

To my parents

**BILKENT UNIVERSITY
INSTITUTE OF ECONOMICS AND SOCIAL SCIENCES**

**THE US STRATEGIC ENGAGEMENT IN THE
SOUTH CAUCASUS:
1991 – 2002**

BY

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RELATIONS IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF INTERNATIONAL RELATIONS**

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ANKARA**

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ABSTRACT

After the end of the Cold War and the break-up of the Soviet Union new threats and opportunities filled the international relations' system. New regions of the previously mighty empire began to attract attention of the West. The only remaining superpower, the United States, had nearly the duty to engage more actively with these new regions. The South Caucasus was the area, which was not considered appealing as a geopolitical priority during the 20th century.

The situation has changed, however, with the region's geostrategic significance revealed again as the colony status of the local states vanished in the haze of the revolutionary movements of the late 1980s and early 1990s. Moreover, the region's attractiveness for the West in general and for the United States in particular became clear after new oil and gas reserves came to agenda. Economic development and security framework have been connected with each other very tight here and it were the US policies that determined to a large extent the fate of the region in the international system.

The paper aims to examine the main directions of the American policy in the region and to show the positive sides as well as some drawbacks of the policy in question.

ÖZET

Soğuk Savaşın sona ermesinden ve Sovyetler Birliği'nin parçalanmasından sonra uluslararası sistemde yeni tehlikeler ve fırsatlar ortaya çıktı. Eskiden kuvvetli olan Sovyetler Birliği'nin cumhuriyetleri Batı'nın dikkatini çekmeye başladı. Tek süpergüç, Amerika Birleşik Devletleri bu yeni bölgelerle etkili bir şekilde ilgilenmeye başladı. Yirminci yüzyıl boyunca Güney Kafasya jeopolitik tercih olarak çeşitli sebeplerden dolayı ilgi çekmeyen bir alandı. Sovyetler Birliği'nin yıkılması ile durum değişti, 1980li yılların sonunda ve 1990lı yılların başlangıcındaki bağımsızlık hareketlerinin sonucunda yerel devletlerin jeostratejik önemi yeniden arttı. Bunlara ek olarak, yeni petrol ve gaz kaynaklarının bulunması ile bölgenin Batı için ve özellikle Amerika Birleşik Devletleri için olan çekiciliği daha açık bir hal aldı. Buradaki ekonomik gelişme ve güvensizlik sahası bir birine sıkı sıkıya bağlıydı ve bölgenin uluslararası kaderi büyük çapta Amerika Birleşik Devletleri'nin politikası tarafından belirleniyordu.

Bu arka plan dikkate alındığında bu tez çalışmasının hedefi, Amerika Birleşik Devletleri'nin bu bölgedeki politikasının esas yönleri araştırmak ve bu politikasının başarılı ve başarısız yanları ortaya koymaktır.

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ABBREVIATIONS

AIOC – Azerbaijan International Operating Company
BTC – Baku-Tbilisi-Ceyhan
CFE Treaty – Conventional Forces in Europe Treaty
CIS – Commonwealth of Independent States
CSCE – Conference on Security and Cooperation in Europe
CTR – Cooperative Threat Reduction
FMF – Foreign Military Financing
GUAM – Georgia, Ukraine, Azerbaijan, Moldova
GUUAM - Georgia, Ukraine, Uzbekistan, Azerbaijan, Moldova
IFIs – International Financial Institutions
ILSA – Iran-Libya Sanctions Act
IMF – International Monetary Fund
KGB – Komitet Gosudarstvennoy Bezopasnosti – Committee for State Security
MEP – Main Export Pipeline
MPC&A - Material Protection, Control, and Accounting
NATO – North Atlantic Treaty Organization
NIOC – National Iranian Oil Company
NIS – Newly Independent States
OPEC – Organization of the Petroleum Exporting Countries
OPIC – The Overseas Private Investment Corporation
PfP – Partnership for Peace
PKF – Peacekeeping Forces
SOCAR – State Oil Company of Azerbaijan Republic
UN – United Nations
UNOMIG – United Nations Observer Mission In Georgia
US – United States
US CENTCOM – United States Central Command
USAID – United States Agency for International Development
USSR – Union of Soviet Socialist Republics
WMD – Weapons of Mass Destruction

INTRODUCTION

The dissolution of the Soviet Union and the end of the Cold War led to a unipolar world where the United States has remained the only pole. The global changes within the international system surely contributed to the shifts in the regional balance in the post-Soviet space. Also, all these changes made it possible for the only remaining global superpower to project its power in the remote post-Soviet regions. The South Caucasus being one of those regions became eventually one of the most geopolitically attractive areas for the US policymakers. The study includes four chapters, which represent four main phases of the US engagement in the South Caucasus.

The first chapter of the study analyses the first steps of the United States in the South Caucasus. This phase was unique due to the quite new international climate that began to emerge in the region after the end of the Cold War, and new geographical, economic, cultural and geopolitical realities it brought to the South Caucasus. At the time the United States failed to define important interests in the region and limited its engagement with general declaratory rhetoric and international organizations' framework. Having chosen to be involved in some other significant regions like Central and Eastern Europe and four former Soviet nuclear states, the United States actually gave away the South Caucasus to Russia's disposal. It was the main contradiction of Washington's policy at the time to treat the Russian Federation as the stabilizing (mostly peacekeeping and not only peacekeeping) force in the South Caucasus. The problem rooted also in the misunderstanding the regional conflicts' nature on the part of the United

States. The general trend of the policy was to place the burden of the filling power vacuum on the shoulders of other regional powers like Turkey and Russia.

The United States seemed initially to treat the conflicts as religious rather than territorial and ethnic ones. This erroneous evaluation as well as far from perfect inner structure of the US legislature led eventually to the adoption of the notorious Section 907 to the Freedom Support Act, which blocked any US government-to-government assistance for Azerbaijan and hence underlined hierarchical approach of the United States toward one of the regional actors.

The United States' leadership also feared the increasing influence of Iran and tended even to overestimate the power projection possibilities of this actor in the region. Such perceptions, however, determined to a large extent the direction of the US policy and made the United States to choose Russia as the lesser of two evils.

All in all, the US policy in the early 1990s included many drawbacks and contradictory moves. In addition, it was passive rather than active in the sense that the policy was more declaratory and lacked practical steps. Washington was inclined to rely more on other actors as well as international frameworks to pursue its interests. These interests were not long-term in nature and were confined mostly to supporting in declarative terms the independence of the Transcaucasian states and limiting its direct involvement with humanitarian assistance.

The period of time covered by the second chapter begins with the year 1994. That was the turning point for the United States policy in the region. Many important changes were influenced by oil. The new funds in the Azerbaijani

sector of the Caspian Sea and the high stakes of the American companies in the "Contract of the Century" contributed to the increased attention of the US policymakers to the region. New US energy policy changed the previously passive attitude of the whole US policy toward the south Caucasus. Energy issues also influenced appearance of some priorities for the United States on the state level: for instance, earlier pro-Armenian stance of Washington became more balanced now. During that phase of the US engagement Russia's *de facto* defeat in Chechnya also contributed to the changed priorities in the region and created the opportunities for the more active American policy. Washington began to cooperate militarily with the Transcaucasian states through NATO and the appeared link between security and energy became the most important factors for the US policy then. Also, during this period the United States began to rethink the idea of relying on the regional powers and consequently more active direct US policy came to the agenda of the 1994-96.

As for the third and fourth chapters, the level of the United States' involvement in the South Caucasus is shown as the "strategic engagement," which means the United States could afford acting not only within the multilateral frameworks, but also unilaterally and the main fear of Russia was already left behind at the time. Although the United States remained the only big power that theoretically still could quit the game in the South Caucasus, its active Caspian energy policy and security semi-alliances with the regional states made its engagement irreversible. Irreversibility means that the United States became involved too deeply in the region to simply quit. A very complex picture of the geostrategic game in the South Caucasus appeared during the second half of the

1990s. GUUAM, PfP activities, Baku-Tbilisi-Ceyhan pipeline project, East-West Transport and Energy Corridor, US troops in Georgia - all this speaks for the fact that the United States actually became the regional power without being one in geographical terms. The event "9/11" only increased the geostrategic importance of the South Caucasus for the United States as the gateway to Afghanistan. More money came to the region, Section 907 was repealed and the US general influence and authority there became overwhelming. This time, the support for the independence of the local states and tight cooperation with them in all spheres, including military one, have not been declaratory but included concrete measures.

I conclude my study by overviewing the issues examined within the four chapters of the work, summing up the key elements of the US policy in the region and elaborating on the policy recommendations for the future policy in question.

The sources used during the research process include books, periodicals, Internet materials, interviews, local TV channels and radio stations (mostly in Azerbaijan and Turkey).

The primary sources (books, periodicals and internet materials) are cited in the "Bibliography" section. In this regard, some sources can be singled out due to their paramount importance for the current research: "The Grand Chessboard" of Z. Brzezinski, "U.S. Military Engagement with Transcaucasia and Central Asia" of Stephen Blank, Roy Allison's and Lena Johnson's "Central Asian Security: The New International Context," and Svante Cornell's "Small Nations and Great Powers."

Interviews were used as a secondary source including those with Rustam F. Mamedov, Social-Political Dept. in the Office of the President of the Azerbaijan Republic, and Grigol Mgaloblishvili, First Secretary of the Embassy of Georgia in Turkey. The information received during the interviews mentioned was not, however, used directly in the main text but helped to work out the general understanding of the study's subject.

The study being mostly descriptive in nature nevertheless attempts to explain the motives of some US activities in the region. The methodology used in the paper can be confined to the issue-based historical approach. The latter means analysis of the different paradigms of the US policy in the region (military, economic, humanitarian, etc) within the certain period of time. Overall, the work covers the period from 1991 to 2002.



Figure 1. The Transcaucasian Republics

CHAPTER I: THE EARLY ENGAGEMENT OF THE US IN THE REGION (1990-1993)

1.1 INTRODUCTION

The region of South Caucasus¹ comprises three states, which gained their independence after the USSR's dissolution – Armenia, Georgia and Azerbaijan.

There are several factors that influence the situation in the region and contribute heavily to the region's instability. As Alexander Rondeli put it:

The Caucasus is a region, which has little or no tradition of modern statehood. It is inhabited by a mosaic of various religious and ethnic groups who, for the most part, share a history or legacy of friendship, understanding, and tolerance, but have been known to display mistrust, animosity, dispute, and violence at other times.²

Taking all this into account, one shouldn't, however, forget about mighty outside influences. Great powers, either global or regional, are the ones that determine to a great extent the developments in the region through their active or even passive policies. One such power is the sole remaining superpower, the United States and its role in the region's fate will be discussed in the present work.

The Southern Caucasus has always been a part of a broader US policy towards the post-Soviet space and, hence, is often cited along with Central Asia or the Caspian basin as applied to the area of a *single* US policy. So, it would be

¹ The term "Caucasus" here is and will be mentioned to imply the geographical frontiers of the *Transcaucasus*.

² Alexander Rondeli, "Security Threats in the Caucasus," *Perceptions*, June-August 1998, p.45.

false to elaborate on the American priorities in the region without taking into account Central Asia. In addition, the outside players like Iran, Russia, Turkey, and China attracted also great attention of the US policymakers. But, on the other hand, the region has its own peculiarities, which let determine *specific* approach on the part of Washington. Moreover, the US policy here can't be viewed as equal towards every Southern Caucasian state. Every state of the region attracts different sort of Washington's attention. The early 1990s were the clearest indicator of such a policy. If Washington was treating Armenia then mostly through the prism of the powerful Armenian lobby in the US, then for Georgia the key was to reward Shevardnadze for his role in ending the Cold War and the reunification of Germany.³ As for Azerbaijan, initially Washington has had no idea as for what kind of policy should have been applied to this country except for "punishing" it for the "blockade" against Armenia, but later developments raised importance of Azerbaijan's oil and gas for the United States' economic and geopolitical objectives.

The United States had no history of significant involvement in the region before the demise of the USSR and the region was not so much important for the US bilateral relationships with the Soviet Union, Turkey or Iran both before and during the Cold War.

Since 1989, the changes in politics, society, and economics in the Caucasus entered the phase of near anarchy, which lasted from 1989 to 1993 and was defined by extreme political instability throughout the region, with Armenia being an exception here. Ethnic warfare and frequent coups characterized the period. As Dimitri K. Simes put it, "...the collapse of empire almost overnight

³ See Josef Presel's statement (abstract), Strengthening Democratic Institutions Project, The Caucasus and the Caspian 1996 Seminar Series, John F. Kennedy School of Government, Harvard University, 1996, p.85.

turned what used to be domestic politics and economics into international relations.”⁴

At the time of their independence, the Soviet republics were quasi-states due to lack of sovereignty traditions: economies of the states were not run properly because of states being ill equipped for that purpose. The point is that until independence the states’ economies were managed mostly from Moscow. So, the ready-made government structures were not actually ready to face the new geopolitical and economic challenges. The process of state building in the South Caucasus was also substantially weakened because of the Soviet era’s legacy: the deep ethnic divisions inside Georgia and Azerbaijan.

The West in general and the United States in particular has had limited involvement there during the early 1990s. The main foreign geopolitical actor in the region has been Russia, and Russia’s policy consisted of attempting to promote and take advantage of instability in the region, which entailed determined resistance on the part of the local states.⁵ As Zbigniew Brzezinski put it,

Finally, within the Soviet Union itself, the fifty percent of the population that was non-Russian eventually also rejected Moscow’s domination. The gradual political awakening of the non-Russians meant that the...Georgians, Armenians, and Azeris began to view Soviet power as a form of alien imperial domination by a people to whom they didn’t feel culturally inferior.⁶

When it became clear that the Soviet Union was doomed to break-up but before the dissolution of the superpower occurred, the United States

⁴ Dimitri K. Simes, *Foreign Affairs*, “America and the post-Soviet Republics,” Summer 1992, vol.71, no.3 p.74.

⁵ See Ghia Nodia, "Forces of Stability and Instability in Transcaucasia," *Contemporary Caucasus Newsletter*, The Berkeley Program in Soviet and Post-Soviet Studies, Issue 3, Summer 1997, p.13 (<http://ist-socrates.berkeley.edu/~bsp/caucasus/publications.html>).

⁶ Z. Brzezinski, "The Grand Chessboard: American Primacy and Its Geostrategic Imperatives," New York, Basic Books, 1998, p.9.

paradoxically didn't intend to contribute to it. The main preoccupation of Washington that tried during the Cold War to eliminate the Soviet threat, was now to delay or even avoid the dissolution of the Soviet Union. One single threat was logically preferred to many unstable spots that threatened to appear on the political map.⁷

An example of such an approach can be found in the words of an Armenian Armed Forces C-in-C Norat Ter-Grigor'ants who stated, "[US Secretary of State James] Baker asked us to help prevent the disintegration of the Soviet Union, but I explained to him that this was a natural process, and that America should not resist this natural process."⁸ The US backed Gorbachev in his attempts to create a voluntary union of the Soviet republics. In his speech in Kiev as late as 1 August 1991 President George Bush tried to lessen with his words the independence mood in Ukraine and other republics by saying that "freedom is not the same as independence" and by praising Gorbachev's achievements, those like the conclusion of a new Union Treaty. President Bush made it clear that the US preference was a democratic, voluntary union of Soviet republics.

Even when the three Baltic states had declared independence by 21 August 1991⁹, President Bush held back from recognition until 2 September 1991. At that day Gorbachev announced that the Soviet Union would recognize

⁷ "At the beginning of perestroika, the Soviet Union's leading Americanist Georgi Arbatov, predicted that Mikhail Gorbachev was going to do something far more threatening for the United States than any of his predecessors had done: he was going to take away its enemy," See Paul Goble, "Ten Issues in Search of a Policy: America's Failed Approach to the Post-Soviet States," *Current History*, October 1993, vol.92, No.576, p.308.

⁸ Phillip Peterson, "Security Policy in Post-Soviet Transcaucasia," *European Security*, Vol.3, No.1, Spring 1994, p.52.

⁹ The United States never accepted the incorporation of the Baltic States into the Soviet Union in 1940.

the independence of all 15 republics and the United States became only the thirty seventh state to extend recognition.

The main priorities for Washington at the time were friendly nuclear Russia, non-nuclear Belarus, Kazakhstan and Ukraine and more or less political stability in the post-Soviet space.

1.2 POLITICAL ENGAGEMENT

1.2.1 Recognition

Between 1990 and 1991 the US Administration didn't risk backing the independence calls on the part of the Transcaucasian states and especially Azerbaijan (along with other Muslem Central Asian countries), which was simply seen as a Muslem barbarian country.¹⁰ Bush Administration did not support the demands for Azerbaijan's independence and backed Gorbachev repressing Popular Front activists on January 20, 1990.¹¹ Former Secretary of State, James Baker, warned of the dangers of failing to build democracy as the Soviet republics split away from the center. "A fall toward fascism or anarchy in the former Soviet Union will pull the West down, too", he said.¹²

¹⁰ As Edmund Herzig put it, "Russian and Western sympathies for the Armenian course in the early months of the Karabagh conflict... were at least partly conditioned by the perception of Armenians as Christian victims of Muslim fanatics." (See Edmund Herzig, "The New Caucasus: Armenia, Azerbaijan and Georgia," London-New York, Royal Institute of International Affairs, 1999, p.87).

¹¹ About 150 people are claimed to have been killed at that day by the Soviet troops - the brutal initial intervention of the Soviet military against Azerbaijani civilian populations in the name of restoring Moscow's central control, destroyed any existing faith in the Soviet leadership and contributed further to the evolution of spontaneous nationalistic fervor into calls for secession

¹² See Doyle McManus, "Washington says it does not back Azerbaijani call for independence." *Los Angeles Times*. January 18, 1990.

Here are some examples below of how the White House officials treated the recognition issue. For White House Press Secretary Marlin Fitzwater, the Azerbaijani demands, "[had] gone beyond the parameters of an ethnic conflict to become a political conflict directed against Moscow."¹³ Furthermore, according to Margareth Tutwiler, State Department spokeswoman at the time, the clear-cut rationale for not supporting Baku's demands was that "the Administration saw a clear distinction between the Baltic republics, who were trying to win their independence through negotiations within the Soviet constitution, and the Azerbaijanis, who were basically rioting."¹⁴ The dual character of the US policy could be seen on the example of the US not mentioning Armenia in this regard, although the latter also called for international recognition of its independence at the time.

The US recognized Armenia in December 1991, and Azerbaijan only in February 1992. Official version of such a partisan treatment of the regional states was based on the fact that Yerevan had joined the Helsinki principles earlier than Baku did. However, the real reason seemed to be the widespread perception (created by the Armenian lobby) of Azerbaijan and the false assumption that the latter tried to deprive Karabağ Armenians of their right for self-determination.

As for Armenia, the Bush administration was eager to praise country's allegedly determined moves toward economic privatization and democratic procedures. The first Armenian foreign minister Raffi Hovannisian, the US citizen established unsurprisingly good relations with Secretary of State James

¹³ Manuel Mindreau, "US Foreign Policy Toward the Conflict between Armenia and Azerbaijan," December 7, 1994, INS 635 US Foreign Policy Analysis, Dr. Alexander McIntire, p.9, (<http://www.docentes.up.edu.pe/Mmindreau/docs/US%20Foreign%20Policy%20-%20Armenia%20and%20Azerbaijan.PDF>).

¹⁴ See Doyle McManus, "Washington says it does not back Azerbaijani call for independence." *Los Angeles Times*. January 18, 1990.

Baker, and Bush received Armenian President and Foreign Minister in the White House in November 1991. A month later, on December 25, Armenia was the only Transcaucasian state that was included in Bush's official recognition of five of the former Soviet republics.

Having established diplomatic relations with Armenia and other five (Kazakhstan, and Kyrgyzstan (along with Russia, Belarus, and Ukraine) former Soviet republics, Washington made the recognition conditional for other two South Caucasian republics. Azerbaijan and Georgia should have given assurances that they would adhere to responsible policies in the spheres of security, democratization, and human rights. Of course, both Azerbaijan and Georgia made such assurances but recognition was accelerated by other factors. As for Azerbaijan, a series of Armenian offensives in Mountainous Karabağ conflict reversed the policy of the White House. Washington realized now that its non-recognition policy toward Azerbaijan was only encouraging Armenia to continue pursuing its hard stance on the conflict. So, the United States recognized Azerbaijan and opened its embassy in Baku on 15 March.¹⁵ In Georgia's case recognition was delayed till March 1992 in response to its civil war and political turmoil and was influenced mostly by Shevardnadze's return to power as the President of the independent Georgia.

These delays created the impression of a two-, if not three-tier, hierarchy of states in US policy and this made the US policy look negative rather than positive in the post-Soviet states that were included in the second and third tier. Despite the fact that the US was the first Western government that set up

¹⁵ See Hiro, Dilip, "Between Marx and Muhammad: the Changing Face of Central Asia," New York, HarperPerennial, 1995, p.95.

embassies in all fifteen of the former Soviet republics, the recognition of the Transcaucasian states by Washington was lukewarm rather than enthusiastic.

There's an opinion¹⁶ that Washington's reluctance to recognize the independence of the Muslim countries of Caucasus (Azerbaijan) and Central Asia was due to the assumption that these Muslim states must undoubtedly – due to their Muslim population – fall into sphere of influence of one of the Muslim regional powers, either Turkey and Iran. At least such was the logic of the White House that evolved into the main fear that these states could be embraced in the end by Islamic Iran and not by secular Turkey.

1.2.2 James Baker's Visit and Fear of Islamic Bloc

What attracted some of the Washington's attention to the region by the time was its (the region's) closeness to Russia, but also that to two major waterways – Black Sea and Persian Gulf. Thus, the impact the region might have on Middle Eastern politics was considered to be significant for Washington's geopoliticians. In this regard, the US-Iranian relations were considered to be also of high priority in the region.

One of the most significant consequences of the USSR's collapse was the increased US ability to pursue punitive policies toward some countries because of the elimination of the Soviet counterweight. This can be seen from the hardened US policy toward Iran since 1992. The sharp measures against Iran

¹⁶ Paul Goble, "Ten Issues in Search of a Policy: America's Failed Approach to the Post-Soviet States," *Current History*, October 1993, vol.92, no.576, p.307.

were taken by the US in 1987 when the trade boycott was declared, and then the ban on weapons sales to Iran followed suit in 1992.

So, by 1992 the US policy toward Iran became stricter and from that time one of Washington's worries in regard to the emergence of the newly independent states (NIS) in the region became clearly the fear of the possible establishment of an Islamic bloc under leadership of Tehran. So, "Turkish model" was chosen by the United States as a counterbalance to the "Iranian-Islamic model" and further exclusion of Iran out of the region. The idea of Iran's containment in the South Caucasus through Turkey was announced by the US State Secretary James Baker who visited the region in January 1992 - even earlier than any Russian Foreign minister did.¹⁷

Besides the anti-Iranian stance, Baker's visit underlined firm support for independence (from Russia and Iran in the first place) as well as for the development of liberal democratic regimes in the local states. Also, Baker supported the interests of the US private circles as regards the export of the Caspian energy resources through the region without crossing Russian or Iranian territory.

Mr. Baker recalled the political importance of this trip noting the establishment of embassies in these newly formed independent states as a sign of U.S support for their independence and statehood. As the US Secretary of State himself stated, "We believe it is important that reform towards democracy and free markets take place and it is also important that the United States makes it

¹⁷ Actually, this fact does say not in favor of the more active US policy but rather in favor of passive Russian policy in the region.

clear that it supports the territorial integrity of these countries and the independence of these states."¹⁸

As a matter of fact during this trip to the region Baker announced for the first time some parameters of US policy toward Transcaucasus. The response to this sort of policy on the part of the local states showed how much it meant even the United States' position for Armenia, Georgia and Azerbaijan. In this regard, the US overt anti-Iranian policy in the region made the local states think twice before approaching Iran. Example of a balanced and very careful relations with Iran on the part of the local states are the Mountainous Karabağ mediation efforts on the part of Iran which reached its peak in May 1992. At the time Ter-Petrosyan and Yagub Mamedov met in Tehran and the tri-partite negotiations resulted in agreement signed on 8 May, which was about how to settle the conflict. What is important in this regard is that both Armenia and Azerbaijan included the involvement of the Conference on Security and Cooperation in Europe (CSCE) and the US President George Bush.¹⁹

The US position was related not only to the local states, but also to the outside players like Turkey and Iran. Washington made radical decision in favor of Ankara as a preferred post-Soviet surrogate for the United States. However, Turkey's chances to play the role Washington wanted it to play were limited to some extent. Turkey's limitations as a positive agent in South Caucasus included lack of resources, complex relations with Armenians and internal security considerations. Pushing Turkey to pursue very active policy in the region, Washington wasn't able to stand clearly on Turkish side against Russian

¹⁸ See, "The State of Affairs in the Transcaucasus: An Interview with The Honorable Former Secretary of State James Baker," by Jayhun Mollazade, *Caspian Crossroads*, vol. 1, no. 2, Spring 1995. (<http://ourworld.compuserve.com/homepages/usazerb/128.htm>).

