The Caspian Sea and the Baku–Tbilisi–Ceyhan Pipeline

Cesario Melantonio Neto

Introduction

The role of the United States in the Caspian region has passed through several phases since 1991. Initially, Washington was not keen on asserting its influence in the region. This policy mainly stemmed from a lack of knowledge and initiative as concerning the Caspian region, as well as a lack of realisation of American interests there. The success of the Armenian lobby in convincing the American Congress to impose an embargo on Azerbaijan in the wake of the Nagorno-Karabakh conflict illustrates lack of proactive American policy in the region. However, by 1994-1995, American policy was in a stage of transition. Azerbaijani oil resources and the war in Chechnya—a groundbreaking event that demonstrated Russia's military capabilities to U.S. officials—were the two factors, which prompted Washington to initiate assertive policies from the second half of 1996 onward. The United States has announced that it considers the Caucasus and the Caspian a region vital to U.S. interests.

This text will focus mainly on two questions. Firstly, are U.S. policies in the region serving to divide instead of acting as an integrating or unifying force? Secondly, do U.S. policies in the region prioritize economic-energy security or political-military security? When one tries to respond to the first question, the second question automatically comes to the fore because the changing economic and political security understanding of Washington after September11 made it evident that the United States today, unlike in the 1970s, is not concerned about its hegemonic decline anymore; on the contrary, it is affecting the global order. Most importantly, it no longer feels threatened by its dependence on important oil. Then, under these circumstances, one can argue that it is to the advantage of the United States to focus primarily on economic security which, for liberals, means creating factor-mobility among national economies or a joint gains view of economic relations.

In order to respond to the above-mentioned questions this article aims mainly to focus on changing U.S. energy policies in the region after the September 11 disaster in terms of its relations with the Russian Federation and the Islamic Republic of Iran. The positive attitude of the United States toward the construction of the Baku–Tbilisi–Ceyhan (BTC) pipeline will be taken as a case study to assess whether Washington's policies are serving to divide or acting to unify the countries in the region. In addition, Turkey's increasing geo-political importance in terms of the construction of the Baku–Ceyhan pipeline is also relevant.

American Oil Diplomacy in Terms of Increasing U.S. Interest in the Caspian Basin

The United States, who had become accustomed to expanding energy consumption with minimal concerns about the constancy of supply or sharp price escalation by 1972 never articulated or implemented a long-term and comprehensive energy strategy. Major energy initiatives were taken largely to address specific crises and they did not last. In other words, the Americans have done no way to deal with their ever-growing thirst for energy. The critics of the U.S government claim that Washington has made energy goals, secondary to other foreign policy objectives, particularly during the 1990s, but is correcting the situation now.

American sanctions policy, for example, has slowed the development of plentiful resources in Iran (and Libya), while Iraqi production has been held back by the United Nations and the Iraq war. The sanction policy, thus, meant less diversification of sources. The answer to the question "why then does the Bush administration still continue the sanction policy on Iran?" Is that the Bush administration views diversification of sources as a means of assuring the United States of political-military security rather than energy security, while it is generally thought that it places energy security before other foreign policy goals.

In the report prepared by the National Energy Policy Development Group (NEPDG), which was established after the energy turmoil of 2000-2001, an explicit emphasis was put on securing more oil from foreign sources in order to

support the U.S. and global economic growth. The reason for this is twofold. Firstly, the United States is unlikely ever again to be self-sufficient in oil with two percent of the world's proven oil reserves, although it is a leading energy producer. The second reason was the heavy interdependence between the American economy and those of Europe, Japan and other Asian nations, which means the U.S. national energy security depends on sufficient supplies not only for the American market but also for those of the U.S.' major trading partners. In other words, high levels of imports by the U.S.' friends and allies, as well as by the United States, means that energy security cannot be defined as self-sufficiency.

