

Engaging Persia in the Former Soviet Union

An Honors Thesis for the Department of International Relations

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Introduction

The United States must accept that it cannot become a hegemonic power in the Caspian Basin and Central Asia. During the 1990's, America temporarily enjoyed a free hand in the region. Russia was in disrepair after the collapse of the Soviet Union, Iran was recovering after the Iraq-Iran war, and China's primary concern in the region was securing its western border and confronting Uighur separatist in the Xinjiang province. Since the 1990's, China has made significant economic inroads into the Caspian Basin to meet its growing energy needs and diversify its global supply chain. After the dissolution of the Soviet Union, Russia maintained its monopoly of Caspian Basin energy economies by utilizing strategic diplomacy and coercion. The United States invasion of Afghanistan and containment of Iran perpetuated anti-American sentiments through the region. According to a poll by the Pew Research Center for the People and the Press, "True dislike, if not hatred, of America is concentrated in the Muslim nations of the Middle East and Central Asia, today's areas of greatest conflict."¹ The closing of the Karshi-Khanabad airbase in Uzbekistan following the signing of a Shanghai Cooperation Organization declaration, which implicitly called for the withdrawal of U.S. forces from SCO member-states, indicates the growing distance between Washington and Central Asian states.² China's current account surplus combined with its geographical proximity provides an innate advantage in Central Asia. Meanwhile, Russia's control of Central Asian and Azerbaijani energy economies allows it to exert outsized influence in the region. These advantages prevent the United States from competing for hegemony in the Caspian Basin and Central Asia. Since the United States cannot become a hegemonic power, it must promote competition in the region.

¹ O'Hara, Vicky. "Poll: Anti-American Sentiment Builds Overseas." *National Public Radio*. N.p., 04 Dec. 2002. Web. 5 Apr. 2014.

² Petersen, Alexandros, and Katinka Barysch. *Russia, China and the Geopolitics of Energy in Central Asia*. Issue brief. P. 33. Center for European Reform, Nov. 2011. Web. 8 Apr. 2014.

The primary goal of this policy is to support the independent development of the Muslim Energy Producing States (MEPS) of the former Soviet Union. This regional grouping includes Azerbaijan and all the Central Asian Republics (See Map 1.1&1.2). Although much of the analysis presented in this paper refers to Central Asian Republics (CAR), fostering Azeri independence is equally important. Strong MEPS with independent interest will counter Russian imperialism and mitigate China's rise in the region. Moreover, wealthy, independent states will have more resources to combat terrorism and narco trafficking. Due to its landlocked nature, the Caspian Basin is the last region to fully integrate into the global economy. The geographic location of the region is potentially a blessing or a curse, because it is positioned to maximize or minimize its leverage. Central Asia could develop into an East-West, North-South transport corridor, or it could remain landlocked and subject to foreign manipulation. The countries that control Caspian Basin export routes will also dictate the region's future. According to Professor Stephen Blank from the Strategic Studies Institute at the U.S. Army War College, "energy exports may be the only way these governments can hope for any economic stability and progress in the future. Therefore, whoever controls the energy economy will determine the destiny of the region."³ Therefore, it is in America's interest to foster competition in the Caspian Basin. This will increase MEPS leverage vis-à-vis each of its trading partners, thus reducing the region's strategic dependence on Russia.

The essay begins with an introduction of American and Russian policy in Central Asia and the Caspian Basin since the collapse of the Soviet Union, followed by an in depth discussion of Russian, Chinese, Indian, Iranian, Turkish, and American interests in the region. At this point,

³ Blank, Stephen, Dr. "Energy Economics and Security in Central Asia: Russia and Its Rivals." Diss. Pg.V. Strategic Studies Institute: US Army War College, 1995. Web. 25 Feb. 2014.

the essay provides an overview of American policy towards Iran, showing why persuasion has not worked in the past and why Iran is negotiating now. This discussion highlights the difficulties of containing Iran without international cooperation and the alternatives Iran has outside of its relationship with the West, thus showing why America cannot gain by its continued containment of Iran. Next, the essay explores where American-Iranian interests converge and diverge in the Caspian Basin and how a rapprochement can strengthen America's position in the region. This is followed by a discussion of how America's "inflexible" relationships with Israel and Saudi Arabia may obstruct a rapprochement, thus jeopardizing a feasible American policy in Central Asia and the Caspian Basin. The essay concludes by prescribing a new American policy in the region, and discussing the implications of this new approach in Central Asia and the Caspian Basin.

Acronyms

CAR- Central Asian Republics

MEPS- Muslim Energy Producing States of the Former Soviet Union

XUAR-Xinjiang Autonomous Region

TCM- trillion cubic meters

TCF- trillion cubic feet

BBL- billion barrels

BBL/D- billion barrels per day

SCO- Shanghai Cooperation Organization

IAEA-International Atomic Energy Agency

CIS- Commonwealth of Independent States

CNPC- China National Petroleum Company

EURASEC- Eurasian Economic Community

INSTC- International North to South Transport Corridor

TAPI- Turkmen-Afghan-Pakistani-Indian Pipeline

AIPAC- American Israeli Political Action Committee

BTC- Baku-Tbilisi-Ceyhan

KCTS- Kazakh-Caspian-Transport-System

EIA- Energy Information Agency

Chapter 1: The Caspian Basin Since the Collapse of the Soviet Union

A cornerstone principle of United States foreign policy since the collapse of the Soviet Union has been to foster the independence of former Soviet territories. In theory, this policy contains Russian influence by promoting the independence of these new states. In regards to Eastern Europe, American policymakers promoted the eastward expansion of NATO to check Russian influence. This policy fostered independent development of former Soviet satellites and reintegrated the Eastern bloc into Europe. A similar plan, however, is seemingly absent in the Caspian Basin and Central Asia.

Foreign policy under the Clinton and Bush administration was inconsistent towards American geopolitical interest in the region. These policies prioritized the economic and democratic development of Russia while simultaneously isolating the Islamic Republic of Iran. American containment of Iran undermined the independence of the Muslim Energy Producing States (MEPS) of the former Soviet Union because it barred Iranian participation in regional energy projects, thus reducing competition and empowering Russian dominance. American leaders must reassess the direction of foreign policy in the Caspian Basin because the Soviet collapse led to important geopolitical developments in the region.

Recently independent MEPS are endowed with an abundance of natural resources, but Russian imperialism threatens the sovereignty of these states. Caspian resources are geopolitically significant because they will reduce the strategic importance of Persian Gulf oil sources. Due to its landlocked nature, geography plays a paramount role in exporting Caspian resources. If MEPS cannot get oil or natural gas to market, then these endowments are worthless. Since the Caspian Basin is landlocked, resources must cross multiple borders to reach global

markets. As a result, pipeline development requires extensive investment and transnational agreements. This heightens transaction cost and increases the importance of regional security. Like railways in the 19th century, "pipeline routes are important because they connect trading partners and influence the regional balance of power."⁴ China and Russia compete for influence in emerging Central Asian markets by providing capital and technological assistance in the construction of new pipelines. Nonetheless, the region has failed to attract international investments because of legal disputes involving the delineation of maritime borders in the Caspian Sea and security concerns related to Sunni extremist. Although the United States cannot become a hegemonic power in the region, it is positioned to shape the outcome of the game. The United States must promote competition in the Caspian Basin to diversify regional energy economies and counter Russian imperialism.

Caspian Basin Resource Estimates

Scholars believe that Central Asia and Azerbaijan jointly possess 7.5 trillion cubic meters of known natural gas and oil reserves and "probable undiscovered reserves of 20 trillion cubic meters more."⁵ According to British Petroleum data, Kazakhstan, Uzbekistan, Azerbaijan, and Turkmenistan totaled 48.0 bbl (billion barrels) of proven oil reserves or 3.80% of world's known reserves; that of natural gas totaled 12.55 tcm (trillion cubic meters) or 6.8% of the world's known reserves.⁶ The United States Energy Information Agency states that there are 48 billion barrels of oil and 89 trillion cubic meters of natural gas in the Caspian Sea; 75% of the

⁴ Foster, John. "Afghanistan, Energy Geopolitics and the TAPI Pipeline." *Journal of Energy Security* (2010): n. pag. *Global Research*. Web. 21 Mar. 2014.