¹⁹ The agreement's fate was decided by the fall of the Azerbaijani city Shusha.

reintegration attempts in the South Caucasus. Besides, the US refused to assist Turkey even financially in its “Turkish belt” grand design. In February 1992, Turkish Premier Demirel visited George Bush and provided him with a 13-point program on Central Asia, which would be sponsored, according to Demirel, by the US due to the financial weaknesses of Turkey. But, as it turned out to be, Washington was also not ready to finance the program due to the burgeoning federal deficit.²⁰ As Paul Goble put it,

Expecting that the US would finance its attempts to influence Central Asia, Turkey in 1992 promised aid to the region equal to 80 per cent of its hard currency reserves. The US, however, has not come through with the required financing, Turkey has had to renege, and as a result it had its influence decline.²¹

The result of James Baker portraying Caucasus and Central Asia as a battleground between Turkey and Iran²² and betting on Turkey was the emerging alliance between Russia and Iran. Overall, though the dissolution of the Soviet Union was a positive factor for US foreign policy in most areas of the world, in the case of Iran this was not the case. US support for the newly independent states of the Caucasus and Central Asia has drawn Russia and Iran closer together to challenge what they considered US hegemonic ambitions.

The region was turning into the battleground with emerging alliances instead of becoming an area of inter-state cooperation and stability.

²⁰ After Dilip Hiro, *op cit.*, p.70.

²¹ See Paul A.Goble, “The 50 Million Muslim Misunderstanding: The West and Central Asia Today,” p.3, in Anoushiravan Ehteshami ed., “From the Gulf to Central Asia: Players in the New Great Game,” University of Exeter Press, 1994.

²² Typical of the US thinking of Iran is the article of Charles Krauthammer, who wrote in January 1993: “Iran is the center of the world’s new Comintern...As with Soviet communism, this new messianic creed must be contained.” (See the *Sunday Record*, 3 January 1993.)

1.2.3 Relying on Russia as the Stabilizing Force

America tried to pursue a policy which aimed to stabilize the region as a whole and each local state without challenging Russia's initial hegemony there, which was logical because of Moscow's leading role within the Soviet Union. Also, Washington refused to take any serious commitments as regards the local states and the whole picture of the US policy toward the Transcaucasus was pursued mostly in the framework of the US-Russian relations. In addition, "By mid-1993...it appeared that neither Turkey nor Iran was set to supplant residual Russian influence in Central Asia. Political authority in the newly independent "states" has been retained, in most cases, by members of the old communist elite, who retain links with Moscow."²³ When the CIS (Commonwealth of Independent States) Supreme Commander, Marshal Yevgeny Shaposhnikov warned on 20 May 1992,²⁴ that foreign military intervention in the Karabağ issue could lead the world into "the Third World War,"²⁵ Washington cautioned Turkey not to intervene, while the Russian authorities warned Yerevan not to attack Nakhichevan.²⁶

In February 1993, Yeltsin issued his demand to the United States and the international community about accepting Russia's sacred rights to use military force and be the sole peacemaker in the post-Soviet space. The silence and ambiguity on the part of the US at the time let Russia think that Washington in

²³ Rosemarie Hollis, "Western Security Strategy in South West Asia," in Anoushiravan Ehteshami op cit., p.192.

²⁴ Five days after the CIS Collective Defense Treaty signed among others by Armenia, was promulgated.

²⁵ See *Turkish Daily News*, 21 May 1992.

²⁶ See *Nezavisimaya Gazeta*, 22 and 23 May 1993.

principle had nothing against this idea. The point is that the US interests in the region initially were neither *direct* nor rooted in the regional states themselves, but in Russia and the prospects of democratic reforms there. At the time the main preoccupation of Washington in the region was connected to curbing instability.

If the Bush Administration considered Russia to be too busy with its domestic problems to be seriously engaged in the South Caucasus, then the Clinton Administration "...has generally viewed a democratizing Russia as able to play a stabilizing role in the Transcaucasus, though stressing that Russia should not seek to dominate regional economics and politics or otherwise exclude Western and other involvement."²⁷

As for the regional states, in the wake of their independence Georgia and Azerbaijan immediately sought the withdrawal of Russian troops from their territories, although both states did intend to retain the material part of the military forces. Russia pulled out of Azerbaijan in May 1992 but stayed in Georgia. So, Azerbaijan became the first former republic of the Soviet Union, which got rid of Russian troops and military bases-even before Germany.²⁸ As for Armenia, the new military force was created, which inherited the arms from the former Soviet units. Moreover, some units were taken over by Russia and stayed on the Armenia's territory with the consent of the Armenian government.²⁹

²⁷ Jim Nichol, "Transcaucasus Newly Independent States: Political Developments and Implications for US Interests," *CRS Issue Brief*, 95024, December 20, 1996. (<http://www.fas.org/man/crs/95-024.htm>).

²⁸ However, the lack of highly qualified officer corps in Azerbaijan (due to the Moscow's policy pursued before the USSR's dissolution and aimed at the taking Moslems away from the Soviet officer corps) the Soviet armory left in Azerbaijan proved to be useless in the war against Armenia.

²⁹ See John W.R. Lepingwell, "New States and Old Soldiers: Civil-Military Relations in the Former Soviet Union," in John W. Blaney, (ed.), "The Successor States to the USSR," Congressional Quarterly Inc., Washington D.C., 1999, p. 60.

The contradictory element in the US policy was seeing Russia as the main peacekeeping force in the South Caucasus, albeit under the mandate of multilateral organizations. Washington seemed to be satisfied with Russia taking over the responsibility for the region. So, the premise was that Russia could really be a stabilizing force in the region. The false assumption was made that Russia was preoccupied with its own problems and had no time for filling the power vacuum emerged in the South Caucasus. The contradiction here was, on the one hand, seeing Russia as the stabilizing force in the region and, on the other, thinking of these peacekeeping activities as something benign for the local states.

Only in mid-1993 did it emerge that Washington was developing new concerns about the implications of this stance for the future independence of the Central Asian and Transcaucasian states... The reason behind the rethink in Washington was the extent of Russian disregard for the norms of peacekeeping operations developed by multilateral organizations such as the United Nations (UN).³⁰

All the hopes faded away when the Russian foreign Minister Andrei Kozyrev who was viewed as one of the most liberal Russian officials, stated in the U.N. General Assembly session in the fall of 1993 that the Caucasian states, the Baltic states and the Balkans have constituted important interests for Russia for 200 years and the latter didn't intend to abandon those interests.

Summing up, with the collapse of the Soviet Union, Washington had sought to export the "Turkish model" to block the possible expansion of Iranian influence. But it soon became clear that Russian power would not be turned back so quickly, especially as Ankara seemed incapable of offering any solution to the problems of the newly independent republics.

³⁰ Rosemarie Hollis, "Western Security Strategy in South West Asia," *in* Anoushiravan Ehteshami op cit., p.193.

1.3 THE US POLICY TOWARD THE REGIONAL CONFLICTS

While the US policymakers were mostly preoccupied with the developments in the Eastern Europe, the Russian military was left seeking new missions. Having formally recognized the independence and territorial integrity of the new states, Russia was doing everything to promote separatism in the region while trying to divide and rule the local states.

In exchange for Russian support, Shevardnadze was forced to join the CIS in October 1993. An interesting example of Russia's dictating Georgia's policies at the time can be seen on the following example. When Shevardnadze attempted to read a press release announcing Georgia's membership in the CIS, "...Russian diplomats took it out of his hands and gave him a Moscow-authored text to read. Such was the degree of independence enjoyed by Shevardnadze at the hands of his Russian patrons."³¹

The region seems to present a very complicated picture due to *several* ethnic conflicts that have taken place there before and after the dissolution of the Union of the Soviet Socialist Republics (USSR). None of the conflicts though "frozen", can pretend to be resolved quickly or even approaching any sort of solution. Deadlock is worsened by the fact that the region is the arena of international players' collisions and Turkey, Russia, Iran and the United States are drawn to a different extent into the game. The "Soviet legacy" left after the empire's break-up is nothing but the territorial structure imposed by Moscow on

³¹ "The New "Great Game": Oil Politics In the Caucasus and Central Asia by Ariel Cohen, Ph.D. (Backgrounder #1065, January 25, 1996 (<http://www.heritage.org/library/keyissues/russia/caucasus.html>)).

the ethnically diversified region. Out of nine minorities living in the South Caucasus (Mountainous Karabağ Armenians, Talysh and Lezgins in Azerbaijan; Ossetians, Abkhaz, Ajars, Azeris and Armenians in Georgia; and Azeris in Armenia) four enjoyed autonomy - Mountainous Karabağ Armenians in Azerbaijan, Ossetians, Abkhaz and Ajars in Georgia.³²

In all cases a national minority's percentage was different: in Mountainous Karabağ the population of Armenians was about 120,000 – 80% of the region's population – in South Ossetia there were 67,000 Ossetians – 66% of the region's population, and in Abkhazia there were 100,000 Abkhaz - only 17% of Abkhazia's population. Looking at these figures one can surely understand that without outside backing these minority groups could do little to outplay the central government's forces and establish themselves as the *de facto* independent entities. As Thomas Goltz noted:

No colonial power, from Darius to de Gaulle, has ever voluntarily and peacefully relinquished its previous sphere of influence...and the Russian policy appear to be based on the tacit threat of dismemberment of those states that wish to leave Moscow's orbit...by promoting the concept of self-determination of local minorities at the expense of the territorial integrity of existing states.³³

Through this policy the regional conflicts – in Mountainous Karabağ, Ossetia and Abkhazia (that is, on the territories of Georgia and Azerbaijan) – have emerged on the agenda of the early 1990s. Armenia has always been (and this state of affairs became even more actual after the majority of Armenia's

³² Ethnic composition of the South Caucasus: More than 300,000 Azeris live in Georgia, 200,000 Azeris inhabited Armenia before the conflict, 150,000 Azeris live in Daghestan, about 500,000 Armenians live in Georgia, about 20,000 Georgians, 40,000 Kurds, 200,000 Lezgins, live in Azerbaijan, 450,000 Russians and 50,000 Jews inhabited Azerbaijan by the mid-1990s. (after G.Reza Sabri-Tabrizi, "Azerbaijan and Armenian Conflict and Coexistence," in Anoushiravan Ehteshami ed., op cit.,p.163).

³³ See "Thomas Goltz, "Letter from Eurasia: The Hidden Hand," *Foreign Policy*, No.92, Autumn 1993, p.92.

Azeris and Kurds left the country for the purposes of providing safety for themselves) one of the homogeneous countries of the former Soviet Union and, thus, it was less vulnerable to the manipulated separatism than were Azerbaijan and Georgia.

Despite many differences between the conflicts, all of them have some similar characteristics. They are *territorial* and *ethnic* disputes in nature. And it was one of the main misunderstandings on the part of the West, including the United States, to treat the conflicts as *religious* ones. In case of Mountainous Karabağ, there's a struggle between Muslim Azeris and Christian Armenians. But there was no sign of radical Islamic fundamentalism in Azerbaijan because Azerbaijan was a fully secular state. On the other hand, Islamic Shiite Iran³⁴ has in many occasions supported Christian Armenia. As for the Georgian conflicts, both Georgians and Ossetians are Orthodox Christians and majority of Abkhazians are also Christians.

However, from the international legal viewpoint Washington had chosen right position as regards the allegedly legal conflict between self-determination principle and territorial integrity principle. In 1992, the US Ambassador-at-large Max Kapelman was cited as saying that self-determination principle (which was used by separatist forces) "is a limited human right encompassing cultural independence, freedom of religion, language and association" but that "...it does not include the right to change boundaries at will."³⁵ This position Washington has been supporting till today.

The Georgian national movement of the end of the 1980s counted on establishing strong relations with Western countries, including the United States.

³⁴ Azerbaijan's population is mostly Shiite Muslims as well.

³⁵ Sergo A. Mikoyan, "Russia, the US and Regional Conflict in Eurasia," *Survival*, 40 (3) Autumn 1998, p.119.

However, the Western governments preferred to back Gorbachev's attempts to democratize Soviet federalism than to support Georgian independence. After the demise of the USSR, Western governments even refused to recognize the independence of Georgia and to establish normal diplomatic relations with the government of Zviad Gamsakhurdia because of ethnic conflicts and political turmoil in Georgia. The return of the former communist leader, Eduard Shevardnadze, was supported by both Russia and the West. Shevardnadze's popularity above all in Germany and the United States raised hopes among the Georgians that the country would acquire a greater independence from Russia.³⁶

According to J. Aves, out of the three Transcaucasian states, Georgia adopted the most radical stance in asserting its independence from Moscow.³⁷ Because of this, Georgia was "punished" and Moscow not only gave way to the ethnic conflicts in Georgia's territory, but also backed the separatist movements in two Georgian autonomous provinces Abkhazia and South Ossetia. This led to the *de facto* disintegration of the fragile Georgian state.

Georgia's reluctance to join the CIS structures was overcome by the Kremlin through inciting the riots in Abkhazia in 1992. Russia backed politically and militarily the Abkhazian minority. Being unable to suppress the rebellion Georgia had to join CIS and ask Moscow's help against advancing Gamsakhurdia's troops. The result was not only Georgia's membership in the

³⁶ James Baker about Eduard: "But obviously you cannot think about that country without thinking about Eduard Shevardnadze. I am not sure that the Cold War could have ended peacefully without him. He changed all our lives. And when we thought about that part of the world we never forgot it. The man's a hero."
(http://www.michaelspecter.com/ny/2000/2000_12_18_tbilisi.html)

³⁷ Aves, Jonathan, "The Caucasus States: the Regional Security Complex," in "Security Dilemmas in Russia and Eurasia," ed. Roy Allison and Christoph Bluth (London: The Royal Institute of International Affairs. 1998) p.176.

CIS but also 15,000 Russian troops on its territory as well as a Russian peacemaking force in Abkhazia.

Russian support for Abkhaz secessionists, the resounding Georgian military defeat in Abkhazia, the de facto secession of Ossetia and the Western lack of intervention led in October 1993 to a radical revision of the Georgian foreign policy concept. Georgia was forced to agree with the dominance of Russia in the area.

1.3.1 South Ossetia Conflict

Several of Georgia's ethnic minorities began their separatist actions, in the late 1980s and early 1990s and the South Ossetians were the ones who called in late 1989 for joining their territory with North Ossetia in Russia or for independence. Repressive measures were carried out by the then Georgian President Zviad Gamsakhurdia and massive conflict began in late 1990. The war lasted 18 months till June 1992 when the Russian-brokered cease-fire was reached. It was Yeltsin who brokered a cease-fire, and a predominantly Russian force of about 500 troops was stationed in South Ossetia.³⁸ The enclave has practiced a large degree of self-rule and relied heavily on Russia in financial terms.

The first thing that forced Washington to pay some attention to the conflict were the television pictures of the Georgian repression of the Ossetian rebellion in 1990, the year when the autonomous Oblast declared

³⁸ A Joint Peacekeeping Force (JPF) deployed in South Ossetia consists primarily of Russian troops along with a smaller Georgian and Ossetian component.

independence.³⁹ The US position on the nature of the conflict was the same as in the Mountainous Karabağ issue – predominance of territorial integrity over self-determination or, to put it simpler, separatism.

The role of Washington in the conflict was confined mostly to the humanitarian assistance. At the time the White House preferred to rely upon extensive bilateral assistance programs that aimed at improving administration and governance under the Tbilisi regime, allocating funding to international nongovernmental organizations such as the International Committee of the Red Cross to help address social problems. In addition, the United States supported the efforts of multilateral intergovernmental institutions such as the Organization for Security and Cooperation in Europe.⁴⁰

1.3.2 Abkhazia Conflict

In Abkhazia the conflict's escalation reached far higher level. On July 23, 1992, the Abkhaz Supreme Soviet declared its effective independence from Georgia and this prompted Georgian national guardsmen to attack Abkhazia.

Abkhazian conflict began in August 1992 and when it was over, about 15,000 people were dead and 200,000 were left homeless. According to Irakli Batiashvili, former chief of the Georgian intelligence service, the Abkhazians were backed militarily by Russians, who supplied them with weapons under the

³⁹ Which wasn't recognized by international community as in the case of Mountainous Karabağ and Abkhazia.

⁴⁰ See Robert Cutler, "Tskhinvali (South Ossetia), Georgia," Nov. 2001, (<http://www.selfdetermine.org/conflicts/ossetia.html>).

guise of humanitarian items.⁴¹ So, Georgia was looking for the West's support and the hopes of many Georgians were associated with the United States as the most influential power in the world. The hopes increased after Shevardnadze, whose popularity in the West was enormous, was elected the Georgian President. However, as one of the influential Georgian politicians noted in 1994, "We had the naïve belief that the West would resist the imperial politics of Russia and offer tangible support to the new independent states. But the West is primarily interested in Russia. That is why it shuts eyes to everything else. We didn't take it into account and now find ourselves at the edge of a catastrophe."⁴²

In October 1992, the U.N. Security Council approved the first U.N. observer mission to a NIS state, termed UNOMIG (United Nations Observer Mission In Georgia), to help reach a settlement. The UN first deployed a very small, unarmed observer mission in Abkhazia in mid-1993 to verify the implementation of the first cease-fire of 27 July 1993. In mid-September 1993, a cease-fire was broken by Abkhaz separatists and, after intense fighting, the Russian and North Caucasian "volunteer" troops that reportedly made up the bulk of Abkhaz forces routed Georgian forces by the end of the month. Their autumn 1993 offensive resulted in the capture of Sukhumi and pushed Georgian forces and civilians east of the Inguri River into Georgia. Up to 250,000 Georgians and others fled Abkhazia, creating a refuge and humanitarian crisis.

In terms of a diplomatic settlement to the Abkhazia conflict, the United States has relied, like in Ossetia case, upon multilateral institutions. It has supported efforts by the Conference on Security and Cooperation in Europe to monitor the situation and the offices of the UN Secretary-General to resolve it.

⁴¹ See Besik Urigashvili, "Damn This War," *The Bulletin of The Atomic Scientists*, January/February 1994, p.22.

⁴² See Besik Urigashvili, op cit., p.22.

The US had also become a member of the FOG grouping (Friends of the UN Secretary-General for Georgia) to promote movement toward a settlement.”⁴³

This grouping consisted of the United States, Germany, France (coordinator), the United Kingdom, and the Russian Federation (facilitator) and its main task has been “the creation of the document on distribution of constitutional competencies between Sukhumi and Tbilisi, with full respect to the sovereignty and territorial integrity of Georgia.”⁴⁴ However, the final consensus amongst the Group members was yet to be achieved.

Washington wasn’t as active in the Georgian conflicts as in Mountainous Karabağ. The US was “present” there only through the channels of multinational organizations like the CSCE and the UN and through participating in the UNOMIG. As in the Mountainous Karabağ issue, from the beginning of the ethnic conflicts in Georgia, the US State Department took the position of being in accordance with the main principles of international law.

1.3.3 Mountainous Karabağ Conflict

Mountainous Karabağ conflict has the largest international implications out of all the regional conflicts due to the fact that the warring parties are two independent states. In addition, the outside players’ involvement – the US policy including – has always been much deeper than that in other conflicts. The conflict between the Armenians and Azerbaijanis broke out in 1988. However,

⁴³ See Robert Cutler, “Georgia/Abkhazia,” October 2001, (<http://www.selfdetermine.org/conflicts/abkhaz.html>).

⁴⁴ <http://www.mfa.gov.ge/intorg.html>

the full-scale war as such erupted in 1992, with the Armenians demanding complete independence for Karabağ or its absorption into Armenia.

Since 1988, the conflict in Mountainous Karabağ has resulted in thousands of casualties and hundreds of thousands of refugees on both sides. Approximately 20% of Azerbaijan, including Mountainous Karabağ, was occupied by Armenian forces during the fighting and entailed more than 1,000,000 refugees, mostly Azerbaijanis. Various CIS and other states have attempted to mediate the conflict, including those of Russia, Kazakhstan, and Iran, and the United Nations and CSCE, all with limited success. Here, the peace process since 1992 was embraced by the Conference on Security and Cooperation in Europe, Britain, France, and the United States (within the CSCE Minsk Group, which was established to mediate the conflict in question) and this organization has overshadowed CIS efforts to achieve a resolution of the conflict. For example, in mid-1991 a Helsinki Commission visited Armenia, and an agreement brokered by President Yeltsin was signed on September 23, 1991. However, despite this “achievement” new fighting broke out in the subsequent months and the level of violence even increased.

In the early 1990s the engagement in the peace initiatives on the Mountainous Karabağ issue on the part of Washington was minimal and focused mostly on taking part in the multilateral efforts to resolve the conflict.

Secretary of State James Baker used to express the American government's concern to find a solution within the framework of the CSCE⁴⁵ probably in the hope of preventing unilateral action by Russia, or Iranian involvement in the region. It is worth mentioning that the Interim Report of the

⁴⁵ See *Le Monde*, 14 February 1992.

CSCE Rapporteur Mission on the situation in Mountainous Karabağ contains the positions of the Russian Federation, Kazakhstan and Turkey as if they were the only external players, without any reference to Iran.⁴⁶

The abovementioned Minsk Group - composed of Russia, Belarus, the United States, France, Germany, Italy, Turkey, Switzerland and Czechoslovakia - received a mandate from the CSCE Council of Ministers on 24 March 1992. The first fact-finding team arrived in Mountainous Karabağ in March 1992, after an Armenian offensive. The former US Secretary of State, Cyrus Vance, was chosen as Head of Mission because of his achievements in the former Yugoslavia.⁴⁷ His mission in Transcaucasia also included support for the CSCE mediatory efforts led by Jiri Dienstbier.

Similar mediators' missions followed suit in May and October 1992 but no positive results were achieved. The resolutions of the UN Security Council and those of the CSCE expressed the need to end fighting, clear occupied territories, restore territorial integrity of Azerbaijan and resolve the dispute through peaceful means, i.e. negotiations.

No radical steps were taken partly because the US didn't intend to send military forces into the remote and volatile region. The only more or less radical move was made under the auspices of the Bush Administration in 1992 when "territorial swap" proposal was discussed. This proposal showed the extent to which the United States was unfamiliar to the true nature of the conflict.

According to this plan, Armenia would give away Zangezur while receiving in return Mountainous Karabağ and the corridor that would link

⁴⁶ "Contested Borders in the Caucasus", by Bruno Coppieters (*ed.*), *VUB University Press*, Chapter IV, 1996, (<http://poli.vub.ac.be/publi/ContBorders/eng/contents.htm>).

⁴⁷ A short time before this Cyrus Vance persuaded the warring factions in Croatia to respect a cease-fire and to accept a UN peacekeeping operation.

Armenia with it. The warring parties surely rejected the plan due to the importance that both Azerbaijan and Armenia paid to land, and, namely, Mountainous Karabağ.

Azerbaijan didn't intend to cease its sovereignty over the territory that has been Azerbaijanian since ancient times and was populated by Armenians only in the 19th century. From the Armenia's perspective the plan deprived it of very important link to Iran and Persian Gulf while making it possible for Turkey, to get direct rail links to Baku.

