central Asia has been figuring out how to get the oil out of there. You want to talk about your view, what was happening during your time?*

COTTER: Right. Well, a couple bits of history here. One is that the Caspian areas had oil for a long time in a number of areas, particularly southwestern Azerbaijan. The Russians first used oil from there in the late 1800s. The oil bubbled up to the surface, in 1870, before people really were clear what to do with it. Azeri fields were a major source of oil for the Russian Empire and for the Soviet Union for a long time. During the Second World War, the

Baku oil fields were a major target of the Germans. Indeed, there is today, in Turkmenistan on the Caspian Sea, an oil refinery which was provided to Russia under Lend Lease from the United States. It was originally in a town in Russia, and then, when that town came under threat, the Russians moved the refinery down to the Caspian Sea. The Turkmen are very proud of the fact that this is Lend Lease and still running (although they are now replacing it). So, oil has been in the area for a long time. The Soviets, of course, didn't go about exploring very effectively or very efficiently, and their technology to draw out oil was very limited. They also did a very dirty job of it. When you go to western Turkmenistan to the oil fields there, there are incredible hulks of machinery lying around and hundreds of these donkey engines...

*Q: I think they are these up and down things.*

COTTER: Up and down things pumping oil, some of which work, and some of which don't. In any event, in the 1970s and later on, the Soviets put most of their effort into exploiting Siberian oil and gas fields, and they really stopped investing in the Caspian area. A lot of the oil in the Caspian is quite deep, but the Soviets didn't have the technology to exploit it. In any event, when those countries became independent, two things happened... by those countries, we really are talking about Kazakhstan, Azerbaijan and Turkmenistan. Now, Azerbaijan is where most of the oil was exploited in the Caspian basin, not much in Turkmenistan.

*Q: Baku.*

COTTER: Baku is the capital of Azerbaijan, and it sits right on the Caspian. I'm not certain how much of the deposits in Kazakhstan were well known, but certainly soon after independence day, the Kazakhs encouraged foreign companies to come and take a look at them. Turkmenistan, as I said yesterday, has primarily gas, and not so much oil. It doesn't have so much experience in exploiting oil. I can talk a little bit later how the Turkmen were a little slow getting off the mark. The major international oil companies, as usual on the outlook for new reserves, were very interested, I think, right after independence. I have seen it written and said that U.S. Government policy in this area is motivated by and formed by the oil companies. I think that is not quite accurate. I think what you have is a conjunction of interests. Our interests in the area are fairly clear. Essentially, it is to help to do what we can to ensure the political independence of the countries of the former Soviet Union. The reason for that, obviously, is to prevent or help avoid a re-creation of a Soviet or a Russian Empire that ends up becoming another challenge to us. Obviously, hand-in-hand with political independence goes economic viability. This is a real problem in some of the countries, especially those which must import energy and are energy dependent and which have not found productive activities to replace those that they engaged in during the Soviet Union. Ukraine, Georgia, Armenia, Belarus are all examples of this. So it seems fairly clear, perhaps shortsighted, although I don't think so, that for those countries that do have an economic resource that can be exploited upon which their economic independence can be based and solidified, it is only reasonable that they would pursue that. When you come to Azerbaijan, I think the oil is the only major resource of any kind they have. Kazakhstan has a number of alternatives, but very clearly oil will be a major part of their economic development.

Turkmenistan has cotton, but I don't think anybody would suggest that a cotton mono-culture is any better than exploiting a natural resource like gas. So, for those countries that have oil or gas, it automatically becomes the prime candidate for forging economic strength that will underlie their political independence. The fact that this coincides with oil companies' interest is obvious, but I think it is a mistake to suggest that oil companies drive our policy. I think U.S. policy would be the same if it were another natural resource. It is true, however, that oil companies coming into the region then have a significant influence in what the United States does and how it does it. I think in Kazakhstan, which I can't speak to directly, but certainly the oil companies there have been very influential and have good access to the embassy. The embassy assists them in any way possible, as we would any other company. The same is true in Azerbaijan, where there is a large number of American oil companies. It is true to a lesser extent in Turkmenistan, although only UNOCAL and Mobil have been working there. We work very closely with those companies.