In order to guarantee the continued flow of energy, Washington not only aims to remove political, economic, legal and logistical obstacles in areas that are petroleum sources like Azerbaijan, but also is determined to take steps to ensure that wars, revolutions or civil disorder do not impede foreign deliveries to the United States. Thus, Washington appeared to have abandoned its traditional policy of taking energy initiatives as specific crises came out; on the contrary, the American unipolar system necessitated the existence of an American presence no only with its liberal economic policies but also with its military presence in regions such as the Persian Gulf area, the Caspian Sea Basin, and Latin America. In sum, Bush undeniably prioritizes the enhancement of the U.S. power projection. He, at the same time, endorsed increased dependence on oil from unstable areas.

In this context, although Persian Gulf oil producers will remain central to world oil security, and the region will continue to be the primary focus of U.S. energy policy, the Caspian Basin has been supposed to be a panacea as a new way of managing dependence with its potential, offering the possibility of production increases from 1.6 million b/d (barrels per day) in 2001 to 5.0 million b/d in 2010.

Moreover, the transportation of the Caspian Basin oil resources to the United States, Israel and Western European markets aimed to reduce dependence on OPEC oil producers in the Middle East, to create a secure supply of oil to Israel, and to put an end to the dependence on Russian and Iranian oil transportation networks from the Caspian region. The fact that the region is sandwiched between two of the world's energy superpowers—OPEC Iran and non-OPEC Russia—and the fact that the Baku–Tbilisi–Ceyhan pipeline passes through regions of enormous political instability and social unrest—have been the two reasons for broader U.S. military presence in the region which increased the sense of vulnerability in both Iran and Russia *vis-à-vis* the United States and confirmed their partnership in the nuclear field.

Are the American Policies Serving to Divide Instead of Acting as an Integrating or Unifying Force in the Region?

For many years, but especially since the mid-1990s, there developed what one may call two approaches or two

schools of thought regarding the proper way to address U.S. policies in the region: the first preached conciliation and alignment, the other, containment and isolation. while conciliation meant bringing Turkey, Israel, and Europe under the same umbrella of interest and general aims despite the differing goals and priorities especially regarding commercial rivalry and favoring the partnership of Azerbaijan and Georgia with Turkey and the United States in what might be called the "Baku–Ceyhan bloc," Washington's policies of containment and isolation were meant to hegemony over the region particularly over Georgia.

The above-mentioned policies of Washington have been strongly criticized on the ground that they led to a growing polarization of regional politics. Indeed, conventional wisdom has it that alliances bring about the formation of counter-alliances. The growing U.S. engagement in the Caspian region and the high profile and geo-political importance attributed to the Baku–Ceyhan project fuelled, in a way, the rapprochement between Russia, Iran and Armenia while it solidified a strategic alliance among Azerbaijan, Georgia, Turkey and the United States. However, the direction of the U.S relations with Russia is very different from that with Iran. While Russia's Caspian policy under Putin moved away from trying to contain U.S expansion in the region in favor of "constructive engagement" with the American government and oil companies, Iran was included in president Bush's "axis of evil."

Russia and Iran

The immediate reaction of Russia to the American penetration of Central Asia, which was, from the Russian perspective, an effort to displace Russia and marginalize its influence, was to restructure the Commonwealth of Independent States (CIS) to tighten cooperation, to improve economic and political links with China and to improve relations with Middle Eastern states, especially Iran and Iraq.

Russia has many economic and strategic levers in the region including security measures and the ability to obstruct pipelines; however, Moscow's Caspian policy under Putin moved away from trying to contain U.S expansion in the region in favor of a "constructive engagement" with American government and oil companies. Even in April 2001, in his speech to the Federal Assembly, Putin gave more prominence to Russia's integration into the global economy than to hard line security issues. Putin's permission for the deployment of U.S. troops and military bases in Kyrgyzstan, Uzbekistan and Tajikistan, bypassing the reactions of the Russian Defense ministry in the name of supporting the U.S was against terrorism in Afghanistan, illustrates the changing policies of Moscow in the region. In addition, the Russian Federation's latest expression of intent by LUKOIL to secure a 7.5 percent stake in the Baku–Tbilisi–Ceyhan Consortium is a sign that Russia does not want to be cut off from the Caspian oil riches.