While Elchibey was willing to agree to CSCE mediation and cease-fire accord with Armenia, the next Azerbaijani government headed by Heydar Aliyev at the time seemed not to "...favor the appointment of the United States as mediator because of its "dangerous" ties with Armenia."⁴⁸ Such vision of the United States could be well understood in the light of the discriminatory Section 907 to the Freedom Support Act, which was depriving the country of the US humanitarian aid at the time when about 1 million refugees were starving. Along with the US Congress the American media was also biased at the time and favored the Armenian side using the terminology "return" or "reunification" of Karabağ to Armenia. Many stories appeared between 1988 and 1991 referred to Karabağ as "locked inside Azerbaijan since 1923."⁴⁹ Furthermore, Western journalists named the parties as "Christian Armenians and Muslim Azerbaijanis", though the conflict, as it was already mentioned above, wasn't religious.⁵⁰

Little by little, Washington's view on the nature of the conflict began to change. In 1993 the US position towards Armenia became a bit more severe as

⁴⁸ Manuel Mindreau, op cit., p.12.

⁴⁹ See Meghreblian, Diran. "Armenia's Cold Struggle." *The International Herald Tribune*. March 24, 1993.

⁵⁰ See "Armenian Unrest in the Caucasus", *The Economist*, March 5, 1988.

the Armenians' offensives continued and intensified. Washington rejected at last the Armenians' claim that Yerevan wasn't engaged in the fighting and the official Yerevan was named by the State Department as the warring party.

The United States' lack of political will to be engaged more actively in the mediation of the conflict could be explained by the general approach of Washington to the region, where it did not see its direct interests. Moreover, at the time the United States was overloaded with other international hot issues waiting for its involvement so that Mountainous Karabağ along with South Ossetia and Abkhazia just had to wait.⁵¹

1.4: MILITARY, ECONOMIC AND HUMANITARIAN ENGAGEMENT

1.4.1 Military Engagement

Speaking of the vision of Caucasus by the US Department of Defense it is necessary to underline that in the early 1990s the Central Asia and the Caucasus constituted only the *Area of Interest* and not the *Area of Responsibility* (as the Gulf did, for example) of the US Central Command, CENTCOM. If the US interests in the Gulf were considered by the CENTCOM as *positive* ones then those in South Caucasus as *negative* interests and entail less than *containment* of instability.⁵²

⁵¹ "This comes when most Americans believe the time has finally arrived to dedicate more attention and resources to problems at home rather than being the world's major benefactor and promoter of international security." *In Brief*. United States Institute of Peace, September 1992.

⁵² Rosemarie Hollis, "Western Security Strategy in South West Asia," in Anoushiravan Ehteshami ed., op cit., p.188.

By 1993 an important document of the US foreign policy had emerged, the so-called “Clinton Doctrine,” which was complemented in summer 1993 with the “Bottom Up Review” called so by its author, the Pentagon new Defense Secretary Les Aspin. It would be useful to analyze both documents because of the influence they made on the region.

“Clinton Doctrine” contained two very different positions of the US on the international affairs: the US intention, on the one hand, to exercise leadership in the world. As Warren Christopher put it: “We must lead in every respect. When we’re protecting our own vital interests, we’ll lead unilaterally if we need to.”⁵³ And on the other hand, the United States preferred as practice showed, to use multilateral framework on many issues, especially on humanitarian ones.

Another important element of the new doctrine was the direct and mutually reinforced link between domestic and foreign politics, which required sustaining the US economic strength both at home and abroad through promoting American trade. According to old tradition, the flag always followed trade.⁵⁴

Two conflicting paradigms of the new doctrine – leadership and multilateralism – meant above all selective approach of the US to every issue in the international system depending on the importance of the issue for the American national interests.

According to Aspin’s document there were four main threats for the USA after the elimination of the single threat – the USSR:

- i. nuclear proliferation
- ii. failure of democratization efforts in the post-Soviet space

⁵³ See Warren Christopher interview on the *PBS MacNeil-Lehrer Newshour*, transcribed in *USIS European Wireless File*, no. 102/93, 3 June 1993, p.7

⁵⁴ There were also other components of the doctrine like containment of weapons proliferation, promotion of democracy and human rights to aid stability, environmental issues, combating drug trafficking and terrorism.

- iii. regional, ethnic and religious conflicts, which may threaten “American vital interests, American friends, American allies, and the American sense of decency.”⁵⁵
- iv. failure to understand the importance of the US economic strength at home for its security.⁵⁶

The first two points, constituting primary significance for the US policymakers at the time, need some clarification. As for the nuclear-connected stuff inherited by the Transcaucasian states,⁵⁷ it included Armenia’s nuclear power reactors in the Metsamor nuclear power plant, nuclear research center, spent fuel and radioactive waste, Azerbaijan’s many radioactive waste sites, Georgia’s highly enriched uranium at the Mtskheta site, research reactor and the isotope-production reactor in Sukhumi, Abkhazia.⁵⁸ The nuclear non-proliferation policy on the part of Washington might have been rational and successful as applied to the so-called four nuclear states of the former Soviet Union. However, as regards the South Caucasus there were some misconceptions.

The first one was that the US considered the non-proliferation policies in the region as isolated from the security needs of each country as well as those of the region as a whole. Also, the CTR programs were designed only for the

⁵⁵ See Les Aspin’s *May 16 Commencement Address* at Beloit College, Wisconsin, transcribed in USIS *European Wireless File*, No.92/93, 18 May, 1993, p.8.

⁵⁶ Rosemarie Hollis, “Western Security Strategy in South West Asia,” in Anoushiravan Ehteshami ed., *op cit.*, pp.189-190.

⁵⁷ See Cassady Craft, “Reconciling disparate Views on Caucasus Security: Non-proliferation at a vital crossroads,” p. 231, in *Crossroads and Conflict: Security and Foreign Policy in the Caucasus and Central Asia*, ed. By Gary K. Bertsch, Cassady Craft, Scott A. Jones, and Michael Beck, Routledge, New York London, 2000.

⁵⁸ Located in Abkhazia, the institute previously housed 2 kilograms of enriched uranium in 1992 and has been impossible to inspect due to the unresolved conflict between Abkhazia and Georgia (See Chrystia Freeland, “Scientists Warn of More Nuclear Perils,” *Financial Times*, April 23, 1998, p. 4).

“nuclear four” and the other newly independent states were thus considered by Washington to be not so important. The US policymakers didn’t take into account the fact that after becoming independent states the Transcaucasian governments inherited very little of the Soviet MPC&A (Material Protection, Control and Accounting) infrastructure and no export control systems at all.⁵⁹

According to this view, the burden of non-proliferation efforts in the South Caucasus was given to Russia, which masterminded two main instruments to treat the issue - the Minsk Accord on non-proliferation export control development of 1992 and the CIS, i.e. Russian border troops. As for the Minsk Accord, the United States found the states’ corresponding commitments to non-proliferation control development for international security purposes as sufficient. However, the states’ capabilities to fulfill their commitments were not enough and the states saw little interest in doing this. Azerbaijan and Georgia were engaged in the conflicts on their territory and their only dream was to restore the sovereignty on the territories in question. Armenia’s acceptance of the development of the MPC&A infrastructure for the Metsamor rooted in the need for energy, and because of the link that existed between such development and the US humanitarian assistance. As for the Russian border troops, they were just a semblance of border control because of their inadequacy in treating non-proliferation issues not only in Georgia and Armenia, but also in many cases in Russia itself. Azerbaijan has never accepted Russian border troops. All in all, the United States still needed to understand the importance of the region for its non-proliferation policies. Also, the latter wasn’t perceived by the Transcaucasian

⁵⁹ See Cassady Craft, “Reconciling Disparate Views on Caucasus Security: Non-proliferation at a Vital Crossroads,” *op cit.*, p. 231.

states in the early 1990s as a very significant issue and was much more important (though not perceived as such) for Washington.

The link between failures of democratization efforts in the post-Soviet space and the Department of Defense was the role of the new post-Soviet military establishments in the Caucasian republics. The latter ones were viewed as obstacles to the strengthening democratization and independence of the local states. In the years 1991-1992, much of military hardware and manpower was transferred more or less intact from the disintegrating Soviet command structure to the emerging command structure of the new states. As Elizabeth Sherwood-Randall put it,

Our information both about these transfers, and about the internal politics of these “new” national militaries, remained extremely limited. The United States was interested in facilitating the eventual reform of these military structures in ways that would buttress rather than undermine emerging democratic systems, as well as ensure greater regional peace and stability. We tried to develop and strengthen bilateral, multilateral, and regional security alliances towards this end.⁶⁰

In the military sphere the greatest progress was made with Georgia but the presence of the Russian military bases and “peacemakers” within Georgia made it impossible for Shevardnadze to begin reform in the military sector at the time.⁶¹ Also, the State Department has decided to back a besieged President Shevardnadze and provided him with a US-trained security guard.

On the whole, more progress has been made again on the multilateral front and the United Nations’ and CSCE’s multilateral frameworks were the most significant ones: The United Nations has been intermittently important in

⁶⁰ Elizabeth Sherwood-Randall, Contemporary Caucasus Newsletter The Berkeley Program in Soviet and Post-Soviet Studies, Issue 5, Spring 1998, “US Policy and the Caucasus,” p.3. (<http://ist-socrates.berkeley.edu/~bsp/caucasus/publications.html>).

⁶¹ “Besides diplomatic efforts and humanitarian and development aid (described below) that support peace and independence, some US media have reported US security training for Shevardnadze's presidential guard.” See Jim Nichol, op cit.

mediating the Abkhazian conflict, and 150 UN officials were engaged in the area, keeping an eye on the “CIS” peacekeeping force. Georgia has requested more of this attention, but the UN and United States was unable to authorize this on financial grounds.

The CSCE has attempted to deal with the Karabağ conflict. A chicken and egg situation existed here because of the absence of an OSCE peacekeeping force, despite the willingness of the Pentagon to help with this plan and send American troops to the region at the time. The absence of the peace agreement between Armenia and Azerbaijan makes the implementation of the plan impossible.

There was also another multilateral framework connected to military issues in the south Caucasus and namely, the CFE (Conventional Forces in Europe) Treaty.⁶² The 1990 Conventional Forces in Europe Treaty established a ceiling for equipment levels,⁶³ but in fact has been more important as an element in local states’ negotiations with Russia, which has been keen to “trade-off” military assistance and equipment for a share of the Caucasian countries’ CFE quotas. Both Armenia and Georgia have entered such agreements. Azerbaijan, however, continued its independent course and declined entering any sort of agreement of the kind.⁶⁴ The reaction of support from Washington was very important not only for Azerbaijan, but also for the whole system of regional security established and guaranteed by the CFE Treaty. During 1993 discussions

⁶² While the CFE Treaty stipulated a ceiling on the quantity of military equipment that the blocs could maintain, it did not specify national limits for individual states. That is, limits were assigned to two groups of states, but not, for example, to Russia or Germany. The blocs were then further divided into zones constructed mostly around Central Europe. One zone, “the Flank Zone” included Romania, Bulgaria, Moldova, and the Caucasus, along with some states and areas in North Europe. See R Bhatti and R Bronson, “NATO’s mixed signals in the Caucasus and Central Asia,” *Survival*, Autumn 2000. (Vol. 42 No. 3), p.233.

⁶³ The Soviet Union’s quotas were divided among the post-Soviet states at the end of 1991

⁶⁴ See S. Cherniavskii, “US Strategy in the Caucasus,” *International Affairs (Moscow)*, vol.45, no.2, 1999, pp.54-55.

within the CFE Joint Consultative Group in Vienna it was Armenia (along with Belarus and Ukraine) that supported Russia's request about suspending implementation of the Article V of the Treaty concerning the flank limits and Clinton appeared to be one of the most sympathetically oriented North Atlantic Treaty Organization's (NATO) leaders. As Frederick Starr put it, "The United States has gone so far as to insist that there is no linkage between Russian efforts to destabilize the Caucasus region and the revision of the conventional forces in Europe Treaty, even though a treaty revision could legitimize Russian forces being used for this purpose."⁶⁵

Toward the end of World War II, President Franklin Roosevelt made it clear to Prime minister Winston Churchill that Washington would do nothing to encourage the continuation of the British Empire's existence. In contrast, Presidents Bush and Clinton seemed to agree to an extension of Russian empire in the early 1990s. At least their steps and lack of activity in this direction pointed to this. If Russia is to take over the old Soviet Empire, Europe will be as divided as it was in the Cold War years. In the first year of its term the Clinton Administration has given priority mostly to domestic economy rather than to foreign policy issues. As for the latter ones, Clinton seemed to placate Russia at the expense of other regions like South Caucasus. In early November Warren Christopher told NATO leaders that Europe was no longer priority for the United States and the former Warsaw states were given little attention taking into account even Bosnia's fate being abandoned by Washington at the time. Overall, the US position here seemed to concentrate on the Central Europe at the expense

⁶⁵ See Frederick Starr, "Power Failure: American Policy in the Caspian," *The National Interest*, no. 47, Spring 1997, p.27.

of the Transcaucasus and by 1993 the US *de facto* accepted Russia's military dominance in the region.⁶⁶

1.4.2 US Oil Companies' Early Involvement

It would be useful for the present research to understand the past of the United States policy in the Middle East in order to make conclusion about the US general policies as well as the US private companies' oil interests in the Caspian,⁶⁷ which had become a part of the so-called "Greater Middle East" after the demise of the USSR. In case of the Gulf it were the oil companies that introduced the first major element of the US in the region and the US Government recognized the strategic value of the region's oil resources only after the World War II. The penetration of the US in the Middle East began in 1939 when the US oil companies got the half-ownership of a concession in Kuwait and exclusive concession in Bahrain and Saudi Arabia. As access to oil became significant to Washington, it began protecting its interests, without, however, being active enough and relying mostly on the Great Britain. After the fall of Shah in Iran and the Soviet invasion of Afghanistan in 1979, the US perceived the necessity of introducing its military component, and namely, rapid intervention capabilities to preserve its interests in the region. These measures were not complemented by the creation of a sort of regional security institution. The similarity between the US involvement in the Gulf and in the post-Cold War

⁶⁶ Even if Washington and other Western governments never formally accepted the Russian concept of a "Near Abroad."

⁶⁷ Speaking of the oil reserves in the Caspian Sea one must be clear about the fact that those are estimated to be at least larger than the oil reserves of the North Sea.

Caucasus is that in the latter case the US also didn't recognize its oil interests at the Government's level.⁶⁸

The private American oil companies began negotiations with Azerbaijan communist government in 1990. As the American journalist who spent the early 1990s in Baku, noted, in 1991, "...the representative offices of such giants as AMOCO and Pennzoil were single rooms in the old Intourist Hotel. From there, they tried to make contact and talk about oil with the bureaucratic machine of the old Azerbaijan Soviet Socialist Republic."⁶⁹ The only deal that almost got signed during the period of Mutalibov's government was that with the US MEGA Oil Company. But this was not the actual oil contract but sooner a trade-off under which, oil contracts "...were to be exchanged for Praetorian Guard-style security services – that is, money for muscle to protect the Mutalibov regime from the opposition Popular Front."⁷⁰ The first real oil contract was concluded under Elchibey's government in October 1992 when Azerbaijan closed a \$2.420 billion deal with the United States-based Pennzoil Company for development of the Guneshli offshore oilfields in the Caspian Sea, and no quote was provided for Russia in the contract.⁷¹ American oil companies were not backed by the parallel actions of the official Washington but, nevertheless, they had some say in the regional politics. This could be seen on the example of the government's change in Azerbaijan. When the Popular Front Party headed by Elchibey was left in minority in the Azerbaijani Parliament, and Elchibey was forced to flee Baku, the new Western oil consortium of British Petroleum (BP), Amoco and Pennzoil

⁶⁸ Manuel Mindreau, *op cit.*, p.7-8.

⁶⁹ Goltz, Thomas, "Catch-907 in the Caucasus," *The National Interest*, No.48, Summer 1997, pp.39-40.

⁷⁰ *ibid.*

⁷¹ G.Reza Sabri-Tabrizi, "Azerbaijan and Armenian Conflict and Coexistence," *in* Anoushiravan Ehteshami ed., *op cit.*, p.152.

gave \$70 million in “good faith” to new-born Aliyev’s government while the United States (as well as the EU and Turkey) initially supported Elchibey.⁷²

At first, however, Aliyev was reluctant to carry out radical anti-Russian policy in the way Elchibey did it and thus at the end of June 1993, he suspended a deal between Azerbaijan and a consortium of eight leading Western firms (including BP, Amoco and Pennzoil) to develop three Azerbaijani oil deposits.⁷³ The later developments showed that it was just a maneuver, which could be explained by the difficult position Azerbaijan was at the time in and by the necessity to balance between main big powers so that Azerbaijan could defend its true independence. After that was achieved Aliyev welcomed Western oil companies and American ones received even more than they expected – about 40% in the “Contract of the Century.”⁷⁴ All in all, the oil interests of the US were evolving slowly because there was no realization at the time of the coincidence of the US Government’s and oil companies’ interests in the region.

1.4.3 Humanitarian Assistance

The United States was the first Western government that legislated and implemented funding support for transition processes of the former Soviet republics. Promotion of democracy and market principles have been carried out by Washington through US Agency for International Development (USAID) programs under the Freedom Support Act (FSA), which was enacted as early as

⁷² Paul Wiberg-Jorgensen, “America’s Freedom to Act in the Caspian Area” *European Security*, Issue 8.4, 1999, pp.231-232.

⁷³ “Contested Borders in the Caucasus”, by Bruno Coppieters (*ed.*), op cit.

⁷⁴ More detailed analysis on the subject is given in the next chapter.

1992. USAID concentrated on humanitarian aid and only later began to pay high attention to economic and democratic problems.⁷⁵ The United States became automatically the largest bilateral aid donor by far to Armenia and Georgia. Most US aid to the Transcaucasus addressed urgent needs for food, shelter, medicine, and energy. US aid to Armenia also focused on ameliorating the impact of the blockades, and included food and heating oil aid, health care aid, programs in energy conservation, and research on oil, gas, and coal potential. American humanitarian assistance and credits for grain were of big importance for Georgia in the early 1990s, helping the population to avoid the mass hunger. In the early 1990s Armenia was provided with \$262 million worth aid package that included fuel.⁷⁶ The latter was very important for Armenia due to the permanent gas stoppages from Georgia.⁷⁷

As for Azerbaijan, the latter was refused any sort of government-to-government humanitarian assistance from the US according to the Section 907 to the Freedom Support Act, which will be analyzed below in a detailed way due to its importance for the regional politics and the US policy there.

Besides notorious Section 907, another important misgiving in the US approach toward the region was its premise that if the US provides during the period of transition the local states with much humanitarian assistance, these states make an easy transition to democracy and liberal market economy. The premise was false, however, because the states in question had no tradition of democracy except for the short period of time in 1918-1921. In addition, the

⁷⁵ Total US government assistance to the three Caucasian countries during fiscal years 1992-2000 was \$ 2.9 billion (See Baran, Zeyno, "The Caucasus: Ten Years after Independence," *The Washington Quarterly*, vol. 25, Winter 2001, p.233).

⁷⁶ In 1993, the US allocated \$195 million in aid to Armenia (second only to Russia among all ex-Soviet states). See Newsweek, 8 August 1994.

⁷⁷ The gas pipeline from Georgia to Armenia laid across Azerbaijanian-populated area was systematically blown or damaged.

Soviet culture was still strong enough in those states to let democracy take root from the beginning of transformation occurred.

Another very important point is that the most part of it was sent to Russia showing again the unbalanced approach to other former USSR republics. 76% of the humanitarian assistance to the former Soviet Union was being given to the Russian Federation in the early 1990s.⁷⁸

1.4.4 Section 907 and Powerful Armenian Lobby

Under the strong influence of the Armenian lobby the US Congress passed in October 1992⁷⁹ the Freedom Support Act which contained the Section 907 that forbade direct US government-to-government assistance to Azerbaijan until the latter's blockade of Armenia is lifted and until Azerbaijan ceases all aggressive actions and "improves its human rights record."⁸⁰ The Section presented the partisan US policy in the region and the clear support for one of the warring parties in the Mountainous Karabağ conflict. Being the major donor to refugee programs in the area, the United States at the same time deprived approximately 1 million Azerbaijani refugees of the humanitarian aid.

Although the initiative for imposing economic sanctions had been proposed while communist leader Mutalibov was still in power in 1991, the

⁷⁸ See Paul Goble, "Ten Issues in Search of a Policy: America's Failed Approach to the Post-Soviet States," op cit., p.307.

⁷⁹ The Section 907 took effect in January 1993.

⁸⁰ See text of the Section 907 to the Freedom Support Act.

Section 907 was passed by the US Congress after Elchibey was democratically elected as President in 1992.”⁸¹

The fact that this Section could be passed despite the US State Department’s resistance can be explained by several factors:

i. *Lack of information about the true state of affairs.* The question should be asked as follows: who was using force against whom when Congress passed the notorious Section? With 20,000 dead, about one million refugees and some 20% of its territory occupied Azerbaijan was never able to impose blockade on Armenia. Baku imposed embargo because of being actually at war with Armenia. It would be strange for two warring parties to trade with one another.

ii. *Lack of realization of American interests in the region at the time.* The volatile and remote region and Muslim Azerbaijan were not perceived to be important for Washington at the time and when the time has come for the Bush Administration to intervene and maybe veto the passage of the Section the Bush Administration while opposing the inclusion of the article in the Freedom Support Act was not so brave to endanger the whole Act by vetoing one Section, especially in an election year.⁸²

iii. *Strong Armenian lobby in the United States.* The Armenian National Committee of America, for example, possess significant political power in the US and control the most important electorate states like New Jersey, New York, California, and Illinois, which comprise nearly half of the total electoral votes

⁸¹ Manuel Mindreau, op cit, p.10.

⁸² After Goltz, Thomas, “Catch-907 in the Caucasus,” *The National Interest*, No.48, summer 1997, p.43.

needed to be elected the President of the United States.⁸³ The appointment of the US citizen Raffi Hovaniessian as the first Foreign Minister of Armenia also showed the strong links between Armenian American lobby and the politics in Armenia and whole region. Neither the State Department nor the Congress seemed to pay attention to political changes in Azerbaijan, its attempts to reform or its participation in CSCE peace efforts at the time. This entailed some disappointment with the US in Azerbaijan because after the *Popular Front* came to power in Azerbaijan in June 1992, President Elchibey made it clear that Azerbaijan would prioritize relations with the United States and NATO member countries. In addition, the fact that Baku began active anti-Iranian policy accusing the Iranian regime with human rights violations, could serve as a proof of Azerbaijan's readiness to become the US main ally in the region.⁸⁴ The perverted nature of the Section should be regarded not only in terms of foreign politics in the region but also in the light of the effect it had on the domestic politics in Azerbaijan. Thomas Goltz sheds light on the issue arguing that "Rather than promoting institutional change in Azerbaijan...the Congress has...dedicated itself to the business of changing the *government* in Baku."⁸⁵ The condition of giving assistance to Azerbaijan was that the aid would not be carried out in government-to-government framework.⁸⁶ The point is that any organizations or persons who were allowed to receive US assistance were not simply non-governmental entities but opposition that had the profound interest to

⁸³ F. Wallace Hays, "US Congress and the Caspian," *Caspian Crossroads*, vol.3, Issue no.3, winter 1998 (<http://ourworld.compuserve.com/homepages/usazerb/333.htm>).

⁸⁴ Manuel Mindreau, op cit., p.10.

⁸⁵ Goltz, Thomas, "Catch-907 in the Caucasus," *The National Interest*, No.48, Summer 1997, p.41.

⁸⁶ Ibid. p.43, "American relief NGOs such as the International Rescue Committee (IRC) had been obliged to leave their medicines and emergency foods under tarps in open field and on the street because – surprise! – all warehouses in the post-communist country belonged to the Azerbaijani government."

replace the current government rather than to build the civil and democratic society. So, by giving aid to opposition the US de facto had revolutionary rather than evolutionary character

1.5 MAIN GUIDELINES AND WEAKNESSES OF THE US POLICY

The United States and the international organizations controlled by the US have begun making first steps toward the Newly Independent States in the region since 1991. The steps, however, were made mostly in *declaratory* terms. The absence of *practical* steps was connected with Russia. The US policymakers tended to look at the Caucasus from Russia's perspective and were preoccupied with placating Russia first when developing policy toward the region. That is the reason why the US policy toward the post-Soviet space in the early 1990s is coined as "Russia-first" policy and that is why Paul Goble characterized the American early policy toward the post-Soviet states as "Russia plus branch offices."⁸⁷ As a result of such a lazy approach the US didn't have a *specific policy* on the Caucasus in the early 1990s. Also, the region was still viewed from Washington through the Cold War paradigm and even the staff workers of the White House, which were responsible for the formulation of the policy toward the region, worked in the departments previously charged with working out relations with the USSR.

