

As the sole superpower, the temptation for the United States to act unilaterally is strong. Yet, what strategy is the U.S. pursuing in a region where cooperation is necessary to achieve policy goals? Applying theories of international cooperation, this study analyzes a complicated "test case" for American foreign policy. The oil resources in the Caspian region are relevant for the U.S. objective of securing the uninterrupted flow to world markets but engagement in this region has effects on Russian security interests and relations to Iran. Violent ethnic conflicts further threaten stability in the area. Cooperation or unilateralism is thus the key question for the U.S. As unilateral action is likely to provoke massive conflicts, cooperative behavior need not necessarily be more successful.

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Marcus Menzel · Doomed to Cooperate?

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# Doomed to Cooperate?

American Foreign Policy  
in the Caspian Region



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## V. Conclusion

The study aimed to analyze American foreign policy in the Caspian region. The decisive question was whether the United States, as the world's only superpower, would engage in cooperative endeavors to realize its interests, or whether it would refrain from cooperation? Judging from the situation in the Caspian region, there were numerous arguments in favor of cooperation posing the question of whether Washington would be "doomed to cooperate?" Parallel, there were numerous factors working against cooperative outcomes rising the issue as to whether the U.S. would act unilaterally and be successful, or whether such a unilateral approach would be "doomed to fail?"

Focussing closely on America's energy objectives, i.e. to secure access to hydrocarbon resources, and to diversify world energy supply in order to become less dependent on Persian Gulf oil could demonstrate how the Clinton administration pursued its goals: in a unilateral (via competition) or in a multilateral way (via cooperation). Analyzing the early oil debate, it became most visible that there were hardly any promising alternatives to non-cooperation. Indeed, it was necessary to show that Caspian oil projects are commercially feasible. Due to the lack of choices, Washington engaged in genuine cooperation, and was "doomed to cooperate" if it were to realize the desired pipeline plans. This approach helped to strengthen the independence of Azerbaijan while not risking confrontation with Russia at an early stage of pipeline development. Excluding Moscow was impossible, and Russia even obtained the best early oil pipeline deal. Not engaging in cooperation, from an American perspective, would have probably been more risky because it might have led Baku to include Iran in the oil business. As seen, the U.S. strongly sought to avoid an outcome in which Tehran could participate in Caspian energy projects.

Yet, the desire to exclude Iran from the oil business was a problematic aspect of U.S. Caspian policy from the start. While this was a behavior compatible with realist thinking, namely to adapt a confrontational course towards Iran, and to discourage any form of cooperation with the regime in Tehran, this policy produced severe problems. In particular, it was at odds with the Clinton administration's other objective of fostering regional cooperation as a means of strengthening the independence of Azerbaijan, Kazakhstan, and Turkmenistan. The analysis showed that this aim was closely connected to America's pipeline objectives. Rhetorically, this policy was rooted in neoliberal thinking of positive-sum economics and interdependence. At the same time, the threat of instability by cutting a player out (Iran) from participation was already apparent. Nonetheless, regarding the early oil deals, this approach worked because the number of players was, compared to the MEP negotiations, considerably small, and Azerbaijan was eager to cultivate good relations with the U.S. Russian-American relations, in this phase, were also characterized more by cooperative than by competitive aspects. Especially Russian policy could be characterized as most constructive. Indeed, confrontation between Moscow and Washington at this stage of pipeline

development, when estimations about oil reserves were greatly exaggerated, was deemed too risky. These factors helped the White House to exclude elegantly Tehran.

With respect to the MEP negotiations, where the major bulk of oil was to be negotiated, however, an exclusion of Iran became increasingly difficult to realize. In the course of the negotiations, from late-1997 on, the Clinton administration obliged itself to the Baku-Ceyhan pipeline, and *excluded* alternative routes. Therewith, the aim of cutting Iran out should have been realized. Yet, this approach was more than problematic because it strove not only to freeze Iran out of the Caspian picture but it was also designed to minimize Russian participation. Washington took on a more confrontational stance and aimed to monopolize the main oil at the expense of these countries. This policy must therefore be characterized as “doomed to fail,” for it is uncertain whether it will be successful, it produced unintended effects, and it jeopardized stability in the region.

In particular, it became increasingly difficult for the NIS to reduce dependence on Russia. It further led Moscow and Iran to side tactically with one another to balance the U.S.: an alliance that Washington certainly did (and does) not approve. Moscow and Tehran formed a blocking coalition to prevent the realization of U.S. pipeline plans and acted more successful than the Clinton administration. Russia concluded energy deals, the Blue Stream project moved ahead while the TCP declined. Moreover, the Kremlin pursued an aggressive policy in the region, eager to maintain its influence at all costs, as to be seen by its actions in Chechnya. Ironically, the U.S. advertised the virtue of market economics and attempted to help Russia develop a market economy but the Clinton administration itself proved unwilling to uphold economic rules in the Caspian game when strategic interests were at stake.