In Soviet days, and still to this day, all pipelines in the Soviet Union, and the markets for energy resources in the Soviet countries, went essentially from the southern area north and west. Turkmen gas went north and west. The oil pipelines that existed went through southern Russia, to Novorossiysk, on the Black Sea, from whence they were exported. Those pipelines, in most cases, are old and suffer from the general Soviet lack of maintenance and technology. In any event, they were only developed to export the quantity of oil that the Soviet Union was planning on exporting. Once there are independent countries, each of which wants to maximize what it is doing, all of a sudden the need for export capacity goes up exponentially. We had to negotiate agreements with governments that aren't very familiar with this, which took up a lot of time in all of these countries. All of them felt that they were sitting on great riches, that it was a seller's market, and that they could extract terms from the oil companies that would make them wealthy forever. Well, the oil companies didn't look at it that way. At the present time, this is incremental oil. The oil companies and western governments tend to look at Caspian oil as a strategic reserve for, perhaps, sometime in the 21<sup>st</sup> century. This was obviously not something that the countries in the Caspian liked, since they are not interested in exploiting a resource in the 21<sup>st</sup> century. They want to exploit it today. Nonetheless, there were as you might expect the normal conflicts in negotiating agreements. We have seen replicated already in Turkmenistan in one case and I think we will see in some of the other countries, what has happened in other parts of the world. That is, the first company in an area, particularly with natural resource exploitation, comes in and says, "Well, nobody has been here before. This is a new market, a very risky market. We need a return that reflects the risk we are taking." Then, they negotiate an agreement that gives them a significant return. Their investment proves out. They get along with the government, and the second and third companies come in. Well, the risk level has dropped. They are willing to settle for less return. Well, the government signs on with better terms for those companies and then looks at the first contract and thinks it was taken advantage of. Then comes an effort to renegotiate, or simply, flat out break the contract. I have seen this happen in Ecuador. It happened in Mexico a long time ago, and it has happened in other countries. It happened in Turkmenistan in the case of an Argentine company, Bricidas, which had the gas and some oil exploration and production agreements with the Turkmen government. The Turkmen reneged on these and have been in arbitration and court over them for some time. So, the first stage, which took some time, was negotiating agreements and for these countries to determine how they were

going to go allowing foreign companies in. There is also a lot of jockeying because some of these projects were quite large, and so involve consortia, rather than single companies.

I should say that there is one other difficulty here that the companies are now wrestling with and that is going to cause a great problem. That is a shortage of oil rigs for offshore work in the Caspian. Parts of the Caspian are very deep, and the Soviets didn't do any deep water drilling, or did very little. They had only a couple of deep water rigs. These were in Azerbaijan, and I think at this point only one is useable. They had some shallow water rigs, most of which, again, aren't useable. So, the companies that come in have been forced to figure out how they are going to carry out drilling. Rehabilitating one of these rigs can cost a couple hundred million dollars. Bringing a new rig in is almost impossible because you have to break it up into pieces, and bring it from the Black Sea, up the Don River, to the Volga-Don Canal, and down the Volga River. That may not be feasible. You could build one in the area except the technology and the construction expertise used to build that kind of thing doesn't exist there. So, companies have had a very hard time meeting their drilling timetables. This is important to them because most of the contracts with the government require the consortium to drill a certain number of test wells within a specified period of time. I think it is fairly clear that a number of the consortia in Azerbaijan are not going to meet their deadlines, and they are going to have to renegotiate, simply because they don't have rigs that they can use.

*Q: I want to concentrate, because this is your oil history on Turkmenistan.*

COTTER: Okay. Well, then you get a somewhat different picture. Let me move more quickly through this. Anyhow, the third thing is getting the oil out. On that, there has been a lot of discussion. There is the oil pipeline that goes to Novorossiysk, which comes up from Azerbaijan. The companies in Kazakhstan have been negotiating with the Russians to build a pipeline, which would go north of the Caspian Sea and connect with the pipeline to Novorossiysk. The U.S. has been working very hard on negotiating pipelines from Baku, across the Caucasus to the Black Sea, or then down through Turkey to the Mediterranean. You can get Stan Escudero in here at some point to talk about all that. Turkmenistan was a little different, again, because it is focused on gas. But it shares with the other countries the difficulty that they think it is a seller's market, or have thought that it is a seller's market, and that they were in charge. When UNOCAL came in, they first got into trouble because the Argentines had originally had the concession from the Turkmen to build a pipeline down to Pakistan. UNOCAL came in and negotiated with them and UNOCAL and Bidas have been involved in a lawsuit ever since. The Turkmen felt they could dictate price and how the project proceeded. Well, the fact of the matter is that what is going to dictate it is how much it costs to build a pipeline, and then what the market in Pakistan is. It turned out that the Afghan civil war is preventing any pipeline from being built for now, but even if a pipeline was built, it's not clear that a sufficient market exists in Pakistan to use the gas. A lot of the projections that were done by UNOCAL originally were betting on the cone. They were looking at Pakistani projections of what their need for energy will be, what their growth would be, over a period of time. It has been assumed that most of this gas would be used to generate electricity. I think, as with most countries, Pakistan's projections were wildly optimistic. It has also been thought that the only way the project would really make sense

would be to extend the pipeline on to India, which makes a lot of economic sense, but probably faces some political difficulty. UNOCAL put together a consortium with a couple of Japanese companies, or an Indonesia company controlled by Japanese, and a Saudi company, to carry out the pipeline. That consortium still exists, although as I left Turkmenistan, it was practically moribund.