So, it was no surprise that their attention was focused on Russia. The other reason, why at that time the United States did not have a coherent Caucasus

⁸⁷ Paul Goble, "Ten Issues in Search of a Policy: America's Failed Approach to the Post-Soviet States," op cit., p.305.

policy, is because most policymakers and researchers were unfamiliar to the region. Besides *Russia-first* policy the United States was giving priorities to other regions like Central and Eastern Europe, the Baltic states (because of traditional support, even during the Cold War, of the Baltic states' independence from Russia), Ukraine, Kazakhstan and Belarus (because of the nuclear stuff situated on the territories of those states and the necessity to collect all of this stuff in Russia). As Sherwood-Randall put it, "...preoccupation with the four "nuclear successor states" (Russia, Ukraine, Kazakhstan and Belarus) prevented the Caucasus and Central Asian states from getting much serious attention until 1994"⁸⁸

1.5.1 Main Guidelines of the US Policy

In the wake of the Soviet collapse in 1991, the United States developed working guidelines for dealing with the Soviet successor states. These included recognition of the states as independent and viable entities, support for their transition to market economies and democratic societies, facilitation of their integration into international institutions, and encouragement of regional cooperative arrangements.

However, while initially supporting independence of the new states, the US saw the nationalist movements as nearly the obstacles to the stability and cooperative developments in the region. Therefore, Washington intended initially to prevent them from breaking fully away from Russia's environment. This was a

⁸⁸ Elizabeth Sherwood-Randall, *op cit.*, p.3.

paradoxical position taking into account the long-term struggle with the Soviet Union during the Cold War, when all the efforts of the US were aiming to make the Soviet threat disappear. As Frederick Starr put it,

America's initial responses to the emergence of the fifteen successor states was to support integrative policies, whether in the form of the Commonwealth of Independent States, an extensive ruble zone, or the transnational programs of the International Monetary Fund (IMF). Having conceived economic development as an alternative to nationalism and not a product of it, United States policy attempted to work around nationalist sentiment rather than through it or with it.⁸⁹

But this policy can surely be understood in terms of the disappearance of the Soviet threat as such by the early 1990s and emergence of the new threats in the form of 15 post-Soviet republics and the conflicts on their territories, which threatened to spill-over into broader conflicts with bigger powers drawn.

Overall, the US policy after the USSR's dissolution was shy and was not active here due to acknowledging the region as Russia's sphere of influence and because of still respecting Russia's position as the successor of the Soviet Union's superpower paradigm. While surely supporting Turkey in its role as a new regional leader in the early 1990s, Washington still feared Russian radical response and thus at the same time preferred Russia controlling events in the volatile region. Of course, Washington understood the danger of possible confrontation between Russia and Turkey in the light of Shaposhnikov's words about "third World War" and Ankara's close military links to Elchibey's government Washington showed much respect to Russia's military (nuclear and conventional) capabilities at the time and treated Russia as almost equal to the USSR in this sense.

⁸⁹ See Frederick Starr, "United States Policy and National Development in the Post-Soviet States," in John W. Blaney, ed., "The Successor States to the USSR," Congressional Quarterly Inc., Washington D.C., 1999, p.266.

All in all, one can conclude that the issues that have really driven US policy in the region have less to do with the region itself than with countries outside the South Caucasus like Iran, Turkey and Russia. Washington's policies in the early 1990s represented the twist between containment of political Islam, influence of Armenian lobby and fear of negatively influencing Russian domestic politics.⁹⁰ The idea that free hand must be given to democratization and economic development of Russia, because the positive transformation of Russia would give positive impulses to other former Soviet republics including Caucasian ones, while democratization's failure would mean beginning of the turmoil in the republics in question. While Turkey was chosen by Washington as the channel of influencing Caucasus and Central Asia and Iran as the main enemy, the policies of new-born Russia were assumed to be benign in the region and the Clinton Administration gave Moscow free hand there. For the first four years of the Clinton Administration, Russia was the center of US policy in the NIS and US observers were skeptical of the viability of the other states. Policy initiatives in the NIS were all adjuncts to the Russia-first policy and to a strategic priority to dismantle the Soviet military machine and nuclear arsenal and confine it within Russia."⁹¹

The other characteristic of the early US policies was "...a multilateralist cloak for security operations in the area and attempt to use this to contain both Russia's ambitions and the spread of instability."⁹² By February 1992, US

⁹⁰ After Leila Aliyeva "The Foreign Policy of Azerbaijan," Central Asian and Caucasian Prospects, Briefing Paper no.9, October 1996 (<http://www.riia.org/Research/rep/bp9.html>).

⁹¹ See Fiona Hill, "A Not-So-Grand Strategy: United States Policy in the Caucasus and Central Asia since 1991," *Politique étrangère*, February 2001, (<http://www.brook.edu/dybdocroot/views/articles/fhill/2001politique.htm>).

⁹² Rosemarie Hollis, "Western Security Strategy in South West Asia," in Anoushiravan Ehteshami ed., op cit., p.203.

Secretary of State James Baker was already expressing his government's support for an active CSCE policy, hoping to prevent unilateral action by Iran or Russia.

Clinton Administration also preferred the multilateral framework instead of intervening directly. As for the international organizations, CSCE attempted to take some initiatives in the Caucasus after March 1992 when Georgia's access to the CSCE took place.⁹³

So, if we consider *immediate* policy goals of the US in the region, they were, "...to buttress the stability and independence of the states through multilateral and bilateral conflict resolution efforts and to provide urgent humanitarian relief."⁹⁴ As a matter of fact Washington failed to develop a clear regional concept of the region within the European security system. The interests of the US here remained marginal and were subordinated to its relations with Turkey and especially Russia.

1.5.2 Weaknesses of the US policy

Lack of information. The weaknesses in US's ability to gather and analyse information from the former Soviet Union can be seen on the South Caucasus example where the US intelligence community, that knew every detail of Moscow life was not well prepared to process information on the local republics. For instance, until journalists and diplomats went regularly to Baku since early 1992, little information came to Washington from Azerbaijan. Instead of devoting much energy and means to collect and process information on the post-

⁹³ Armenia and Azerbaijan had been accepted into the CSCE in January 1992.

⁹⁴ Jim Nichol, op cit.

Soviet space funding was cut because the Cold War ended.⁹⁵ The United States' ignorance of the region showed itself in "Some officials...believed that the peoples of these former Soviet republics were not really interested in independence."⁹⁶ The lack of regional processes' understanding proves the assumption on the part of the US officials that the Muslim barbarians "...were ripe targets for Islamic fundamentalism that would sweep into region from Iran or Afghanistan."⁹⁷ Again the US policymakers were not well informed about the fact that the post-Soviet governments were secularist and fundamentalism has been an insignificant force in the republics.

Hierarchy of states' treatment in US policy. Hierarchy on the part of Washington appeared in the form of the abovementioned three-tier recognition of the former Soviet republics. This impression was reinforced between April and October 1992, as the US Congress debated the Freedom Support Act. This document was designed to be the legal basis for the US bilateral assistance and economic cooperation with the newly independent states but inclusion of the Section 907 into the Act underscored the hierarchical approach of the US toward Azerbaijan. Moreover, instead of being neutral, the US *de facto* took sides in the Armenian-Azerbaijani dispute.

Although the new US government later, by 1993, recognized the importance of formulating a coherent policy toward all the states of the former USSR, and tried to implement this through appointment of Strobe Talbott as the Ambassador-at-Large to the newly independent states in March 1993, the Caucasus states were still viewed as second or third class states.

⁹⁵ Manuel Mindreau, op cit., p.13.

⁹⁶ See Frederick Starr, op cit., p.25.

⁹⁷ *ibid.*, p.25.

Absence of the unified US policy. Lack of unified US policy means that the latter was split between different departments of the State Department. In the early years after the USSR's demise responsibility for each NIS state and for various issues was parceled out to different US government departments and sub-departments. For example, the promotion of initiatives related to the democratic development of the newly independent states, was split among the US Agency for International Development and the State Department. While the center was not much interested in the region's geopolitics, each department pursued its own policy in the region.⁹⁸

Treating Caucasus and Central Asia as one Entity. Actually, the US policymakers' tendency to view nearly the whole post-Soviet area and later the CIS as one single entity only because to Russia's centrality in the former Soviet regions was false and naïve.

Much more important misunderstanding of the early 1990s was for the US policymakers to consider Caucasus and Central Asia always together without drawing a strict line between the regions, treating the Caucasus as a part of the enormous Greater Middle East region. The regions had too many different geopolitical priorities to be treated together. In this regard only the Pentagon seemed to have chosen right path by allocating Caucasus and Central Asia areas to different departments: Central Asia was assigned to the US Central Command, while the Caucasus states fell to the US European Command.

Confused and ambiguous policy pursued. The US policy for South Caucasus appeared to be improvisational and *ad hoc* at the time. In 1993, for example, the US Administration supported deposed Azerbaijani President

⁹⁸ See Fiona Hill, "A Not-So-Grand Strategy: United States Policy in the Caucasus and Central Asia since 1991," *Politique étrangère*, February 2001, (<http://www.brook.edu/dybdocroot/views/articles/fhill/2001politique.htm>).

Elchibey, but US oil companies meanwhile negotiated with the new Aliyev government on the subject of \$4 billion worth oil contract. In Armenia, the United States has called for the withdrawal of Armenian troops from Azerbaijani territory outside Mountainous Karabağ. However,

it has done it without enunciating a clear stand on how and why it wishes the issue to be resolved, thereby stiffening the resolve to resist on the part of Nagorno-Karabakh and its irredentist allies in Yerevan, who are seeing their struggle both in terms of Israeli history and in the light of Bosnia's experience.⁹⁹

One of the reasons for such a confused policy was the inner structure of the US State Department. As Rosemarie Hollis put it in 1994,

Perhaps because the formulators of Western policy on Central Asia are also the ones who handle relations with Moscow, they are bound to view events in terms of the effects on Russia and its power. The result is a mixed bag of gestures to bolster the reformers in Russia along with strictures designed to limit Russian dominance over its neighbors.¹⁰⁰

So, as the examples show, the US policymakers did not always comprehend the course they pursued and the US policy in the region, thus, was incoherent and sometimes lacked clarity.

⁹⁹ See Henry R. Huttenbach, "Chaos in Post-Soviet Caucasia, Crossroads of Empires: In Search of a US Foreign Policy," in John W. Blaney, ed., "The Successor States to the USSR," Congressional Quarterly Inc., Washington D.C., 1999, p.238.

¹⁰⁰ Rosemarie Hollis, "Western Security Strategy in South West Asia," in Anoushiravan Ehteshami ed., op cit., p.195.

CHAPTER II:
"BLACK GOLD" AND WAR IN CHECHNYA AS THE
CATALYSTS OF THE US INVOLVEMENT (1994-1996)

2.1 INTRODUCTION

If in the early 1990s the US policy in the region was more ad hoc, then since 1994 it began to become more clearly formulated and coordinated. As the former Soviet troops were withdrawn from the territory of the Baltic states in August 1994, nuclear weapons were removed from Kazakhstan, Belarus and Ukraine by 1996 and it became clear that economic transition and political reformism in Russia didn't "Go West" at all, the geopolitical basis was ready for the United States to change its policy in the former Soviet Union.

Actually, there were two grand events that altered and determined the US policy at this stage: the so-called "Contract of the Century" and the War in Chechnya. One of the events was military in nature and the other - economic one. In this way both events created two main paradigms - economic and military - through which the second stage of the US policy is treated in this chapter.

Geopolitically, these two events contributed to the main change that occurred in the American policymakers' perceptions. They began to pursue more balanced policy toward the NIS countries. The best definition of this policy can be found in the Z. Brzezinski's article "The Premature Partnership" where the author describes what he calls "geopolitical pluralism." Shortly, "geopolitical pluralism" is the "multiple access to the region, which will result in prosperity

that will benefit all concerned, including immediate neighbors of the region and Russia."¹⁰¹ Although this time the US policy had also much to do with Russia,¹⁰² the latter was not placed at the center of the American NIS strategy. Instead, no center was there as such.

When in September 1994 in Washington Yeltsin demanded that the United States recognize Russia's special status for carrying out peacekeeping functions in the CIS, Clinton's answer was negative. Moreover, the US President suggested that Russia should cooperate with the United Nations in this sphere and other international organizations. The other sign of the West neglecting Russia's peacekeeping role in the "Near Abroad" became evident when the OSCE took the decision to send peacekeeping troops to Mountainous Karabağ and Russia's unilateral right to intervene was thus denied.

However, the year when the US policy changed radically was 1996 when the Chechens recaptured Grozny and Yeltsin was re-elected. While the first event showed weakened conventional military capabilities of Russia, the second one meant "...the US no longer needed to support his policies for fear of an anti-Western reaction in the Russian elections."¹⁰³

Concept of the "geopolitical pluralism" in the United States' policy became evident not only within the NIS but also in the South Caucasus. Earlier clearly pro-Armenian stance of Washington became now more balanced due to the increasing oil interests' and Jewish organizations' pro-Azerbaijan lobbying in

¹⁰¹ "Russia's "Sphere of Influence" - Chechnya and Beyond," by Zbigniew Brzezinski Azerbaijan International, Spring 2000 (8.1) (http://www.azer.com/aiweb/categories/magazine/81_folder/81_articles/81_brzezinski.html).

¹⁰² "The basic premise of this alternative strategy is that geopolitical pluralism will foster the best context for the emergence of a Russia that, democratic or not, is encouraged to be a good neighbor to states with which it can cooperate in a common economic space but with which it will not seek or be able, politically or militarily, to dominate." See Zbigniew Brzezinski, "The Premature Partnership," *Foreign Affairs*, vol.73, no.2, p.79.

¹⁰³ Svante Cornell, "Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus," Curzon Press, 2001, p.375.

the US Congress. So, the Americans' treatment of both warring parties became more equal at the time. The whole framework of geopolitical pluralism had far-reaching consequences for the US policy like, for example, the so-called "multiple pipelines' doctrine," East-West corridor project, strengthening NATO's role in the Southern Tier of Russia, proposing "win-win opportunities" for all parties, contributing to the local state development through humanitarian assistance, etc.

It is no surprise that after being changed the US policy in the region acquired also new principles to be guided by. All in all, one can single out four following major official principles of the US policy at the second stage of its engagement in the region: "...reinforcing the independence of the former Soviet states of the region, diversifying world oil supplies, promoting US commercial interests, and containing Iran."¹⁰⁴ "Reinforcing independence" here logically included support of stabilization, economic market reform and integration into Euro-Atlantic family of nations.¹⁰⁵ The United States also pursued nuclear non-proliferation efforts in the region. However, these initiatives cannot be treated as the major principle of American policy in the region. Rather it seems to be the major guideline of the US global policy.

¹⁰⁴ See Strengthening Democratic Institutions Project John F. Kennedy School of Government, "The Caucasus and the Caspian" the 1996 Seminar Series of SDIP, p.87.

¹⁰⁵ If not in institutional, then at least in geopolitical terms.

2.2 HOUSTON DISCOVERS CAUCASUS FOR WASHINGTON

As Svante Cornell put it, "...the importance of the Caspian and the Caucasus was discovered in Houston, not in Washington."¹⁰⁶ The newfound interest of the US in the South Caucasus owes to the strategic economic resource of the global economy - oil. Control over, access to or the diversification of this resource can be surely characterized as an important national interest. Oil was the rationale to help achieve this objective and multiple pipelines doctrine and this strategy was repeatedly outlined as

strengthening the independence and prosperity of the new Caspian states, bolstering regional cooperation, enhancing global energy security through the free flow of Caspian oil and gas to world markets and increasing investment opportunities for companies from the United States and other countries.¹⁰⁷

The private American companies were powerful enough to successfully lobby their interests in Washington and even make some former American policymakers interested in the future of Baku and the Caucasus as a whole.¹⁰⁸ Access to oil and diversification of its supply was proclaimed by the White House as the ground for pursuing the active policy in the region.

The US policymakers seemed to name oil supply's diversification as the national policy objective. This was a strong claim that took into account the fact that the United States' imports were more than 40% of its oil supplies and the fact that even if the Caspian region¹⁰⁹ would not become one of the main source¹¹⁰ of

¹⁰⁶ Svante Cornell, "Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus," op cit, p.372.

¹⁰⁷ Zeyno Baran, "The Caucasus: Ten Years After Independence," *The Washington Quarterly*, Winter 2002, p.222.

¹⁰⁸ Two former National Security Advisors Zbigniew Brzezinski and Brent Scowcroft, former White House chief of staff James Sununu, former Defense Secretary Richard Cheney, former Treasury secretary Lloyd Bentsen, former Secretaries of State Lawrence Eagleburger and James Baker.

¹⁰⁹ The region seems to contain 4-5% of world oil reserves.

oil supply for the United States, then it would surely become one of the main oil sources for the world market.

This variant is also important in Washington's eyes because of easing dependence on the Persian Gulf and, hence, having positive influence on the global energy balance by ensuring lower worldwide oil and gas prices for years to come. Especially, this problem was even more real for Europe where oil production is going to decline from 8,4 million barrels per day to 6,5 million barrels per day.

There are different estimates of the Caspian Sea's reserves. While different Western experts calculate proven and unproven reserves as correspondingly 27 and 40-50 billion barrels,¹¹¹ the US Department of State released the figure of 90 billion barrels (like Iran's or Kuwait's oil reserves).¹¹² The US Department of Energy estimated in its report that the potential oil reserves in the Caspian Sea basin may compose approximately 200 billion barrels. If true, this figure would mean that Caspian Sea equals oil potential of Iraq or Saudi Arabia. The point is that some sort of exaggeration was pursued consistently by the US Government for the reasons explained below.

The event that underlined the strategic significance of the South Caucasus for the United States was the so-called "Contract of the Century," which was signed in September 1994 between SOCAR, State Oil Company of Azerbaijan Republic, and the Consortium of major international companies, the Azerbaijan

¹¹⁰ "...It was this vital interest that took the United States and the international coalition to war in the Persian Gulf to ensure the uninterrupted flow of oil from that region." See Strengthening Democratic Institutions Project John F. Kennedy School of Government, "The Caucasus and the Caspian" the 1996 Seminar Series of SDIP, p.6.

¹¹¹ See, for example, Neil MacFarlane, "Western Engagement in the Caucasus and Central Asia", The Royal Institute of International Affairs, 1999, p.14. Brenda Schaffer, for instance, writes about 16-35 billion barrels, which is about 5% of world's oil reserves and equal to those of North Sea.

¹¹² Ibid.

International Operating Company (AIOC). The aim of the contract was to exploit the oil fields offshore in the Azerbaijani waters of the Caspian Sea.¹¹³ In \$7,5 billion American private companies had 44% of the agreement's shares and began playing leading role in the oil exploration under the agreement. If we look at the issue from the viewpoint of the zero-sum game, we can see the vital interest of the US in getting high stakes at the agreement: containment of Iran. Hadn't Washington occupied 44% of the share, its place could well be taken by Iran. It is not difficult to imagine then the failure for the US Middle East strategy with Baku-Gulf pipelines crossing the Iranian territory.

James MacDougall pointed to the fact that it were not the companies themselves but "...the government officials who labored behind the scenes to support US interests in the Caspian region."¹¹⁴ The American commercial presence wasn't confined, however, only to the oil companies. American engineering, energy technology and service companies have been also active here. In any oil contracts American companies participated as operators which meant they had a say in the contract and so it were them on whom depended the "speed" of oil and gas exploration. US companies' role can also be extended to the warming in US-Azerbaijani relations, which were pretty cool before due to the US Government's initial negative stance toward new post-KGB leader of Azerbaijan. So, the private companies did their best to raise Azerbaijan's profile in the eyes of the US policymakers and "there was a slight warming in US-Azeri relations following a meeting between Vice President Albert Gore and President Aliyev in Cairo, Egypt, just prior to the signing the AIOC agreement in

¹¹³ AIOC itself was created in 1991 but the political instability in Azerbaijan determined the postponement of negotiations till November 1993 when Heydar Aliyev's government gave green light to proceed with negotiations.

¹¹⁴ See James MacDougall, "The New Stage In US-Caspian Sea Basin Relations," *Central Asia*, no.5, (11), 1997. (http://www.ca-c.org/dataeng/st_04_dougall.shtml).

September 1994."¹¹⁵ Also, the American companies' presence and activities in the region contributed to many opportunities for American jobs, investment and exports, and, hence, presented US commercial interests' stakes, which were defined above as one of the four major US interests in the South Caucasus.

As Edmund Herzog wrote,

The AIOC agreement marked a watershed in several ways: it brought international companies into Caspian Sea oil development for the first time (thereby igniting the Caspian legal regime dispute); it was the first major foreign investment in Azerbaijan (or the Caucasus); it focused Western interests much more sharply on the Caspian and Azerbaijan.¹¹⁶

One can add to this list the fact that after having signed the Contract, Western policymakers (including American ones) began to treat the instability and conflicts in the South Caucasus with full attention. Also, the AIOC agreement was the event that determined the following history of the region and it is no coincidence that after three months after the signing Russia began invasion of Chechnya.

As Paul Goble put it, "A hundred years ago, some analysts suggested that the fate of the region would depend on the construction of rail lines; more recently, observers have argued that it will depend on pipelines."¹¹⁷ After the Contract was signed the logical question arisen on the agenda: how to deliver the oil into international markets? It is a good question because Caspian is a land-locked sea and the Transcaucasian states (except for Georgia) have no access to major seaways. Iran, Russia and Georgia are therefore three potential transit countries for the outlets. While Iranian route is excluded by the US veto on trade

¹¹⁵ Robert E. Ebel, "Energy choices in the Near Abroad: The Haves and Have-nots Face the Future," The Center for Strategic and International Studies, Washington D.C., 1997, p.37.

¹¹⁶ Edmund Herzog, "The New Caucasus: Armenia, Azerbaijan and Georgia," op cit, p.136.

¹¹⁷ Paul Goble, "From Myths to Maps: American Interests in the Countries of Central Asia and the Caucasus," *Caspian Crossroads*, vol.3, no.1, Summer 1997, (<http://ourworld.compuserve.com/homepages/usazerb/casp.htm>).

with Iran, Russia and Georgia are consequently two only candidates. While Baku-Novorossiysk pipeline seemed to be the best route, the US insisted on rebuilding the Georgian outlet and even proposed the third one, through Turkey. "On no one quality, on no one process, on no one country, on no one route, and on no one field must we be dependent. Safety and certainty in oil lie in variety, and variety alone,"¹¹⁸ - these words of Sir Winston Churchill about diversification of oil supply and national security were evaluated and understood properly in the White House. In 1995 Zbigniew Brzezinski delivered the US President's letter about the regional pipelines to Heydar Aliyev. Also, in early October US President Bill Clinton called Aliyev and, according to a White House spokesman, "...expressed his support for commercially viable, early constructed, and multiple oil pipelines from the Caspian Sea region that would benefit the companies that were investing in oil development as well as all the countries of the region."¹¹⁹ After this lobbying on the part of the United States the decision was taken by Azerbaijanian President to develop pipeline routes that would be laid outside Russia's territory.

So, on October 9, 1995 the decision on dual pipelines was announced by the AIOC. The decision was concerned only with the early oil (approximately 80,000 barrels a month). The whole notion of early and ultimate oil is best explained by means of two concepts proposed by Jack Carter, the then Senior Advisor for International Affairs in the US Department of Energy. According to him, the Caspian oil development can be divided into two major parts:

¹¹⁸ See Daniel Yergin, *The Prize: The Epic Quest for Oil, Money and Power*, New York: Simon & Schuster, 1991, p. 160.

¹¹⁹ Robert E. Ebel, "Energy choices in the Near Abroad: The Haves and Have-nots Face the Future," *The Center for Strategic and International Studies*, Washington D.C., 1997, p.7.

