

Russia's Response to U.S. Regional Influence

Peter Rutland

Wesleyan University
Middletown CT 06459

prutland@wesleyan.edu

(National Bureau of Asian Research journal *Analysis*,
volume 14, no. 4, November 2003. Special issue:
Regional Power Plays in the Caucasus and Central Asia)

PROLOG¹

The analysis of Russia's reactions to US policy in Central Asia and the Caucasus requires the study of three separate but related phenomena: Russian foreign policy, US foreign policy, and the situation in and around the Caspian basin. The latter includes not only the domestic politics of each country, but also the role of influential regional actors – Turkey, Iran and China.

This is not an easy task. Each of these factors is complex and contradictory, and has shifted in new directions several times over the past decade. The various factors interact in fluid and unpredictable ways.

When discussing the Caspian region it is comforting, but illusory, to retreat into the certainties of a single, over-arching theoretical construct, such as US hegemony; Russian collapse; Russian imperialism; US imperialism; or whatever, and to use that as the sole prism through which to view developments in the region. Rather than retreat into a simplistic paradigm, we must recognize that we are dealing with a complex and fluid situation: an intersecting nest of “games,” with the various players imagining themselves engaged in different games at different times.

The core argument of this paper is the following. Russia has traditionally regarded Central Asia and the Caucasus as its own “backyard,” or, in the parlance of international relations, an area of vital concern to its national security and national interests. On the other hand, there is sufficient evidence to suggest that President Vladimir Putin's preference is for genuine multilateral cooperation with the United States, even if this includes increased activity for the US in the Caspian region.

These two trends have been pulling in opposite directions over the past decade: a tension exacerbated by the fact that US policy has also been somewhat inconsistent. The US has consistently *claimed* that cooperation with Moscow is its goal, but its *actions* have often been competitive with Russian interests, as in the promotion of the Baku-Ceyhan pipeline.

The inconsistencies in Moscow's policies towards the Caspian region are not only due to conflicts in the assessment of where Russia's national interests lie. They are also driven by more mundane domestic concerns, such as Putin's desire to placate domestic political critics of “US hegemony.” Also, there has been a high level of policy incoherence, due to the hijacking of policy by aggressive officials in the field, within government agencies such as the defense and energy ministries.

THE SITUATION IN THE 1990s

The emergence of the newly-independent states in the Caucasus and Central Asia created new challenges and opportunities for both Russia and the US. Both countries were dealing with a novel and uncertain situation, and neither side developed very effective or successful policies towards the region over the course of the decade.

Under President Boris Yeltsin Russia focused on tasks of domestic transition, and in foreign affairs the priority was retaining good relations with the US. The Russian state shed most of its

¹ This paper was prepared for the Caspian Basin Security Conference that took place in Seattle, WA, April 29-30, 2003 and that was sponsored by the National Bureau for Asian Research, the US Army War College, the University of Washington's REECAS Center, and the Pacific Northwest Center for Global Security. Thanks to Steve Hanson, Kurt Meppen and Bill Wohlforth for comments on an earlier draft.

“Eurasian” identity and imperialist pretensions – although this world-view continued to command a great deal of support among state officials, policy intellectuals and the public at large.² The Commonwealth of Independent States was created ostensibly as a vehicle to promote regional integration, but in reality it was more of a fig-leaf to enable the various national leaders that created it to consolidate their domestic power.³ Not only did it fail to evolve into an effective regional organization, it became a kind of “anti-organization,” disabling efforts to promote genuine cooperation.⁴

The greatest achievement of the past decade has been securing the independence of the new states that emerged in the wake of the Soviet collapse. Yet consolidating this newly-won sovereignty came at the cost of cooperation between the now independent countries, which is clearly vital to tackling the problems facing the region, such as economic stagnation, water shortage, disease, drug trafficking and international terrorism. With national independency now firmly established, effective cooperation is still nowhere in sight. On the contrary, each of the region’s leaders jealously guards his nation’s sovereignty (and personal power), and they compete with each other for the patronage of the international community.

Security issues

In the security sphere Russia found itself willy-nilly involved in conflicts in Georgia, Armenia and Tajikistan. These conflicts were not created by Russia; they were of marginal relevance to Russia’s national security interests; and Russian participation was driven more by the ambitions and interests of regional military commanders than by conscious decisions of the president and foreign ministry. General Aleksandr Lebed’s intervention in the fighting in Moldova is a case in point. It is also not clear where in the chain of command the decision was taken to release some \$1 billion of military hardware to Armenian secessionists in Nagorno-Karabakh in 1992-93. Russia eventually managed to shut down the fighting in each region, but did little to go about seeking a solution to the conflicts, except in the case of Tajikistan. Russia, with problems aplenty of its own, had little interest in trying to help its southern neighbors work out lasting peace settlements.⁵

US policy focused on securing the viability and sovereignty of the newly independent states, and preventing their re-absorption into a revived Soviet Union. The latter turned out not to have been on Russia’s agenda after all. Boris Yeltsin, unlike Slobodan Milosevic, would not launch wars to unify the 25 million ethnic Russian diaspora in a “Greater Russia.” However, that possibility could not be ruled out at the time.

Russia and the US had one important common interest in the region – forestalling the emergence of new nuclear powers, and preventing the spread of nuclear weapons and know-how. Hence in 1993-94 they were able to cooperate very effectively in persuading Kazakhstan to give up its nuclear weapons, and spirit away the nuclear-weapon materials.

² Dmitrii Trenin, *The End of Eurasia Russia on Border Between Geopolitics and Globalization* (Washington DC: Carnegie Endowment, 2002).

³ Marina Kalashnikova, “Gopak on the ruins of the CIS,” *Novye Izvestiya*, 30 January 2003.

⁴ Martha Olcott and Anders Aslund, *Getting it Wrong* (Washington, D.C.: Carnegie Endowment, 2001).

⁵ M. Cheskov, “Novtyi tretii mir v postsovetsoi Azii?,” *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, no. 11, November 2000, pp. 114-21; O. Reznikova, “Modernizatsiya Rossii i vzaimodestvie v SNG,” *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, no. 3, March 2000, pp. 58-66.

Russia's security interest in the region quickly evolved and intensified.⁶ The Chechen war that broke out in 1994, and the Taliban seizure of Kabul in 1995, raised the specter of Islamic subversion from the south to the front rank of Russian security concerns. Russia played a positive and successful role in brokering the peace deal in Tajikistan in 1997, with the cooperation of Iran.