This is really difficult for the companies because there is a whole series of negotiations that have to take place. They can talk with the Turkmen, on one hand, about exploiting gas. Really, the way their contract with the Turkmen read, it simply required Turkmenistan to deliver to the border X amount of gas and to prove that it had the reserves to do that. The assumption was that the Turkmen would pump that gas themselves and get it to the border. The fact of the matter is that we believe that any banks that finance the project would want to have an international operator in from the beginning, but UNOCAL simply felt that they would sort that out if and when the time came. Well, they also had to negotiate with the Pakistanis, and they had to negotiate with the Afghans. Negotiating with the Afghans was very difficult because they had to decide who to negotiate with. This caused enormous difficulties as it wasn't clear who was in charge. The government in Kabul during most of this time was what is called the Northern Alliance. It insisted as the "government" of Afghanistan that it would be involved in the project, Even though they didn't control the route. Since late 1996 the Taliban has controlled the entire route, but it has been very difficult for UNOCAL to find someone in the Taliban who can speak to this issue definitively, because it is not a very organized entity. There have always been concerns about Taliban ability to control the pipeline. Then, UNOCAL had to negotiate with the Pakistanis. The Pakistanis have had their own difficulties. One of the other elements that entered into this was Saudi interests. In the battle between Bridas and UNOCAL as to who was going to build the line, at one point Bridas had claimed to have the support of Prince Turki. I think his full name is Turki bin Faisal, who is the head of Saudi secret service. He is a very influential person. UNOCAL, on its side, had another Saudi company, headed by an influential businessman. There was much toing and froing as to which of either of these consortia the Saudis actually supported. At one point, we sent Embassy Riyadh in to ask the Saudi Government what the heck was going on. We discovered, as one might expect, that the government took no interest in it at all. But it is often difficult to separate influential Saudis' individual interests from their government positions. That finally got sorted out, but not without many anxious moments.

Another issue came into this equation. That was the position of Iran. There were a number of people who were saying that the Iranians would never allow this pipeline to go through. They wanted to sell their own gas to Pakistan. Iranian gas primarily comes from the oil fields, down on the gulf. But the question is whether Iran wanted that competition. This gets into another digression, which is the geopolitical importance of Central Asia. Maybe I will come back to that, because it is something worth talking about on its own.

**EDWARD MARKS**  
**Private Consultant**

## Washington, DC (1996)

*Ambassador Edward Marks was born in Chicago in 1934, and received his BA from the University of Michigan. He served in the US Army from 1956 to 1958. Entering the Foreign Service in 1959, his postings included Nairobi, Nuevo Laredo, Luanda, Lusaka, Brussels, Lubumbashi and Colombo, with ambassadorships to Guinea Bissau and Cape Verde. He was interviewed by Charles Stuart Kennedy on August 12, 1996.*

*Q: Can you briefly touch on what you have been doing after you retired?*

MARKS: My time in class came up and, counting my military service, my time in the Foreign Service amounted to 39 years of government service. I retired November 30, 1995. Since then I have become the usual odd jobs man. The choices in retirement are to find another full-time job or create a new career like writing, turn to a full-time hobby like golfing or boating, or become an odd jobs man. Some of these jobs are remunerative, but many are pro bono. In my case a lot of what I have done continues what I was doing in INSS. For instance, I have a contract from INSS to write a monograph on peacekeeping and regional organizations.

I have become an Adjunct Fellow at the Center for Strategic and International Studies, the place where I once spent a year on detail. I am continuing work on my own in the same general areas, and writing on peacekeeping, the United Nations, as well as on the Commonwealth of Independent States, the former USSR. So, my major activity has been to continue working in the area of peacekeeping, UN reform and UN activities.

Did I mention the UN job? That is kind of fun. While at USUN I got to know a lot of people in delegations and in the UN bureaucracy. The United Nations Development Program (UNDP) recently became involved in the countries of the former Soviet Union, with a project entitled "Democratic Governments and Participation" which is providing as technical assistance to the 15 countries of the former Soviet Union. The project focuses on institution building in these countries, including the judiciary, the police force, the prison force, creation of ombudsmen, and the ministries of foreign affairs, etc. I was contacted by an old colleague, a Moroccan, and asked if I would be interested in doing the foreign affairs part of the overall project. I, of course, said yes and the next thing you knew I was off to Tbilisi, Georgia. This happened while I was still at INSS on active duty, but this year - 1996 - I continued the project as a private consultant and went to Armenia and Azerbaijan. In each place I spent a week or two interviewing ministry of foreign affairs people and designing a technical assistance program to be financed and implemented by UNDP. It was an interesting and amusing thing to do, stemming right out of my professional career. I drew up three specific country programs, for the three ministries of foreign affairs. The programs are supposed to go through and I hope they do and that I will get involved and have to go back to Tbilisi, Yerevan and Baku. It is fascinating part of the world, and quite new to me.

*End of reader*