- i. *Opening gambit* - development of early oil production from the initial wells that can be delivered to international markets without using larger diameter pipelines. The purposes of the early oil is, firstly, to indicate the prospects of further oil production and, secondly, to help finance current oil exploration activities.
- ii. *Endgame* - "...struggle over who will control the pipelines for the larger flows of oil that will come from the region."¹²⁰

So, the United States' position about early oil dominated in the end. As a matter of fact, Washington adopted the same strategy (multiple pipelines) not only for early oil but also for the larger diameter pipelines. The existence of a Russian route only would present a great danger, so the US policymakers, to the independence and sovereignty of the local states due to many reasons. Firstly, the northern route as the only route for oil transportation would allow Moscow to use the pipeline for manipulation purposes and unilaterally threaten the oil delivery, raise tariffs or somehow limit the oil exports. As a matter of fact, Baku-Novorossiysk as the only functioning route at the time reflected the old plans of the Kremlin that even in the Soviet Union times aimed to make the Soviet republics dependent on Moscow and deny them having independent economic life.¹²¹ Also, Baku-Novorossiysk route was seen as unreliable because it was crossing unstable Chechnya. So, the first reason can be summarized as the lack of security along the Russian route. Secondly, limiting access to oil by only one route would have resulted in much less benefits for all parties. The statistics

¹²⁰ See Strengthening Democratic Institutions Project John F. Kennedy School of Government, "The Caucasus and the Caspian" the 1996 Seminar Series of SDIP, p.61.

¹²¹ See Stephen Blank, "Every Shark East of Suez: Great Power Interests, Policies and Tactics in the Transcaspian Energy Wars," *Central Asian Survey*, vol.18, no.2, June 1999, p.6.

shows that oil revenues of Azerbaijan could comprise over \$2 billion per year¹²² and Georgia could get over \$500 million a year from the transit fees.¹²³ In order to achieve this aim, the oil had to find safe, uninterrupted and, thus, multiple access to the international markets.

While Russia was against the multiple pipelines running out of the region it tried to prevent Baku-Supsa from becoming reality through the pressure rendered on Eduard Shevardnadze. The latter refused to drop the idea and it is of no surprise that the unsuccessful assassination attempt on his life took place in 1995.¹²⁴

On the other hand, the US contributed as much as possible to Georgia becoming transit country and fully supported Azerbaijani-Georgian cooperation on the issue as well as US companies' (Chevron, Bechtel, etc) participation in the Baku-Supsa project. Armenia's position in the great oil game of the region was very modest due to the Mountainous Karabağ conflict and Azerbaijan's determination not to let Armenia benefit from the oil developments. The United States' position in this regard was somewhat favoring Armenia's perspectives and proposing to share the Caspian oil with Yerevan so that the latter accepts a compromise with Baku on Mountainous Karabağ issue. As Jack Carter put it, "...There were some suggestions to create a "banana line," if you will - one that goes through Georgia, and one that goes through Armenia - so that they can answer all regional interests. But again, the difficulty between the parties is a bit

¹²² Only from the Contract of the Century the country is expected to receive \$57 billion of investments. See Rustam Mammedov, "Baku's Oil Diplomacy," *International Affairs (Moscow)*, no.3, 2001, p.162.

¹²³ See Ariel Cohen, "The New "Great Game": Oil Politics in the Caucasus and Central Asia, Backgrounder no. 1065, January 25, 1996. (<http://www.heritage.org/library/categories/forpol/bg1065.html>).

¹²⁴ See Taras Kuzio, "Geopolitical Pluralism in the CIS: The Emergence of GUUAM," *European Security*, vol.9, no.2, Summer 2000, p.98.

of an obstacle there."¹²⁵ However, all these suggestions were rejected consistently by the parties. Official Yerevan saw such proposals as trading concessions over Karabağ and Baku's view also rejected Armenian route "...no matter what concessions [Armenia] makes over Nagorno-Karabakh."¹²⁶

In February 1995 the White House adopted a plan that changed the whole balance in the South Caucasus. The plan consisted of supporting third pipeline route from Baku through Tbilisi to the Turkish port Ceyhan. For the first time the idea was announced by US Assistant Secretary of State, Mark Grossman in his speech of January 1995. Turkey was supposed not only to be rewarded for the economic losses it suffered in the course of the Gulf War while rendering support to the United States, but the latter also intended to increase Turkey's influence in the Southern Tier, to strengthen the multiple pipelines doctrine by another route and to counterbalance Russia.

Also, the oil transportation through this route would be cheaper than one from the Black Sea (whether through Georgia or Russia). In addition to the reasons mentioned, there was the Turkish Straits problem of overloading the Bosphorus and Dardanelles with lots of oil tankers and thus causing serious environmental threats, which could have been solved through Baku-Tbilisi-Ceyhan (BTC) route.

All in all, the United States tended to make clear that any pipeline had a chance to be built and exploited if it satisfied four main criteria: technical feasibility, commercial viability, geopolitical acceptability and environmental soundness.

¹²⁵ See Strengthening Democratic Institutions Project John F. Kennedy School of Government, "The Caucasus and the Caspian," the 1996 Seminar series of SDIP, p.79.

¹²⁶ Ilham Aliyev's words cited in Ian Bremmer, "Oil Politics: America and the Riches of the Caspian Basin," *World Policy Journal*, Spring 1998, p.30.

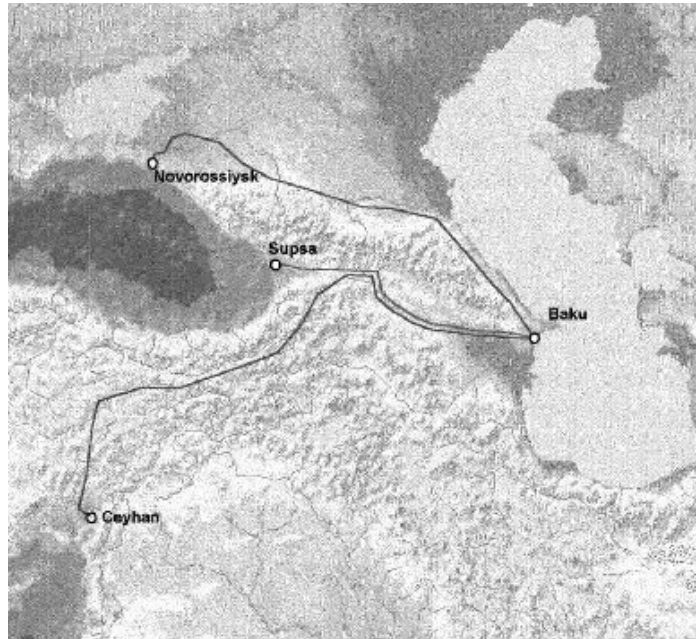


Figure 2. Oil pipeline routes in the South Caucasus.

What about the Baku-Gulf route and why can't it be built and applied in the same way? Three of the four criteria speak in favor of the route: the cost of the Iranian route is less than \$1 billion which is three times cheaper than the cost of the BTC line; it is environmentally sound and has all chances to be built. Why then Washington used to oppose the route? The American position is justified by two explanations. The first one is geopolitical in nature and treats Iran as a state that supports international terrorism and that should be punished for this through dual containment policy. The second explanation is geoeconomic one: if the United States wishes to lessen its dependence on the Persian Gulf through the Caspian oil, it would be a big contradiction to support southern route through Iran which would increase and not lessen the significance of the Gulf. These were the motives that pushed the Americans to oppose any Iranian participation in the new oil game. That is why in 1995 the President Bill Clinton intervened personally and demanded ejection of the National Iranian Oil Company (NIOC) from oil consortium in Azerbaijan.

The idea of developing oil in the Azerbaijani sector of the Caspian Sea supposed the existence of such a sector. However, not all the littoral states (including Iran, Russia and Turkmenistan) acknowledged the fact and even demanded stoppage of all the oil exploration activities until the legal status of the Sea is resolved. While it's of no use here to elaborate on the history of the legal disputes, the US position in this regard is of paramount importance in author's view. Logically, the position in question was in line with the AIOC agreement. However, initially, the Americans supported only tacitly the sectoral division rather than joint ownership of the basin. But already in 1995, head of the State Department's Energy Policy section, Glen Rase,¹²⁷ called Russian idea of condominium "...a guarantee of inaction" and stated that "The Russian position must not be imposed on the states that prefer a more normal division of the Caspian..." and that Washington "...does not recognize any spheres of influence." A year later another high-ranked US official, James Collins presented a letter to President Aliyev from President Bill Clinton and stated that "...the United States would back agreements between all Caspian states on the division of the sea's resources and their intensive development - agreements which would "clearly define" ownership rights and allow unimpeded shipments in the Caspian region."¹²⁸

Overall, the whole oil adventure showed the strong link between energy and security in the region not only in the local states' perceptions but also for the United States. Ariel Cohen compares the struggle over control of the energy resources and pipeline routes with "the Great Game" of the early 20th century, in

¹²⁷ See Stephen Blank, "Every Shark East of Suez: Great Power Interests, Policies and Tactics in the Transcaspian Energy Wars," *Central Asian Survey*, vol. 18, no.2, June 1999, p.155.

¹²⁸ Robert E. Ebel, "Energy choices in the Near Abroad: The Haves and Have-nots Face the Future," The Center for Strategic and International Studies, Washington D.C., 1997, p.31.

which the geopolitical interests of the British Empire and Russia clashed over the Caucasus region and Central Asia."¹²⁹

Geopolitical importance of the oil contracts for the United States and the West can be seen from the following interesting fact: in September 1995, there was a meeting at NATO Headquarters in Brussels where US experts on the region pointed to the possibility of extending the US security guarantees for Persian Gulf to the Transcaspian region.¹³⁰

In the end politics prevailed over economics and the United States has chosen the multiple pipelines not only to offer economic profits for consumers and producers, but also and first of all to increase security of both of them. Moreover, the US-sponsored multiple pipelines doctrine aimed to exclude Russia and Iran from dominating the oil development in the region. Of course, in Russia's case participation was encouraged but this participation had to be limited through the multinational character of the oil contracts. As Thomas Goltz fairly argues,

Oilmen like to refer to this as the "internationalization" of the Azeri oil patch. But as the representative of the Japanese company Itochi suggested with a smile, it may be more accurate to think of it as "international insurance...Our question at this point is whether Azerbaijan - and, for that matter, Georgia and Armenia -will continue to exist as independent states in 20 years," he explained. "Multiple foreign interest in the oil sector seems to be the best means of insuring that the investments we make today will not evaporate tomorrow."¹³¹

The extension of the US dual containment policy to the South Caucasus was the reason why Washington from the beginning of oil development

¹²⁹ See "The New "Great Game": Oil Politics in the Caucasus and Central Asia by Ariel Cohen, Backgrounder no. 1065, January 25, 1996, (<http://www.heritage.org/library/categories/forpol/bg1065.html>).

¹³⁰ See "Every Shark East of Suez: Great Power Interests, Policies and Tactics in the Transcaspian Energy Wars," Stephen Blank, *Central Asian Survey*, 1999, vol.18, no.2, p.152.

¹³¹ Thomas Goltz, "Catch-907 in the Caucasus," *The National Interest*, Summer 1997, p.40.

supported non-Iranian multiple pipelines and eventually preferred Turkish variant. The "Islamic fundamentalism" dimension in the US perceptions of Iranian threat to the region was gradually replaced and removed by other clichés.

Actually, Iran of the 1990s was not as revolutionary and destabilizing as Iran of the previous decade. As Jan Bremmer put it, "...Iran's strategy to broaden its ties in the region, have rarely extended to mosque building. Ironically, Turkey has been more effective in this regard, combining Islam with a Westward orientation and economic success - bringing it into much closer alignment with the aspirations of Southern Tier leadership."¹³² Also, Saudi Arabia and Pakistan, allies of the US, have done as much as Iran and maybe even more to practice Islam in the region. Iran's policy was more pragmatic and aimed at having stable South Caucasus near its borders. So it was of no surprise that healthy relations and trade with Iran were practiced by all three Transcaucasian states: Iran was geographic neighbor of the local states and one could do nothing to annul geography.

However, Iran's policy was not too cold and neutral and soon the US policymakers began to see the emerging bloc consisting of Iran-Armenia and Russia, which was often acting against American interest in the region. Iran's flirt with Armenia began when Tehran became the first Muslim state outside CIS to establish diplomatic ties with Armenia. Soon Iran became the second largest trading partner (Russia being the first one) and hence played a significant role in Armenia's economy.

Also, the geopolitical and strategic friendship of traditional enemies - Russia and Iran - resulted in ten-year Treaty of Peace and Friendship in close

¹³² Ian Bremmer, "Oil Politics: America and the Riches of the Caspian Basin," *World Policy Journal*, vol.15, no.1, 1998, p.30.

cooperation against American and Azerbaijani plans for the Caspian Sea's delimitation and in the area of nuclear exchange. Summing up all this, the American foreign policy already in 1994 began to treat the Iran-Armenia-Russia triangle as directed against the US interests in the region and as "the top point" for the strategy of balancing it. So, anti-Iranian US Caspian policy resulted in freezing the development of Iranian export lines since 1996 when the well-known legislation, Iran-Libya Sanctions Act (ILSA)¹³³ was passed by Congress and all foreign companies were liable for those sanctions if they invested more than \$20 million in energy branch of Iranian economy. Surely, there was no talk about any pipeline with Caspian oil running through Iran. The only concession was made by the US President's executive order of May 1995 that allowed oil swaps "in support of energy projects in Azerbaijan, Turkmenistan, and Kazakhstan."¹³⁴

There were two main consequences of the US oil companies' activities in the region and their subsequent lobbying in Washington. The first consequence was the relief of the notorious Section 907 in favor of Azerbaijan and, actually, in favor of oil companies. The point is that the companies in question were in a disadvantageous position as compared to European or Japanese firms: they couldn't receive the US Government-sponsored financial assistance and many contracts were often awarded to the companies from other countries. The White House surely knew the state of affairs and was seeking to remove the Section. This is seen from President Clinton's letter to President Aliyev written in 1994 where the US President mentions unjust anti-Azerbaijani character of the

¹³³ The official reasoning for passing this Act were Iran' links to bombing of US troops in Saudi Arabia in 1996, hostility toward Israel and Middle East peace process and nuclear development.

¹³⁴ Richter, Anthony. "Great Expectations on the Caspian: Can US Policy Live up to Them?" In *Succession and Long-term Stability in the Caspian Region*. Cambridge, MA: BCSIA, 2000. See <http://ksgnotes1.harvard.edu/BCSIA/Library.nsf/pubs/richter>.

legislation and about the efforts the US was doing to annul it.¹³⁵ In the broader foreign policy perspective the United States' image suffered from this bill because giving \$100 million to Armenia annually and nothing to Baku could not make Washington look like an honest or neutral actor.¹³⁶ So, the logical outcome was at least to relive the Section, which was eventually done in 1996 through the New Foreign Aid Bill. The new legislation made it possible for the US President to determine whether nongovernmental assistance to Azerbaijan was sufficient or not. In the latter case, the President was enabled to send direct government-to-government aid to Azerbaijan but only for humanitarian purposes.

Another main consequence of the increased US interest in the Caspian energy was the diminishing role of the normative values in the US policy towards the region. Since the mid-1990s democratization principles were losing their importance and *Realpolitik* based on concrete interests (which, however, were disguised by different values like the human rights, democracy, etc) began to give clearer shape to the course of the US foreign policy in the South Caucasus. The treatment of the democratization level in Armenia and Azerbaijan became more or less equal with the US government beginning to issue almost similar post-election statements. All this was accomplished under the great influence of the oil interests.

Having shifted from "Russia-first" policy to geopolitical pluralism, the United States began paying more attention to strengthening the real

¹³⁵ Stephen Blank, "Energy and Security in Transcaucasia," Sept. 1994 (<http://carlisle-www.army.mil/usassi/ssipubs/pubs94/transcas/transcas.pdf>).

¹³⁶ While financial aid to Armenia put the latter on the second place in the world only after Israel, Azerbaijan was the only country in the world deprived of the possibility to receive direct humanitarian assistance from the USA government. For example, such "rogue" countries as Cub, Libya, Iran, Iraq and North Korea have been receiving humanitarian assistance from the United States. See Herbert J. Ellison and Bruce A. Acker, "Azerbaijan: US Policy Options," *NBR Publications*, June 1997, (<http://www.nbr.org/publications/briefing/ellison97>).

independence of the NIS, including those in the South Caucasus. And "...the economic/oil interests that emerged in late 1994 provided a convenient rationale for engaging more intensively with the countries of Central Asia and the Caucasus."¹³⁷ However, economic engagement couldn't survive alone and had to be accompanied by security/military dimension.

2.3 MILITARY DIMENSION OF THE US POLICY

After 1994 there was "no peace, no war" situation in the South Caucasus: the conflicts of the early 1990s were "frozen" by the hidden Russian hand and this gave Moscow very useful tool for manipulating the local states. Moreover, Russia had at the time a very solid military presence in the south Caucasus: both Georgia and Armenia allowed Russia in 1995 to post its military on their territories. Four bases in Georgia and three bases in Armenia were occupied by the Russian troops in a different way for every country: while Georgia was forced to sign the respective agreements, Armenia was interesting at letting Russian troops station on its soil. Azerbaijan became the only Transcaucasian state that managed to avoid Russian military presence on its territory. However, about 20% of its territory was still occupied and Moscow used Mountainous Karabağ as a powerful method to influence Baku.

In these circumstances, the military dimension of the US policy was initially very modest "...recognizing the limitations on its capabilities there, reluctant to antagonize Russia, and uncertain about its interests in the region and

¹³⁷ See Roland Dannreuther, "Can Russia Sustain Its dominance in Central Asia?" *Security Dialogue*, 2001, vol.32, no.2, p.148.

whether they could be served by security engagement."¹³⁸ Soon, this reluctance vanished as the US newfound interest in the region coincided with NATO's new post-Cold war strategy. The Alliance changed its main objective of territorial defense to the more outward-looking stance, which dealt also with the processes that happened outside its members' borders. Correspondingly, new mechanisms were contrived to project NATO's influence to these processes: humanitarian assistance operations, "peace support" operations, crisis management, etc. In the South Caucasus the most important instrument of NATO was Partnership for Peace (PfP) Program that was actually introduced in Brussels in 1994 and offered the former Eastern bloc countries military and political cooperation. No security cooperation was proposed and no security guarantees were extended for the Partner states. However, it would be wrong to state that PfP didn't increase the security of the participants. In order to understand this, one should just look at the objectives of the Program:

- i. promotion of civilian control over the military forces
- ii. carrying out joint operations with NATO "peace support" humanitarian missions aimed at improvement of peacekeeping and peacemaking skills.¹³⁹

¹³⁸ See Edmund Herzig, "The New Caucasus: Armenia, Azerbaijan and Georgia," op cit, p.51.

¹³⁹ Azerbaijan for example "...dispatches motorized infantry company of 130 persons, unit of a civil defense (30 persons), unit of a medical service, two helicopter MI-8, training center for improvement of access to national services of the control over airways during flight of NATO countries' planes over territory of Azerbaijan." See Jannatkhan Eyvazov, "NATO and Military-Political Aspects of Azerbaijan's Security," (<http://bridge.aznet.org>)

- iii. developing interoperability between the forces of NATO allies and participants
- iv. training and assisting the military forces of participating states
- v. standardization process of the military forces of the countries wishing to put their military on the row with those of NATO members.

Though lacking the crisis management mechanism, the PfP, nonetheless, can contribute indirectly to reducing the conflicts between participants which are strongly committed to peaceful nature of the Program.

All in all, the PfP norms and rules were as flexible as Anglo-Saxon Common Law and every interested party could choose the degree of participation it wished for itself. NATO documents describe PfP as offering, "...participating states the possibility of strengthening their relations with NATO countries, without the promise of eventual NATO membership."¹⁴⁰ NATO documentation even points to the fact that active participants can be rewarded with NATO membership. This document from 1996 raised some hopes in Baku and Tbilisi but the point is that the NATO membership for the Partner states in the region was the only luxury members could not afford.

As it was already mentioned above, the year 1994 was a sort of watershed for the US policy in the South Caucasus: "the Contract of the Century" and establishment of the PfP program were the events of the year. However, the

¹⁴⁰ See R Bhatti and R Bronson, "NATO's Mixed Signals in the Caucasus and Central Asia," *Survival*, Autumn 2000, vol. 42, no. 3, p.131.

event that may have influenced the regional settings even to a greater extent was the Russia's invasion of secessionist Chechnya. The initial reaction of the White House was modest and in line with the previous "Russia-first" policy of the first Clinton Administration that mostly tended to placate Moscow. Paul B. Henze and S. Enders Wimbush criticize this approach as follows: "Beijing's suppression in Tien An Mien entailed barely 1% of the casualties and none of the destruction of property that the Russians were responsible for in Chechnya (not only against Chechens, but equally against Russians). If Beijing deserved to be ostracized, why not Moscow? Why go on tolerating Russian bullying of other ex-Soviet states? Why give every appearance of conceding a Russian entitlement to meddle in the affairs of the "Near Abroad"? Throughout a half century of decolonization America recognized no such entitlement by any other ex-imperial power."¹⁴¹

Despite such a restrained attitude, there was one lesson the United States learned from the War in Chechnya. The outcome of this war made Washington understand the actual conventional military capabilities of Russia and namely showed Russia's weaknesses in this regard. In 1996 Washington lost much of its respect for Russia, proclaimed the Caucasus and Caspian a region of "vital US interests" and the US policy in the region became more assertive from the second half of 1996. But before becoming assertive the US made another concession to Russia. In May 1996 NATO countries led by Washington agreed to revise the CFE Treaty and let Russia increase its force levels in the Flank Zone. The United States neglected security concerns of two Transcaucasian states - Azerbaijan and Georgia - and those of Turkey and insisted there was no linkage between Russia's

¹⁴¹ See Paul B. Henze and S. Enders Wimbush, It goes on like that: "While the Clinton Administration gave no thought to imposing sanctions against Russia for its genocidal assault on Chechnya, it has tolerated a congressional embargo against Azerbaijan for defending itself against Armenian aggression." (http://www.ca-c.org/dataeng/st_05_henze.shtml).

destabilizing activities in the region and the CFE Treaty's revision "...even though a treaty revision could legitimize Russian forces being used for this purpose."¹⁴² The US policymakers together with NATO members decided to maintain CFE Treaty in force for the purpose of peace and stability in Central and Eastern Europe. The latter region was thus preferred to the South Caucasus.

Also there was a fear that Russia would anyway leave or violate the Treaty if not allowed to increase the forces' levels. Ignoring the region and placating Moscow, Washington shouldn't have been surprised when it was revealed in May 1997 that Russia actually did violate the Treaty in the 1994-96¹⁴³ through \$1 billion sales of military equipments to Armenia.¹⁴⁴ List of weapons included T-84 battle tanks, Scud-missile systems that are able to reach Baku, S-300 surface-to-air missile systems and MIG-29 aircraft.¹⁴⁵ While continuing to sell arms to Armenia and maintain military bases in Armenia and Georgia, Moscow had to reduce its military troops' presence in the South Caucasus since the mid-1990s because of Russia's lack of economic capabilities and disastrous war in Chechnya. The general trend of this troops withdrawal can be seen from the tables below:

¹⁴² S. Frederick Starr, "Power Failure: American Policy in the Caspian," *The National Interest*, Spring 1997, p.27.

¹⁴³ I preferred to use these years although different authors point to different periods of time: Z. Brzezinski writes about 1994-97 in his "Grand Chessboard" and T. Goltz about 1993-96 in his "Catch-907" - mentioned above).

¹⁴⁴ There is an opinion that it was a part of a deal according to which Moscow has received a 25-year basing right for its troops in Armenia. See Richard Pipes, "Is Russia Still an Enemy?" *Foreign Affairs*, Vol.76, no.5, p.72.

¹⁴⁵ See T. Goltz "Catch 907", p.45 and Z. Brzezinski "The Grand Chessboard," pp.74-75.

