

US-Russian Cooperation in the Caspian

AN OPPORTUNITY WORTH PURSUING

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For the United States, the strategic importance of the Caspian region has increased dramatically in recent years. The Caspian littoral states have come to provide an important set of opportunities for the United States in a strategically significant region. Now, however, they face a range of security threats in the region, which have resulted from a combination of changes in the region's geopolitical environment resulting from the break-up of the Soviet Union and conflicts over the division of marine and seabed resources in the Caspian Sea. Specific threats include smuggling of narcotics and other contraband, proliferation of WMD or related materials, and the limited reach of government authority in remote land and maritime areas. Further, a number of regional actors pose threats to Caspian energy security. There is also the potential for armed conflict that can spill into the wider region; in particular, Azerbaijan and Armenia may come to blows over the disputed Nagorno-Karabakh region. Finally, terrorism presents a threat – both directly to several of the littoral states, and indirectly to the entire region, which serves as a transit corridor for terrorist group members traveling between the northern Caucasus and Afghanistan. An important consideration is that the effects of these threats can and do proliferate beyond the region. It is in the interests of the U.S. government to help its Caspian regional partners achieve or enhance the ability to deter, detect, and respond to these threats themselves before problems spread.

At the same time, strengthening bilateral security relationships in the region would provide a strategic opportunity for the United States. The region is strategically important for its energy reserves, which help to mitigate European and Asian dependence on Russian energy sources. It also serves as an important link in the Northern Distribution Network (NDN) for resupplying U.S. and coalition forces in Afghanistan. Its role in this network may need to increase, given the unstable situation surrounding existing U.S. facilities in Kyrgyzstan and elsewhere in Central Asia.

Energy Corridors

Over the last 15 years, security relations in the Caspian region have been driven by competition for access to the region's energy resources, usually in ways that decreased overall security by promoting zero-sum thinking among the major players. This competition primarily took the form of efforts to build pipelines that excluded one or another of the major regional powers.

Initially, the major contenders were Russia, on one side, and the European Union and the United States, on the other. Other countries, such as China, Iran, and India, were not significant players in this competition until quite recently. Russia's main goal in the competition was to ensure that it retained its effective monopoly over the transit of oil and natural gas from the Caspian region and Central Asia to Europe. As long as it had a monopoly over transit routes, it could purchase energy supplies from the region at relatively low rates and make a significant profit in reselling them to Europe.*

Transit monopolies also allowed Russia to wield a significant amount of political influence in both supplying and receiving countries. For these reasons, it sought to prevent the construction of pipelines to Europe that completely bypassed Russian territory.

Western states had goals diametrically opposed to those of Russia. European states sought to ensure that they had continued access to energy supplies. They thus preferred multiple pipelines from a variety of suppliers, which would reduce dependence on any single supplier or route. The United States sought to ensure the sovereignty of states in the Caucasus and Central Asia that had only recently gained their independence. For these reasons, Western states sought to build new energy pipelines from the region that bypassed Russia.

The Second Great Game Is Over

Russia has now failed decisively in its effort to prevent the diversification of export routes from the region. The Baku-Tbilisi-Ceyhan (BTC) and South Caucasus pipelines allowed Azerbaijani oil and natural gas exports to Europe to bypass Russia, with a recently refurbished gas pipeline to Iran providing another alternative export route for Azerbaijan. The construction of natural gas pipelines from Turkmenistan to China (via Uzbekistan and Kazakhstan) and Iran provides those countries with alternatives to Russian routes as well. Kazakh oil is now being exported to China, by pipeline, and to Europe, by tanker across the Caspian and then through the BTC pipeline.