However, Russia found a new reason to worry. NATO's decision to enlarge into Central Europe in 1997 was accompanied by an eastward expansion of the activities of the Partnership for Peace organization, with the first joint exercises in Uzbekistan in 1998, followed by talk of NATO bases in Azerbaijan and the like. Caspian basin leaders welcomed NATO enlargement and the prospect of the alliance projecting influence into their region.⁷

Russia now started to fret about US military influence over its southern flank. At the same time guerrilla incursions into Uzbekistan and Kyrgyzstan in 1999-2001 seriously threatened the stability of those regimes, and stimulated Russia into a more proactive security role in the region. Meeting in Yerevan in May 2001 the Collective Security Treaty (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan) agreed to set up a 1,500 man rapid reaction force, based in Bishkek.⁸ This was typical of Putin's utilitarian approach to relations with the CIS, preferring practical bilateral deals and "coalitions of the willing" on specific policy issues – such as free trade, or anti-terrorist operations – over empty summit declarations.⁹

China has also become involved in these preparations, through the Shanghai Cooperation Organization, which includes Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. The Russia-China relationship is complicated, with mutual rivalry focused on Russia's precarious grip on its Far Eastern territories balanced by the two countries' shared suspicion of America. "China cannot attack Taiwan without Russian weapons, and Taiwan cannot defend itself without American weapons."¹⁰ Russia has more to lose, than to gain, from deepening this type of anti-American relationship with China.

Uzbekistan was the most reluctant of the Central Asians (after Turkmenistan) to cooperate with Russia in the security sphere. But even Tashkent was drawn into these new activities in 1999: signing a military agreement with Russia in December of that year, joining the CIS air defense system in May 2000, and entering the "Shanghai five" as a full member in July 2001.

The economic sphere

In the economic sphere, Russia was bogged down in extracting itself from Soviet-era trading patterns and relationships. In 1992-93 Russia saw Central Asia more as an economic liability rather than a potential asset, a problem to be managed rather than an opportunity to be seized. Russia's own economy was in chaos, and it was not until 1996-97 that one started to see the emergence of new economic actors ("the oligarchs") capable of projecting Russian economic

⁶ Vitalii Naumkin, *Tsentrāl'noaziatskii faktor v otnosheniyakh Rossii i Zapadom*, (Moscow: Fond Mosty: Vostok-Zapad, 2002).

⁷ Marina Kalashnikova, "NATO will be friends with post-Soviet nomenklatura," *Novye Izvestiya*, 26 November 2002.

⁸ Rustam Babayev, Nabi Nabiyev, "Collective rapid response forces get their wings," *Krasnaya Zvezda*, 19 April 2003, interview with Maj.Gen. Sergei Chernomordin, head of Central Asian Collective Rapid Response Force.

⁹ Nabi Ziyadullaev, "SNG: Opyt I otogi desyatiletiya," *Svobodnaia Mysl'*, no. 4, April 2002, pp. 49-62.

¹⁰ Konstantin Smirnov, "Equation," *Nezavisimaya Gazeta*, 29 November 2002.

influence beyond the country's borders. In the meantime, Russian companies missed out in the wave of lucrative privatizations to Western investors in Kazakhstan in 1994-95.

The signing of the "contract of the century" in Baku in September 1994 signaled a new level of interest from the US in bringing the region's oil resources to world markets. Russia became aware of the potential for US political and economic entry to the region: a prospect they did not welcome.

On one hand, the US kept assuring Moscow that the development of the Caspian basin was not a zero-sum game, but an economic opportunity that could benefit all sides – including Russia. On the other hand, some of the rhetoric surrounding the Caspian, with talk of a revived "Great Game," was distinctly hostile to Russia. Organizations were created which excluded Russia altogether, such as the security framework GUUAM and transport plan TRASECA. And the Baku-Tbilisi-Ceyhan pipeline was explicitly designed so as to provide an alternative export route for Caspian oil that did not involve transiting Russia.

Russia responded to these mixed signals from the US with mixed signals of her own. The situation grew increasingly complex, as Russian foreign policy was pulled in different directions by self-interested factions. The "power ministries" responded to the signing of the "contract of the century" in September 1994 by launching the invasion of Chechnya just three months later. This was a brutal, ham-fisted and counter-productive effort to signal Russia's presence in the region. Meanwhile, on the other side of Moscow Russian companies such as Lukoil were very interested in obtaining shares in the various oil ventures. This required good relations with Azerbaijan, and speedy resolution of the legal limbo regarding the status of the Caspian Sea.

This policy incoherence was not confined to foreign affairs, but was typical for many policy spheres in Yeltsin's Russia. Yeltsin had his hands full with domestic threats and was unable to impose order on the decision-making process. The Ministry of Foreign Affairs was not an authoritative coordinating agency, despite the efforts of Yevgenny Primakov, who takes the helm in January 1995. The new Security Council did not develop such a coordinating role, and instead became a vehicle for Yeltsin to sideline troublesome politicians.

To the extent that Russia did develop a coherent national strategy, it was that of "spoiler" in US plans for the region. Geography and history gave it several choke points which it could utilize, and which the US found hard to neutralize. First, there were the frozen conflicts in the region, in each of which a Russian military presence (Abkhazia) or Russian military assistance (Karabakh) played a decisive role. Second, there was the unresolved legal status of the Caspian Sea, something over which Russia as a littoral state with the strongest military presence had effective veto power. Third, there was Russia's capacity for leverage over the region's leaders one-on-one through withholding or granting favors in trade deals, visa arrangements, political support, etc.

The Baku-Ceyhan pipeline became the lynchpin of US policy towards the region. As the years passed, and the pipeline did not materialize (ground was finally broken in September 2002), it became a symbol not of US commitment but of the failure of the US approach. The US was unable to persuade Russia that the possible collective benefits from the project that it was willing to share with Russia would outweigh the possible costs.

Most critics of US policy complain *not* that the policy was misguided, but that the US was not doing enough to sell it to Congress, to Moscow, and to regional leaders. If only the president had confronted the Armenian lobby and persuaded Congress to lift Section 907 of the Freedom Support Act barring official aid to Azerbaijan, so the argument went, Baku might have been more

willing to make peace over Karabakh. (President Bush used his authority to waive Section 907 in January 2002.) This chain of reasoning is somewhat strained, however. It would have been easier if the US had been willing to allow Azerbaijan and particularly Turkmenistan to export oil and gas through Iran – but this was ruled out by the 1994 Iran-Libya Sanctions Act.

US oil companies were understandably reluctant to go it alone on Baku-Ceyhan without investment and other political guarantees from the US government. A flare-up of fighting inside Georgia or over Karabakh could easily scupper their investments. In addition to political risk, the commercial uncertainties of the project were substantial. Was there enough oil in Azerbaijan to sustain such a long and costly pipeline? And if not, could a trans-Caspian pipe be built to bring oil from Kazakhstan?