Table 1:¹⁴⁶ Russian ground forces in the South Caucasus.

| | 1992/93 | 1993/94 | 1994/95 | 1995/96 | 1996/97 | 1997/98 | 1998/99 | 1999/00 |
|------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Georgia | 20,000 | 20,000 | 20,000 | 22,000 | 8,500 | 8,500 | 8,000 | 5,000 |
| Armenia | 23,000 | 10,000 | 5,000 | 5,000 | 5,500 | - | 4,100 | 3,100 |
| Azerbaijan | 62,000 | - | - | - | - | - | - | - |

Table 2:¹⁴⁷ Russian troops involved in peacekeeping operations in the South Caucasus.

| | 1992/93 | 1993/94 | 1994/95 | 1995/96 | 1996/97 | 1997/98 | 1998/99 | 1999/00 |
|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Abkhazia | - | - | 3,000 | 3,000 | 1,700 | 1,600 | 1,500 | 1,500 |
| South Ossetia | 1,000 | 1,000 | 750 | 750 | 600 | 500 | 500 | 500 |
| Mountainous Karabağ | - | - | - | - | - | - | - | - |

So, despite not always consistent course pursued by Washington, everything was in favor of a more active US policy in the region and the statistics shows that the number of PfP activities was increasing between 1994 and 1997. If in 1994 the Transcaucasian and Central Asian states did not participate in any NATO-sponsored operations, then next year they participated in six, then eleven and in 1997 in nineteen such operations.¹⁴⁸ Every country of the region pursued its own degree of cooperation with NATO and the PfP.

Georgia was the most active participant of the NATO programs in the South Caucasus. Such a close cooperation can be attributed not only to the personal characteristics of the Georgian President Shevardnadze whose unforgettable mission as the USSR Foreign Minister has always been appreciated

¹⁴⁶ See Lena Johnson, "Russia, NATO and the Handling of Conflicts at Russia's Southern Periphery: At a Crossroads?" *European Security*, Vol.9, no.4 (winter 2000), p.48.

¹⁴⁷ *ibid.* p.49.

¹⁴⁸ See Robin Bhatti and Rachel Bronson, "NATO's Mixed Signals in the Caucasus and Central Asia," *Survival*, vol.42, no.3, Autumn 2000, p.132.

by the West,¹⁴⁹ but also to the Georgia's important geopolitical position at the crossroads between Europe and Asia. So, it was General Jeremiah McKenzie, the Deputy Chief commander of NATO forces in Europe, who became the first high ranked NATO official to visit three Transcaucasian states, including Georgia in Georgia in 1995. And it was Shevardnadze who made Tbilisi a sort of "conference hall" of NATO in the region by placing the Georgian capital at the disposal of NATO meetings and conferences on regional security.

As for Azerbaijan, its first serious contacts with NATO began with President Aliyev visiting NATO headquarters in Brussels in April 1996. During the visit the Azerbaijan President asked for specific sorts of NATO military communications equipment and suggested that NATO assist training Azerbaijani units for peacekeeping purposes creating in Azerbaijan a modern defense program under civilian control.¹⁵⁰ Armenia's stance toward PfP was cool enough due to the country forging close strategic cooperation with Russia. So, little interest was shown not only to the joint activities but also to the NATO-sponsored regional conferences and meetings.

Summing up, it were Azerbaijan and Georgia who preferred to use the PfP framework in order to escape geopolitical dependence on Russia and eventually possibly to shift their security relations to the West. So, while the PfP program officially pursued "inclusive" doctrine claiming to embrace all the former Soviet states including Russia, the events in the South Caucasus hinted at the signs of the "exclusive" option already in the years 1994-96. The region's *de facto* exclusion from Russian security *ecumene* and its drift to the NATO's

¹⁴⁹ Eduard Shevardnadze was the first-ever Soviet official to enter the NATO headquarters.

¹⁵⁰ See Glen E. Howard, "NATO and the Caucasus: the Caspian Axis," in Stephen J. Blank ed., NATO After Enlargement: New Challenges, New Missions, New Forces, September 1998, p.178. (<http://carlisle-www.army.mil/usassi/ssipubs/pubs98/natoafter/natoafter.pdf>).

Southern Flank were seen as an important loss to the United States by the Kremlin. Moreover, the talk of the new European and/or Transatlantic architecture began at the same period of time and Caucasus was considered as the southeastern edge of this new architecture. The then NATO Secretary General Javier Solana visited Caucasus and stated that Europe cannot be fully secured with the South Caucasus being outside European security. The US-led PfP program was a very useful instrument not only for integrating the region into the European security system. The program also delivered a signal from the United States that it was *there* and accomplished this at a very low economic and political cost. These two achievements were reached through the US strategy of "extraordinary power projection."¹⁵¹ The latter meant engagement program that consisted of the abovementioned joint operations, visits and staff-to-staff coordination and implied reaching interoperability between the American or NATO forces and those of local states, access to regional military facilities and provides the common knowledge about local security environment.

From the military and paramilitary viewpoint Washington relied mostly on a multinational framework and especially on NATO to strengthen the military structure of Azerbaijan and Georgia and safeguard their true independence while the United States was forging close contacts with Tbilisi, Turkey concentrated on the Azerbaijan's military reforms. The United States military engagement in the region was in line with its global military strategy: to create civilian defense system (as it is the case in Latin America) and to show the United States power projection capacities. There was actually another more concrete and more applied policy objective and namely prevention of new neoimperialistic Russia's

¹⁵¹ See "Every Shark East of Suez: Great Power Interests, Policies and Tactics in the Transcaspian Energy Wars," Stephen Blank, *Central Asian Survey*, 1999, vol.18, no.2, p.158.

emergence as this could threaten regional balances of power in the region called Greater Middle East, one of few most strategically important areas for the United States globally. What was achieved at the stage of the United States engagement in the South Caucasus was the survival of Georgia and Azerbaijan as independent or semi-independent states and prevention of Russia dominating the region.

2.4 REGIONAL STABILITY

In the meantime, the ethnic conflicts' development in the South Caucasus shifted from flaming wars to frozen peace. Actually, it was "no war, no peace" situation because neither peace treaties nor peaceful solutions were achieved between warring parties but rather mere cease-fire agreements signed. Approximately 15% of Georgian and 20% of Azerbaijani territories were not under respective governments' control. Russian policy principle "divide and rule" of the early 1990s contributed to the creation of three "frozen" conflicts in South Ossetia, Abkhazia and Mountainous Karabağ. Russia managed to deploy its peacekeeping forces (PKF) in Georgia under CIS mandate but was unable to do the same in Azerbaijan because of the latter's strong objections. The United States seemed to give Russia free hand in the regional conflicts and by 1994 was reaping the fruits. The only framework within which the United States could somehow influence the events was the international organizations' framework.

The UN role in this regard was very weak and the organization's limited participation was confined to issuing four resolutions of the Security Council on

Mountainous Karabağ (which were never implemented) and sending military monitors to Abkhazia in 1994. As for NATO, it could not intervene in the region firstly fearing Russia's radical reaction and secondly being profoundly engaged with Central and Eastern Europe. Moreover, all parties except Armenia regarded NATO as neutral and objective organization. If Azerbaijan was encouraging the NATO-led peacekeeping operation in Mountainous Karabağ conflict and was pointing to the enormous resources of the Alliance to this end, then Armenia was scared of NATO's possible taking side with Azerbaijan and wanted only the United States to curb Turkey's aspirations in the region. As the then Armenian Deputy Foreign Minister Kazinian put it, "Armenia wants NATO to exercise influence with Turkey to encourage a peaceful solution."¹⁵²

While Moscow-led "CIS PKF" was stationed in Georgia, peace process in Mountainous Karabağ was carried out within the CSCE's framework, and namely within the CSCE "Conference on Nagorno-Karabakh" which consisted of some CSCE member-states and initial co-chairs. The only more or less progressive event occurred in 1994 was the OSCE decision to send the PKF to Mountainous Karabağ. Moscow was forced to vote for the plan despite the multilateral nature of the planned OSCE contingent.¹⁵³ The situation changed a bit in the year 1996 when the United States indicted that it was ready to take over the Minsk Group's co-chair position as the welcomed (especially in Azerbaijan) balance against the other two co-chairs - Russia and France.¹⁵⁴ At the same time having withdrawn

¹⁵² See Philip Petersen, "Security Policy in Post-Soviet Transcaucasia," *European Security*, vol.3, no.1, Spring 1994, p.32.

¹⁵³ However, the plan cannot be implemented until a peace agreement is reached.

¹⁵⁴ It was Baku's objection to France succeeding Finland as the new co-chair (France and Russia are seen in Azerbaijan as being more allies of Armenia than those of Azerbaijan) that encouraged Washington to propose its candidature. See Walker, Edward. "No Peace, No War in the Caucasus: Secessionist Conflicts in Chechnya, Abkhazia and Mountainous Karabağ." *CSIA Occasional Paper*, SDI, February 1998. (<http://ksgnotes1.harvard.edu/BCSIA/Library.nsf/pubs/walker-cauc>).

its own troops from Chechnya and having big stakes in the Caspian oil development Russia began to change its way of handling the conflict. Any new flash of violence could have resulted in possible political chaos in Baku and it's clear that stability there was the main prerequisite for oil development. The logical outcome of the US activeness and Russia's relative retreat was the Lisbon summit in 1996. Azerbaijan proposed there to negotiate the Mountainous Karabağ settlement on the basis of three broad principles which included preservation of Azerbaijan's integrity, Mountainous Karabağ's people right to self-determination through the "highest degree" of autonomy within Azerbaijan as well as security guarantees for the parties to the conflict. Vetoed by Armenia and, hence, not included in the Final Communiqué, the proposal still could survive as "Chair-in-office" statement, which was approved by all the OSCE member-states except Armenia. The most important thing here is that the compromise was sponsored by the United States.

The Lisbon summit showed, therefore, that Washington's role in the conflict resolution sphere had grown and the geopolitical priorities of the White House in the region began to take shape.

2.4.1 Non-Proliferation

Besides national security concerns over oil development, the United States had another important area in the South Caucasus to care about and, namely, the non-proliferation of weapons of mass destruction (WMD) as well as organized crime. In 1994 the US Senate Permanent Subcommittee on

Investigations "...investigated the role of organized crime in the smuggling of military hardware and materials related to weapons of mass destruction out of the former USSR."¹⁵⁵ And two years later the United States President's National Security Strategy for the first time pointed to the direct link between the United States National Security and "fighting international organized crime."¹⁵⁶ The South Caucasus was considered as transit area for drugs on their way to Western Europe but the United States was even more concerned with region's importance from the non-proliferation viewpoint. Surely, the region's nuclear heritage could not be compared to that of Belarus, Ukraine or Kazakhstan. Nevertheless, only the acquisition of WMD by Armenia (in the form of ballistic missiles) makes the region top target for US policymakers. One also should take into account undeveloped MPC&A as well as non-proliferation export control system. All these problems taken together could lead to catastrophic consequences if not taken under control. The efforts to do the latter began in all Transcaspian republics in the year 1996 and the first event in the area was the Washington Forum on Export Controls and Non-proliferation for Senior Government Officials. At the forum United States Government officials made some briefings directed at the representatives of the South Caucasian and Central Asian states. As a matter of fact, the aim of the US non-proliferation policy was to prevent eight Caucasian and Central Asian countries from becoming a transit point for the proliferation of weapons of mass destruction leaking from Russia to the south.

¹⁵⁵ See Rajan Menon, Yuri E. Fedorov, and Ghia Nodia ed., "Russia, the Caucasus and Central Asia," EastWest Institute, 1999, pp.206-207.

¹⁵⁶ *ibid.*

2.5 MAJOR DRAWBACKS

There were some old and new drawbacks of the US policy, which need to be addressed here.

2.5.1 Lack of coordination

The policies of the First Clinton Administration in the region lacked coordination and general strategy replacing the latter with short-term tactics. Absence of coordination could be seen from the fact that each Department pursued its own policies towards the region and there was no one coordinating center that would have coordinated them. For instance, democratization tasks were split between USIA (US Agency for International Development) and the state Department. Another example was the creation of its own Ombudsman for energy and commercial cooperation with the NIS by the Department of Commerce in 1995.¹⁵⁷ The situation began to improve during the second Clinton Administration when the jungle of the US Department's responsibilities were to be coordinated by the established Senior Interagency Group on the Caspian under the National Security Council. The importance of Transcaspian for Washington can be seen from the fact that this Group was the only permanently working one. So, the more coordinated policy if not strategy began to develop since 1996.

¹⁵⁷ See Fiona Hill, "A Not-So-Grand Strategy: United States Policy in the Caucasus and Central Asia since 1991," *Politique étrangère*, February 2001, (<http://www.brook.edu/dybdocroot/views/articles/fhill/2001politique.htm>).

2.5.2 Lack of well-defined goals

Besides lack of coordination, narrow, short-term interests dominated the US policy's agenda in the region. As Leila Aliyeva put it, "...the USA was very slow and cautious in defining its interests in the region. Two sets of contradictions were characteristic of US policy towards the region: between the influence of the Armenian lobby and of US economic interests in the region, and between those interests and the fear of adversely affecting the political situation in Russia."¹⁵⁸ These shakable and solidarity-lacking policies often undermined the image of the United States in the eyes of local states. Again, the well-known and four major principles of the US policy in the region already mentioned above began to be proclaimed more assertively at this stage and were also supported by certain actions.

2.5.3 Contradictions in the policy

Also, in 1995-96 there was lack of pragmatic and realistic approach to the region on the part of the United States: the so-called "win-win opportunities" concept began to be repeated by the United States policymakers in order to persuade Russians to cooperate and not to dominate in the region. The concept went on arguing that security is in Russia's interests both political and economic ones and in order to achieve stability Moscow should drop its neoimperialistic

¹⁵⁸ See Leila Aliyeva "The Foreign Policy of Azerbaijan," Central Asian and Caucasian Prospects, Briefing Paper no.9, October 1996, (<http://www.riia.org/Research/rep/bp9.html>).

ambitions and become a good neighbor rather than bad spoiler for the local states.

The win-win concept left Iran outside and the United States continued to support "Turkish model" as opposed to the "Iranian" one and introduced economic sanctions directed against Tehran. This dogmatic anti-Iranian stance was the cornerstone of the US policy strategy in the region and was criticized for this dogmatism by the American private sector and academic circles. It was this anti-Iranian policy that created eventually conditions for the emergence of regional alignments. Anti-Iranian policy and win-win concept were hardly to go along with each other.

CHAPTER III: SOUTH CAUCASUS BECOMES THE REGION OF VITAL INTEREST FOR THE UNITED STATES (1997-2001)

3.1 INTRODUCTION

1997 was the year when the US realized the geopolitical importance of the South Caucasus and the strategic involvement's countdown began from this period onwards. The changes occurred in the US policymakers' minds first of all resulted in the internal alterations. The Cabinet of the Second Clinton Administration underwent some radical shift and soon included the new State Secretary - Madeleine Albright - who seemed to be more assertive in her words and activities than the previous State Secretary Warren Christopher. Her statement about the fact that "assistance to the strategically-located and energy-rich democracies of Central Asia and the Caucasus is strongly in our national interest"¹⁵⁹ was followed by the policy pursued in line with these words.

The changes also included the appearance of the genuine specialists on the concrete region within the United States Government instead of the diplomats specializing on the former Soviet Union in general. In addition, the post of the US Special Envoy and permanently functioning inter-agency working group on the Caspian were created. The Caspian Basin's importance for the US was strongly emphasized for the first time in the speech of the National Security Advisor, Sandy Berger, in March 1997, when he "...singled out China, Turkey and the Caucasus as areas of special emphasis and stressed Washington's intent

¹⁵⁹ See "Prepared statement by Madeleine K. Albright, Secretary of State, before the Senate Appropriations Committee Foreign Operations Subcommittee," *Federal News Service*, May 22, 1997.

to step up its involvement in the Caucasus and Central Asia."¹⁶⁰ The emphasis was repeated and added by the remark "a strategically vital region" by the Deputy Secretary of State Strobe Talbott in July of the same year.¹⁶¹

The most important external strategic change as regards the region was the transformed perception of Azerbaijan. Oil and gas companies' lobbying activities in the US Congress and partly pro-Azerbaijani Jewish lobby were enough to pave the way for the Azerbaijani President Heidar Aliyev's triumphal official visit to the United States in July 1997. The importance of the visit can be demonstrated by the contracts worth \$10 billion signed with American companies. The last part of Heydar Aliyev's book released during his visit in the US and called "Azerbaijani Oil in the World History" showed the importance of the visit and increased US-Azerbaijani cooperation. The section in question was titled "A New Stage in Azerbaijan-American Relations." This perception was surely not only one-sided and the US policymakers had the similar feelings towards Azerbaijan and its oil and that was confirmed by very optimistic and maybe even consciously inflated number of 200 billion barrels. This was, according to the 1997 US Energy Department Report, the amount of the oil reserves that the Caspian Sea might hold.

Z. Brzezinski could be happy to see his "geopolitical pluralism" concept prospering. The United States' main aim was to preserve the region of South Caucasus as a zone of free competition and not to let Russian imperialistic hegemony or Iranian conservative influence in. In order to achieve this objective, Washington had to be active in every international issue in the region.

¹⁶⁰ See James MacDougall, "The New Stage In US-Caspian Sea Basin Relations," *Central Asia*, no.5, (11), 1997. (http://www.ca-c.org/dataeng/st_04_dougall.shtml).

¹⁶¹ Svante Cornell, "Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus," *op cit*, p.376.

3.2 MULTIPLE PIPELINES AND BAKU-TBILISI-CEYHAN PROJECT

The United States' energy policy as applied not only to the South Caucasus but also to the whole Transcaspian region faced some alterations after 1997. The focus was shifting slowly from the multiple pipelines doctrine to the strategy that still implied existence of several pipelines but aimed at singling out the most important one. The latter was eventually called Main Export Pipeline (MEP). In this regard Azerbaijan's very location as the gateway to Central Asia as well as its huge oil reserves let this country become the target area for US oil companies and, hence, for the US Government. The White House collaborated actively with American oil companies while forging the US Caspian energy policy. As James MacDougall wrote in 1997, "...While chiefly motivated by different reasons; the administration by business and politics and the oil companies by the promise of huge profits, the convergence of interests and the close cooperation between the major US oil companies and the administration is distinct. The policies of each can be viewed as mutually reinforcing."¹⁶²

The clear shift from a policy of supporting multiple pipelines to a single one was seen negatively in Moscow and criticized also in the West. The criticisms were pointed usually to the increased polarization in the region and to the US government taking into account not the commerciability of the project but its geopolitical importance and thus making US oil companies and itself hostage to the MEP decision. The whole picture however was not as simple as critics used to present it.

¹⁶² See James MacDougall, "The New Stage In US-Caspian Sea Basin Relations," *Central Asia*, no.5, (11), 1997. (http://www.ca-c.org/dataeng/st_04_dougall.shtml).

The first serious intention to create Baku-Ceyhan MEP was expressed by the signing of the Ankara Declaration in 1998. Because of the Russian concerns Washington delayed official announcement of the planned BTC route as the MEP. But the year 1998 was the time when a US high official and, namely, US Secretary of Energy Frederico Pena stated publicly that Baku-Tbilisi-Ceyhan was the most suitable route for the MEP concept.

And the legal framework for the new route was accomplished in 1999 as the Istanbul Agreement was signed. The US President's Energy Advisor for the Caspian region, Richard Morningstar, also signed the agreement as an observer. He stated that this route was the only choice "for transporting the Caspian petroleum into the world market and explaining that the Straits were not convenient for the transportation of petroleum."¹⁶³

So, in addition to the TransCaspian Pipeline, Baku-Tbilisi-Ceyhan began to be seen as the cornerstone of the US regional policy. The project included the transportation of Azeri-Chirag-Guneshli fields' oil of Azerbaijan to the Turkish Mediterranean port of Ceyhan through Tbilisi. All these three huge oil fields were expected to produce about 480,000 barrels of oil per day by 2005 (the date of planned completion of the Baku-Tbilisi-Ceyhan pipeline) and 1,2 million barrels per day by 2010.¹⁶⁴ Moreover, after the World Bank's feasibility results of the BTC were announced in 1998, the project began to be considered as a real possibility by the US government.

However, before the Baku-Tbilisi-Ceyhan project could become reality, the West needed some pipeline that would have been an alternative to the (by the

¹⁶³ See Nesrin Sariahmetoglu, "A Look At The Matters of Route and Security of the Caspian Petroleum Pipeline," *Perceptions*, p.71.

¹⁶⁴ See Jan H. Kalicki, "Caspian Energy At The Crossroads," *Foreign Affairs*, vol. 80, no.5, Sep/Oct 2001, p.122.

time already functioning) Baku-Novorossiysk pipeline. So, the decision was taken to put into service the 830km pipeline between Azerbaijan and Georgia, which already existed though needed some repairing. The new terminal was constructed by 1998 in the Georgian town called Supsa and the same year the first Azerbaijani oil began to flow from Baku to the West on April 17, 1998. The line was of big importance for the region because in the words of the then foreign policy advisor of the Azerbaijani President Vafa Guluzade

this pipeline gives Caspian countries a reliable way to export oil without going through Russia. It is hugely important economically, but even more important politically. Now, for the first time, we have direct access to the West freeing ourselves from Russia after 200 years.¹⁶⁵

The project received support from Washington, but this support was not limitless because it was just "early oil" and the United States considered Baku-Tbilisi-Ceyhan as the main priority and needed to implement it. So, it was no surprise when Washington gave full support to Ankara and Baku in the case of blocking expansion of the Baku-Supsa route. The Baku-Ceyhan route remained the main target of the United States and it had to be supported by any cost despite all the problems that existed.

The bad times for the project were connected not only with Russia's opposition and Iran's intrigues in the Caspian but also with the oil prices. In the period between 1997 and 1998 low oil prices and contrastingly high cost of the Baku-Tbilisi-Ceyhan project made the latter's fate shaky. OPEC's (Organization of Petroleum Exporting Countries) overflows of oil had a terrible effect on the whole post-Soviet market. Being \$22 per barrel in October 1997, the crude oil's

¹⁶⁵ See Taras Kuzio, "Geopolitical Pluralism in the CIS: The Emergence of GUUAM," *European Security*, vol.9, no.2, Summer 2000, pp.87-88.

price went down to \$11,30 in June 1998.¹⁶⁶ In addition to the oil prices there was also certain fear of Armenian weapons destroying the pipeline routes from Azerbaijan to Georgia. As Armenia obtained four Typhoon heavy missile rocket launchers in 1999, two of these deployed systems were considered as being able to hit the existing Baku-Supsa pipeline and planned Baku-Tbilisi-Ceyhan pipeline.¹⁶⁷

The event occurred in 1999 that changed the pessimistic view on Baku-Tbilisi-Ceyhan in a day - the discovery of large natural gas resources in the Shah-Deniz field in Azerbaijan and the prospects of parallel pipeline to Turkey sharply increased chances of the Baku-Tbilisi-Ceyhan for success. The United States' support for the Baku-Tbilisi-Ceyhan was strengthening year by year and the reasons for such solid support can be formulated in four main frameworks: environmental, geographic, economic and geopolitical ones.

Environmental advantages of the BTC route present the possibility to divert the oil tankers' traffic from the Turkish Straits and reduce the environmental problems there. Actually, adding Caspian oil to the already existing traffic would make it impossible for the Turkish Straits to cope with such a heavy burden.

Geographic advantages include the access to the Mediterranean Sea and direct linkage to the Western European energy markets. Moreover, from the Mediterranean every point of the world could be reached as opposed to the Black Sea way.

¹⁶⁶ See Charles van der Leeuw, "Oil and Gas in the Caucasus and the Caspian: A History," Curzon Caucasus World, 2000, p.151.

¹⁶⁷ See Gareth Winrow, "Turkey and Caspian Energy: The Importance of Geopolitics," *Insight Turkey*, April-June 2000, vol2, no.2, pp.67-68.

Economic and commercial advantages include reaching the potentially lower tariffs than those applied to the Russian line, lower cost of one ton of oil (again \$17 as opposed to \$25 of Baku-Novorossiysk pipeline)¹⁶⁸ and lower financial expenditures for the United States government because the latter refuse to pay for the pipeline and proposed only the participation of the United States government agencies, such as Eximbank and OPIC (The Overseas Private Investment Corporation).¹⁶⁹

In the latter case economic advantages are interpreted as the advantages for the US but not for the Baku-Tbilisi-Ceyhan project, which risks not to become implemented because of the lack of sponsorship. Having analyzed the three frameworks one needs to point out that despite all these advantages and drawbacks mentioned the US pipeline strategy in the region was based on the geopolitical fundament and all other frameworks were to some extent dependent on it.