The only aspect of the Russian monopoly that remains is on the supply of natural gas from the region to Europe. For the moment, a number of Central European countries continue to depend entirely on Russia for their natural gas supplies. The significance of this monopoly has declined in recent years, thanks to a decrease in overall European demand due to the global recession and an increase in supplies of liquefied natural gas. The prospect that shale gas reserves, recently found in Poland and

* This applied primarily to natural gas, which was more difficult to transport and did not have a world market price. Petroleum was usually sold at market prices.

elsewhere in Europe, will become commercially viable in the next decade also reduces the political and economic significance of the Russian monopoly on natural gas supplies to Europe.[†]

As a result of these developments, analysts believe that in the foreseeable future economic factors will trump geopolitical considerations in determining which pipeline routes get built in coming years. This presents both sides with an opportunity to shift away from zero-sum geopolitical considerations in planning future pipeline construction. Western countries could take the lead by allowing Russia and China to participate in pipeline consortia. The U.S. government has already made some steps in this direction by declaring its willingness to have Gazprom take a stake in the Nabucco project. Just recently, Ambassador Richard Morningstar went further by noting that Nabucco is just one option for the delivery of Caspian gas to Europe, with the Turkey-Greece-Italy Interconnector (ITGI) and the Trans-Adriatic Pipeline (TAP) potentially being more viable economically.

While some analysts have interpreted these statements as a U.S. admission of defeat in the face of Russia's South Stream project, the reality is that the United States is simply shifting from emphasizing the political advantages of Nabucco to a focus on the economic realities. Azerbaijani gas cannot fill the planned capacity of the Nabucco pipeline – 31 billion cubic meters (bcm) per year – as Azerbaijan has only 10 bcm of natural gas available. Other potential suppliers are unavailable for various reasons. Smaller pipeline consortia such as the Trans-Afghanistan Pipeline are willing to work with existing parameters, rather than take a risky bet that a trans-Caspian pipeline to Turkmenistan will be built in the next few years or that instability in Iraq will abate to a level that will allow for the construction of a connecting pipeline to Nabucco.

Much of the uncertainty surrounding the future of natural gas pipeline routes from the region to Europe may be resolved by the end of 2011, when the Shah Deniz consortium plans to select a buyer of the 10 bcm of Azeri gas that will be available for this route. Whichever route is chosen, it will provide an alternative to Europe for Azerbaijani gas and will therefore likely provide an epitaph for the great game between Russia and the West over Caspian and Central Asian energy supplies.

Russian Political Goals in the Caspian

Russia is the most important political presence in the Caspian and has the most powerful military force in the region. Any U.S. policy in the Caspian must take Russian goals and interests into account if it is to have any hope of success.

Russia seeks to maintain a dominant role in the Caspian region. It is relatively suspicious of outside powers, especially the United States. Russian leaders believe that influence in the region is a zero-sum game, in part because of the Soviet legacy in Russian foreign policy but also because of their interpretation of U.S. interests. They believe that the United States has been playing a zero-sum game through its efforts to

[†] Initial estimates by Wood Mackenzie show 1.35 tcm of recoverable natural gas reserves in Poland, which is equal to approximately half of the European Union's current proven natural gas reserves. Drilling is expected to start in 2011. Robin Pagnamenta, "[Dash for Poland's gas could end Russian stranglehold](#)," *The Sunday Times*, 5 April 2010.

build energy corridors that bypass Russia and its promotion of color revolutions that have replaced pro-Russian leaders with ones that lean toward the West.

Russian policies in the Caspian region are shaped by three divergent perspectives. The geopolitical/military perspective focuses on great power competition; the perspective of the Russian energy industry focuses on securing exclusive rights for gas transit to Europe; and the security perspective focuses on transnational threats to Russia caused by radical Islamism, terrorism, and drug smuggling.

The internal tension among these perspectives is the main source of inconsistency in Russian policies in the Caspian region. Depending on which perspective is in ascendance, Russian officials alternate between focusing on soft security threats and efforts to retain a monopoly on energy transit and to come out on top in its rivalry with the United States in the region. Focusing on soft security threats is best done through the establishment of cooperative mechanisms with states both in and outside the region, while the other goals are best achieved by limiting the influence of outsiders in the region.

This internal tension presents the United States with an opportunity to focus the relationship on positive interactions in the realm of dealing with soft security threats. To the extent that the relationship and Russian regional policy is focused on this set of issues, it will be that much harder for proponents of the other two perspectives to gain traction in pushing their preferred regional policies.

Involving Russia

In order to maximize the effectiveness of U.S. strategy in the Caspian, policymakers must establish a cooperative relationship with Russia in the region. Recent progress in the overall U.S.-Russia relationship provides an opportunity for them to do so. Such a relationship is necessary if the United States is to achieve its goals of increasing regional stability while reducing the dangers to the region emanating from non-state actors. Despite outward appearances, the Russian leadership is not monolithic and U.S. policymakers should work with Russian leaders to steer the relationship in a constructive direction that will help the United States achieve its goals.