⁵ Fueg, Jean C. "The Gas Industry of the Southern FSU." *The Petroleum Economist* (1996): n. pag. Web. 10 Aug. 2013

⁶ *BP Statistical Review of World Energy*. Rep. British Petroleum, June 2009. Web. 28 Mar. 2014.

oil and 67% of the gas is located within one hundred miles of shore.⁷ Turkmenistan alone possesses twice as many reserves as the North Sea and four times the amount discovered in the Gulf of Mexico.⁸ “As northern Afghanistan is a ‘southward extension of Central Asia’s highly prolific, natural gas-prone Amu Darya Basin,’ Afghanistan ‘has proven, probable and possible natural gas reserves of about 5 trillion cubic feet.’”⁹ Kazakhstan's Tengiz oil field, one of the largest in the world, claims twenty two billion barrels of known oil reserves with the potential to produce over 50 billion barrels.¹⁰ Globally, Saudi Arabia's 260 billion barrels account for a quarter of the world's production.¹¹ Since the collapse of the Soviet Union, many countries struggled for influence in the Caspian Basin because the region is destined to play a pivotal role in world energy production. In this sense, Russia pursued the most aggressive policy of all competing nations.

Reemergence of Russian Imperialism

After the collapse of the Soviet Union, Russia sought to preserve its regional hegemony by maintaining control of MEPS' energy economies. During the time of the USSR, Russia monopolized the region's energy economies by constructing pipelines that were reliant on a Russian transit route to Europe (see Map 1.1 & 1.2). Since Russia still controls these pipelines, it can exercise outsized influence in the region. Moreover, Caspian resources represent "billions of dollars in tariffs for Russia's cash-strapped government."¹² Due to economic stagnation and a

⁷ United States. US Department of Energy. Energy Information Administration. *Caspian Sea Region*. P.8. US Energy Information Administration, 26 Aug. 2013. Web. 20 Feb. 2014.

⁸ Fueg, Jean C. "The Gas Industry of the Southern FSU." *The Petroleum Economist* (1996): n. pag. Web. 10 Aug. 2013

⁹ Chossudovsky, Michel. "The War Is Worth Waging": *Afghanistan's Vast Reserves of Minerals and Natural Gas*. Issue brief. Global Research: Centre for Research on Globalization, 16 June 2010. Web. 8 Mar. 2014.

¹⁰ Fueg, Jean C. "The Gas Industry of the Southern FSU." *The Petroleum Economist* (1996): n. pag. Web. 10 Aug. 2013

¹¹ "About Saudi Arabia." Royal Embassy of Saudi Arabia, n.d. Web. 12 Aug. 2013. <<http://www.saudiembassy.net/about/country-information/energy/oil.aspx>>.

¹² Starr, Frederick S. "Power Failure: American Policy in the Caspian." *The National Interest*. P.3.

demographic calamity, the Russian state desperately needs additional revenue. In the last sixteen years of the communist era, births exceeded deaths by 11.4 million; but in the same sixteen years of post-Soviet rule, deaths exceeded births by 12.4 million.¹³ Although Russia might attempt to annex a Muslim energy producing state (MEPS) of the former Soviet Union for economic or strategic purposes, the international community will condemn such unilateral actions. Instead, Russia utilizes strategic diplomacy to ensure that MEPS export their resources through pipelines over Russian territory. If not, Russia attempts to "minimize the capacity of alternative lines and assure that Russian firms own a stake in them."¹⁴ Russia leverages preexisting debt against these nations to demand repayment in the form of shares in the region's processing and refining facilities.¹⁵ Since many MEPS rely on energy exports for economic stability, Russia's monopoly of MEPS' energy economies allowed it to maintain de facto control of the region (see Table 2 for shares of trade). More importantly, Russia demanded MEPS' compliance with the Commonwealth of Independent States (CIS).

The CIS was created in 1991 as a successor entity to the USSR to promote economic development, collectivize security, and reduce transaction cost. The organization, however, served as a mechanism for preserving Russian influence in Central Asia and the Caspian Basin. Russian leaders reacted harshly to defectors of the CIS agreement. For example, Russian policy effectively forced Kazakhstan to export its oil through the Russian Black Sea port of Novorossiisk. When Kazakhs refused to comply, Russia simply twisted the "spigot" on its pipeline and eliminated Kazakh exports to Europe.¹⁶ The Kazakh state broke down, and it relinquished its position on the verge of an imminent civil war. In Turkmenistan, Russia cut off

¹³ Eberstadt, Nicholas. "Drunken Nation: Russia's Depopulation Bomb." *World Affairs* (n.d.): n. pag. Spring 2009. Web. 28 Mar. 2014.

¹⁴ Starr, Frederick S. "Power Failure: American Policy in the Caspian." *The National Interest*. P.2, n.d. Web. 10 Aug. 2013.

¹⁵ Ibid.

¹⁶ Ibid.

Turkmen gas exports to Europe in an attempt "to cut itself in on any future pipeline construction."¹⁷ In early 1994, Russia blocked a proposed Iranian-Turkish-Turkmen pipeline. According to Turkish papers cited in Professor Stephen Blank's report, "Russian obstruction had held up work on the pipeline and no concrete project has been drawn up yet."¹⁸ In addition to this underhand power, Russia has employed international law to support its argument.

Russian leaders claim that the Caspian is a lake, not a sea. In a demarche to London on April 28, 1994 Russian officials stated: " The Caspian Sea is an enclosed water reservoir and an object of joint use within whose boundaries all issues or activities including resource development must be resolved by all the Caspian countries. Any unilateral actions lack a legal basis."¹⁹ Under this definition, Russia can invoke its littoral rights and veto the exploitation of Caspian resources.²⁰ This jeopardizes Azeri and Kazakh sovereignty because 80% of Azerbaijan's and 50% of Kazakhstan's proven oil reserves are located in the Caspian Sea.²¹ Furthermore, this legal dispute continues to hinder investment in the region. According to an American Energy Information Agency report on the Caspian Basin, "shifting legal and regulatory frameworks create uncertainties for foreign companies investing in natural resources."²² Russian policy attempts to minimize international investment in the Caspian Basin because foreign investment will reduce Russian influence in the region. Stephen Blank states, "Russian policy in Central Asia has aimed to minimize and exclude any Turkish, Western, and Iranian foreign investment" because foreign investment is "essential to counter Russian imperial

¹⁷ Blank, Stephen, Dr. "Energy Economics and Security in Central Asia: Russia and Its Rivals." Diss. P 13.

¹⁸ Ibid.

¹⁹ Ibid. 5.

²⁰ Weitz, Richard. "Global Insights: Caspian Complexities Block Russia-Iran Naval Axis." *World Politics Review* (2013): n. pag. Web. 10 Aug. 2013.

²¹ United States. US Department of Energy. Energy Information Administration. *Caspian Sea Region*. P.9.

²² Ibid. 8.

drives."²³ Although Russia has done everything in its power, short of violence, to undermine Central Asian and Azerbaijani sovereignty, the United States has contributed significantly to the current balance of power in the region.

American Policy in the Caspian Basin Since the Collapse of the USSR

United States foreign policy in the Caspian Basin has isolated the region as much as any post soviet Russian policy. Russian policy threatens MEPS' independence because it empowers Russian oil conglomerates by hindering foreign investment and reducing competition. Although the United States prioritized the economic development of former Soviet territories in Eastern Europe, America failed to provide an adequate response to Russian encroachment in Central Asia and the Caspian Basin. The United States failed to take the initiative for several reasons.

Firstly, Washington placed significant priority on the democratic and economic transition of Russia, believing this strategy would prevent the rise of radicalism in the former Soviet Union. Nonetheless, this policy should not have come at the expense of Central Asian and Azeri sovereignty, because Moscow's policies in the region were indicative of Russia's imperial intentions. Secondly, Americans misread the independent ambitions of these former Soviet territories. Due to the absence of grassroots movements in the wake of the Soviet collapse, Americans assumed that the region did not seek independence from Russian rule. However, Americans forgot that guerrilla units in Turkmenistan fought the Russians since the 40's and that Azeri forces squared off with the Red Army in the center of Baku, in 1990.²⁴ Most importantly, policymakers failed to recall that Azeris, Uzbeks, Kazakhs, and Turkmen suffered mass

²³ Blank, Stephen, Dr. "Energy Economics and Security in Central Asia: Russia and Its Rivals." Diss. P 9-10.

²⁴ Starr, Frederick S. "Power Failure: American Policy in the Caspian." *The National Interest*. P.4.

casualties under the Soviet Union's collectivization policy.²⁵ The region sought independence for years, but it was held hostage to Soviet rule. Thirdly, American policymakers were convinced that Central Asian people, who are mostly of Muslim descent, provided a prime target for imported Islamic Fundamentalism from Iran. Advocates of this argument utilized Samuel Huntington's, *Clash of Civilizations*, to justify their approach. These leaders failed to understand the sectarian divides within Islam. The majority of Central Asian Muslims are Sunni. Iran, on the other hand, is the largest Shiite state in the Muslim world. These tensions boiled over when Iran almost went to war with the Taliban in Afghanistan because Al Qaeda, a Sunni organization, was persecuting Shiite Muslims. Although Azeris are predominantly Shiite, they are also of Turkic decent and do not speak Persian. This reduces the likelihood that Azerbaijan will succumb to Iranian influence and become a puppet of the Ayatollah. Thus, Iran will encounter significant obstacles in exporting its religious fanaticism abroad. Uzbek President, Islam Karimov, declared that he sought cooperation with Iran "in all spheres of economics, science, and culture but without permitting ideological expansion and the influence of Islamic forces."²⁶ History proves that Central Asia withheld centuries of Persian expansionism without losing its cultural autonomy. Although these misconceptions shaped American foreign policy with regard to the Caspian Basin and Central Asia in the past, there are two important issues that will determine American policy towards the region in the future.