Geopolitically, the BTC idea was a sort of a way out for the American policymakers' hope to solve three different tasks in their regional strategy. Firstly, the line would prevent Russia monopolizing the transportation of the Caspian oil and would link the Transcaspian states even more firmly into the Western economic system. Secondly, the route would exclude the main US enemy in the region - Iran - from the Caspian oil transit and the possibility of

¹⁶⁸ See S.I. Cherniavskii, "US Strategy in the Caucasus," *International Affairs (Moscow)*, 1999, p.60.

¹⁶⁹ However, as Laurent Ruseckas fairly argues these agencies' assistance will not amount to subsidy because both of them "...are forbidden by their charters to make loans or guarantees at sub-market rates or conditions." See Ruseckas, Laurent. "US Policy and Caspian Pipeline Politics: The Two Faces of Baku-Ceyhan." In *Succession and Long-term Stability in the Caspian Region*. Cambridge, MA: BCSIA, 2000, (<http://ksgnotes1.harvard.edu/BCSIA/Library.nsf/pubs/ruseckas>).

Iranian line. And, thirdly, the main US ally in the region, Turkey, would be given even greater influence leverage in the regional politics.

The most important of these geopolitical priorities is surely Russia's future position in the regional politics. Completely shutting out Russia would be an unwise step that could entail serious political consequences beginning from "unfreezing" the ethnic conflicts in the regions to the direct Russian intervention. The greater US-Russian energy cooperation can offer political and economic profits to the United States. Economically, Russian involvement would provide a more secure environment for the local energy projects. Some Russian companies like LUKoil began investing in Azerbaijani oil and politically, this cooperation can reap many benefits. One of them is the Russian changed attitude on the Caspian Sea's legal status under the pressure of the Russian oil and gas companies.¹⁷⁰

3.3 US-LED NATO IN THE "SECOND GRAY ZONE OF INSECURITY"

Military element of US involvement in the region also acquired a new level of its development after 1997. The main changes were taking place in the bilateral relations of the United States with the local states, increased collaboration in the multilateral framework of NATO as well as the creation of the anti-CIS bloc eventually called GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan, Moldova). Russian military power's retreat after 1996 laid a good fundament for the increased US engagement in the region through NATO

¹⁷⁰ In 1998 Russian reached agreements with Azerbaijan and Kazakhstan over the demarcation of Caspian Sea on the median line principle, which was the one, supported traditionally by the United States and Azerbaijan.

mechanisms especially though good old PfP project. The region was called by the second Clinton Administration a "second gray zone of insecurity"¹⁷¹ because of political and military vacuum existing there. Caucasus presented a good example of out-of-area zone for NATO, which considered now the threats outside rather than within the NATO member-states' territories as the main threats. Surely the degree of cooperation between the US-led NATO and different local states differed. Georgia and Azerbaijan were the most advanced countries in this regard.

The military exercises of NATO already mentioned in the Chapter II, were considered by both countries as higher priorities compared with the CIS military activities. NATO's military training was regarded as an attractive alternative even to the Russian military academies and the number of troops, types of contingent and other similar characteristics of Georgia's and Azerbaijan's participation increased both qualitatively and quantitatively.¹⁷² It was in 1997 when Azerbaijan deployed for the first time its contingent in NATO military exercises in Norway. During the North Alliance's operation in Kosovo Azerbaijan and Georgia sent their respective platoons there to take part in the operation within the Turkish contingent. Azerbaijan continued to modify its military doctrine according to that of Turkey and Azerbaijan's officers were trained by the Turkish. As Azerbaijani military spokesman said in 2001, "We participate more in NATO events than in the Commonwealth of Independent

¹⁷¹ See "In the Gray Zone," *The Washington Post*, May 18, 1997, p. C6.

¹⁷² For example, as Howard put it, "The commitment of local forces has increased from platoon to brigade level maneuvers. See Glen E. Howard, "NATO and the Caucasus: the Caspian Axis," in Stephen J. Blank ed., *NATO After Enlargement: New Challenges, New Missions, New Forces*, September 1998, pp.235-236.

States' joint exercises. Our armed forces attended 200 NATO events last year and this year this number will also be about 200."¹⁷³

Georgian President declared his country's intention to join NATO in 2004 at the latest and although not all members of the Alliance would agree to the new members joining NATO the words of the US Navy Admiral Harold Gehmen about NATO's opened doors¹⁷⁴ encouraged Georgians to some extent. Georgia is important for the Alliance as a major transit state for the Caspian oil's export and for the Eurasian Transport Corridor project.

Armenia's participation in the PfP activities since 1997 can be explained by the Armenians' fear of the Azerbaijan-NATO quickly developing relations and shouldn't be seen as a genuine wish to become interoperable part of the NATO's military component. Although there a talk in Armenia about complimentarity of its foreign policy and balancing between East and West, it's clear that after 1997 Armenia did not intend to drift away from Russia in favor of NATO as Georgia and Azerbaijan attempted to do. Russia remained number one military ally for Armenia and the latter's participation in the Partnership for Peace activities were only additional to the alliance with Russia. PfP activities in the Transcaucasian states were often linked to the bilateral relations with the US. The direct relationship exists, for instance, between the PfP and the US State Partnership Program, which is operated by the US National Guard. So, in many cases the US national military assistance was delivered in the framework of the PfP though such assistance had nothing to do with NATO's program. Thus, such activities were labelled by NATO as "in the Spirit of PfP."

¹⁷³ See "Azeri army spokesman says military doctrine to rely on Turkey." BBC Monitoring Service - United Kingdom; Jul 10, 2001 Azerbaijani army spokesman Uzeyir Cafarov.

¹⁷⁴ The Admiral was quoting as saying in 1998 that "there were no restrictions and the doors were open" See Robin Bhatti and Rachel Bronson, "NATO's Mixed Signals in the Caucasus and Central Asia," *Survival*, vol.42, no.3, Autumn 2000, pp.131-132.

In its bilateral relations with Armenia Washington tried to somehow break or lessen the degree of Armenian-Russian military cooperation. As for Azerbaijan, the United States has signed the bilateral treaty on defense cooperation with Baku (as well as with Tbilisi) and tried to overcome the negative effect of the Section 907, which tended to limit the bilateral cooperation. However, the main target for US bilateral activities in the region was Georgia. The intensification¹⁷⁵ of the bilateral cooperation began after Shevardnadze's visit to the USA. Washington approved the Foreign Military Financing (FMF) program that resulted in Georgian purchases of military equipment from the United States. The United States also granted to Georgia \$1.35 million to finance the purchase of US military radios, ten helicopters, funded construction of SU-39 and provided Georgia with two patrol boats, so that it could guard its borders in the Black Sea, which was seen in Washington as a very important task in the light of Georgia's genuine independence. Other assistance programs included different kinds of military training for the military and peacekeeping purposes. By 1998-99 the US became the main financial actor in the development of the Georgian military.

The other indirectly US-sponsored bloc appeared in the region was GUUAM. It was the only organization in the post-Soviet space that did not include Russia and had clear anti-Russian¹⁷⁶ and pro-Western attitude. The organization's initial name was GUAM (Georgia, Ukraine, Azerbaijan, Moldova)¹⁷⁷ and four countries began their collaboration in 1996 through issuing joint declarations at the CFE Treaty Conference in Vienna. Formally the

¹⁷⁵ If there were 9 military contacts with in 1995 then in 1997 the number increased till 23.

¹⁷⁶ Though the GUUAM members insisted that the bloc is not directed against any state.

¹⁷⁷ GUAM is also the name of an island and strategic base in the Pacific controlled by the United States.

establishment of GUAM was announced a year later during the summit of the Council of Europe. Although the aims and activities of the organization were different and many-sided, its members were drawn together by four main reasons: integration into Euro-Atlantic structures and opposition to the Russian manipulations in the separatist ethnic conflicts, reducing energy dependence on Russia and trying to prevent the Russia-orchestrated CIS from monopolizing the post-Soviet geopolitical space.

By 1998 the new element - military one - began to develop within GUAM and the similar¹⁷⁸ concerns of the four countries as regards CFE Treaty's flank issues only facilitated the efforts of the GUAM members in this sphere. In May 1998 the countries announced their intention to create a peacekeeping battalion under the aegis of the UN to replace Russian peacekeepers in Georgia in the future. By the end of the same year the Georgian and Ukrainian officials proclaimed the establishment of the so-called "Eurasia battalion" to protect the pipeline with Azeri oil. This battalion would have been included within the NATO's PfP framework. The border troops cooperation was also proclaimed to be the common need of the four countries. The GUAM organization was not *organization* in the sense that it did not have organizational structures. Lack of institutionalization could be explained as the fear to attract the anger of the Russian hardliners. Of course, there were attempts to systemize the functioning process of the GUAM like the proposal of the Ukrainian foreign minister Tarasiuk. He proposed in 1999 to formally institutionalize GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan, Moldova) beginning with GUUAM heads of

¹⁷⁸ In Shevardnadze's words "GUUAM is an association of states with equal rights, determined to solve problems facing them by pooled efforts and consultations with one another." See Taras Kuzio, "Geopolitical Pluralism in the CIS: The emergence of GUUAM," *European Security*, vol.9, no.2, Summer 2000, pp.96-97.

states' meetings at the UN or the OSCE summits and ending with the establishment of permanent GUUAM coordination offices in each member state.¹⁷⁹ Also there were aspirations to achieve greater interoperability between GUUAM and NATO especially after the Washington summit in 1999 when the fifth member (Uzbekistan) joined the organization. If before this inflow members were speculating about "16+4" formula for GUAM and NATO, then after the event the new formula "19+5" appeared on the agenda of the GUUAM policymakers.¹⁸⁰ An official working relationship between NATO and GUUAM was not achieved and GUUAM never received official recognition on the part of NATO. However, the latter was enabling the GUUAM member-states to upgrade military-related infrastructure, take part in military and paramilitary training and increase interoperability between two frameworks.

The importance given to the GUUAM cooperation by the White House can be shown on the following example: in 1999 when the military units from Georgia, Ukraine and Azerbaijan held some training devoted to the inauguration of the Baku-Supsa pipeline and associated with a pipeline protection, the event was observed not only by the Presidents of the three republic but also by some US officials. In 1999 Zbigniew Brzezinski called GUUAM "good initiative" that might evolve into a security system.¹⁸¹

Toward the year 2001 the United States' interest in GUUAM had grown significantly. When the cooperation seemed to break up with Uzbekistan and

¹⁷⁹ See Taras Kuzio, "Geopolitical Pluralism in the CIS: The emergence of GUUAM," *op cit*, pp.94-95.

¹⁸⁰ The Georgian Ambassador to the USA was even quoted as saying that "GUUAM's birth mother is the CFE negotiations, and our foster mother is NATO." See Anatol Lieven, "GUUAM: What Is It, and What Is It For?" *Eurasia Insight*, June 22, 2002 (<http://www.eurasianet.org/departments/insight/articles/eav121800.shtml>).

¹⁸¹ He also proposed to expand the cooperation by including Romania, Poland, Turkey and surprisingly Armenia. See Gareth Winrow, "Turkey and Caspian Energy: The Importance of Geopolitics," *Insight Turkey*, April-June 2000, vol.2, no.2, p.73.

Moldova drifting away towards Russia, it were the US incentives that kept all five countries on the track.¹⁸²

Looking at the geostrategic balance in the region one could clearly see two opposing groups or alignments being present in the region - the north-south alliance (Russia, Armenia, Iran and maybe Greece) and east-west alliance (the United States, Turkey, Georgia, Azerbaijan, Uzbekistan). The region is the crossing point of these alignments and the shakable balance can be broken every moment by the wrong policy by the powers involved, including the United States policy. 25-year basing right for the Russian troops in Armenia, Guluzade's statement about the possibility of stationing a NATO, American or Turkish base on Absheron, Russian new military doctrine's proposition about the nuclear attack in case of any Western military action within the Commonwealth of Independent States - all these facts speak for the region's potential volatility and fragility of peace in the South Caucasus. On the one hand, Washington's policy was wise enough to avoid direct commitment of US troops to the region. But on the other hand, the US position should not be as ambivalent as it was and should continue strengthening military cooperation with both Georgia and Azerbaijan. As history shows, despite being reluctant to risk troops in the ethnic conflicts, the United States always seemed to prefer keeping its military forces "...in the vicinity of regions it considers important for its national interests."¹⁸³

Summing up, the increased strategic engagement of the US in the energy sphere coincided or even facilitated the same kind of military involvement which was, however, wisely arranged so that not to be too aggressive.

¹⁸² See Anatol Lieven, "GUUAM: What Is It, and What Is It For?" *Eurasia Insight*, June 22, 2002 (<http://www.eurasianet.org/departments/insight/articles/eav121800.shtml>).

¹⁸³ Svante Cornell, "Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus," *op cit*, p.390.

3.4 VERSATILE REGIONAL SECURITY ENVIRONMENT

The third sphere that received the increased attention of the US policy after 1997 was regional stability. The latter concept includes first of all conflict resolution as the main cause for the stability in the region. Also one can single out such areas like humanitarian assistance or Eurasia transport corridor. The fact that the conflict resolution area was given increased attention by Washington can be seen from the US budget allocated for the budget law "On Allocating Financial Aid to Foreign States." The latter intended to provide the south Caucasian states with \$228 million. Out of this sum, 17.5% had to go to the settlements of the conflicts in Abkhazia and Mountainous Karabağ. The US began to focus more on Abkhazia and the Mountainous Karabağ process was also not forgotten by the US policymakers. The US could act now as the co-chairman of the Minsk Group and the American Special Negotiator for Mountainous Karabağ and Regional Conflicts in the Newly Independent States, Strobe Talbott was appointed and declared that the "Job One" for the US policy in the region was nothing but conflict resolution. In 1997-98, however, the political situation in Abkhazia and Mountainous Karabağ was characterized by respectively the guerrilla warfare and deadlock in negotiations.

3.4.1 Abkhazia

The United States' involvement in Abkhazia was based on the assumption that Russia's attempts to reach the peaceful settlement of this frozen conflict were fruitless. The ineffective Russian attempts of conflict resolution, so the US, should have been replaced by the instruments of the United Nations. The examples of such tools were the Geneva Group and the Friends of Georgia Group. As it was already mentioned, the American Administration was providing financial assistance and was ready to provide more if the Georgian refugees returned into the Gali district. The Friends of Georgia Group, established in 1997 and having the United States (along with Germany, Russia, France, the United Kingdom) pursued negotiations with the parties of the conflict outside the formal network of negotiations. The only positive outcome of this Group's efforts was the fact that the conflict was further internationalized. From the military viewpoint the Russian/CIS peacekeeping troops deployed in Georgia had the upper hand in the conflict resolution process and the Kremlin could manipulate and influence the events there.

The US was somewhat present in the region by rendering support to the UNOMIG, which played a secondary role in the process and had to monitor the activities of the CIS peacekeepers. Military engagement of the United States whether unilaterally or in the framework of NATO had yet to be realized. So, when Shevardnadze called for an international "peace enforcement operation in

Abkhazia on the Bosnian model"¹⁸⁴ no approving sign came from the White House. Earlier in 1997, the Georgian President tried to convince the United Nations Secretary-General Kofi Annan and the US President Bill Clinton to intervene in the conflict but both leaders' reactions were negative. There were actually two reasons for such an attitude on the part of the United States: overburden with other peacemaking missions and what is more important, the reluctance to provoke Moscow's anger.

So, Washington preferred not to rely on the military power and instead concentrated its efforts on the increased diplomatic ways of reaching the solution. Russia in this context was seen by the US as the barrier to the successful settlement, so every retreat of Russian military presence in Georgia was considered as a progress of the settlement and prologue to Western involvement.

3.4.2 Mountainous Karabağ

The US interest in the Mountainous Karabağ conflict was confirmed by the activities by the American co-chairs of the Minsk Group. The very appointment of the Special Representative on Mountainous Karabağ negotiations with the rank of Ambassador "...represented an overt recognition of the vital nature of American interests in the orderly functioning of oil and gas pipelines in

¹⁸⁴ See Glen E. Howard, "NATO and the Caucasus: the Caspian Axis," in Stephen J. Blank ed., *NATO After Enlargement: New Challenges, New Missions, New Forces*, September 1998, p.203.

the region."¹⁸⁵ The Minsk Group worked out several proposals since 1997 and generally the US position in all of these proposals remained confined to the recognition of Azerbaijan's territorial integrity. As the then US Ambassador in Yerevan Peter Tomsen said: "No country recognizes Karabakh's independence. This is US policy and it is the policy of the OSCE. In other words all of these countries (53 out of 54) recognize the territorial integrity of Azerbaijan, and that Karabakh is within the borders of Azerbaijan."¹⁸⁶ But when the Armenian President Ter-Petrosian was inclined to accept the 1997 proposal of the Minsk Group, Armenian hardliners ousted him. The second proposal of the Minsk Group about "common statehood" between Azerbaijan and Mountainous Karabağ was unacceptable for Baku. Since summer 1999 both Azerbaijan and Armenia being unsatisfied with Russia's lack of interest in resolving the conflict agreed to negotiate the settlement in the bilateral talks under OSCE auspices. This new framework of negotiations was actively supported by the United States.

Moreover, there was another shift in the US handling the conflicts and namely the rendering pressure on Armenia. "The actions taken by the government of Armenia in the context of the conflict over Mountainous Karabağ are inconsistent with the territorial integrity and national sovereignty principles of the Helsinki Final Act. Armenia supports Mountainous Karabağ separatists in Azerbaijan both militarily and financially. Mountainous Karabağ forces, assisted by the units of the Armenian armed forces, currently occupy the Mountainous Karabağ region and surrounding areas in Azerbaijan. This violation and the restoration of peace between Armenia and Azerbaijan have been taken up by the

¹⁸⁵ See Robert M. Cutler, "US Interests and "Cooperative Security" in Abkhazia and Karabağ: Engagement versus Commitment?" *in* Mehmet Tutuncu ed. "Caucasus: War and Peace," p.136-137.

¹⁸⁶ Svante Cornell, "Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus," *op cit*, pp.378-79.

OSCE,"¹⁸⁷ - these are the words of the US President Bill Clinton. They characterize the changed US position on the issue. Consequently, the United States not only was threatening to cut the annual aid to Armenia but also preferred to look for the solution being guided by the formula "more than conventional autonomy but less than outright independence."¹⁸⁸ However, such pressure still did not bring any positive results and even the US-sponsored Key-West talks were not enough to reach the settlement.

3.4.3 Humanitarian Assistance

The humanitarian assistance of the United States is closely connected to conflict resolution and regional stability as a whole. By the year 1997 cumulative obligations (1992-1997) for US assistance to Caucasus and Central Asia totalled approximately \$2.5 billion.¹⁸⁹ In 1997-98 the picture for humanitarian assistance for the region began to change in several directions.

Firstly, the general trend was that the US government began to shift its attention from humanitarian to development assistance. As regards Georgia, the US has given increased attention to the country since 1997. The efforts were made to enact the bills that would have made Georgia the recipient of nearly the same US aid going to Armenia. Of course, senators haven't succeeded in making

¹⁸⁷ See William J. Clinton President of the United States of America (Cited from Presidential Determination (PD) No. 99-8 of December 8, 1998, and PD No. 98-11 of January 26, 1998, Memorandum for the Secretary of State, Re: "Assistance Program for the New Independent States of the Former Soviet Union.")

¹⁸⁸ See Flemming Splidsboel-Hansen, "GUUAM and the Future of CIS Military Cooperation," *European Security*, vol.9, no.4, Winter 2000, p.102.

¹⁸⁹ See Nancy Lubin, "New Threats in Central Asia and Caucasus: an Old Story With a New Twist," in Rajan Menon, Yuri E. Fedorov, and Ghia Nodia ed. "Russia, The Caucasus and Central Asia: The 21st Century Security Environment," EastWest Institute, 1999, p.222.

Georgia the second recipient in the world but, nevertheless, such trend could be regarded as positive. Georgia received "...\$5.35 million in FMF funds in 1998, and \$7.9 million in 1999."¹⁹⁰ As always, Armenia's situation in this regard was sound. As Michael Dobbs put it, "Despite plentiful evidence of corruption and a patchy record on democracy and human rights there Congress has voted six years in a row to increase aid for the nation of 3 million beyond levels requested by the Clinton Administration."¹⁹¹ In 2000 Armenia was receiving \$42 per person, which was an enormous indicator as compared to other countries: \$34 per head for Bosnia, \$1 for Rwanda, and \$1,40 for Russia.¹⁹² Regarding the regional state of affairs a completely illogical situation emerged when the country with 3,5 million population received \$619 million country with 5,5 million population - \$443 million and the most populated regional country (7,5 million) only \$92 million.¹⁹³

Analyzing Azerbaijan in this context, one needs to underscore the fact that Washington at last began not only to understand the necessity to repeal the Section 907 but also to make some concrete efforts for this purpose. In a letter to Bob Livingston, chairman of the house of Representatives Appropriations Committee, Madeleine Albright stated in September 1998 that the Section 907 "...damages US national interests by undermining the administration's neutrality in promoting a settlement in Mountainous Karabağ, its ability to encourage economic and broad legal reforms in Azerbaijan, and efforts to advance an East-

¹⁹⁰ See Robin Bhatti and Rachel Bronson, "NATO's Mixed Signals in the Caucasus and Central Asia," *Survival*, vol.42, no.3, Autumn 2000, pp.133-34.

¹⁹¹ See Michael Dobbs, *The Washington Post*, Jan 24, 2001, p.A01 "Foreign aid Shrinks But Not For All."

¹⁹² *ibid.*

¹⁹³ See "Aid to Armenia" - *Washington Post Editorial* (March 1, 1997).

West energy transport corridor."¹⁹⁴ The process of the Section's elimination has begun and it lasted four years before the provision was repealed. The Section was nearly repealed in 1998 when many political leaders of the US Government as well as the former American political actors called for repealing the Section. They were followed also by the American oil companies and Jewish lobby in the US. The then Speaker of the House of Representatives Robert Livingston proposed the special Section that would have repealed the Section 907 and on September 17, 1998 the votes couldn't achieve this objective stated: 182 Congressmen voted to repeal the Section while 231 Congressmen against it. Nevertheless, The US Congress agreed to add some exceptions to the Section like providing financial sources to Azerbaijan for humanitarian needs, prevention of creation and proliferation of WMD, democratic development, and within the framework of the Trade and Development Agency. Another two exceptions allowed Eximbank and OPIC to implement their programs in Azerbaijan.¹⁹⁵ When in March 23, 1999 the US Congress passed the Silk Road Strategy Act, it *de facto* repealed the Section because the Act gave the US President the right to waive the Section if it is in the interests of the United States.

Overall, the United States' assistance to the regional countries has increased since 1997 and shifted from the earlier humanitarian concerns to the development and state-building needs of the recipients. The Section 907 was still in force and it was main irritant in the US-Azerbaijani relations and prevented the United States to fully engage itself with this country strategically important for Washington.

¹⁹⁴ Svante Cornell, "Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus," *op cit*, p.377.

¹⁹⁵ See S.I. Cherniavskii, "U.S. Strategy in the Caucasus," *International Affairs (Moscow)*, 1999, p.58.

3.4.4 East-West Corridor

The idea of the East-West transportation and energy corridor has found its continuation at the third stage of United States' involvement in the region. Having understood the importance of the region the United States Congress passed legislation in 1997 for fiscal year 1998. This act became known as "Silk Road Strategy Act of 1997" and made available \$250 million for the south Caucasus. This sum covers reconstruction and remedial activities in the region, developing border security infrastructure, training border and customs control officers, urban and commercial development, implementation and eventual use of ferries, airports, fiber optics and modern highways.¹⁹⁶

The whole legal and regulatory framework of the project is contained in the Basic Multilateral agreement signed on 7-8 September 1998 during the International Transport conference on the Revival of the historic Silk Road. The main protagonists of the conference were Azerbaijan and Georgia and it's no surprise that despite the name the main focus of the conference was made not on the transport but on oil and gas. The idea of the Silk Road is very important not only for the local states as a means to get the access to the world of globalization but also for the United States. The latter has vested geopolitical and commercial interests here.