Russia is the dominant power in the region and will remain so for the foreseeable future. The other former Soviet states in the region are loath to take any actions that would antagonize Russia. This is especially the case as they are unsure about the longevity of the U.S. commitment to the region: they do know that Russia will still be their neighbor long after the United States has moved on to other foreign policy priorities. This uncertainty about U.S. intentions has led to a great deal of reluctance in Azerbaijan, Kazakhstan, and Turkmenistan to partner with the United States. This is especially true in the realm of military cooperation, which is perceived by the other Caspian states to be the most threatening to Russian interests. It would be easier for Russia's post-Soviet neighbors in the region to engage in bilateral and multilateral cooperative activities if the United States and Russia acted as partners, not adversaries, in dealing with regional security issues. This is a real possibility on topics such as energy, counter-narcotics, counter-terrorism, and other soft security threats.

A Roadmap for U.S.-Russian Engagement in the Caspian

Russian officials have repeatedly emphasized their concern about the toll drug addiction is taking on their society. Some of them have criticized U.S. drug policy in Afghanistan for being unable or uninterested in stopping the flow of drugs into Central Asia and on to Russia. The United States should treat such statements as an opportunity to press Russia to work together on counter-narcotics issues in order to make these programs as effective as possible. Such an effort would both potentially increase the programs' effectiveness and make it much more difficult for Russian politicians opposed to cooperation to criticize U.S. policy.

The U.S.-Russian Bilateral Presidential Commission Counter-Narcotics Working Group has identified supply reduction as one of its priorities for joint counter-narcotics efforts. Maritime drug interdiction in the Caspian would provide an excellent venue for such cooperation. The two countries could begin with information sharing through an existing organization, such as CARICC, the Central Asian Regional Information and Coordination Centre, a United Nations Office on Drugs and Crimes (UNODC) project. Ideally, this would only be a first stage, to be followed by joint training exercises in the region to which other littoral states could be invited. As cooperation develops, it will be possible to conduct joint operations, along the lines of recent joint counter-narcotics operations in Afghanistan and St. Petersburg.

If this model of cooperation proves effective in the area of counter-narcotics, it could gradually be expanded to other issues where Russia and the United States share interests. Counter-terrorism and counter-proliferation are both issues on which the two countries already share intelligence and conduct some joint programs, which have led to the establishment of a certain level of trust among the policy and expert communities working these issues. To date, these programs have not focused on the Caspian region, as it is seen as either a backwater for the bilateral relationship or a zone of potential conflict thanks to the history of zero-sum thinking about influence in the region. If the two countries can establish a productive working relationship in the Caspian by focusing on counter-narcotics, this could be combined with the productive national-level working relationships on counter-terrorism and counter-proliferation. However, policymakers must not rush into this too quickly, as the current environment is not conducive to such cooperation without some prior confidence-building measures.

The example of U.S.-Russian cooperation in the region could have a significant political impact on overall regional cooperation. Fear of Russian reaction is one of the factors limiting existing Caspian partner states' willingness to work with the United States on military issues. An environment in which Russia and the United States were cooperating on Caspian regional security issues of common concern would increase the appetite for security cooperation with the United States certainly in Kazakhstan, and probably in Azerbaijan and Turkmenistan as well.

At the same time, U.S. policymakers need to proceed cautiously in developing cooperative initiatives with Russia. A number of Russian officials continue to view the world through a Cold War prism and remain deeply skeptical of any cooperation with the United States, especially in a part of the world that they consider to belong to the

Russian sphere of influence.[‡] They will undoubtedly seek to derail closer bilateral cooperation in the Caspian by making statements condemning U.S. efforts as inadequate or incompetent, much as Vitaly Churkin, Russia's Ambassador to the United Nations, did in September 2010. To maintain advances in cooperation, it will be important to recognize that the Russian political elite is not monolithic and therefore to avoid over-reacting to such statements.

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[‡] Such suspicions exist on the U.S. side as well.