Even advocates of the Baku-Ceyhan strategy agreed that the Caspian was relatively low in the hierarchy of US policy priorities, so when push came to shove the US sacrificed its Caspian strategy to the need to maintain a good relationship with Moscow. The risks of a still-nuclear Russia “going bad” far outweighed the benefits in terms of energy security and regional stability that would come from Baku-Ceyhan.

This is a persuasive argument. Despite its contradictions, US policy was probably rational from the point of view of US national interests. But it may also be true that Russia’s spoiler strategy was rational from the point of view of its own national self-interest. Perhaps Moscow was driven to block Baku-Ceyhan out of spite and wounded imperialist pride. But they might also have rationally concluded that the costs of completion of Baku-Ceyhan, such as lower global oil prices and loss of transit fees and rent extraction from Russian-controlled pipelines, outweighed the possible benefits to Russian companies from participation in the various ventures. Russian policy was not extraordinarily obtuse, but was driven by the usual mix of rational calculation and irrational hunches that are typical of foreign policy decision making across the globe.

A CHANGE OF COURSE

It is often argued that September 11th fundamentally changed the pattern of international relations, with particularly dramatic effects in Central Asia. That is true. It is also often argued that Russian policy towards the United States changed decisively after September 11th. But the post-9/11 changes should not lead us to forget that Russian policy had already begun some tectonic shifts *before* September 2001, following Vladimir Putin’s accession to the presidency in January 2000. It is important to understand the pre-9/11 roots of Russia’s post-9/11 policy and not simplistically assume that everything changed after the Al Qaeda attacks.

Boris Yeltsin’s resignation on 31 December 1999 marked, literally and figuratively, the end of an era in both domestic and foreign affairs. Both Russians and Americans had become increasingly disillusioned with the Bill ‘n Boris partnership of the mid-1990s, the primary purpose of which seemed to be boosting the egos of the respective presidents.

The financial cataclysm of August 1998 signaled the end of Russia’s dependence on IMF loans and its pretense to be following IMF-sanctioned policies. Among other things the crash wiped out the savings of most of Russia’s nascent middle class – and rightly or wrongly for Russians that crisis had “made in the USA” written all over it. It led to the appointment as prime minister of Yevgeny Primakov, a figure distinctly cool towards the West.

Primakov showed his mettle by his airborne U-turn in the mid-Atlantic when he heard that NATO had started bombing Yugoslavia in March 1999, without any pretence at consultation with Moscow. Russia narrowly averted a complete break with the US, in part thanks to Yeltsin's willingness to help persuade Milosevic to give up control over Kosovo in return for Russian participation in the peacekeeping effort. This resolution did not bring about any rapprochement between the two countries, however, as the Kosovo war left Russians with a sharply negative attitude towards the US. And on this side of the Atlantic, there was a surge of interest in Russian Mafia stories and a general sense that Russia was a hopeless case (remember the Bank of New York scandal?).

A year later, the incoming Bush administration made clear its intention to downgrade the status of Russia to that of a mid-ranking country. The State Department merged its Russia desk with the Europe section, and waited for several months before nominating a new ambassador to Moscow, Alexander Vershbow. National security advisor Condoleezza Rice argued that "It would be foolish in the extreme to share defenses with Moscow as it either leaks or deliberately transfers weapons technologies to the very states against which America is defending."¹¹ In an interview with *Le Figaro* she even said "I believe Russia is a threat to the West in general and to our European allies in particular."¹² On the US side here was a slew of spy scandals, nuclear proliferation scares, and embarrassing news about Putin's crackdown on independent television, while the Russians were worried about reports that the Bush administration was going to take down China as the closest rival power. It was five months before Bush personally met Putin, in Slovenia, long after European leaders had taken measure of the new man in the Kremlin. But when the two presidents did finally meet, the personal chemistry was positive, and US policy began to thaw. Bush explained that in Putin: "I found a man who realizes his future lies with the West, not the East, that we share common security concerns, primarily Islamic fundamentalism, that he understands missiles could affect him just as much as us."¹³

The two men met again at the G8 Summit in Genoa in July 2000, after which the two sides issued a joint statement in which they agreed that the issue of anti-missile defenses and strategic arms cuts were related and should be dealt with together. Still, the US was signaling that it would not countenance any agreement that would curtail its ability to deploy missile defenses. One factor delaying progress was the fact that the Russian military leadership was staffed with hardliners bitterly opposed to any concessions over missile defense. In March 2001 Putin reshuffled the top security ministers, replacing Defense Minister Igor Sergeev with Sergei Ivanov, a former KGB official and the first "civilian" to head Russia's defense ministry.

Still, as Dmitrii Trenin has noted, Putin's foreign policy was ambiguous prior to September 11: Putin had been seeking allies from Pyongyang to Ottawa and all points between. The same man who had addressed the Bundestag in fluent German had also invited Kim Jong Il to a surreal Stalinist week-long trek to Moscow via the trans-Siberian railway. Western observers were still intensively debating "Who is Mr. Putin?" Putin's response to September 11th cleared up most – but not all – of the ambiguities in his foreign policy stance.

Putin was the first foreign leader to call the White House on September 11th to condemn the attacks (although he did not actually talk to Bush himself until the next day. In a subsequent telegram to Bush, Putin decried the "barbarous terrorist acts aimed against wholly innocent people," and expressed Russia's "deepest sympathies to the relatives of the victims of this

¹¹ Martin Walker, "Commentary: New hard line on Russia," UPI, January 5, 2001.

¹² The Presidents lookout, *Le Figaro*, February 10, 2001, in *Johnsons Russia List*, 17 February 2001.

¹³ Peggy Noonan, "A chat in the Oval Office," *Wall Street Journal*, 25 June 2001.

tragedy, and the entire suffering American people.” But Moscow faced an urgent practical question: how big a role should Russia play in assisting the US response to the terrorist attacks. Some reports indicate that Putin tried to persuade Central Asian leaders to deny basing rights, but conceded defeat after it became clear that they would go ahead despite Russian objections. Voluntary or coerced, Putin’s willingness to accept without public protest a US military presence in Central Asia, along with overflight rights, was nevertheless a startling turnaround from Russian policies of the previous decade. Putin’s decision was shaped by the fact US military action would be targeting a former Russian enemy (Islamic fundamentalists in Afghanistan), in contrast to recent US interventions against Russian allies Yugoslavia and Iraq.