Domestic interests groups continue to shape American foreign policy in the region. For example, the United States undermined its interests in the Caspian Basin by taking part in the territorial dispute between Armenia and Azerbaijan. The two countries fought a war in 1994 over Nagorno-Karabakh, a territory in the southwestern quadrant of Azerbaijan. Religious tension

²⁵ Ibid.

²⁶ *Central Asia in Transition: Dilemmas of Political and Economic Development*. Ed. Boris Z. Rumer. Armonk, NY: M.E. Sharpe, 1996. 5. Print.

characterized Armenian-Azeri relations for centuries; but the war precipitated American involvement in the crisis. Since there are few Americans with ethnic ties to Azerbaijan, the Azeri lobby does not wield significant power in Congress. Armenians, on the other hand, exert influence in Washington because they are an affluent, wealthy, and dispersed population. In 1992, the Armenian lobby persuaded Congress to pass the Freedom Support Act, which bans all aid to the Azeri government.²⁷ Providing financial aid, strengthening Azerbaijani-American ties, and fostering Azeri economic development enhances American interest. According to Stephen Blank, "Azerbaijan will not fall into Russian hands if its diplomacy remains wily and resolute and if the West supports it."²⁸ Although Western resistance to Russian imperial claims in the Caspian Basin would safeguard Azeri sovereignty and benefit American interests, the United States isolated Azerbaijan. This is the epitome of the principal-agent problem in United States politics. The United States government acts to appease a small and influential constituency while undermining American interests as a whole.

AIPAC, the Jewish lobby in the United States, provides a similar parallel to the Armenian case. One of AIPAC's chief political concerns is ensuring Iran's perpetual weakness. AIPAC exerts influence in congress by donating to candidates who support its political agenda and mobilizing popular support against its opponents. Since Israeli constituents are far wealthier and better organized than their Muslim counterparts, they exert outsized influence on American foreign policy. However, Israel has secured an unlikely Arab ally in its fight against an American-Iranian rapprochement.

²⁷ Specter, Michael. "Drift to Dictatorship Clouds Armenia's Happiness." *New York Times*. N.p., 3 Jan. 1997. Web. 10 Aug. 2013.

²⁸ Blank, Stephen, Dr. "Energy Economics and Security in Central Asia: Russia and Its Rivals." Diss. P.6..

Iran's Shiite expansion threatens Saudi Arabia, the Sunni hegemony in the Middle East, thus temporarily aligning Saudi-Israeli interests. Although the Saudi lobby cannot mobilize popular support like AIPAC, it makes up for this "with almost unlimited resources to try to buy what they usually cannot win on the merits of their arguments."²⁹ Saudi diplomats leverage American business interests in the desert Kingdom to exert influence at the highest levels of American governance. As a result, the Saudi and Israeli lobby continue to define American foreign policy towards Iran, thus preventing a feasible policy in the Caspian Basin and Central Asia.

The United State's containment of Iran shaped its response to Russian imperialism in the Caspian Basin. Although the Islamic revolution and the ensuing hostage crisis at the American embassy in Tehran occurred in 1979, the United States did not take serious measures to contain Iran until over a decade later. A ban on Iranian weapon sales took effect in 1992, and in 1995 further measures were taken against European and other non US based firms that persisted in trading with the country.³⁰ Moreover, the United States took active measures to prevent Central Asian Republics from developing trade relations with Iran. According to Dr. Guli Yulshaveda from the Tashkent State Institute of Oriental Studies, "Construction of a main gas pipeline through Iran, involving a consortium headed by the English-Dutch oil concern "Royal-Dutch-Shell", was virtually frozen due to the American sanctions. Turkmenistan considered this project commercially the most profitable."³¹ Anti-Iranian sanctions also "restricted joint Iranian-Kazakh activity in the oil-gas sphere to swap operations."³² By 1993, the United States containment of

²⁹ Bard, Mitchell Geoffrey. *The Arab Lobby: The Invisible Alliance That Undermines America's Interests in the Middle East*. P.432. New York: Harper, 2010. Print.

³⁰ Starr, Frederick S. "Power Failure: American Policy in the Caspian." *The National Interest*. P.5.

³¹ Yuldasheva, Guli, Dr. "Geopolitics of Central Asia in the Context of the Iranian Factor." *Caucasian Review of International Affairs* 2.3 (2008): 135. Web. 15 Feb. 2014.

³² Ibid.

Iran actively prevented the diversification of regional energy economies, thus playing directly into Russia's strategy.

The United States not only contained Iran and jeopardized Central Asian and Azerbaijani sovereignty, but it also facilitated Russia's reemergence in the Caspian Basin. Frederick Starr argues, "because the United States holds Russian pipelines to be preferable to Iranian ones, the Export-Import Bank has extended credit to Russia for pipeline development without imposing any of the obvious conditions regarding free access to markets that might protect Central Asian or Azerbaijani sovereignty."³³ In this sense, the United States containment of Iran isolated the region, effectively benefiting Russian cartels whose coercive tactics were endangering the sovereignty of Caspian energy producing states. Furthermore, America's containment of Iran empowered Russia and China.

Iranian Response to Containment

In response to American containment, Iran strengthened its relationship with Russia and China. According to the World Bank as cited in the American Energy Information Agency report, "China is Iran's largest trading partner and oil importer."³⁴ Despite China's preexisting trade relationship with Iran, it reinforced ties with the Islamic Republic by capitalizing on the cleavage between Iran and the West. When the United States imposed its weapons sale ban against Iran, Iran replied by contracting with the Chinese for \$4.6 Billion in military hardware.³⁵ China's economic inroads into Iran present further evidence of deepening ties between the two countries. China National Petroleum Company (CNPC) is developing the Azadegan field, Iran's

³³ Starr, Frederick S. "Power Failure: American Policy in the Caspian." *The National Interest*. P.5.

³⁴ United States. US Department of Energy. Energy Information Administration. *Country Analysis: Iran*. P.10.

³⁵ Starr, Frederick S. "Power Failure: American Policy in the Caspian." *The National Interest*. P.7.

largest oil discovery in thirty years.³⁶ Russian policymakers are also exploiting Iranian anti-Americanism by providing Iran with "banned" goods. Russia recently completed work on Iran's Bushehr research reactor, "which many believe to be a front that Tehran uses to conduct research into more nefarious nuclear activities."³⁷ Despite Iran's traditional hostility towards Russia, the two countries are cooperating out of mutual interests against the West. This illustrates the pragmatism of Iranian foreign policy and the alternatives Iran has outside of its relationship with the West. Due to Western sanctions, Iran is looking to Russia and China for investment to develop its natural gas and oil sector. According to the American Energy Information Agency (EIA), "As a result of the poor investment climate and international political pressure, some international companies such as Repsol, Shell, and Total have divested from Iran's natural gas sector. In response, Iran has looked toward eastern firms such as Indian Oil Corp., China's Sinopec, and Russia's Gazprom to take a greater role in Iranian natural gas upstream development."³⁸ Iran's reorientation towards Eastern firms illustrates the leverage it has over the West. Moreover, it indicates that the United States must enlist Chinese or Russian cooperation to truly contain Iran, implying that America will have to forego other national interest towards China or Russia to ensure the containment policy's success.

Implications of Containment

Iranian containment is detrimental to American interest because Russia and China are gaining economic influence in the Caspian Basin, Central Asia *and* Iran, while the United States continues to lose leverage in the region. Although Iran is feeling economic pressure from

³⁶ *Country Analysis: Iran*. P.7. Washington D.C: EIA, 2013. Print

³⁷ Pollack, Kenneth M., Suzanne Maloney, and Bruce Riedel. *Which Path to Persia? Options for a New American Strategy Towards Iran*. P.18. Issue brief. The Brookings Institution, May 2009. Web. 20 Feb. 2014.

³⁸ *Country Analysis: Iran*. P.15. Washington D.C: EIA, 2013. Print.

Western and EU sanctions, Iran's trade relationship with Russia and China allows it to manipulate American interests and circumvent Western sanctions. The balance of power in the Caspian Basin is slowly spiraling out of America's control. In the long run, the continuation of the current policy will result in the United States losing significant regional influence.