> A joint declaration on strategic relations signed at the May summit of U.S. president George W. Bush and Russian leader Vladimir

> Putin emphasized the potential for energy cooperation. The two sides expressed a desire for the "intensification" of joint development of resources, especially oil and gas—making a specific reference to the Caspian Basin. The document also recognized a "common interest" in promoting stability, sovereignty and territorial integrity of all states in Central Asia and the Caucasus. Thus, for the first time, policy coordination as well as energy cooperation has become an integral part of the mutual security agenda.

There was a multitude of reasons for the change in Russia's policy. But the foremost reason is the fact that Russia today is isolated and seems on the verge of being left out of the "great game" that is taking place in its southern borderlands. The Russian Federation still could not secure a position of trusted partnership with the West and Russia's inefficient energy network also prevents it from becoming a significant supplier to the U.S market.

Washington, worried by the unpredictability of Russia's foreign policy at the outset, has played an active role in the Caspian region and has given its full support to the American oil companies whose activities in the region were in line with some of the trans-Caucasian and Central Asian states such as Georgia, Azerbaijan, Kazakhstan and Turkmenistan. Among the United States' priorities in the region, safe access to the underwater hydrocarbon reserves and the creation of a neutral zone bordering Russia, Iran; Afghanistan and China come to the fore because the landlocked nature of the Caspian magnifies not only its infrastructure problems but also its security problems.

It is of vital importance for Washington to prevent the region from becoming a breeding ground for terrorism and a

hotbed of religious and political extremism and a battleground for outright war. For example, in the wake of armed incursions by elements of the Islamic Movement of Uzbekistan (IMU) into Kyrgyzstan in the Summer of 1999, the United States formulated an extensive New Central Asian Border Security Initiative (CASI) in April 2000, with $3 million in additional security assistance to each of the five Central Asian states. The NATO Partnership for Peace Program (PfP) also served as a key channel for U.S (and Western) military engagement in Central Asia. Through "NATO Partnership for Peace Program," the newly independent, yet still vulnerable, Central Asian nations were able to gain significant experience and contacts with the U.S. military establishment. by 1999, the U.S. Congress expanded a commitment to military engagement with a special stress on military cooperation, both to westernize and to professionalize the regional militaries but also to entrench the U.S. presence in this increasingly important region.

The economic and political reforms in the countries of the Caucasus and Central Asia and the solutions to internal and cross-border conflicts are concerns of Washington. Therefore, the United States, for example, came to the conclusion that Section 907 of the "Freedom Support Act" hindered the U.S. energy diplomacy in the Caspian region; it changed its policy to one of providing aliev's regime with financial aid, which would help consolidate Azerbaijan's prosperous secular government and thus project U.S. investments in this country. The arrival of 18 American military

advisers to train Georgian soldiers in antiterrorist operations is noteworthy with respect to understanding U.S. anxieties concerning the safety of future energy supply routes in the area.

The American military presence in the region has affected not only the safety of future energy supply routes but also the power projection from Central Asia into Afghanistan and from Caucasus into the Northern Middle East (most notably into Iran). The Islamic Republic of Iran stands as the sole country in the region reinforcing Washington's sense of vulnerability concerning the spread of radical Islam and nuclear armaments. Therefore, despite the growing pressure from U.S. oil companies to lift the embargo upon Tehran, which wants to be the main export corridor for Central Asian oil and gas, the U.S. administration is reluctant to soften its stance towards any Iranian role in the region.

The U.S. policy, which has overly focused on pipelines, and specifically on efforts to ensure the construction of the Baku–Ceyhan pipeline for oil exports from Azerbaijan and Central Asia, aimed mainly at excluding Iran and at making Turkey a major actor in the region. The fact that Iran's losses in the region happened to be Turkey's gains confirms the belief that Washington's policies do not have a unifying and integrating effect in the region.