Still, for several weeks thereafter Putin’s ministers made threatening noises about US military deployment in the region. The US began flying troops into Uzbekistan on 22 September, and in a televised address on 24 September Putin made it clear that he had decided to actively aid Washington’s campaign. By December 1,500 US troops were deployed at the Hanabad air base in Uzbekistan and the US had signed agreements granting landing rights in Tajikistan and Kyrgyzstan. Moscow did not commit any troops to the fighting, which it was happy to leave up to the US. But it did play politics to a degree. For example, Russia reportedly encouraged its long-time ally, the Northern Alliance, to move into Kabul before the Americans had assembled a new government, to make sure it was not dominated by southern Pushtuns. On 26 November several hundred paramilitary personnel from the Russian Emergency Situations Ministry flew unannounced into Kabul to establish a Russian presence there, in a move was reminiscent of the reckless “dash for Pristina” in June 1999. But two weeks later Russia announced it would not be sending peacekeepers to Afghanistan.

Putin’s choice

When Putin came to power, it was reasonable to assume that the 17-year KGB veteran would revert to the anti-Western policies of the Primakov administration.¹⁴ Yet this did not happen.

Putin has consistently pursued a policy of cooperation with Europe and the United States, making a stream of hitherto unimaginable concessions.¹⁵ Extend NATO to include the Baltics? No problem.¹⁶ Station American troops in Central Asia to wage war in Afghanistan? Fine. Unilateral American withdrawal from the ABM treaty? That is “no threat to Russian security,” said Putin. American special forces in Georgia? “No tragedy,” says the Russian president.

It is important to note that these concessions began *before* September 11, and accelerated in response to the tragedy.

One after another, Putin gave up longstanding Russian strategic positions, issues of principle that had been considered lines in the sand even for the Yeltsin administration. No one has really explained exactly why Putin began doing this. He was certainly not acting under pressure from domestic constituencies. Quite the opposite: It is hard to find anyone in the Russian foreign policy establishment who agrees with Putin’s actions – and opinion polls show the public at large is

¹⁴ Primakov was fired by Yeltsin in May 1999. Interior minister Sergei Stepashin became prime minister, and he in turn was replaced by Putin in August 1999.

¹⁵ For details, see Dale Herspring and Peter Rutland, “Foreign policy under Putin” in Dale Herspring and Jacob Kipp (eds.), *Putin’s Russia* (Rowman and Littlefield, 2002), ch. 11.

¹⁶ It was during his visit to Helsinki in August 2001 Putin for the first time implied that Russia would not violently object if the Baltic states were admitted to NATO

equally skeptical. “The paradox of Putin’s ‘pro-Western authoritarianism’ is an enigma for Russian and foreign political analysts. ...But no one knew how the Russian population would react to the Kremlin’s line aimed at giving up its might and prestige for nothing.”¹⁷

Balancing and bandwagoning

Putin’s choice reflects two broad ideas that are familiar to students of Western international relations (although it is unlikely that Putin arrived at them through scrutiny of IR theory). First, in a situation where there is one dominant power, other powers have to make a very careful calculation about the relative merits of trying to oppose that common threat by creating a rival alliance (“balancing”), versus cooperating with that power (“bandwagoning”).

Second, there is the recognition that in the post-Cold War world economic ties, political alliances and a community of interests (what Joseph Nye has called “soft power”) matter more than main battle tanks and nuclear missiles (“hard power”).¹⁸ In this new world, national interests have to be pursued through diffuse means, by the nation integrating and adopting prevailing political and economic norms.¹⁹ Whether it was his KGB training, or his later exposure to the rough-and-tumble of market economics when he worked in the mayor’s office in St. Peterburg, Putin seems to have intuitively grasped the importance of “soft power” in the post-Cold War world.

Put these two factors together, and one comes up with the matrix of options facing Russia shown in Figure One. This is nothing more than a simplification for purposes of illustration: the four boxes represent tendencies or directions of policy and not clear-cut alternatives.

Figure One Russia’s strategic options

Strategy:	Type of power: HARD	SOFT
BALANCING	(i) multipolar alliance with China, India	(ii) alliance with Europe
BANDWAGONING	(iii) strategic partnership with US	(iv) multilateralism, new world order,

¹⁷ Marina Kalashnikova, Victor Kalashnikov, “Imitation instead of foreign policy,” *Novye Izvestiya*, 6 February 2003.

¹⁸ Joseph Nye, *The Paradox of American Power: Why the World’s Only Superpower Can’t Go It Alone* (New York: Oxford University Press, 2002).

¹⁹ Igor Zevelev, “Rossiya i SShA v nachale novogo veka: anarkhiya - mat' partnerstva,” *Pro et Contra*, vol. 7, no. 4, 2002, pp. 72-85.

The Primakov policy would have been to focus on box (i) – to create a Delhi-Beijing-Moscow axis, cemented by sale of advanced Russian weaponry, to block US hegemony. But that approach reflects Soviet-era strategic thinking, and never seems to have appealed to Putin.

Immediately on taking office, Putin put considerable effort into cultivating ties with European leaders, and it looked like box (ii) – Russia as a European power – was his favored option. This approach would balance US influence not through hard power (weapons and threats to use them) but through soft power – trade, cooperation, and international norms.²⁰ Thus the new foreign policy concept issued in June 2000 called for a “multi-polar-world” in contrast to the “unipolar structures of the world with the economic and power domination of the United States.”²¹

However, Putin quickly realized that the European Union was not going yet able to act as a coherent player in the international diplomatic arena. It remains a multi-headed hydra, lacking a unified foreign and defense policy, and preoccupied with internal concerns. (One of these internal concerns was of course eastwards enlargement – a matter of acute foreign policy interest for Russia.) In regard to relations with Moscow, the Europeans singularly failed to deliver on promised cooperation in aviation and satellite projects, and bickered with Russia over topics from Chechnya to Kaliningrad.²² In the words of former Security Council Secretary Andrei Kokoshin, “The Russian business and political elite becomes more and more convinced that the European Union needs Russia only as a source of raw materials (energy resources, first and foremost)” and for dealing with Russia’s debt mountain.²³

Moreover, the Kosovo war had vividly demonstrated – right in Europe’s backyard – that there is no alternative to the US if one is interested in collective security.

Box (iii) – Russia and the United States cooperating on the basis of their military power, seems to have been the goal, or perhaps it is better to say the dream, of Yeltsin and the progressive wing of the post-Soviet defense establishment in the early 1990s – and of their counterparts in the Clinton administration.²⁴ However, the end of the Cold War made Russia’s nuclear arsenal redundant: a liability rather than an asset.