Conclusion

The collapse of the Soviet Union spawned important geopolitical developments across the Caspian Basin and Central Asia. The abundance of natural resources in the region suggest that it will play a pivotal role in the future of world energy production. Consequently, Russia has utilized strategic diplomacy and coercion to maintain control of the region's energy economies. Despite signs of reemerging Russian imperialism, the United States failed to respond appropriately. Although several factors contributed to American foreign policy in the region, America's containment of Iran was the most influential. By barring Iranian participation in Caspian energy projects, American policy reduced competition and prevented the diversification of regional energy economies, thus isolating the Caspian Basin and playing directly into Russian strategy. Furthermore, Iran responded to Western sanctions by deepening ties with Russia and China. Neither of these outcomes are beneficial to American interest. Thus, the United States must redefine its foreign policy doctrine in Central Asia and the Caspian Basin. Next, the essay explores the competing interests of the major powers in the Central Asian "great game", before suggesting a new American foreign policy approach in the region.

Chapter 2: Competing Interests in Central Asia and the Caspian Basin

Central Asia is the center of the next "Great Game" between competing global superpowers. The abundance of natural resources and the local demand for investment and extraction technology suggest that Central Asia will remain geopolitically significant throughout the 21st century. This discussion focuses on Russian, Chinese, Indian, Turkish, Iranian, and American interests in the region. As discussed in Chapter One, Russia is the incumbent-power, and China is the rising-power. The Beijing-Moscow duopoly within the Shanghai Cooperation Organization (SCO) allows Russia and China to exert a great degree of influence in Central Asia. Indian interests are mentioned because its growing energy demands will influence decision making in the region. Furthermore, India's deepening ties with Iran, and Pakistan's strategic relationship with China will factor into American strategy in Central Asia. All the major players in Central Asia share one mutual interest, security.

A Sunni extremist movement in Afghanistan could easily spill over into neighboring countries and destabilize the region, jeopardizing Chinese, Russian, and Indian investments in Central Asia. After America's withdrawal from Afghanistan, Central Asian security dynamics will change. Security responsibilities in maintaining the stability of Afghanistan will shift to regional powers who have an economic, investments, or security interests. Mutual security interest could provide a platform for cooperation in the region. However, competition in Central Asian energy markets will likely limit multilateral cooperation to Afghanistan. The reader should analyze these competing interest to understand how a rapprochement enhances America's position in Central Asia. Understanding the feasibility of American-Iranian cooperation in Central Asia requires a comprehensive discussion of each superpower's interests in the region.

Only after studying these strategic and competing interests, can the reader draw a logical conclusion about American-Iranian interests in Central Asia.

A brief discussion of the Iraq and Afghan Wars is included because these two conflicts shaped the current balance of power in the region and influenced the state of American-Iranian affairs. American-Iranian cooperation during the Afghan War and post Iraq-War negotiations indicates that both countries can cooperate out of mutual interest. Moreover, mutual security interests in Afghanistan could serve as a platform for American-Iranian cooperation in the future. The situation in Iraq is tenuous at best. The United States toppled Saddam Hussein's Sunni-backed Baath party and replaced it with a Shiite coalition. In an attempt to counter Sunni influence in Iraq, the United States effectively bolstered Iranian Shiite influence in the country. Although Iraq and Iran were historical rivals, the former has become a puppet of the latter. Despite Iran's increased influence in Iraq, the United States presence in Afghanistan poses a security threat to Iran. An American withdrawal, however, will redefine Central Asian security dynamics and influence the strategic interest of each major player in the region. Central Asian geopolitics are rapidly changing to accommodate the evolving circumstances. The United States cannot remain a hegemonic power in the region by utilizing coercive force and soft diplomacy. Instead, the United States must devise a strategy that best enhances its geopolitical interests. Mutual American-Iranian interests suggest that both countries will benefit from a cooperative relationship. Before exploring the feasibility of American-Iranian engagement in Central Asia, this discussion highlights each superpower's interests in the region.

Russian Interests

Security

Russia's security interest in Afghanistan has a historical basis. The Russo-Afghan War was initially fought between the Afghan government and the Mujahedeen. Since the Afghan government did not have the proper equipment or training to defend the state, it asked the Soviet Union for assistance. The Kremlin seized the opportunity to expand its influence southward. The Soviet Union spent ten futile years in Afghanistan but eventually lost the war due to the Mujahadeen's incredible resilience, guerilla warfare tactics and American-Pakistani military aid to the militants. America's primary concern was containing the spread of communist influence in Central Asia. Pakistan, on the other hand, sought to counter Soviet encroachment on its territory. The Soviets were forced to withdraw in 1989 and admit a shameful defeat. Several years later the Russians encountered another Sunni insurgency.

The first and second Chechen Wars, fought in 1994 and 1999 respectively, proved to Moscow that Sunni extremism threatened Russian national interest. Chechens were bitter after the fall of the USSR because they did not receive independence from the Soviet Union. The American intervention in Bosnia and Herzegovina may have encouraged a Chechen secession from the Russian Federation because Chechnya believed America would intervene on its behalf. In the first Chechen War, the Chechens employed guerilla warfare tactics to outwit the Russians and secure a defeat. Despite Russia's overwhelming manpower, weaponry, and air support it was once again defeated by an inferior army. This time, however, it was on Russian soil. In the Second Chechen War, Russian military forces leveled Chechnya and installed a puppet dictator in the region. The lasting memory of the Chechen Wars justifies Russia's attitude towards radical

Sunni extremism. A Taliban reemergence in Afghanistan could precipitate other radical Sunni movements in Central Asia, thus jeopardizing Russian investments in the region. Nonetheless, Russian security and energy interests conflict in Afghanistan.

Energy

Afghanistan's location on the Central Asian plateau also increases its strategic significance. Since "Afghanistan is spoken of as a transit country for oil and gas", its stability is crucial to the success of Central Asian energy projects.³⁹ Thus, Afghan stability will incentivize the diversification of Central Asian energy economies by promoting southerly pipelines through the country. For example, the success of the TAPI pipeline is dependent on Afghan stability (see Map 1.1). Despite Gazprom's desire to finance the pipeline, the TAPI nations proposed China join the project instead.⁴⁰ Although the TAPI pipeline's future is uncertain, it is unlikely that Afghanistan will welcome Russian involvement in future energy projects. Since the diversification of Central Asian energy economies is contrary to Russian interests, Russia may not prioritize the stability of Afghanistan.

Russia's most important economic interest in Central Asia is to create a unified Eurasian economic space to preserve its economic ties with the region. Johannes Linn, a former World Bank Vice President for Europe and Central Asia, states, " Since Mr. Putin resumed the Russian presidency in 2012, Russia has breathed new life into a long-dormant regional grouping, the Eurasian Economic Community (EurAsEC), by pushing hard to create a customs union (and eventually an economic union) that, in Russia 's view, would encompass most of the republics of

³⁹ Chossudovsky, Michel. "The War Is Worth Waging": *Afghanistan's Vast Reserves of Minerals and Natural Gas*. Issue brief. Global Research: Centre for Research on Globalization, 16 June 2010. Web. 24 Mar. 2014.

⁴⁰ Foster, John. "Afghanistan, Energy Geopolitics and the TAPI Pipeline." *Journal of Energy Security* (2010): n. pag. *Global Research*. Web. 21 Mar. 2014.

the former Soviet Union."⁴¹ This is a continuation of the post-Soviet policy aimed at isolating Central Asia and increasing the region's dependence on Russia. Thus, Russia wants to preserve its monopoly of Soviet-built pipelines and own shares in any new pipeline projects. Since Central Asian economies are dependent on energy exports, this strategy will allow Russia to dictate the future of the region. Ultimately, "Russia aims to reintegrate the Soviet economic space on a Moscow-centric basis using energy coercion as a key lever."⁴² Russia also desires the lucrative benefits of Central Asian energy sources.

Russia's stagnant economy and ongoing demographic calamity imply that Central Asian energy revenues are important to future budgetary decisions. According to IHS's, a global consulting firm, economic report " the Russian government is forecasting that revenues will decline by 3.5% in 2014 and 7% in 2015 from previous projections. The three-year budget , covering 2014–16, foresees fluctuating total budget deficits: 0.5% of GDP in 2014; 1% of GDP in 2015; and 0.6% of GDP in 2016, resulting in an increased government debt stock which will exceed 14% of GDP by 2016."⁴³ Although this deficit is small by European standards, it is the first deficit since President Putin came to power. Less revenue will result in less tax receipts for the Russian state, thus pressuring the Russian fiscal budget. The IHS report predicts, "the hydrocarbon sector is most likely to be targeted when searching for new revenue sources."⁴⁴ President Putin may target Caspian energy markets because Caspian resources represent "billions of dollars in tariffs for Russia's cash-strapped government."⁴⁵ Moreover, Russia's economic downturn coincides with a reduction in Central Asian gas imports. From 2007 to 2010, Russian

⁴¹ Linn, Johannes F. *China's and Russia's Interests in Central Asia: Connecting the Dots in Kazakhstan*. Research Opinion. The Brookings Institution, 17 Sept. 2013. Web. 15 Jan. 2014.