Iran, for its part, achieved swap deal arrangements with the NIS and could splinter the U.S. sponsored sanctions regime. Countries such as France did not recognize that the U.S. can pass a law, in the form of the ILSA, on a global scale. The ILSA is thus also a sign of unilateralism that is “doomed to fail” because, as seen, American money is easily replaced by European investments. The ILSA approach especially constrained (and constrains) American oil companies in negotiating a commercially feasible deal. Parallel, the Clinton administration had enormous problems in making the Baku-Ceyhan pipeline attractive for investors. Merely gaining support from politicians is insufficient. The White House underestimated the power of the oil companies by solely focussing on its geopolitical objectives while being unwilling to arrange the necessary side-payments in the form of subsidies or security guarantees that are essential for the feasibility of Baku-Ceyhan. In light of the potential lack of oil, the strong push for Baku-Ceyhan by *excluding* alternative routes must thus be labeled a mistake.

Given the reality that Washington constantly argued that it desires to isolate Iran and that this policy will not change anytime soon, the containment of Iran from the oil business must be characterized as the main objective of U.S. policy in the

region under the Clinton administration. Obviously, it is not desirable that neither Russia nor Iran dominate the Caspian region. But letting Iran participate would contribute to stability in the region. Neither country would be powerful enough to dominate the area if both were to participate because they face enormous internal problems as well.

The current scenario, however, impedes progress on building up a strong pipeline regime that is desperately needed for the development of Caspian oil, although it is hard to see what other solution than such a regime can be found if all major players remain engaged in the Caspian basin. An adjustment of U.S. policy towards both Russia, Iran and the oil companies therefore appears inevitable. Washington is “doomed to cooperate” because the unilateral approach carried out by the Clinton administration was, as events have shown, “doomed to fail.” It will therefore be interesting, how the Bush administration will redesign Caspian policy, whether it will focus on Baku-Ceyhan, or abandon this pipeline project, and whether U.S.-Iranian relations will change. The White House thus needs to decide what is the major objective of the U.S.: containing Iran, continuing to focus on Baku-Ceyhan and supporting Turkey, or concentrating on smaller projects until more oil is found for the large and expensive Baku-Ceyhan exit route.<sup>636</sup> Yet, what is clear at this time is that permitting oil to go into multiple directions, including swaps with Iran could help realize the most important economic objective: multiple pipeline exit routes to prevent supply disruptions in case one is shut down. Cooperation with Iran instead of confrontation might therefore be the better choice.

American endeavors in the security realm also have shown the U.S. as “doomed to cooperate.” Washington was and is indeed incapable of unilaterally solving the Nagorno-Karabakh conflict and securing stability in the region. Consequently, cooperation with Russia is necessary. While Washington was prepared to engage in conflict resolution efforts via the OSCE, Russia was reluctant to do so. The explanation derives not only from the fact that Moscow views the OSCE as a threat to its interests but especially because a complete solution to the Karabakh conflict would suit America’s interests better than Moscow’s. Conflict resolution is therefore not an end in itself but also a means towards achieving other objectives, namely realizing one’s pipeline plans. Conflict resolution seems to be of lesser significance than competition over pipeline routes that are seen as instruments of influence. Nevertheless, this logic is flawed since the pre-

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<sup>636</sup> In a speech at the Nixon Center, Beth Jones, Special Advisor to the President and Secretary of State for Caspian Basin Diplomacy, gave an outlook of the Bush administration’s Caspian policy. Rhetorically, the Bush administration lists similar objectives, i.e. favoring a Baku-Ceyhan pipeline, fostering the independence of the NIS, engaging Russia. In this respect, Jones asserts that the U.S. will focus on Kazakhstan. Interestingly, Jones did not mention Iran. See “Caspian Policy and the Future of the BTC Pipeline,” *Nixon Center Program Brief*, Vol. 7, No. 3 (31 January 2001).

condition for investment is stability and a secure environment. "A pipeline can follow peace" but not vice versa.

Consequently, Washington's actions in this realm appear strange, too. Proclaiming conflict resolution as "Job 1," Washington was actually less interested in solving the NK-conflict up to the point when pipeline engagement intensified in 1997. Then, interest in a solution increased, as the intensified mediation attempts and the offered peace proposals by the Minsk Group's co-chairs in the summer and fall of 1997 indicate. This was an important endeavor in solving this conflict but insufficient. A crucial problem was the unwillingness to deploy peacekeeping forces and strengthen the OSCE's infrastructure. The OSCE failed to agree on a peacekeeping force, and it is hence hard to see how rhetoric alone can solve this problem when the warring parties are not eager to settle for compromise. Russia is not keen on upgrading the OSCE since it desires to be the sole arbiter of security in the Near Abroad. Though Washington views the OSCE as helpful for reaching the remote Caspian region and "controlling" Moscow, it is also reluctant to build up this organization because it could then potentially interfere with its plans for European security.