With the weakness of Europe as a partner ruling out option (ii), Putin’s second choice would be box (iv): a multilateral regime in which Russia’s good relations with China, India and the Europeans can be used in cooperation with the US, in a world where soft power is more important than hard power. The US has repeatedly stated that it wants to see Russia revived as a democratic, prosperous country, and does not see that as a threat to US interests. Putin was thus quite happy to cooperate with the US on this basis.

²⁰ For a discussion of how Europe could use its “soft power” to balance the US, see David P. Calleo, “Power, wealth and wisdom,” *The National Interest*, summer 2003.

²¹ On the web at www.mid.ru/mi/eng/econcept.htm.

²² Dov Lynch, “Russia faces Europe,” May 2003, Chailiot Paper no. 60, EU Institute for Security Studies, <http://www.iss-eu.org/chailiot/chai60e.pdf>

²³ Andrei Kokoshin, “Direction of military-strategic policy for Russia in 2003,” *Nezavisimoe Voennoe Obozrenie*, no. 1, 17-23 January, 2003.

²⁴ Strobe Talbott, *The Russia Hand* (New Haven: Yale University Press, 2002).

Hence in December 2002, commentator Boris Grozovsky wrote that “In 2002, Vladimir Putin has proved to be George W. Bush’s best friend.” The “Putin doctrine” was in good shape: “Its features include: a pro-western bent, pragmatism, no empire-building within the CIS, and maintaining stability in relations with Russia’s eastern neighbors. Russia under Putin has fitted in well with the ‘new world order’ – a unipolar world, where Washington rather than international organizations makes the key decisions, taking into account the basic interests of a few major autonomous players.”²⁵

However, the Iraq war seems to signal a shift in this state of affairs. Just as Putin was solidifying Russia’s cooperation with a US-led global order, in the wake of 9/11 Washington abandoned soft power instruments in favor of a return to the perceived certainties of hard power. Even before 9/11, the Bush administration was turning its back on soft power: witness its abandonment of the Kyoto accords and the International Criminal Court. Post-9/11, Bush launched the “war on terror” as an exercise in hard power – invading rogue states like Afghanistan and propping up dictators so long as they join the US effort. This new assertion of hard power is based not on nuclear weapons, but on the “Revolution in Military Affairs” (precision guided weapons, real-time information sharing, etc.) – capacities that the Russian military completely lacks. By invading Iraq without explicit sanction of the UN Security Council, the US seems to have turned its back on the United Nations itself. This unexpected and to many unfortunate development in US policy has also undercut Putin’s box (iv) strategy.

The Bush doctrine seems to be pulling Putin into box (iii) – a strategy of trying to make common cause with the US based on Russia’s military capacity. Initially, the main hard power card in Putin’s hand was Russia’s aging nuclear arsenal, but Bush seemed much less interested in managing Russia’s nukes than did the Clinton presidency. But then, post-9/11, Russia could flex its hard power muscles by making common cause in the war against terror. Russia had no problem defining the Chechen war as a struggle against militant Islam, and was quite happy to see the US doing the dirty work of rooting out the Taliban in Afghanistan.

Thus in a December 2002 interview Foreign Minister Igor Ivanov said that US military presence in Central Asia helped shut down the terrorist threat emanating from the south – “for years Russia has been saying that the main threat in the world is in Afghanistan.”²⁶ In a January 2003 interview Defense Minister Sergei Ivanov made it clear that US withdrawal from the ABM treaty or even NATO expansion does not directly threaten Russian national security – whereas terrorism does. This was also stated at the Shanghai Cooperation Organization summit in May 2001.²⁷

The US decision to go to the UN Security Council and seek passage of Resolution 1441 in November 2002, threatening “serious consequences” if UN inspectors were not allowed to do their job, seemed to vindicate the “soft-power bandwagon” approach. In the months after Resolution 1441, as it looked increasingly likely that the US would go to war on its own if necessary, Putin appeared to be sitting on the fence, avoiding a direct challenge to US plans of the sort which Germany and France seemed keen on mounting.

²⁵ Boris Grozovskii, “Putin’s doctrine,” *Vedomosti*, 30 December 2002.

²⁶ Interview by Vitalii Dymarksi, “Around the world with Igor Ivanov,” *Rossiiskaya Gazeta*, 30 December 2002.

²⁷ Vitaly Dzhibuti, “Snapping to attention,” *Rossiiskaya Gazeta*, 14 January 2003.

In the weeks leading up to the war, to the surprise of many observers, Putin came down off the fence – on the side of the Europeans.²⁸ Putin seemed to delegate the more aggressive anti-US rhetoric to his foreign minister Igor Ivanov (the man chosen by Primakov to be his successor). On the eve of the war Igor Ivanov toured Central Asia trying to persuade the region's leaders not to cooperate with the Americans. But Putin's own position against unilateral US action was clear – as evidenced by Russia's signaling that it was ready, along with France, to veto a second Anglo-American resolution in the UN Security Council authorizing the use of force in March.²⁹

The US decision to launch the invasion of Iraq without UN sanction shattered Russia's hopes for a multilateral global order, and the US swift victory left the Europeans – and Russia – high and dry. Russians resented the US military success, but were stumped when it came to figuring out a response.³⁰ However, it turned out that the rift in trans-Atlantic relations was more serious than the rift between Russia and the US. In the weeks following the invasion, Putin patched up his relations with Washington, in part because the US also came to realize that international support would be necessary to stabilize post-war Iraq – for example, by getting UN permission to start selling Iraqi oil.

At the G-7 summit in Evian, France in June 2003, Russia was formally accepted as a full member, and the G-7 became the G-8. Just before the Evian meeting, Putin hosted the annual EU-Russia summit in St. Petersburg, and used the 300th anniversary of the city's founding to mount a spectacular jubilee attended by the leaders of 43 countries. Some commentators even credited Putin's diplomatic skills with creating the positive climate that encouraged Bush to drop his initial plan "To forgive Russia, ignore Germany and punish France."³¹ Soft power, then, was back in evidence.

Putin's levitation act: the evolution of the new policy

Within Russia, Putin seems to be alone in embracing this strategy of cooperation with the US while shifting the axis of Russian foreign policy from hard to soft power. Even within his own government, much of policy continues to be made by the huge bureaucratic foreign policy and defense establishment with a strong vested interest in preserving Soviet-legacy policies such as aggressive arms sales, provocative air defense exercises, and demonstrative assertions of Russia's nuclear deterrence capacity.