Iran, whose sense of vulnerability has been reinforced by the American presence not only in Afghanistan and Iraq but also in the Caspian Sea Basin, did not want to be

marginalized strategically, and it has proposed the development of a pipeline from Baku to the Persian Gulf coast via Iranian territory to serve as an export route for Azerbaijan's oil. (The construction of a 100-km oil pipeline to Tabriz in Northern Iran would connect Azerbaijan to the Iranian pipeline network.) However, U.S. sanctions have acted as a barrier towards the construction of the above-mentioned pipeline and other alternative pipelines proposed by Iran on the ground that a pipeline through Iran would give it dangerous leverage over the economies of the Caucasus and Central Asia. The real reason behind the U.S policy towards Tehran is perhaps that the White House is reluctant to see Iran turn into a regional power which could pose a potential military threat to Israel and compete with Turkey in the Middle Eastern oil market.

The general belief in Washington, that "only through a *Pax Americana* the anarchic world can be saved" is best illustrated by the current situation in Central Asia. The United States, whose main objective was the strategic encirclement of Iran and Russia focused on precluding the emergence of any future competitor in Central Asia.

The military-security-focused relations which are still dominated by regional security dynamics as well as by domestic dynamics in weak states create holes in the fabric of international society because most political and military threats travel more easily over short distances than over long ones. The rationale behind the classical security complex theory explains the above-mentioned relations because

it claims that for most of the actors at the unit level, the relevant factor in determining relations is region. in other words, a set of states whose major security perceptions and concerns are so interlinked that their national security problems cannot be reasonably analyzed or resolved independent of one another. Classical security complexes formed by local groupings of states not only play a central role in relations among their members, they also crucially condition how and whether stronger outside powers penetrate the region. This situation is best illustrated by the controversies between Azerbaijan and Iran.

The policies of Azerbaijan, whose priority is to do business with Western companies have completely clashed with that of Iran, which is currently characterized by a marked hostility to the Western investment in the region. In addition, the Baku administration invited Israel to invest in oil extraction schemes mainly in order to counter attempts at developing a Russian-Armenian-Iranian axis and to find means to free their Armenian-occupied land. Tehran's perception that a prosperous, independent Azerbaijan would be an unwelcome role model to the enormous Azeri minority in Iran, the conflict over the legal status of the Caspian, and the fact that Iran joined Russia in support of Armenia in its conflict with Azerbaijan over Nagorno-Karabakh are also among the reasons for the breakdown in relations. The above-mentioned controversies led to Iran's failure to secure a share of Azerbaijan's competitive oil and helped in Turkey's campaign to build a 1,081-kilometer connective

line from Baku to the Turkish Mediterranean terminal at Ceyhan.

Turkey: the Evident Beneficiary in the Caspian Pipeline Diplomacy

The reasons for Turkey's emergence as a country supportive of Washington's pipeline-focused policies should be assessed on several levels: geo-strategic, economic and cultural. Turkey not only enjoys tremendous geographic significance, straddling Europe, Asia and the Middle East, but it also the region's commercial locomotive, with Istanbul serving as the financial and commercial hub of the entire Caspian Basin.

Turkey shared with the new states a historic and cultural heritage and an ethnic bond. Azerbaijan was exceptionally important within this pattern. Since the 1980s, Turkey has swapped goods and services for natural gas from Azerbaijan. Additionally becoming aware of Turkey's importance as a transit point for Azeri oil to the West and of the fast-growing Turkish economy, which depends on energy imports for 85 percent of its needs, Azerbaijan tried to promote further relations with Turkey rather that with Iran.

Moreover, Turkey which is expected to consume 40 million tons of oil and 5 million cubic meters of natural gas by 2010, views the Baku–Ceyhan pipeline as an outlet to the West protecting the fragile environment of the Black Sea and Aegean Sea because the shipping bottleneck of the

"Turkish Straits" will be avoided. Turkey's concerns over the environmental and safety consequences of a major tanker accident in the Bosphorus make Baku–Ceyhan the most viable route for a main export pipeline for Caspian oil. Ankara objects to the view that the Baku–Ceyhan pipeline is more costly with respect to Baku–Supsa, which traverses the Bosphorus, when it comes to the security issue.

