In the aftermath of the September 11 attacks and the U.S. military response in Afghanistan, a number of apparent changes have quickly taken place in U.S.-Russia relations with significant implications for Russian policy in the Transcaspian region, and for U.S. policy as well.

**Analysis of Current Trends**

The initial furor over the prospect of staggering oil wealth in the Caspian Sea has long since subsided as industry analysts have acknowledged that the region holds, at most, volumes roughly equal to those of the North Sea. Even this relatively modest amount, however, has become vastly more important in the eyes of many U.S. policymakers in view of the potential for instability in the Middle East. As a result President George W. Bush’s administration now places a premium on rapidly extracting and transporting Caspian oil. Previously, although the Baku-Tbilisi-Ceyhan (BTC) pipeline promised additional supply, skepticism about its economic viability consistently dogged the project. A critical concern was that the line would not be economical unless full capacity of one million barrels per day could be guaranteed. Such volumes seemed unlikely to be found in offshore Azerbaijan alone, raising the uncertain prospect of linking BTC to Kazakhstan’s giant new Kashagan field. Although support for this plan had been slowly building in the months leading up to the fall of 2001, the terrorist attack instantly rendered all previous considerations passé. U.S. officials swiftly moved to distribute tenders and to solicit construction financing, despite the fact that the final engineering study had not yet been completed, and with or without obtaining extra oil from Kazakhstan. In short, the BTC project now seems almost sure to commence. Against this backdrop evaluating the current tendencies in the region from the standpoint of U.S. foreign policy interests is possible.

Prior to September 11 the political trend in the Caspian appeared to favor Russia, as the smaller surrounding states had been increasingly (re)turning to Moscow for economic and security reasons. This trend was due to growing realism about the scant likelihood of a U.S./NATO military commitment as well as resentment over perceived meddling in domestic affairs by the United States and the European Union, each of which had voiced criticisms about the deficiencies of nominally democratic and market institutions in the region. That dynamic
changed abruptly after the terrorist attacks, as securing strategic partners in the area became an urgent objective for the United States. In response, the former Soviet states have appeared rather ambivalent: on the one hand Russia’s inescapable importance is clearly understood, while on the other hand there is a wish to balance against Russian influence by moving closer to the United States. Similar calculations appear to have been made in the non-Caspian states of Central Asia—Uzbekistan, Kyrgyzstan, and Tajikistan. Indeed, the willingness of the latter to offer immediate support to the United States without obtaining Moscow’s approval demonstrated practical limits to Russian influence, something that may ultimately have significant ramifications in the Caspian.

At present the political arrangement apparently reached between Washington and Moscow more than offsets the effect of the United States’ entry into the region in order to target Afghanistan. The key factor here is the prospect—real or imagined—of greater U.S. indulgence of Russia’s security interests. Foremost among Russian concerns is of course Chechnya, followed by Georgia, which has chosen a defiantly independent foreign policy and which Russian officials have accused of harboring Chechen rebels. The prevailing perception in the Transcaspian states is that Russia now enjoys a relatively free hand to pursue its local objectives. Coupled with the still imposing Russian military presence in the northern Caucasus and the Caspian littoral itself, the net effect is to consolidate Russian influence in this region (in contrast to Central Asia, where the picture is far more cloudy).

A recent incident in which former Turkmen deputy prime minister and foreign minister Boris Shikhmuradov, living in Russia in exile, unleashed a public denunciation of Turkmen president Saparmurat Niyazov—something that could not occur without the connivance of the Russian government—strengthens this interpretation. Given the existence of ongoing tensions between Moscow and Ashgabat over Caspian legal issues, Moscow would seem to have ample reason to support Shikhmuradov, amid various rumors of mounting domestic opposition to Niyazov. Moreover, due to Niyazov’s insistence on maintaining neutrality, and the consequent lack of any “U.S. option” for Turkmenistan, Russian officials appear to have concluded that the present situation provides an opportune moment for the use of such tactics.

A further example may serve to illustrate the far-reaching effects of Russia’s strengthened position within the current regional dynamic. Intensified Russian military pressure against Chechnya and Georgia has exacerbated longstanding sources of instability in the latter, resulting in a condition of near fragmentation along political and ethnonational lines. This, along with Georgian president Eduard Shevardnadze’s desperate appeals to NATO and to Turkey in particular, quickly caused anxiety in Armenia. In addition to the obvious historical tensions linked to a potential Turkish presence, Yerevan’s worries center on the dislocating economic effects of an upheaval in Georgia on Armenia, given the fact that all of Armenia’s external port, road, rail, and gas routes transit Georgian territory. Although Georgian-Armenian frictions have been hastily patched up with a series of high-level meetings, the episode underlined the need for energy diversification on Armenia’s part, and was punctuated by the signing of an agreement to import gas from Iran (ostensibly provided by Turkmenistan, probably through a swap arrangement). Thus, partly as a consequence of greater Russian latitude in the Caucasus, Iranian and Turkmen interests have been indirectly affected—perhaps helping to explain Russia’s pressure on Turkmenistan. In any case this cascade of political influences reveals the complexity, interrelatedness, and fluidity of the political situation in the Caspian region today.
The United States’ current accommodating approach coincides well with Russia’s current strategic view of the Caspian. Even prior to Russian president Vladimir Putin a shift from obstructionism toward pragmatism had been discernible in Russia’s Caspian policy; this has been decisively followed under Putin by an overriding emphasis on development and transportation. In keeping with this orientation the Russian government’s attitude toward BTC has evolved from staunch opposition to equanimity, capped by its approval of Lukoil’s interest in participating in the consortium. Although it cannot be stated with certainty, it may well be that this benign attitude regarding BTC is related to the new modus vivendi between Washington and Moscow. It is also consistent with another key Russian priority, that of promoting the “North-South” corridor as a massive conduit connecting the Middle East and South Asia with Eastern Europe and beyond. This in turn explains Russia’s new willingness to allow expanded Western flagship access to internal waterways, including the Volga and Don systems. As the lynchpin of this transport corridor, Putin’s team increasingly envisions the Caspian as more of a means than an end in itself.