And in the broader ranks of the policy community it is almost impossible to find anyone who espouses such a sophisticated interpretation of Russian national interests – that is, willing to shift from hard to soft power while accepting US leadership. Even liberal, Westernized analysts still look at the world in geopolitical terms. They see Russia's influence resting on its nuclear arsenal and status as an ex-superpower, and its capacity to project power in the "near abroad." Leading liberals such as Duma deputy Aleksei Arbatov or Yabloko leader Grigory Yavlinsky feel that Russia's dramatic gestures – such as supporting the war against Afghanistan with intelligence-sharing and air overflight access – went unrequited. In the wake of September 11th they lost little time in drawing up a laundry list of concessions they expected from the US in return for Russian

²⁸ Pavel Baev, "Putin the pacifist?", *Russia and Eurasia Review*, Jamestown Foundation, vol. 2, no. 7, 1 April 2003.

²⁹ Georgy Bovt, "No abstention," *Izvestiya*, 7 March 2003.

³⁰ Anatolii Kostiuikov, "A hangover at somebody else's banquet," *Nezavisimaya Gazeta*, 20 March 2003.

³¹ Elena Chinyaeva, "Putin's summitry," *Russia and Eurasia Review*, Jamestown Foundation, vol. 2, no. 12, 10 June 2003.

support: a halt to criticism of Russian military actions in Chechnya; cancellation of Soviet-era debts; abandonment of national missile defense; an end to further NATO expansion; and lifting sanctions on Iraq.³² The US did not deliver on any of these quid pro quos: on the contrary, Washington piled on new humiliations.

Rather than signaling the end of a Cold War mentality of confrontation, September 11 served to encourage the US to act decisively and if necessary unilaterally. It lifted the domestic political constraints that were historically the main factor limiting US foreign policy unilateralism. Judging by his actions, Putin understood this situation better than his liberal supporters. Rather than demands for favors, Putin responded with unilateral concessions of his own. Thus for example in October 2001 Putin announced that Russia would close its listening post in Lourdes, Cuba and would leave the Cam Ranh naval base in Vietnam when the lease expires in 2004. In November 2001 Russia suddenly dropped its opposition to a US-British plan to revise UN sanctions against Iraq. The UN Security Council approved the revised regime of “smart sanctions” allowing more oil sales but with specific bans on military-related purchases, to take effect in May 2002.

But the gap between Russian hopes for partnership and US unilateralism continued to widen in 2002. In February 2002 150 US military trainers deployed in Georgia, who Russia accused of harboring Chechen terrorists in the Pankisi gorge. After a summer of mounting tension and threats of Russian intervention, in September Georgian forces did retake the Pankisi gorge. In April 2002 the US raised tariff barriers against Russian steel exports, leading to Russian retaliation against American chicken imports, citing sanitary concerns. That in turn was followed by a US Congressional vote allowing Radio Liberty to start broadcasting in Chechen language. Although Russia was admitted to the G8 in June 2002, and declared a “market economy” by the US and EU in 2002, which should help with anti-dumping suits, there was no progress in Russia’s application for WTO entry, nor even in the lifting of the humiliating 1974 Jackson-Vanik amendment, which ties Russian export entry to certification of emigration rights.

In December 2001, the US had given Russia six months’ notice that it would withdraw from the 1972 Anti-Ballistic Missile treaty and start deployment of an ABM system. Secretary of State Colin Powell apparently persuaded a reluctant President Bush to make a face-saving gesture to Russia, and in Moscow on 24 May 2002 Bush signed the Strategic Offensive Reductions Treaty, a sparse, three-page document that pledged each side to reduce their stockpile to no more than 2,200 warheads by 31 December 2012. In contrast to previous arms control treaties, the agreement lacks a timetable for the reductions; allows warheads to be stored rather than dismantled; and has no provision for verification. The ABM withdrawal came into effect on 13 June, and two days later, the US broke ground in Alaska for its interceptors. A new “Joint Declaration on the New Strategic Relationship between the US and Russia” at the Moscow summit pledged joint efforts to combat the “closely linked threats of international terrorism and the proliferation of weapons of mass destruction.”

At NATO’s November 2002 summit in Prague Estonia, Latvia, Lithuania, Slovakia, Romania, Slovenia, and Bulgaria were invited to become full members in 2004, a step initially proposed by Bush in Warsaw in June 2001. Bush interrupted his victory tour of the Baltic states after the Prague summit to visit Petersburg to explain that NATO’s eastward enlargement was not aimed against Russia.

³² The list comes from comments at a conference of Marshall Center for European Security, “Russian security in the new Millennium” in Moscow on 24-26 September 2001.

But if this was a new partnership with the US, Putin's domestic critics were asking, where are the benefits for Russia?

The yawning gap between Putin and the foreign policy establishment leads to the interesting question of where on earth Putin's ideas came from. It cannot be pure intuition, and it goes beyond simple pragmatism. Maybe he has been secretly reading the *Economist* all these years. Maybe there is a small, invisible team of long-term strategists who accompanied him from the KGB to the Kremlin. Maybe pursuing a pro-Western policy was another one of the secret conditions that Yeltsin laid down when he appointed Putin president. But one can point for example, to the passage in Putin's memoirs that suggests that the pivotal event in his political maturation was the experience of calling for help from the Soviet Army when his KGB office was besieged by an angry crowd in Dresden in November 1989. He was told that they had no orders to act ("Moscow is silent") – a visceral lesson in the limits of military power.

Conservatives, from communists to military generals, consider his actions to be folly bordering on treason.³³ The centrist National Strategy Council, in their report on Russian security in 2002, argue that Russian foreign policy has been hijacked by the oligarchs, who have made a deal with Washington to legitimize their ill-gotten gains (and secure their future) at the expense of Russian national interests. "Russian oligarchs have already expressed open loyalty to the new positioning within the Pax Americana."³⁴

But Putin's men have boxed in the opposition within the State Duma through a combination of sticks and carrots, and leave them little room for maneuver. Thus for example a Duma motion condemning NATO expansion in September 2002 was supported by only 180 of the 450 deputies.³⁵ Vitalii Naumkin reports that after 9/11, when Putin held a meeting with 21 Duma deputies, only two were in favor of backing US military action to oust the Taliban. One favored supporting the Taliban, and 18 advised neutrality.³⁶

A further question that arises is how long can Putin keep up his political levitation act – floating above the prevailing opinions in Russian society, without any visible means of support. Increasingly one hears hints of a comparison with Mikhail Gorbachev, another innovative leader who got too far ahead of his country, and paid the price. For the time being, Putin's grip on power is secure. Although they do not share his equanimity about Washington's strategic intentions, ordinary Russians continue to express their trust in Putin (his approval rating oscillates in the 70-80 percent range), and they seem content to delegate foreign policy making to him.