The question is not whether the route is commercially viable. The idea is to make it an East-West transport corridor, which in the future might expand to include rail lines, communication networks and highways, so as to unobtrusively connect the economies of the Southern former Soviet Republics with the markets of the world. This is because the Baku–Ceyhan pipeline is not simply an economic project but also an issue of political convenience for the trans–Caucasian and Central Asian states, which view their reliance on foreign aid and investment as crucial for their economic survival.

Because the Baku–Ceyhan Project is essentially, from Washington's perspective, a matter of paramount geo-strategic and political significance rather than an economic one, Turkey despite the fact that Iran offers the shortest and cheapest route to global markets for oil from the Caspian Republics, succeeded in drawing the United States to its way of strategic thinking. Ankara benefited enormously from Washington's determination to push ahead with this project although it struggled with many obstacles to the Baku–Tbilisi–Ceyhan pipeline.

Obstacles to the Baku–Ceyhan–Tbilisi Pipeline

Originally, all the oil companies operating in the Caspian region opposed Baku-Ceyhan. There have been two kinds of opposition which Turkey has had to cope in the construction of the "BTC" pipeline: the big oil companies' concerns about the feasibility of the Baku–Ceyhan pipeline and the emerging alternative pipe routes proposed by competing neighbours such as Iran and countries such as Kazakhstan.

The fact that at 1,800 km in length, Baku–Ceyhan had a cost of $3 billion was the foremost problem for the construction of the "BTC" pipeline. Because of the high cost, legislation was introduced in Congress to prohibit U.S. financing unless the pipeline followed the shorter, more direct route through Armenia. After September 11, Colin Powell openly announced that the integration of Armenia to the world is one of the priorities of the United States and John Knollenberg stated that the United States should not support any pipeline project excluding Armenia despite the continuing Armenian-Nagorno Karabakh dispute.

As well as the financial issues, "BTC" faces environmental concerns. The pipeline has drawn lots of fire from environmentalists and local groups because it passes through the Borjomi region of Georgia, home to mineral water and tourism industries that are among the few promising sectors of the nation's economy. But an International Finance Corporation (IFC) employee said the preventative measures being taken by the project proponents, oil companies BP, Italy's ENI,

STATOIL of Norway, California-based UNOCAL and France's TOTAL are quite extraordinary and area's water would not be at risk. In addition, the governments of Turkey, Azerbaijan, and Georgia signed a declaration stating that the construction and operation of the pipeline will comply with international environmental and human rights standards. Nevertheless, activists are concerned that many of the decisions governing the pipeline have been made without proper consultation with the local population in the South-East of Turkey.

Another important obstacle is the critical question of whether there are sufficient oil volumes in the area to justify the Baku–Ceyhan pipeline; some experts have argued that there are not. The design of the pipeline calls for an initial capacity of 1 billion barrels per day (bpd), since only a large volume of exports could justify the project's price tag. But finding the oil to fill such a tubby tube has provided troublesome. To keep the pipeline viable, some oil would have to come from Kazakh fields like Kashagan, Kazakhstan's very large offshore oil find in the Caspian Sea. But despite a strategic oil and gas treaty between Kazakhstan and the United States, which meant a great breakthrough in answering the question of available oil for exports through the Baku–Ceyhan pipeline, the volume of oil is still a problem because Kashagan's production will not come on line for six to ten years.

Many analysts said that the BTC pipeline, as well as other ways of developing the region's oil wealth, were ham-

pered by instability in the region. This included not only Georgia's internal strife in the Ossetia region, which threatened to destabilize the Caucasus, but also fighting in Afghanistan, which threatened Central Asia's stability.

The Latest Developments

Whatever the reservations may be, the news is positive for the pipeline project, the $3 billion, 1,800-kilometer Baku–Tbilisi–Ceyhan pipeline, which was started in a ceremony hosted by the Azerbaijan president on September 18, 2002, and completed in 2005.