⁴² Blank, Stephen, Dr. "Energy Economics and Security in Central Asia: Russia and Its Rivals." Diss. P.3.

⁴³ *Russian Crisis Budget Forecasts Declining Growth, Fiscal Revenues, Raising Risk of Increased Energy Sector Taxation*. Tech. IHS Global Insight, 5 Nov. 2013. Web. 15 Feb. 2014.

⁴⁴ Ibid

⁴⁵ Starr, Frederick S. "Power Failure: American Policy in the Caspian." *The National Interest*. P.3.

natural gas imports from Central Asia decreased by half (from 2 TCF to 1TCF).⁴⁶ Since Russia "used to generate significant profits" from buying Central Asian gas cheaply and selling it at "three times the price to its European customers", this decrease in gas imports is financially significant.⁴⁷ This decrease in Central Asian exports to Russia likely reflects China's entrance into the region's energy sectors. Russia's share of Central Asian export markets decreased from 23.3% to 16.4% from 2000 to 2010, while China's share increased from 4.8% to 14.6% during the same period (See Table 6). Although Central Asian energy exports to Russia decreased in recent years, Russian policy indicates the importance of Caspian energy sources.

In this sense, Russia views China as a direct competitor to its strategic interest. China's lendable reserves and its geographical proximity to the region provide a strategic value to Central Asian energy projects. Russia, on the other hand, has a bitter history with Central Asia because many Kazakhs, Turkmens, Tajiks, and Uzbeks perished during the Soviet collectivization.⁴⁸ Consequently, Central Asian nations have welcomed Chinese involvement in the region. According to Johannes Linn, Central Asian leaders "welcome the low key approach of their big neighbor (China), which promises to strengthen their own hand economically and politically at least in the short term."⁴⁹ Chinese economic inroads into Central Asia are incompatible with Russian long term interests, because Chinese competition will reduce Russian leverage over Central Asian energy economies.

⁴⁶ Paltsev, Sergey. *Russia's Natural Gas Export Potential up to 2050*. P.23. Issue brief. MIT Center for Energy and Environmental Policy Research, July 2011. Web. 25 Mar. 2014.

⁴⁷ Petersen, Alexandros, and Katinka Barysch. *Russia, China and the Geopolitics of Energy in Central Asia*. Issue brief. P. 29. Center for European Reform, Nov. 2011. Web. 8 Apr. 2014.

⁴⁸ Starr, Frederick S. "Power Failure: American Policy in the Caspian." *The National Interest*. P.4.

⁴⁹ Linn, Johannes F. *China's and Russia's Interests in Central Asia: Connecting the Dots in Kazakhstan*.

Chinese Interests

Energy

China's primary interest in Central Asia is energy. Economic growth in China continues to drive increased energy demand. In 2011, natural gas only accounted for 4% of China's total primary energy consumption.⁵⁰ However, the EIA believes that "heavy investments in upstream development and greater import opportunities are likely to underpin significant growth in China's natural gas sector."⁵¹ The EIA projects gas demand to "more than triple to 17 Tcf by 2040, growing by an annual average rate of about 4%."⁵² In an attempt to meet its growing gas demands, China has made economic inroads into Central Asian gas sectors. In 2009, China signed a deal with Turkmengaz to develop the Galkynysh field. Turkmenistan and China signed another gas supply agreement in 2013 to extend gas supplies from 1.4 TCF/Y to 2.3 TCF/Y by 2020.⁵³ The Chinese National Petroleum Company (CNPC) is currently involved in a joint venture with Turkmengaz to develop the South Yolotan field. This field will feed directly into the Turkmenistan-China pipeline, which supplies China with a large portion of its natural gas (see Map 1.1).⁵⁴ Chinese gas imports from Uzbekistan and Kazakhstan are also expected to increase as pipeline capacities expand on both sides of the border.⁵⁵ China is making similar inroads into Central Asian oil sectors.

China is investing into Central Asian oil sectors to meet its growing energy demands. According to the American Energy Information Administration (EIA), China is the second

⁵⁰ United States. US Department of Energy. Energy Information Administration. *Country Analysis: China*. P.17, 4 Feb. 2014. Web. 15 Feb

⁵¹ Ibid.

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Ibid. 24.

⁵⁵ Ibid.

largest consumer of oil and is expected to surpass the United States as the largest net oil importer in the world by 2014.⁵⁶ In May 2006, China inaugurated its first ever transnational oil pipeline. The pipeline connects Atyrau in Western Kazakhstan with Alashankou on the Chinese border in the Xinjiang province (see Map 1.2). The pipeline was developed by the Sino-Kazakh Pipeline Company, a joint venture between Chinese National Petroleum Company (CNPC) and Kazakhstan's KazMunaiGaz (KMG).⁵⁷ According to the EIA, "Expansions are underway on the Atyrau-Alashankou (see Map 1.2 & Table 4) section to nearly double capacity to 400,000 bbl/d in 2014. The two countries are considering a parallel second pipeline to supply crude oil from Kazakhstan's oilfields in the Caspian Sea region including the new Kashagan field."⁵⁸ Kazakh production is central to meeting China's energy demands. The EIA estimates that "about two thirds of CNPC's international production was from its assets in Kazakhstan and Sudan."⁵⁹ Although Chinese expansion into Central Asia reduces Russian leverage in the region, China's growing energy demand could benefit Russian firms.

Currently, China's enormous energy demands allow Russia and Central Asian Republics to satisfy Chinese demand without undue competition.⁶⁰ Although China is engaged in several Central Asian energy projects, "China and Russia have signed deals for Russia to send China close to 1 million bbl/d by 2020."⁶¹ However, Russian-Chinese cooperation is unsustainable because Chinese economic inroads into Central Asia are contrary to Russian interests. Nonetheless, Chinese investments into Central Asia are dependent on the security of the region.

⁵⁶ Ibid. 1.

⁵⁷ Ibid. 13.

⁵⁸ Ibid.

⁵⁹ Ibid. 10.

⁶⁰ Linn, Johannes F. *China's and Russia's Interests in Central Asia: Connecting the Dots in Kazakhstan*.

⁶¹ *Country Analysis: China*. P.12., 4 Feb. 2014. Web. 15 Feb. 2014.

Security

The Chinese seek to eliminate Sunni extremism in Afghanistan because extremist groups could support secessionist movements in the Uyghur province. The Xinxiang-Uyghur (XUAR) province is located in Western China and borders Tajikistan, Pakistan, and Kazakhstan. The XUAR province is susceptible to Islamic fundamentalism because sixty percent of the seventeen million people that live in the region are Muslim.⁶² During the 1990's, Chinese intelligence discovered that Uyghur separatist were receiving training from Al Qaeda in Afghanistan and returning to lead insurrections in the XUAR province.⁶³ Thus, Chinese officials fear that a successful Taliban insurgency in Afghanistan could endanger security in the Uyghur province. Furthermore, a successful extremist movement in Afghanistan could spillover into neighboring countries, jeopardizing the stability of the region and Chinese investment in Central Asia. Security in the Xinxiang province is essential to Chinese investments in pipeline infrastructure that would eventually deliver Central Asian energy to Eastern China's largest cities. China's first transnational pipeline, the Kazakh-Chinese route, connects "Atyrau in Western Kazakhstan with Alashankou on the Chinese border in Xinjiang."⁶⁴ Since Xinjiang is a crucial transit zone for Central Asian energy exports to China, its stability is essential to the success of Chinese energy projects in the region. Consequently, China led a multilateral approach against Uighur separatism in the Xinjiang region.

Shortly after the collapse of the USSR, China increased cooperation with Central Asian states to combat Uighur separatist in Xinjiang. Beijing's concerns in the XUAR province were

⁶² Paramonov, Vladimir, and Oleg Stolpovski. *Chinese Security Interests in Central Asia*. P. 5-6. Publication. Defence Academy of the United Kingdom, May 2008. Web. 10 Jan. 2014.

⁶³ Ibid. 5.

⁶⁴ *Country Analysis: China*. P.6., 4 Feb. 2014. Web. 15 Feb. 2014.