Putin has skillfully boxed in right and left forces in the parliament, and has the media under his control. Thanks to these steps, there is no political figure on the horizon who can mount a credible challenge to his authority, and his re-election in 2004 seems assured.

IMPLICATIONS FOR THE CASPIAN REGION

The US interest in and commitment to the Caspian region dramatically increased in the period since September 11. The presence of US military personnel has lingered beyond the toppling of the Taliban, with what appear to be semi-permanent ("for as long as necessary") US bases in

³³ Col.-Gen. Leonid Ivashov, "Awaiting serious shocks in Russia," *Nezavisimaya Gazeta*, 20 January 2003.

³⁴ "Risks and threats for Russia in 2003," *Konservator*, 14 March, 2003.

³⁵ Nikolai Poroskov, "Another enemy," *Vremya Novosti*, 29 October 2002.

³⁶ Naumkin, op. cit., p. 11.

Kyrgyzstan and Uzbekistan, and ongoing negotiations for the same in Tajikistan. Moscow seems to be assuming that US interest in the region will eventually wane, and that Russia's interest in the region will in the long-term exceed the US commitment.³⁷

The amounts of aid money the US is willing to pour into the region substantially exceed the thin gruel available through bargaining for debt relief and energy discounts with Russia. US aid to Central Asia was \$230 million in 2001, rising to \$600 million in 2002. Tajikistan for example received \$108 million in aid last year, leading Vyacheslav Igrunov, deputy chair of the Duma CIS affairs committee, to remark: "Russia cannot and does not want to make investment in 'black holes' of somebody else's economies. This is why such nations as Tajikistan, Kyrgyzstan, and Georgia become clients of the US."³⁸

Unfortunately, the fall of the Taliban only slightly diminished the flow of drugs north, with Afghanistan still responsible for an estimated 75% of global opium production. Primary responsibility for stemming the tide still lies with Russia's 201st motorized rifle division, which polices the Tajik-Afghan border.³⁹

Uzbekistan's Islam Karimov was the most enthusiastic about the US role in the region. He complained to a Russian paper that Russia did not come to the assistance of Uzbekistan and Kyrgyzstan in 1999-2001 when they were under attack from Islamic extremists. "The situation was quite grave then, but all we heard from Russia was mere words," Karimov said.⁴⁰ Karimov welcomed the US military presence in his country, and the Khanabad base was apparently used for some Iraq-related operations during the March war.⁴¹

Putin sealed better relations with Azerbaijan during a Moscow visit by President Gaidar Aliev in January 2002. Russia signed a visa-free agreement with Azerbaijan (unlike Georgians, who have required visas to visit Russia since March 2001). As a quid pro quo, Baku leased the strategic Gabala radio station to Russia for another ten years. In the past, Moscow had accused Azerbaijan of sheltering some Chechen rebels. But Aliev promptly condemned the Nord Ost hostage raid in October 2002 and closed the office of Chechen rebel president Aslan Maskhadov's representative in Baku.

The real problem for Russia will come if the US steps up the pressure on Iran over its nuclear programs. Russia's ties with Iraq were severed during the first Gulf war, which the Soviet Union supported, but Russia maintains economically beneficial relations with Iran and does not want to see the US destabilize its southern neighbor.⁴² In January 2002 the Bush administration declined to grant certification that Russia is in compliance with the Cooperative Threat Reduction Program because of its ongoing nuclear reactor project in Iran, a decision that delayed the release of congressional appropriations to aid Russia's weapon dismantling program. The scandal over Russia's role in Iran's nuclear industry resurfaced in December 2002 with the issuance of US report charging Russia with providing banned equipment.⁴³

³⁷ I. Kulikina, "Problemy bezopasnosti v chernomorsko-kaspiiskom regione," *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, no. 1, 2002.

³⁸ Viktoria Panfilova, "Moscow is behind them," *Nezavisimaya Gazeta*, 14 March 2003.

³⁹ "Fighting on the Pyanzh river," *Nezavisimaya Gazeta*, 21 January 2003. Lieutenant General Alexander Markin, Commander of the Russian Border Guards Group in Tajikistan.

⁴⁰ *Rossiiskaya Gazeta*, 17 December 2002.

⁴¹ *Rossiiskaya Gazeta*, 19 April 2003.

⁴² Svetlana Lur'e, "Dividing the East," *Konservator*, 23 April, 2003.

⁴³ Boris Volkhonskii, "Atom of contention," *Kommersant*, 17 December 2002.

However, the US role in Central Asia shifted once again with the war in Iraq. Suddenly, Washington's attention refocused on a new region. Military assets, diplomatic expertise and economic aid would all be poured into Iraq, on a scale that would far exceed any US commitments in Afghanistan. Iraq is of much greater significance to the US – because of its strategic location, and because of its vast and cheap oil reserves. The US invasion alarmed Caspian basin leaders, who were already used to pursue a “weather vane” foreign policy, finely tuned to the ebb and flow of US interest in the region. For the oil exporters in the region it meant a fall in world oil prices, and a diversion of Western capital to cheaper, now politically secured Iraqi fields. For the non-energy countries, like Uzbekistan and Kyrgyzstan, it would mean the diversion of US diplomatic and military energies.

Moscow saw this coming, and launched a diplomatic offensive to woo them back to the fold.⁴⁴ Putin himself visited Kyrgyzstan in December 2002, and in April 2003 met with Nazarbaev in Omsk and with Niyazov in Moscow.⁴⁵ The main fruit of these endeavors was Bishkek's willingness to grant Russia a military base, under the auspices of the CIS Collective Security Treaty. The Kant base will house 700 servicemen and about 20 aircraft, operating for the Collective Rapid Response Forces, at an estimate cost of \$150 million a year.⁴⁶ As for Russia, “the level of rapport among members of the CIS Collective Security Treaty often depends on Moscow's willingness to open its wallet.”⁴⁷ During Putin's December visit Kyrgyzstan's debts to Russia, amounting to \$160 million, were restructured. Putin said: “The CIS is a viable structure, but let us not overestimate its importance. We are concentrating on bilateral cooperation...” Akaev in turn said Russia should be “the major strategic pillar for Central Asia.”⁴⁸

Turkmenistan seemed to be locked firmly into the anti-Russian camp, with its resolute policy of neutrality in the security sphere; eagerness to invite Western investors, and extortion by Moscow in transit deals for its gas exports. However, the assassination attempt on President Niyazov in November 2002 brought about a dramatic reversal.⁴⁹ While the West denounced the brutal crackdown on potential oppositionists which followed the failed assassination, Russia blessed these actions as part of the “war on terror,” and was rewarded with the signing in April 2003 of a 25 year deal to buy Turkmen gas at a mere \$44 per 1000 cubic meters, half the price Russia gets for its own gas in Europe. (Moreover only half of the \$44 will be paid in cash, the rest in barter.)