The strategy would help American investment and new jobs for the Americans in the whole region from China to Romania, which represents truly a national interest of the United States. The US geopolitical interests can also be

¹⁹⁶ See Mamuka Kudava and Cassady Craft, "Developing Non-proliferation Export Controls in Georgia in the Context of the emerging Eurasian Transportation Corridor," in Gary K. Bertsch, Cassady B. Craft, Scott A. Jones, & Michael D. Beck, eds, "Crossroads and Conflict: Security and Foreign Policy in the Caucasus and Central Asia," 2001, p.224.

served here by excluding Iran from the project and offering the security-related assistance to the states-participants. However, excluding Russia from the project would have more negative than positive consequences and hence in our view Moscow should be encouraged to participate as equal in the game.

3.4.5 Non-proliferation

Non-proliferation activities of the US government in the region continued to evolve progressively. In December 1997 Madeleine Albright told Foreign Ministers of NATO member-states that "...the proliferation of weapons of mass destruction from the Middle East and Eurasia are dangerous threats to Europe and place the continent at considerable risk."¹⁹⁷ The growing importance of Central Eurasia for the United States' non-proliferation actions was proved to be real with the US and Azerbaijani governments cooperating in the area of non-proliferation despite the Section 907 of the Freedom Support Act "...due to the perceived contribution of these programs to the national security of the United States."¹⁹⁸ This cooperation turned out to be successful. One of the examples is the arrest by Azerbaijani government of a shipment including Russian nuclear-capable ballistic parts, which were heading for Iran in April 1998.¹⁹⁹ Even the greater attention of the US policymakers was given to Georgia. The collaboration

¹⁹⁷ Glen E. Howard, "NATO and the Caucasus: the Caspian Axis," in Stephen J. Blank ed., "Nato After Enlargement: New Challenges, New Missions, New Forces," September 1998, p.164.

¹⁹⁸ See Cassidy Craft, "Reconciling Disparate Views on Caucasus Security: Non-proliferation at a Vital Crossroads," in Gary K. Bertsch, Cassidy B. Craft, Scott A. Jones, & Michael D. Beck, eds, "Crossroads and Conflict: Security and Foreign Policy in the Caucasus and Central Asia," 2001, p.239.

¹⁹⁹ 22 tons of stainless plates used to build ballistic missiles were seized by the Azerbaijani customs. See "Baku Stops Missiles Bound for Iran," *Washington Times*, April 25, 1998, A9.

included many fields. For example, in 1997 the draft on Export control Law was developed in cooperation with the experts from the US Department of Commerce. Also, the so-called CTR II (Cooperative Threat Reduction) assistance program was extended to Georgia providing equipment and training for export controls and the safe storage of weapons materials. The agreement on the "Cooperation in the Area of Prevention of Proliferation of Weapons of Mass Destruction and Promotion of Defense and Military Relations" signed by Georgia and the United States also meant cooperation in the following areas:

- i. establishing verifiable measures against the proliferation of WMD and technology, materials, and expertise related to such weapons from Georgia;
- ii. preventing unauthorized transfer and transportation of nuclear, biological, or chemical weapons and related materials; and
- iii. promoting defense and military contacts and other cooperative military activities.²⁰⁰

Generally, all these assistance and cooperation programs had the purpose of enhancing the US global and regional non-proliferation policy as well as to encourage the regional states to integrate fully into the international non-proliferation system.

²⁰⁰ Mamuka Kudava and Cassady Craft, "Developing Non-proliferation Export Controls in Georgia in the Context of the emerging Eurasian Transportation Corridor," in Gary K. Bertsch, Cassady B. Craft, Scott A. Jones, & Michael D. Beck, eds, "Crossroads and Conflict: Security and Foreign Policy in the Caucasus and Central Asia," 2001, pp.223-24.

3.4.6 Democratization

The US democratization agenda in the South Caucasus was not as successful as its other activities. The Transcaucasian countries with more autocratic than democratic regimes (although to a different extent in different countries) made the US policymakers reduce its attempts of inducing democratization in the region. While having the human rights situation that was far from Western model the local states (except Armenia) have taken loyal pro-American stance. So, it was sooner energy and security issues that dominated the US policymakers' minds and as Stephen Blank put it, "...little pressure is being directed towards democratization of local governments. Political conditionality as a prerequisite of investment, trade, and aid is fast receding in visibility throughout the area and in US policy as well."²⁰¹

Balance of power became a more useful tool for the US policy than preaching law-based market democratic systems. Some authors call for the US policy to support both stability and democracy in the region,²⁰² which is hard to imagine because democracy is nearly impossible without stability.

In this regard it would be useful to cite President Aliyev's words on the issue: " I believe the greatest fortune for America has been that since the North-South [Civil] War [1861-1865], there have been no wars on America's land. In contrast, consider how many wars have been fought on European territory. Azerbaijan has become an independent state now, but Armenia is still occupying our territory [since 1992]. And even here in Azerbaijan, there is a struggle for

²⁰¹ See Stephen J. Blank, "US Military Engagement with Transcaucasia and Central Asia," June 2000, p.7(<http://carlisle-www.army.mil/usassi/ssipubs/pubs2000/milengag/milengag.pdf>).

²⁰² See, for example, Ian Bremmer, "Oil Politics: America and the Riches of the Caspian Basin," *World Policy Journal*, Spring 1998, p.33.

power. There are armed groups and other criminals. In such a situation, it's impossible to bring democracy from America and impose it here.”²⁰³ So, "Stability must come first" - was the lesson the US had to learn from the regional politics. The democratization issue was not removed from the US regional agenda but it became secondary rather than one of the primary concerns for Washington.

²⁰³ See Betty Blair, “Envisioning the Nation,” *Azerbaijan International*, Autumn 2001 (9.3)
Interview: Azerbaijan's President, Heydar Aliyev
(http://www.azer.com/aiweb/categories/magazine/93_folder/93_articles/93_aliyev.html).

CHAPTER IV: AFTER 9/11

The last stage of the increased strategic engagement of the United States in the region has taken place after the well known "9/11" event - the terrorist attack on the American homeland.

The general change in the United States policy after this event was the shift of geopolitical US priorities from European to Asian continent. The United States is obviously satisfied with its positions in Europe and Central Eurasia becomes now one of the most important areas for Washington. George Kennan's words said in 1947 about Central Eurasia's significance in the international relations system now became very actual: " any world balance of power means first and foremost a balance on the Eurasian land mass."²⁰⁴ In the "post-post-Cold war era"²⁰⁵ the Transcaspian region as the heart of Central Eurasia and crossing point between strategic balance of power systems in Europe, Middle East and Asia.

The war in Afghanistan surely influenced many regions of the world and the South Caucasus was one of the regions where the geopolitical situation changed as the anti-terrorism campaign's flames began to burn. The influences of the campaign as applied to the region were the strategically increased US position in Georgia, the strengthened military cooperation between Turkey, Georgia and Azerbaijan, the waiver of the Section 907, the changes in the

²⁰⁴ See John Lewis Gaddis, *Strategies of Containment: A Critical Appraisal of Post-war American National Security Policy*, Oxford: Oxford University Press, 1982, p. 39.

²⁰⁵ The words of US Secretary of state Collin Powell: "Not only is the cold war over, the post-Cold War period is also over." See "US Envoy In Azerbaijan Comments On Nagorno-Karabakh Peace Process," Q&A With Ross Wilson: 11/29/01 (<http://www.eurasianet.org/departments/qanda/articles/eav112901.shtml>).

security-energy linkage of the US policy in the region, seemingly cooperative attitude of Russia, increased importance of the Caspian oil.

The first important development was the cooperation between the US and the South Caucasus states, mostly Georgia and Azerbaijan, which gave unequivocal support to the US and offered unlimited access to their air space. Armenia was more careful in this context and this is understandable²⁰⁶ taking into account its common air defense system agreed with Russia. Such a support should be seen as a major factor in the US-led campaign due to the fact that it has given the US real air access to Central Asia and Afghanistan. The US response was immediate and positive. Washington lifted the eight-year ban on weapons sales to the local states. Pretty big amounts of military aid for Armenia and Azerbaijan (\$4.4 million) were promised to both countries in March 2002 to "...counter threats such as terrorism, to promote peace and stability in the Caucasus, and to develop trade and transport corridors."²⁰⁷ Armenia's new geopolitical reality with the strengthened US-oriented Turkey-Georgia-Azerbaijan alignment was really hard. Armenian foreign minister Varten Oskanian called, therefore for the good old "complimentary foreign policy" to avoid the country's isolation in the region. Armenia's attempts to forge closer contacts with Ankara can only be approved and greeted by the US. It is actually Washington that pressurizes Ankara and Yerevan to begin bilateral cooperation.

On the other hand, however, there are tensions between Georgia and Armenia due to the problems in Javakhety (and Russian hand is felt there again).

²⁰⁶ Several days before the sanctions were imposed, "the US Ambassador to Armenia, John Ordway, issued what now looks like a veiled warning that Yerevan has gone too far in cementing its links with the Islamic Republic." See Emil Danielyan, "US Sanctions Expose Unease Over Warm Ties Between Yerevan and Tehran," *Eurasia Insight*, 5/18/02 (<http://www.eurasianet.org/departments/insight/articles/pp051802.shtml>).

²⁰⁷ See Aynura Akhmedova, "Azerbaijan, Georgia Move To Secure Oil Pipelines," 4/21/02 (<http://www.eurasianet.org/departments/business/articles/pp042102.shtml>).

Moreover, deepening Armenian-Iranian ties revoke anger in Washington. Recent sanctions on some Armenian firms due to their contacts with Iran in the nuclear sector aimed at prohibiting their production selling in the US and forbidding these firms from receiving US governmental assistance.

Azerbaijan's increased military cooperation with the US result in the possibility when two states "...would work together to ensure maritime security, to maintain constant control over the air space and support stability in the region."²⁰⁸ The new shape in US-Azerbaijani relations was also accompanied by removing the constant irritant for Azerbaijan, the Section 907. It was Collin Powell who persuaded the Senate Foreign Relations Committee to lift the provision so as to thank Azerbaijan for cooperating with Washington in intelligence and airspace matters mentioned above. US Embassy in Azerbaijan expects Washington to provide about \$50 million to Baku in 2002 and although this sum is less than that for Georgia and Armenia (\$90 million) repealing the Section (even till 31 December, 2002) was a very positive and promising step on the part of the US towards further cooperation with such a strategically significant country.

Georgia obviously gained most among the South Caucasian states from the 9/11 event and the antiterrorist campaign as regards the military cooperation with the US. For the first time in history the US decided to deploy its troops in the Caucasus region. Generally the military support for Georgia included \$64 million, deployment of 180 troops to train Georgians for anti-terrorism purposes. The eventual aim of the training is the Pankisi gorge where Al Qaeda fighter are

²⁰⁸ Visiting Azerbaijan in March 2002, Deputy Assistant Secretary of Defense for Eurasia Policy, Mira Ricardel also noted "US Secretary of Defense Donald Rumsfeld pins "great hope" on the Caucasus states - Azerbaijan in particular." See Igor Torbakov, "Russia Struggles To Counterbalance Rising US Influence In The Caucasus" *Eurasia Insight*, June 19, 2002 (<http://www.eurasianet.org/departments/insight/articles/eav040802.shtml>).

believed to find a shelter while getting finances from Bin Laden. The speculations about significance of such a nearly unprecedented move (only in Philippines there are some Pentagon troops which render advisory services to local forces in anti-terrorism matters) for the US is many-sided: the action can put pressure on the whole Russian southern flank, Georgia can be later used for attacks on Iraq, etc.

The most important aspect of the deployment, however, is its direct influence on the security of the Azerbaijani oil. The point is that the US military (even in the form of military training) presence in the region could strengthen the proposition that "...routes selected for oil exports from the Caspian would determine the region's geopolitical orientation."²⁰⁹

Caspian oil became surely more valuable for the US after 11 September 2001. Oil diversification, weakening OPEC and Gulf monopoly, lowering world oil prices, providing Turkish market with oil and gas - all these possible effects can become reality if the BTC oil pipeline (along with parallel Baku-Tbilisi-Erzurum gas pipeline). The problem of the pipelines sponsorship should be overcome for the purpose of the ultimate success of the venture and this depends mostly on the US. The point is that the latter has great influence in the IFIs (International Financial Institutions) and also can help financially through direct governmental assistance or through the US Export-Import Bank.²¹⁰

On June 19, 2002, the official Baku-Tbilisi-Ceyhan opening ceremony marked the start of the pipeline's construction which is to last 32 months, cost

²⁰⁹ See Ruseckas, Laurent. "US Policy and Caspian Pipeline Politics: The Two Faces of Baku-Ceyhan." In *Succession and Long-term Stability in the Caspian Region*. Cambridge, MA: BCSIA, 2000. (<http://ksgnotes1.harvard.edu/BCSIA/Library.nsf/pubs/ruseckas>).

²¹⁰ The Eximbank is expected to decide by fall 2002 whether to support financially the BTC pipeline project or not.

about \$2.9 billion²¹¹ and carry 50 millions tons of oil a year. Azerbaijan, Georgia and Turkey are the strongest supporters of the idea of pipeline security. Ilham Aliyev, the vice-president of SOCAR, would like to see, for example, three regional countries plus the US as the main guarantors of the pipeline's implementation. The concrete steps were taken in this direction and include the bilateral military agreement between Azerbaijan and Georgia (April 2002) aimed at increasing pipelines' security as well as the tripartite agreement between Turkey, Georgia and Azerbaijan signed for the same purpose. The hints were also made that US or NATO would protect the pipelines in the region and so the US military presence in Georgia is perceived by the regional and outside powers as well as by the investors in the sense that the pipelines in the volatile South Caucasus should be protected. So, the United States' involvement in the region shifted the main concern from the question of the pipeline's actual construction and implementation to the security guarantees for the routes.

The United States' active policy in the region is always regarded in the light of US-Russian relations and the last events show that the Transcaspien region became the major factor in the bilateral security relations. The most important shift occurring in the Russian foreign policy is the appearing understanding that only cooperation and constructive relationship with all local states and the United States rather than aggressive policy would increase Russia's benefits and influence in the region. Russian positive attitude towards the Baku-Tbilisi-Ceyhan pipeline and more or less realistic position on the Turkish diplomatic and military activities in the Caucasus give hope for future genuine cooperation. As Ariel Cohen put it, "...to become richer, Russia needs American

²¹¹ Turkey provides \$1.4 to construct the part of the pipeline crossing its territory.

and Western help. To foster peace and stability in Eurasia, America needs Russian help. A *modus vivendi* can be reached only if Russia accepts that the principles of free markets, democracy, and state sovereignty take precedence over the outdated geopolitical practices of the past century."²¹² This approach can and should dominate and can even be seen as the part of the US "win-win" paradigm.

Another actor in the region - Iran - is less cooperative and the US sanctions against Tehran thus remain in power and this actor cannot be seen within the win-win framework proposed by the United States. Ambassador Elizabeth Jones described the US-Iranian relations as "nothing has changed."²¹³ Many American analysts and energy companies hold that détente with Iran would change the whole balance in the region and contribute in the end to the peaceful South Caucasus without any alignments and opposing groups of countries. However, even if Iran gives up supporting terrorism and drops its nuclear ambitions and if the commercial interests of the US dominate eventually over its geopolitical ones, Washington should pursue such kind of cooperation without making Azerbaijan a victim of US-Iranian détente. Any possible Iranian route (even if it is a remote future) should be accomplished if the South Caucasian alternative (like BTC line) is already implemented.

²¹² See "The New "Great Game": Oil Politics in the Caucasus and Central Asia by Ariel Cohen, Backgrounder no. 1065, January 25, 1996, (<http://www.heritage.org/library/categories/forpol/bg1065.html>).

²¹³ See "US Caspian Energy Diplomacy: What Has Changed?" Ambassador Elizabeth Jones, Senior Advisor for Caspian Basin Energy Diplomacy Caspian Studies Program, Harvard University April 11, 2001 summary, (<http://ksgnotes1.harvard.edu/BCSIA/Library.nsf/pubs/AmbJones>).

CONCLUSION

The only way out for the US active involvement in the region is to be involved there within the *multilateral* framework. That does not mean the necessity for the US to carry out all the kinds of its activities within the PFP, NATO, OSCE or UN framework. It does mean, however, that the US should elaborate on security alliances that will remain in Central Eurasia after the anti-terrorist campaign in order to bring more security to the whole region, including South Caucasus. Also, the multinational element of the oil and gas companies operating in the region should be used. As Jan Bremmer wrote, "Globalizing Caspian will enhance the region's stability...a multinational approach recognizes that the role of foreign capital is critical to the survival of the states of the Caspian Basin. Multinational companies have more influence over Caspian leaders than do many of their parent governments."²¹⁴

The US should combine both military/security and economic/commercial means to enhance such globalization and internationalization. On the other hand, unilateral approach would lack legitimacy and would only bring more enemies to the US drawing dangerous line between alignments present here and entailing conflicts between them. The choice must be made carefully because the irreversible character of the US engagement in the region is out of question and the possible outcome depends on how Washington would use the strengths it possesses to fill in the power vacuum and contribute to the regional stability.

Summing up the whole story of the US policy in the South Caucasus one needs to point out two main concepts that guided this adventure: selective

²¹⁴ Ian Bremmer, "Oil Politics: America and the Riches of the Caspian Basin," *World Policy Journal*, Spring 1998, p.34.

engagement and balance of power. The first approach tends to be a passive rather than active kind of engagement and is characterized by the lack of policy continuation. Moreover, the target area is considered in that case to be of secondary significance for the actor in question.

The balance of power strategy means the intention to play off one group of the local or regional actors against the other by giving support to the weaker states. The outcome of such a strategy seems to be a balance between regional states, which would prevent any regional hegemony and, hence, be beneficial to the United States. Since the early 1990s till the present moment the US policy included more elements of selective engagement, although the elements of balance of power strategy were also present. "Bush and Clinton administrations have promoted regional cooperation and disavowed a new "Great Game." At the same time they have pursued what many have perceived to be a competitive strategy in the energy sector through the dogged advocacy of horizontal pipeline routes that proscribe Iran and compete with Russian pipelines."²¹⁵ So, the US policy was a mixture of these two concepts and that was the reason why its objectives were often unclear and seen by other regional powers as threatening their interests.

The other reason of the US inability to make the rules of its engagement rules clearer is lack of well-defined goals and interests. The non-defined goals of the engagement, especially in the early 1990s, led sometimes to a sort of behaviorist interactions between the US and the regional actors. The US

²¹⁵ See Charles Fairbanks, C. Richard Nelson, S. Frederick Starr and Kenneth Weisbrode, "The Strategic Assessment of Central Eurasia "A publication of The Atlantic Council of the United States and the Central Asia - Caucasus Institute, January 2001 (http://www.cacianalyst.org/Strategic_assessment.pdf).

activities in the region since after the break-up of the Soviet Union were not supported by clear goals but only implied their existence. As Robert Cutler put it,

It was assumed that the United States acted in a variety of circumstances because it supposed that it could thereby achieve a variety of goals. United States behavior thus created its interests in the minds of those concerned, who reified that behavior into interest. That behavior and inferred patterns engendered responses from other parties, to which the United States is now responding by redefining and refining its interests.²¹⁶

Such a redefinition of the US interests reached its peak in 1994 when engagement became more defined and was supported by some clear objectives. Simultaneously, the US began to distinguish between "vital" and "non-vital" interests and "...the category of "national interest" began to supplant that of "national security" in United States foreign policy-making discourse..."²¹⁷ Of course, the US interests in the South Caucasus cannot be labeled as "vital" to US security. However, the importance (even if it is a "non-vital" importance) of the region to the US security is evident especially in the light of the last events in Afghanistan. If one needs to define the main US interests in the region it would sound like that: political stability and economic development. This broad definition includes: strengthening independence of the local states, containment of intra- and inter-state conflicts and their resolution, access to and development of the local energy markets, combat of WMD and narcotics proliferation, promotion of democratic reforms.

All these goals and interests are compatible with each other and even can be seen as mutually reinforcing. For example, the US Caspian Energy Strategy is directed at increasing the independence of the regional states. On the other hand, conflict resolution is the basis for normal oil development.

²¹⁶ See Robert M. Cutler, "US Interests and "Cooperative Security" in Abkhazia and Karabağ: Engagement versus Commitment?" in Mehmet Tutuncu ed. "Caucasus: War and Peace," p.133.

²¹⁷ Ibid.

In conclusion, some policy recommendations should be made as regards the US regional policy:

- i. The US should pursue more active and assertive foreign policy in the region and stand for the commitments made. There are many examples in history which show how never materialized US commitment led to sad consequences like in the case of the Hungary-Soviet Union confrontation in 1956. Another example is the Vietnam War when Washington declared the region of Indochina as vital to the security of the United States. Of course, the United States is the only actor in the South Caucasian game that theoretically can leave it. But, on the other hand, the US engagement became irreversible "...for simple reasons of international prestige as well as for the sake of real national interests."²¹⁸ Moreover, the US involvement is welcomed by the weak Caucasian states, which realize that only the US and the US-led West can provide stability and economic development here.
- ii. The US policy in the region is often misunderstood by the regional powers as directed against them and as pursuing clear balance of power. Official visits, humanitarian aid, PfP activities, and energy development projects - all these components of the US policy often result in confusion and misconceptions. So, the White House needs to clarify the benign

²¹⁸ Svante Cornell, "Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus," op cit, p.390.

character of its policies and show that the latter are based on cooperative rather than competitive model.

- iii. Attention should also be paid to the higher level of coordination of the US government's activities in the region. This can be achieved through the creation of the institutes that would oversee, analyze and show directions for the White House. For example, the existence of three governmental groups (for Foreign Policy, Commercial Energy Policy and Financial Policy) can be seen as positive factor in this regard. Or the existence of the Senior Interagency Working Group chaired by the National Security Council is another example of setting US policy and coordinating its activities.
- iv. The US-Russian relations are of great importance for the US and thus it needs to treat the Russian Federation as the equal partner and at the same time to prevent it from becoming dominant and hegemonic power in the Near Abroad. There are plenty of economic and geopolitical incentives for Russia to become such a partner and the United States needs to underscore them and assure the Russians that oil is not a geopolitical barrier but an economic opportunity. On the other hand, the notion of Caucasus being Russia's backyard should be eliminated. Russia lacks popular will and resources to turn the region into a colony again. All it can do is to call the South Caucasus Near Abroad and try to spoil the regional stability by using local conflicts. So, the United States needs to recognize the fact that the region's fate doesn't depend and shouldn't depend on Russia only.

- v. The strategically important (for the United States) states that seek US assistance in all spheres including economic, geopolitical and humanitarian ones, should receive this assistance. Moreover, they should receive the confirmation of this support on the part of Washington. The history shows that Georgia and Azerbaijan were not encouraged and supported by the US when they actually had to be. The South Caucasus is a shakable security complex and every misunderstanding of US intentions can result in the radical change of the regional system. So, the United States will have to make clear commitments to Georgia and Azerbaijan and to increase the level of cooperation with them.
- vi. The only real ally of the United States in the region - Turkey - needs to receive more attention and support from Washington. It is difficult to imagine today's degree of the US involvement without Turkey's participation in it. Turkey's influence in the region increased again in the last couple of years and can be considered as Turkey's Second Coming. The First One was only partially successful because of Russia's strong resistance and the US passive attitude. This time Washington will have to give its full support to Turkey both in energy development (e.g., Baku-Tbilisi-Ceyhan) and in geopolitical matters (e.g. increased military cooperation between Turkey, Georgia and Azerbaijan). The Turkish factor also opens the Muslim world for the United States and gives Washington the opportunity to build important connections through Turkey, Caucasus and Central Asia with the Muslim countries and open societies there.

All in all, given Washington's position in the international relations' system as the only remaining superpower the US policies have surely created the framework of rules within which the local and neighboring states could act. As Zbigniew Brzezinski put it in his "The Grand Chessboard," "America is too distant to be dominant in this part of Eurasia but too powerful not to be engaged."²¹⁹ The United States' strategic engagement in the South Caucasus will undoubtedly continue and increase with time in its range. The engagement is in favor not only of the United States itself, but also in that of the regional security, local states and neighboring big powers.

²¹⁹ See Z. Brzezinski, "The Grand Chessboard," op cit, p.148.

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