Most important of all, the fact that 27 Western oil companies have considered membership of the Main Export Pipeline Company (MEPCO), which is expected to develop Baku–Ceyhan, has made it evident that Baku–Ceyhan is a success. In addition, the announcement of the U.S.-based Chevron oil company that it was seeking to take part in the project indicated that the Baku–Ceyhan pipeline appeared to have moved one step closer to viability. Italy's ENI oil company became the last of a nine-member consortium to approve construction of the project. The move cleared the way for creation of the two companies to finance and build the 1,800-kilometer link. The biggest interest belongs to Britain's BP oil company with 34.7 percent, followed by the 25-percent share of the Azerbaijani state-owned oil firm SOCAR.

The crux of the matter is that the deal of the century, a $7 billion contract signed by Azerbaijan in 1994 with a

Western consortium that marked the kick-off of the "great game" pitting U.S., Russian, European, and many more national interests against one another, seems to have been concluded after 10 years. Many analysts agree that Washington has achieved its main objective; reducing the Caspian region's reliance on Russia in terms of export capabilities and sustaining the U.S policy of containment toward Iran. However, it would be misleading to claim that the Caspian is no longer important to the United States. The truth is that "the noise and perception have come back to normal."

The fact that Russia has announced that it will build a connection to the Baku–Ceyhan oil route and that the Russian government has found a way to take part in a U.S.-backed oil pipeline from the Caspian Sea have made it evident that the changing security and political parameters will encourage cooperative relations in the twenty-first century, rather than the confrontational attitude of the 1970s. Oppositions from Russia and Iran has not ended, but it has eased in tone, partly because both countries see an interest in broader ties with Azerbaijan and partly because they are aware that U.S withdrawal from the region at this stage would be far too late and too costly. In addition, for the Russian Federation, economical engagement is seen as a prerequisite for expanding its strategic presence in the region.

It is a matter of curiosity to what extent Iran, the sole country in the region to be under the U.S. embargo, will continue to incur Washington's wrath at a time when the economic considerations as well as U.S.'s fear strategy of

global leadership urge countries even such as Libya to take significant steps to dismantle all weapons os mass destruction programs and to integrate the world economy. Since the September 11 attacks, which proved a major boost to bilateral ties, as Russia was quick to offer its support, the White House has seen Russia as key partner in the global fight against terrorism. Many analysts viewed the U.S focus on energy partnership with Russia as a shift in U.S. foreign policy, which no longer considers the Caspian Basin a top priority, partly because of September 11 and partly because of internal issues within the Caspian. However, whatever, Washington's energy interests in the Caspian area, analysts agree that the United States is going to remain a long-term presence in the Caspian-Caucasus region, if only for security reasons. Since the launch of the U.S.-led campaign in Afghanistan, the Pentagon has set up military bases in Kyrgyzstan and Uzbekistan, placing at least 2,000 soldiers in the two Central Asian countries. In Autumn 2002, the United States sent ten helicopters and two hundred "special forces" to Georgia.

Most governments in Central Asia have been much more forthcoming in supporting American military operations in Afghanistan while, given their domestic constituencies; gulf leaders (particularly Saudis) have been reluctant to provide strong, unconditional public support to the war on terror. Therefore as the Middle East has been increasingly perceived by the West as an unreliable source of oil and gas to the global market, in the aftermath of September

11, Central Asia as well as the Caspian Sea states have proven themselves a strategic and reliable partner for the United States. In other words, Washington's economic-energy considerations, as well as political and strategic ones, are gaining ground in the region.

Conclusion

The fact that the "Bush energy plan" envisions increased rather than diminished reliance on imported petroleum signalled a dramatic change upon the previous energy policies of Washington. In other words, it marked a transition from a professed concern with conservation and energy efficiency to an explicit emphasis on securing more oil from foreign sources. Washington, thus, made energy security a priority of its trade and foreign policy. In parallel with this policy, and as an immediate consequence of September 11, the United States expanded its military presence in Central Asia, Caucasus, and the Caspian Sea Basin, areas traditionally viewed by Russia and Iran as its special sphere of influence.