This scenario bears the question of how important, despite rhetorical flourish, this region really is. Unwilling to provide subsidies and unwilling to provide security guarantees or to engage in peacekeeping endeavors, it appears that this region is less significant than proclaimed. This could eventually lead to a retreat if U.S. interests do not materialize as planned. Indeed, the Caspian reserves are too small to risk a full-scale confrontation with Moscow.

Neorealism and neoliberalism contributed to an understanding of U.S. policy in the Caspian region. Systemic factors strongly influenced the Clinton administration's decision-making calculus and showed themselves to be very important. The issue at stake, energy, combines security concerns on which neorealist would focus as well as economic concerns on which neoliberals put greater emphasis. From a commercial perspective, it is particularly difficult to see how parties to the negotiations have not acted in accord with neoliberalism, namely centering one's actions around the formation of a strong pipeline regime. If anyone were to realize successfully one's pipeline plans it seems impossible to achieve this end without the formation of such a multi-party negotiating regime. Yet, problems in building up such a regime stem from the fact that energy issues have been overshadowed by security considerations. As neorealism predicts, these security concerns impeded cooperative endeavors, and the United States relied on self-help, not with respect to Azerbaijan, Turkmenistan, and Kazakhstan, where neoliberal views about absolute gains are applicable, but certainly with respect to Moscow and Tehran. Here, relative gains concerns worked against cooperation simply because there might not be enough oil to satisfy all players equally. This was paired with uncertainty about the motives of both Russia and Iran. In a cooperative agreement, either one of these players might have retrieved a relative gain high enough to exploit and disadvantage the United

States in the Caspian game to an extent that it will be unable to recover in the future.

From this perspective, self-help is understandable. However, it proved unsuccessful since the United States became an obstacle for the uninterrupted flow of oil to world markets itself. If the Bush administration desires to stay in the Caspian game in the long run, the decisive question therefore is: would it not be the better choice to engage in cooperative endeavors because the risks of competition, namely confrontation and instability, seem to exceed those of cooperation? Pursuing cooperation could be, as realist Charles Glaser asserts, an important type of self-help without having to rely on international institutions. Cooperation could also be the better choice, as neoliberals suggest, by relying on international institutions because unilateral actions might lead to catastrophic outcomes. Either way, genuine cooperation should be pursued because the evolving instability might imply fewer gains for all players than could be retrieved by going for cooperation.

Nevertheless, solely applying state-centric approaches to analyze U.S. policy was insufficient because, as seen, first, multinational corporations present a new and powerful force capable of influencing geo-political developments to an equal and sometimes even stronger extent than sovereign governments. Viewing Caspian policy as solely a Great Game of nations is thus certainly flawed. This, however, does not imply, that the nation-state will be substituted as a crucial political principle of organization. Solely focussing on transnational companies would be equally problematic. Instead, both factors have to be analyzed together in order to get a more complete understanding of the phenomenon of international cooperation.

Second, another non-systemic factor, the Armenian lobby group, had a significant impact on the Clinton administration's policy. If that influence was only minimal, it would not have been the case that any time a Clinton administration official appeared in a congressional hearing or delivered a speech s/he urged the repeal of Section 907. Although there were indications, for example the invitation of Aliyev to Washington, that the USG did not support the Armenian lobby group at all costs, its influence is nonetheless significant. Section 907 (has) certainly impeded the U.S. to assume the role of an impartial arbiter, especially concerning the NK-conflict. Moreover, the Armenian lobbyists (have) accused the White House for designing a pro-Azeri policy that meets oil business interests.

Concerning theories of international cooperation, both non-systemic influences indicate that what is the national interest can not exclusively derived from exogenous factors. Yet, because the nation-state will remain an important actor in the international arena, it will continue to constrain these transnational forces and continue to constrain their capabilities for action. Transnationally operating oil companies such as BP-Amoco as well as the Armenian lobby group in the United States present opposites resulting into new conflict formations. From this

perspective, world politics in the post-Cold War era appears increasingly more complex and as a constellation in which "cross cleavages" will gain in importance.<sup>637</sup>

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<sup>637</sup> For this last argument, see Michael Zürn, "Konfliktlinien nach dem Ende des Ost-West-Gegensatzes – global handeln, lokal kämpfen," in: Klaus v. Beyme und Claus Offe (Hg.), *Politische Theorien in der Ara der Transformation* (Opladen: Westdeutscher Verlag, 1996), p. 97.

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