In view of this highly pragmatic policy regarding the Caspian and its energy reserves, the Russian government has pushed for a final settlement of the Caspian Sea’s legal regime. Contested since the fall of the Soviet Union and increasingly a source of conflict among neighboring states, the deadlocked condition of this legal debate threatens to stymie both energy extraction and transportation projects alike. By November 2001, Viktor Kaluzhnyi, the presidential representative on Caspian affairs, had begun arguing for the most expedient measures necessary to establish a viable legal framework, including even bilateral agreements between bordering states. Here again this Russian approach is not fundamentally new, but is now significantly accentuated. This urgency is likely connected with the nearly “signed, sealed, and delivered” status of the BTC.

Russian policy appears to be tending in a few novel directions as well, related to its (ostensibly) greater latitude in regional politics and the present focus on development goals. Perhaps the most striking tendency is an apparently increased Russian interest in resolving the long-festering Nagorno-Karabakh conflict. Aside from rhetorical indications of such a shift there are several plausible reasons why it should occur now, including a greater awareness of the dangers of regional conflicts as well as the potential benefits from closer ties with Azerbaijan. Moreover, from a strictly pragmatic development-oriented perspective, Armenia has little of value to offer Russia. In contrast numerous shared interests serve to bring Russia and Azerbaijan closer together, including similar views on Caspian seabed demarcation, mutual interest in cross-border regulation and trade, and Russian use of the Gabala radar station. President Heidar Aliev’s regime in Azerbaijan is also certain to remain mindful of Russian sensitivities regarding Chechnya, sales of gas, and Azeri exports of oil to Novorossiisk. This is true notwithstanding the reaffirmation of ties with Washington and the lifting of Section 907 of the Freedom Support Act, which prohibits U.S. government assistance to Azerbaijan until it takes “demonstrable steps to cease all blockades and other offensive uses of force against Armenia and Nagorno-Karabakh.” For all of the above reasons the trend toward normalization of relations between Moscow and Baku, begun early in 2001, is likely to gather momentum in the coming months. If these indications regarding Russian policy in the south Caucasus are confirmed it would signal a turnabout from the earlier Russian approach, which aimed to perpetuate the Nagorno-Karabakh conflict so as to exert pressure on Azerbaijan while retaining influence in Armenia.
A related trend is the continued decline of GUUAM as a meaningful political entity. Due to a combination of shared interests and caution in light of Russia’s presumably strengthened position, Ukraine’s regional policy has become studiously neutral. At the same time, Moldova’s foreign policy has gravitated in a pro-Russian direction following the election of a Communist government in February 2001. Given Georgia’s near collapse, the net result is to further undermine an already anemic organization.

A final observation concerns the drift toward closer ties between Russia and Turkey and a corollary distancing between Russia and Iran. The warming trend with Turkey was already in evidence well before September 11, and is explained by Ankara’s influence on stability in the Caucasus as well as the Blue Stream gas pipeline project from near Novorossiisk to Samsun. Russia’s new interest in resolving the Nagorno-Karabakh crisis also strengthens the warming relationship. In contrast, previous strains in the Russian-Iranian relationship have somewhat intensified, especially concerning the problem of Caspian delimitation. During the past year Tehran has insisted on obtaining a 20 percent share of the sea, and has otherwise acted to obstruct development efforts by neighboring states. An incident in July, in which Iranian military vessels turned back Azerbaijani flagships involved in oil exploration for BP, sharply ratcheted up regional tensions in a way antithetical to Moscow’s businesslike interests. In addition, as the Caspian becomes developed on a multilateral basis, Russia and Iran objectively become competitors for preferred oil and gas routes, at a time when Russian relations with the United States have markedly improved. To be sure, mutual interests remain: arms sales, nuclear energy assistance, the North-South corridor, the future regime in Afghanistan, and limiting or managing the role played by the United States and Turkey. Nevertheless, in view of the other issues involved, Iran becomes relatively less important as a regional partner for Russia.

Policy Implications

Based on the foregoing observations, as well as the larger context of growing accord between the United States and Russia, one key conclusion is that the goal of U.S. policy in the Caspian basin should not be to prevent Russian “dominance,” but rather to encourage moderate behavior in the context of increasing integration into the international economy. Russia’s preeminent political position in the region is assured for the foreseeable future, and is in any case not inherently detrimental to U.S. interests. This is particularly true inasmuch as Russia is currently focused on pragmatic development goals that increasingly dovetail with the United States’ own approach to the region. The chief concern for U.S. policy ought to be the manner in which Russia chooses to seek its own practical objectives and to exercise influence more broadly.

A reasonable basis for assessing and reacting to Russian conduct would be the extent to which it conforms to international standards regarding respect for human rights and non-use or - threat of force. Consistent with international norms of noncoercion, taking a firm position against any violation of Georgian sovereignty would be appropriate. Besides its intrinsic importance, the specter of instability in this country calls into question the viability of all East-West energy pipelines from the Caspian basin. Russian restraint would therefore have salutary effects both politically and practically. However, as long as Russian conduct remains consistent with democratic principles, and as long as Russian operational objectives are pursued within the framework of market competition, there is no reason for the United States to attempt to offset Russian influence in the region. On the contrary, positive U.S. engagement in the region would
be productive in reinforcing the development-oriented policy under Putin and, more generally, in validating the rapprochement in bilateral ties.

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