"heightened by the fear of a repeat of the historical precedents whereby close neighbors play the "Uyghur card" and support national separatism."⁶⁵ The extremist insurgency in the XUAR province is a delicate situation for the Chinese. China must maintain the security of the province, but not alienate the Muslim world through its tactics. If the Chinese oppress the Muslim majority in the XUAR province, it could cause an Anti-Chinese sentiment to arise throughout the Muslim world. Central Asian Republics or Russia could precipitate these actions by publicly supporting the Uyghur movement in the name of national separatism. In 1998, China secured Central Asian and Russian cooperation against Uighur separatist when leaders of the "Shanghai Five" confirmed the rejection of any manifestations of national separatism and the need to prohibit separatist activities on their territory."⁶⁶ America's involvement in Afghanistan is an asset in China's fight against Islamic extremist on its Western border.

Although China is not comfortable with an American presence in Afghanistan, China knows that an American military presence is beneficial to the stability of the country. Instead of expending valuable Chinese resources, the Chinese would prefer that American forces deal with Sunni extremist in Afghanistan. According to Raffaello Pantucci, a senior research fellow at the Royal United Services Institute, "Chinese thinkers have considered Afghanistan the "graveyard of empires." They chuckle at the ill-advised American-led NATO effort and point to British and Soviet experiences fighting wars in Afghanistan. But in reality, the presence of NATO forces provided China with a sense of stability. Beijing correctly assumed that NATO's presence in Afghanistan would mean regional terrorist networks would remain focused on attacking Alliance

⁶⁵ Paramonov, Vladimir, and Oleg Stolpovski. *Chinese Security Interests in Central Asia*. P. 3.

⁶⁶ Ibid. 5.

forces rather than stirring up trouble in neighboring countries like China."⁶⁷ Yet as the date of America's withdrawal from Afghanistan approaches, the security dynamics of the region are changing.

The prospect of a chaotic Afghanistan is not appealing to businessmen and policymakers in Beijing. Although Chinese policymakers are concerned about Al Qaeda's support for Uyghur separatist movements, they are more worried about the possible negative repercussions on Chinese investments in Central Asia. Chinese state owned firms have already invested large amounts of money in Afghanistan. Chinese National Petroleum Company (CNPC) has begun development on an oil field in the Amu Dayra region in northern Afghanistan.⁶⁸ The Metallurgical Corporation of China and Jiangxi Copper invested in copper mines in Mes Aynak, southeast of Kabul.⁶⁹ Both companies have encountered understandable security concerns with Taliban affiliated groups who are seeking to punish the Afghan central government by undermining efforts to develop the country. Even if all these investments were successful, it would not transform Afghanistan into a stable and prosperous state.

Afghanistan's instability is problematic because China does not want to assume responsibility for rebuilding the Afghan security apparatus. Instead, China is pushing for increased cooperation through the Shanghai Cooperation Organization (SCO). According to Raffaello Pantucci, "China believes the SCO should do more, but other member countries believe a bilateral approach is better than a multilateral one and that focusing on building individual relationships in Afghanistan will help strengthen their particular interest."⁷⁰ Lack of agreement

⁶⁷ Pantucci, Raffaello. *China's Leadership Opportunity in Afghanistan*. Diplomatic Report. Carnegie Endowment, 2 Apr. 2013. Web. 5 Mar. 2014.

⁶⁸ Ibid.

⁶⁹ Ibid.

⁷⁰ Ibid.

between SCO members is unfortunate because the SCO provides a potential platform for cooperation in Afghanistan. Since China failed to spearhead a multilateral approach towards Afghanistan, it sought a new partner in the matter, Pakistan.

Since Pakistan traditionally supported the Taliban, Pakistan provides an ideal mechanism for exerting influence in Afghanistan. As a result, the Chinese may seek to enlist Pakistani cooperation in the country. In 2011, China released its first ever foreign aid report, which government officials referred to as the "White Papers". According to the "White Papers", aid to Pakistan in 2011 accounted for a little more than 18 per cent of the Chinese foreign aid budget.⁷¹ This figure will likely grow after the United States withdraws from Afghanistan in 2014. China does not announce its true intentions for providing aid to Pakistan, but it is likely that Chinese foreign aid is a subtle attempt to secure Pakistani cooperation in Afghanistan. Although American foreign aid failed to achieve the same goal, Chinese-Pakistani cooperation is feasible because both countries share other interests in the region.

Pakistan serves as a proxy for Chinese interests in Central Asia. Firstly, Pakistan is an important Chinese mechanism for exerting influence in Afghanistan. As discussed above, Chinese investments in Central Asia depend on the stability of the region, which in turn relies largely on the stability of Afghanistan. Secondly, China and Pakistan share a mutual enemy, India. India is a rising democracy and a direct threat to Chinese interests in Central Asia. India's growing energy demands indicates that it will compete with China for Central Asian energy supplies. India is the fourth largest energy consumer in the world after the United States, China, and Russia.⁷² Moreover, the EIA projects India and China to account for the biggest share of

⁷¹ The People's Republic of China. Information Office of the State Council. *China's Foreign Aid*. N.p., Apr. 2011. Web. 9 Jan. 2014.

⁷² United States. Energy Information Administration. *Country Analysis: India*. P. 8, 18 Mar. 2013. Web. 8 Apr. 2014.

Asian energy demand growth through 2035.⁷³ China aims to minimize Indian influence in Central Asia by supporting its historic rival, Pakistan. Since India cannot secure an overland transport route to Central Asia through Pakistan, it has responded to Chinese containment by strengthening ties with Iran.

Indian Interests

Geopolitical

India seeks to reinvigorate the International North-South Transport Corridor (INSTC). India is landlocked with respect to Central Asia by Pakistan and China. China and Pakistan view Indian encroachment into Central Asia as a mutual threat. Thus, Chinese and Pakistani containment have forced India to search for an alternate transport route to Central Asia. The INSTC will originate in the JNPT port in Mumbai, run through the Iranian port of Chabahar, and eventually ship goods to Europe through the Caspian Basin (see Map 1.3). According to Nirmala Joshi, an expert on Eurasian studies and a former Professor at Jawaharlal Nehru University in New Delhi, "India must work out its smooth connectivity route to Central Asia through Iran to bolster its presence there. Central Asia will become geopolitically important after US troops withdraw from Afghanistan next year."⁷⁴ Although the route requires India to cooperate with Iran, it will "reduce travel time by 40 per cent for freight between India, Afghanistan, Central Asia, and Russia via Iran."⁷⁵ The INSTC will solidify Iran's strategic position on the Persian Gulf and enhance India's influence in Central Asia. Iran and India are expected to announce the terms

⁷³ Ibid.

⁷⁴ Chaudhury, Dijapan Roy. "Economic Relations with Central Asia: China Steals a March, but India Undeterred." *Economic Times* (13 Oct. 2013): n. pag. 13 Oct. 2013. Web. 25 Nov. 2013.

⁷⁵ "India, Iran to Discuss Chabahar Port Issue during Nauroz." *Islamic Republic News Agency*. N.p., 03 Jan. 2014. Web. 5 Mar. 2014.

of India's investment into the southern Iranian port of Chabahar by the end of March, 2014.⁷⁶

The INSTC is geopolitically significant because it facilitates Indian expansion into Central Asia and reduces its dependence on the Suez Canal by providing an alternate transport route to Europe. Nonetheless, India is experimenting with more subtle ways to exert influence in the region.

India utilizes soft diplomacy to expand its influence and promote democratic values in Central Asia. This strategy includes setting up telecommunications and civic organizations throughout the region. India exploits its comparative advantage in education to set up e-networks, which will provide tele-education and tele-medicine to the region.⁷⁷ India is also working to establish a Central Asian University in Bishkek, Kyrgyzstan.⁷⁸ These policies focus on education as a mechanism for change and influence. Although this strategy takes the longest to produce tangible results, it arguably creates the most profound change. At the political level, Central Asian Republics are attracted to India's secular government. According to Nirmala Joshi, "India's secular.... credentials have endeared it to Central Asian States, which feel they have much to gain from India's experience."⁷⁹ These shared secular values establish the groundwork for India's expansion into Central Asia. Although the INSTC will enable Indian expansion into the region, its success depends on Iran. Iran's interest in the region, however, are for more complex and ambiguous.

⁷⁶ Ibid.

⁷⁷ Chaudhury, Dijapan Roy. "Economic Relations with Central Asia: China Steals a March, but India Undeterred."

⁷⁸ Ibid.