Putin has tried, gently, to increase the leverage of Russia's good relations with India and China, visiting both countries in December 2002. During his visit to Beijing he talked publicly about the concept of “multipolarity” for the first time since September 11. Russia orchestrated a 16-country summit in Almaty in June 2002 which sought a solution to the Indian-Pakistan hostilities. Indian Prime Minister Atal Bihari Vajpayee and Pakistan President Pervez Musharaff were both in attendance but refused to meet face to face, and Uzbek President Islam Karimov stayed away from the gathering.

⁴⁴ Valerii Volkov, Nikolai Khorunzhii, “Sharing Central Asia with America,” *Izvestiya*, 5 December 2002.

⁴⁵ Bruce Pannier, “Russia: With U.S. Attention On Iraq, Moscow Wooing Central Asia,” RFE/RL, 22 April 2003.

⁴⁶ Aleksander Mikhalov, “Return to Kant,” *Novye Izvestiya*, 21 January 2003.

⁴⁷ Vladimir Mukhin, “Moscow buying allies,” *Nezavisimaya Gazeta*, 21 April 2003.

⁴⁸ Arkady Dubmov, “Putin asked to be a pillar,” *Vremya Novostei*, 6 December 2002.

⁴⁹ Ata Kahitov, “A new role for Russia: Niazov's best friend,” *Russia and Eurasia Review*, Jamestown Foundation, vol. 2, no. 3, 4 March 2003.

Economic levers in play

While Moscow has taken some blows in the security field, on the economic front, things are moving more in their direction. US companies have grown somewhat tired of haggling with Central Asian potentates, while the US congress seems to be shedding its willingness to turn a blind eye to corruption and rigged elections. (Moscow of course has no qualms about such behavior.)

Russia has struck bilateral deals with Kazakhstan (May 2002) and Azerbaijan (September 2002) regarding demarcation of the Caspian seabed. If Turkmenistan can be brought into line, then all that remains is for Russia to strike a deal with Iran.

Gazprom is effectively playing a lead role for Russian foreign policy in the region, negotiating deals for the long-term supply of gas through its pipe system.⁵⁰ A 10 year agreement was signed with Kazakhstan in November 2001, and with Uzbekistan in January 2002. The KazRosGaz joint venture was created in May 2002 by Gazprom and KazMunayGaz for purchase of gas from Kazakhstan and its sale in the CIS and beyond. The goal is to dissuade Nazarbaev from building a trans-Caspian gas pipeline. Already in 2002 Russia was trading export pipeline access to Turkmenistan in return for shares in gas development projects. For example, the United Arab Emirates' Dragon Oil and Malaysia's Petronas were forced to give some of their Shares in Turkmen off-shore gas field to Russia's Zarubezhneft and Itera in return for export pipelines access.⁵¹ Russia's oil majors have also increased their level of activity in the region. Lukoil has invested \$1 billion in Kazakhstan. The company owns a 15% stake in the Karachaganak gas condensate field; a 50% stake in Turgay venture (Kumkol field), a 5% stake in TengizChevrOil (Tengiz oil field), and a 12.5% stake in the Caspian Pipeline Consortium.⁵²

Access to world markets for the region's oil remains a major constraint. By 2015 the Caspian basin will be exporting 100-120 million tons of oil per year, on top of 50 million tons from Russia. The Bosphorus, linking the Black Sea and the Mediterranean cannot handle more than 70-80 million tons in tanker traffic per year. The Baku-Tbilisi-Ceyhan pipeline is only one of five projects on the drawing board intended to solve the problem.

There is active interest in building lines across the Balkans: Burgas-Alexandroupolis, Burgas-Vlore, and Constanta-Trieste, plus a line north through Ukraine to Poland (Odessa-Brody-Gdansk). These alternative lines have the advantage of being much shorter than Baku-Ceyhan; of traversing more stable political terrain; and perhaps of more active US government backing. The Balkans, unlike the Caucasus, has peace settlements in place (and US and European peacekeepers) which have more or less resolved regional conflicts, but now progress is hampered by the slow pace of economic recovery. Planning for the 600 mile, \$1.3 billion, 35 million ton capacity Burgas-Vlore line is moving ahead under the Albanian-Macedonian-Bulgarian Oil corporation (AMBO) consortium, headed by a former Halliburton official.⁵³ A \$1 million feasibility study for the project has been completed, half paid for by US government.

The line from Burgas in Bulgaria to Alexandroupolis in Greece, only 180 miles long, is the one most favored by the Russian government. It was approved in principle back in 1997, but has faced some technical problems, and agreement to split the shares between the three states was

⁵⁰ "Gazprom yields European markets to Central Asian competitors," .rusenergy.com, 13 February 2003.

⁵¹ Sergei Gribov, "Shotgun Marriage," www.rusenergy.com, 11 February 2002.

⁵² *Kommersant*, 11 February 2003.

⁵³ Ivan Grobanov, "No Bosphorus, Please," www.rusenergy, 1 March 2002.

only reached in November 2002. These Balkan options suit Russia, since in recent years Russian companies continued their policy of buying up energy industry assets in Eastern Europe. They already own three refineries in Ukraine, producing 70% of the gasoline. Lukoil also own refineries in Burgas (Bulgaria), Ploiesti (Romania), and Paramo (Czech Republic), while Yukos has a stake in Mazeikiiai (Lithuania) and Gazprom in Borsodchem (Hungary).

CONCLUSION

A decade after the dissolution of the Soviet Union, there is a light at the end of the tunnel for the countries of the Caspian basin. Initial hopes that the region's oil and gas wealth would provide a platform for a belt of sovereign, prosperous democracies have given way to more modest but more realistic expectations. Popular cliches such as the "New Silk Road" and the "Great Game" have failed to live up to their allure and in their place there is a sober assessment of the possibilities and limitations of the region.

After a decade of scant regard and occasional jousting for influence, there are now grounds for cautious optimism about the role of Russia and the United States in the area. The two powers seem to have reached a degree of mutual understanding of their respective interests and capacities.

Hydrocarbons and Islam have proved an explosive mixture in the Middle East, and both factors are present in the Caspian basin. Moscow and Washington should be able to move beyond using the region as an arena of contestation, and cooperate in building the political and economic structures that will insulate the region against future instability.