The United States's military presence and its liberal policies in the Caspian Sea Basin and Central Asia has a dual function for U.S. policy. The first is related to Washington's fear of being over-dependent on any one source of energy, especially a foreign source which would leave the United States vulnerable to price shocks and supply interruptions, because the Caspian Basin serves to diversify the United States's sources of imported energy since it is one of the non-OPEC

areas like the West coast of Africa and Latin America. The other function is that the American bases in the region serve Washington's policy of power projection from Central Asia into Afghanistan and from the Caucasus into the Northern Middle East so as to enhance its capability for intervention. In sum, while the first objective arises from energy preoccupations, the other arises from security concerns.

The Soviet Union's disintegration, but even more important, the rapid economic and military meltdown of Russia, led to the emergence of the United States as the pre-eminent global power. Washington's determination to shape the world according to its values and interests explains why the United States prioritized a commitment to military engagement with Central Asia as well as to the democratization and marketization of the region. American policies were driven by overarching geopolitical considerations in order to contain the influence of China, Iran and Russia.

In addition, by focusing on pipelines that will transport the Caspian Basin's oil resources to the United States, Israel and Western European markets, Washington also aims to exclude Iran and Russia. For example although the Baku–Tbilisi–Ceyhan pipeline was not commercially viable, and it is a strategic transportation route Washington pushed ahead with the project and did not accept the construction of the cheaper alternative pipelines proposed by Iran. Here the fear was that Iran would turn into a regional power, which could pose a potential military thread to Israel and compete with Turkey. The U.S.' interpretation of Iran's role in global

terrorism not only creates problems in U.S.-Russian relations but also acts as a barrier to the long, slow process of Iran's emergence from isolation: one step forward and two steps back. American fears of Tehran's ambitions played an important role in encouraging a counter-alliance between Iran, Russia, India and China as a reaction to Baku–Ceyhan bloc.

In short, the fact that the Baku–Ceyhan Project is essentially, from Washington's perspective, a matter of paramount geo-strategic and political significance rather than an economic one, illustrates and even epitomizes that Washington's policies in the region prioritize political-military security in order to ensure the stability of the region. However, the current regional engagement of the United States, which can be defined as drifting into an unplanned but protracted military presence, might be more threatening for Washington because if the U.S. presence and operations in the region do not bring stability and security while fuelling extremism and terrorist attacks, it might be difficult for Moscow to manage and silence domestic discontent created by America's presence in Central Asia.

Currently, the U.S. faces a choice of two vastly different policy directions regarding Central Asia and the Caucasus. One would involve a unilateral strategy, based on self-defense and pre-emptive attack against terrorist groups and regimes, while the second would support continued multilateral collaboration against trans-national threats. American policies focused on political and military security, as reflected in a unilateral strategy, do not put a high short-term priority on the democratization of the region's countries.

However, the weakness and volatilities of the regimes, in other words the domestic fragility of the region's countries, poses the greatest potential threat to U.S. objectives and invites a rapid multiplication of challenges to U.S engagements in the region. The region's countries share a landlocked dependency both in terms of relying on an external guarantee of security as well as in terms of economics and energy export routes. Therefore, The United States views its presence as inevitable for the development and stabilization of the states of Central Asia and the Caucasus, although it is a long-term endeavour. At the same time, however, it is apparent that America's enhanced military position did not prevent Washington from being vulnerable to transnational threats. Merely to fight terrorism in the region is insufficient; the United States must also encourage the region's countries (including Iran) to diversify their economies and integrate into the world economy.

One of the key lessons of September 11 is that despite its preponderant power, the United States remains vulnerable to terrorist attacks and requires the collaboration of other states to combat them. In Central Asia and the Caucasus, Washington needs to redefine its national interests and address the interrelated nature of political, economic and security problems in the region. Washington's long-term interests in the region necessitate provision for the economic security of the region as a means to integration, development and globalization, which means it must promote joint policies to profit from energy development rather than geopolitical competition in the region.