⁷⁹ Joshi, Nirmala, ed. *Reconnecting India and Central Asia Emerging Security and Economic Dimensions*. Issue brief. Central Asia Caucasus Institute, 2010. Web. 5 Mar. 2014. P(105)

Iranian Interests

Security

Iran seeks to prevent a Taliban reemergence in Afghanistan. The Taliban are an extremist Sunni organization. Iran, on the other hand, is the largest Shiite state in the Middle East. Sectarian tensions boiled over when the Taliban began persecuting and executing Shiite Muslims in Afghanistan. Iran almost went to war with the Taliban before the United States invaded Afghanistan. The United States and Iran cooperated from 2001-2002 against the Taliban in Afghanistan.⁸⁰ Iran provided valuable intelligence that aided American war efforts in Afghanistan.⁸¹ Although Iran acted as a valuable American asset during the Afghan War, Iranian leaders might find it advantageous to destabilize Afghanistan because it provides leverage over Washington in the nuclear negotiations. This is highly unlikely, however, because Central Asian Republics, China, Russia, and India require a stable Afghanistan for trade purposes. This strategy could undermine Iran's commercial relationships with Central Asian states and further alienate it from the international community. Iran does not have much to gain and a lot to lose by destabilizing Afghanistan. In America's absence, Iran's primary security interest in Central Asia is to minimize Sunni extremism because it threatens Iranian Shiites. Nonetheless, Iran's primary interests in Central Asia is energy.

Energy

Iran's geographic location as an East-West and North-South transit zone will open up new avenues for cooperation with Central Asia. Iran seeks to establish trade relations with Central

⁸⁰ Filkins, Dexter. "The Shadow Commander." *The New Yorker*. N.p., 30 Sept. 2013. Web. 15 Feb. 2014.

⁸¹ Pollack, Kenneth M., Suzzane Maloney, and Bruce Riedel. *Which Path to Persia? Options for a New American Strategy Towards Iran*. P.46.

Asia because it provides the most economic transport route for Central Asian energy. According to a report by The National Bureau of Asian Research, "a southerly route (from Central Asia) has the advantage of lowering cost by connecting to Iran's existing pipeline system and of adding another direction to diversify major supply routes for Caspian oil."⁸² Moreover, Central Asian Republics reciprocate the desire to engage Iran. The economic attractiveness of Iranian energy projects "induced the Kazakh government at the end of 2001 to revive its efforts of persuading the US of the expediency of the pipeline projects through the territory of Iran."⁸³ Nonetheless, the United States continues to block Iranian involvement in Central Asian energy projects.

The Anti-Iranian sanctions, for instance, "restricted joint Iranian-Kazakhstan activity in the oil-gas sphere only to swap operations."⁸⁴ Moreover, the sanctions cut Iran off from the international banking system and denied Iranian firms access to advanced technology, effectively barring its participation in Central Asian energy projects. Dr. Guli Yuldasheva argues, "The US economic sanctions, non-admission of Tehran to the energy projects of the CA region, and formation of a negative image of Iran as a state-sponsor of international terrorism hinder development of full-fledged relations with CA states."⁸⁵ Although American-Iranian tensions continue to prevent relations between Iran and Central Asian Republics, the desire for mutual engagement is evident. Despite Iran's desire to participate in Central Asian energy projects, it also has a geopolitical interest in the region.

⁸² Chow, Edward C., and Leigh E. Hendrix. *Central Asia's Pipelines: Field of Dreams and Reality*. P.35. Tech. The National Bureau of Asian Research, Sept. 2009. Web. 14 Feb. 2014.

⁸³ Yuldasheva, Guli, Dr. "Geopolitics of Central Asia in the Context of the Iranian Factor." *Caucasian Review of International Affairs* 2.3 (2008): 136. Web. 15 Feb. 2014.

⁸⁴ Ibid. 135.

⁸⁵ Ibid. 134.

Geopolitical

Iran seeks to strengthen its position in Central Asia, not so much for the purpose of propagating Shiite ideology, but to maintain an ability to counterbalance Sunni Middle Eastern powers and to promote its own state interests. Not long after the collapse of the Soviet Union, Iranian officials began to feel threatened by Turkish encroachment in Central Asia. Ankara was seen as a close ally of the United States, and an increased Turkish presence in Central Asia could endanger Iran's geopolitical position.⁸⁶ After the collapse of the USSR, the rapid development of Sunni Salafism in the former Soviet Republics led Iran to strengthen its position in Central Asia. According to Sebastien Peyrouse and Sadykzhan Ibraimov, two scholars from the Hudson Institute, "The Islamic Republic's intelligence services are very active throughout the region ; the Revolutionary Guard has at its disposal networks of influence in the region; Iranian universities host Central Asian students every year.... and new Shiite movements with connections to Iran have formed in Tajikistan."⁸⁷ Nonetheless, Iran's religious presence in Central Asia is overstated.

Shiites are the minority in the region and many Central Asian states oppress Shiite religious practice. Any cultural reference to Shiism is punishable under Turkmen law. Both Azeri and Ironi (Shiite minority in Uzbekistan) Shiites living in Central Asia often face difficult living conditions - "clandestine mosques, a lack of theological training, and no formal links with the State."⁸⁸ Although Shiite Islam is forbidden in many Central Asian states, Iran gives precedent to economic pragmatism over religious ideology. An example of Iran's pragmatic foreign policy is the Dauletabad–Sarakhs–Khangiran pipeline. This is a natural gas pipeline that

⁸⁶ Peyrouse, Sebastien, and Sadykzhan Ibraimov. "Iran's Central Asia Temptations." *Current Trends in Islamist Ideology* 10 (2010): 88. Hudson Institute. Web. 8 Feb. 2014.

⁸⁷ Ibid.

⁸⁸ Ibid. 93.

runs from the Dauletabad field in Turkmenistan to the Iranian refinery in Khangiran.⁸⁹ Despite Turkmenistan's oppression of Shiite Islam, the pipeline is a symbol of deepening economic ties between Iran and its Central Asian neighbor. Although Iran gives precedent to economic interests over religious ideology, it must compete with Turkey's Sunni influence in the region.

Turkish Interests

Geopolitical

Turkish interests in Central Asia are underpinned by its ethnic, linguistic, historic and religious ties with the region. After the collapse of the USSR, Turkey was the first country to recognize the independence of all Central Asian States.⁹⁰ Turkey hoped that by building ties with these recently independent states "it could build a Turkic community that would fall under its own leadership."⁹¹ However, Turkey's ambitions fell short of its actions because Central Asian Republics failed to reciprocate Turkish interests in the region. Central Asian Republics, having just won their independence, were "reluctant to embrace Ankara's role of "Big Brother" and join a union that would be dominated by it."⁹² Despite historic ties between Turkey and Central Asia, many Central Asian governments suspect Ankara's Pro-democratic agenda. Although Uzbekistan was once seen as a recipient of Turkey's secular model, "Uzbekistan is highly skeptical of Ankara due to its perceived pro-democratic agenda."⁹³ Consequently, these post Soviet developments have shaped Ankara's attitude towards the region today.

⁸⁹ *Country Analysis: Iran*. P.19. Washington D.C: EIA, 2013. Print.

⁹⁰ Wheeler, Thomas. *Turkey's Role and Interests in Central Asia*. Issue brief. P.2. SaferWorld, Oct. 2013. Web. 28 Mar. 2014.

⁹¹ Ibid.

⁹² Ibid. 3.

⁹³ Ibid. 6.

Although Turkey has linguistic, ethnic, sectarian, and religious ties with Central Asia, Turkey has become less ideological and more pragmatic in the region. Trade, infrastructure, and energy are sectors where Turkey has deepened its economic relations with Central Asia. Turkey's trade volume with the region was valued at \$6.5 billion in 2010.⁹⁴ Nonetheless, there is no evidence to suggest that Turkish ties with Central Asia have accelerated faster than its ties with the rest of the world, because no Central Asian state is listed in Turkey's top 20 trading partners.⁹⁵ Although there is a reason to doubt the extent of Turkish engagement in the Caspian Basin, Turkey's energy interests in the region are significant.

Energy

Since Turkey has access to EU markets, it seeks to become an energy hub for the wider region, thus solidifying its global significance. In 2007, the AKP suggested that an institution similar to OPEC be created with respect to Central Asian gas suppliers, thus indicating the geopolitical importance of Central Asian energy sources.⁹⁶ Turkish participation in Caspian Basin energy sectors would reduce the region's strategic dependence on Russia and enhance Turkey's geopolitical interests. Moreover, Turkey wants to diversify its supply chain and reduce its dependence on Russian oil sources. In this sense, Ankara has "sought to mediate disputes over oil and gas fields in the Caspian between Turkmenistan and Azerbaijan, the latter of which is directly linked to Turkey through the 1,700 kilometre Baku-Tblisi-Ceyhan oil pipeline" (See Map 1.2).⁹⁷ Secure oil sources from the Caspian Basin will reduce Turkish dependence on Russian oil. In this sense, Kazakhstan is Turkey's most important trading partner in the Caspian

⁹⁴ Turkey. Ministry of Economy. *Commonwealth of Independent States-Kazakhstan*. N.p., July 2013. Web. 28 Mar. 2014.

⁹⁵ Ibid.

⁹⁶ Wheeler, Thomas. *Turkey's Role and Interests in Central Asia*. Issue brief. P.8.

⁹⁷ Ibid.

region. Turkish goods imported from Kazakhstan totaled \$3.3 billion in 2012, up from \$203 million in 2002. In 2012, petroleum products (\$1.3 Billion) accounted for the largest share of Turkish imports from Kazakhstan.⁹⁸ Although MEPS are not Turkey's primary trade partner, these trends indicate Turkey's growing energy interests in the region. Nonetheless, Turkish interests in Central Asia are not limited to energy.

Although Turkey has avoided involvement in most Central Asian security affairs, it has taken an extensive role in Afghanistan. Turkey's lack of involvement in Central Asian security affairs reflects its reluctance to upset local governments and Russia. Moreover, Turkey is "aware of its limitations with regards to promoting democratic politics in the face of highly centralized states."⁹⁹ This stands in contrast to its extensive role in Afghanistan, where Turkish diplomats have sought to mediate between Islamabad and Kabul, and Turkish aid has been used to facilitate post conflict reconstruction.¹⁰⁰ Since the stability of Afghanistan is crucial to Central Asia and the Caspian Basin, Turkish investment in Afghanistan's security may prove a significant consideration for its future relationships with Afghanistan and its Central Asian neighbors. Another critical factor influencing future Turkish engagement in the region is its relations with the major powers involved: China, Russia, and the United States. The deepening of power rivalries in Central Asia will most likely influence whether, how and with whom Turkey chooses to affiliate with in the region.

⁹⁸ Turkey. Ministry of Economy. *Commonwealth of Independent States-Kazakhstan*. N.p., July 2013. Web. 28 Mar. 2014.

⁹⁹ Wheeler, Thomas. *Turkey's Role and Interests in Central Asia*. Issue brief. P.4.

¹⁰⁰ *Ibid.* 5.

American Interests

Geopolitical

The United States has a geopolitical interest in supporting all pipeline development in the Caspian region. In 2009, George Krol, Deputy Assistant Secretary of State for South and Central Asia told Congress that one U.S. priority in Central Asia is to "increase development and diversification of the region's energy resources and supply routes."¹⁰¹ Since the United States cannot become a hegemonic power in the region, it must promote competition and foster Central Asian sovereignty. This will counter Russian imperialism, mitigate China's rise, and increase Central Asian Republic's bargaining power with their trading partners.

If the United States wants to support Central Asian sovereignty, then it must also support the diversification of CA energy economies, because many CA states are highly dependent on energy exports for economic stability (see Table 2). Turkmenistan is a prime example of this trend. In the early 1990's, Russia bought "Turkmenistan's gas supply at low prices and resold it to Turkey at a 300 per cent markup."¹⁰² More recently, Russia increased prices on Turkmen gas, "bringing them closer to the world levels", in an attempt to secure its position in the region.¹⁰³ Presumably, this change in Russian attitude is attributable to Chinese and Iranian inroads into the Turkmen gas sector. Turkmenistan increased its leverage vis-à-vis Russia and began to realize the potential of its natural gas sector by diversifying its export routes via China and Iran. Consequently, the United States also promotes export diversification in the greater Caspian region.

¹⁰¹ Foster, John. "Afghanistan, Energy Geopolitics and the TAPI Pipeline." *Journal of Energy Security* (2010): n. pag. *Global Research*. Web. 21 Mar. 2014.

¹⁰² Blank, Stephen, Dr. "Energy Economics and Security in Central Asia: Russia and Its Rivals." Diss. P.13.

¹⁰³ Yuldasheva, Guli, Dr. "Geopolitics of Central Asia in the Context of the Iranian Factor." *Caucasian Review of International Affairs* 2.3 (2008): 138. Web. 15 Feb. 2014.

If Caspian states cannot diversify their export routes, then Russia will dictate the future of the region. The Baku-Tbilisi-Ceyhan pipeline is a prime example of a small victory in this regard (See Map 1.2). The pipeline allows Azerbaijani oil to flow to Europe without passing through Russian territory, thus reducing Russia's market share of Azeri oil. The United States supported this pipeline because it reduced Azeri dependence on Russian export routes. This is a prime example of how American policy can foster Central Asian and Azerbaijani sovereignty. Nonetheless, the United States also has valuable security interest Central Asia.

Security

The United States seeks to stabilize Afghanistan. America does not want to see a Taliban reemergence because Sunni extremism could spillover into neighboring countries, jeopardizing the security and economic development of the entire region. Despite Afghanistan's large mineral and gas deposits, security threats continue to hinder international investment in the country. Although the Turkmen-Afghan-Pakistani-Indian (TAPI) pipeline "could help pay for teachers and infrastructure" in Afghanistan, its development stalled because companies were "unlikely to make investments within a war zone."¹⁰⁴ A Taliban reemergence would imply that trillions of taxpayer's dollars and thousands of American lives were wasted in vain. The United States is not willing to accept this outcome, but it must find a way to prevent it. A persistent American military presence in the country will increase anti-Americanism and take a toll on the domestic economy. This is not politically, economically, or internationally sustainable. Thus, the United States must devise a new policy in Central Asia and the Caspian Basin.

¹⁰⁴ Foster, John. "Afghanistan, Energy Geopolitics and the TAPI Pipeline." *Journal of Energy Security* (2010): n. pag. *Global Research*. Web. 21 Mar. 2014.

Conclusion

The major players in the Caspian Basin all have energy, security, and geopolitical interests in the region. Russia seeks to maintain its monopoly of Caspian energy economies, thus ensuring its dominance in the region. Although Russia has security interests in preventing the reemergence of Sunni extremism in Afghanistan, the stability of the country will benefit the diversification of Central Asian energy economies, thus reducing Russia's influence and acting counter to its interests. China has made significant inroads into Central Asia to meet its growing energy demands and diversify its global supply chain. With the exception of Turkmenistan, Iran's participation in regional energy projects is nonexistent due to Western sanctions and American pressure. Although American policymakers have stated the necessity to diversify Central Asian energy economies, American policy towards Iran is not congruent with this statement.

Despite American policy, evidence indicates that Central Asian states desire to engage Iran in an economic sphere. Although Turkey shares ethnic, sectarian, linguistic, religious, and historical ties with the Muslim Energy Producing States (MEPS) of the former Soviet Union, its influence is limited because regional governments suspect Ankara's pro-democratic agenda. Nonetheless, evidence indicates that Turkey is increasing its role in the region's energy sectors. America has a geopolitical interests in promoting the diversification of Caspian energy economies. This will promote competition, thus countering Russian imperialism and mitigating China's rise in the region. Instability in Afghanistan could spillover into neighboring countries, jeopardizing investments and undermining the development of the region. Thus, the United States has a security interest in preserving the stability of Afghanistan. Since a continued American military presence in Afghanistan is not feasible, the United States must enlist the

cooperation of a regional power that shares its geopolitical and security interests. Next, the essay explores the feasibility of American-Iranian cooperation in Central Asia and the Caspian Basin.

Chapter 3: America and Iran: Potential Allies in Central Asia?

The United States must establish a new foreign policy doctrine in the Caspian Basin and Central Asia. America should focus on a long term approach to ensure the independence and economic development of the Muslim Energy Producing States (MEPS) of the former Soviet Union. Strong, wealthy states will have more resources to fight drug trafficking and combat Islamic extremist. Moreover, independent MEPS will counter Russian imperialism and mitigate China's rise. The goal is not to eliminate Russian and Chinese influence in the Caspian Basin. Russian and Chinese predominance is an assumption of this argument and the primary reason that the United States cannot become a hegemonic power in the region. Instead, the goal is to mitigate Russian and Chinese influence by promoting competition in the Caspian Basin.

In order to achieve this goal, the United States must enlist the help of a regional power who shares American security and geopolitical interests in the region. Iran is a prime example of such a nation. Iran provides a valuable counterbalance to Sunni extremist groups in Afghanistan and an economical export route for Caspian Basin energy sources. Shortly after the United States invasion of Afghanistan, America and Iran cooperated against Al Qaeda and Taliban militants in Afghanistan, providing a beacon of hope for cooperation between the two regimes. Since the diversification of regional energy economies is in America's interests, the United States must promote competition in the Caspian Basin. Iranian participation in Caspian energy projects will increase competition, thus countering Russian imperialism and mitigating China's rise.

This argument assumes that Iran is a rational actor. Iran's deepening ties with Russia and its extensive economic relations with Turkmenistan are a testament to Iran's pragmatic foreign policy. Since America and Iran are rational actors, an observer of International Relations must

analyze American and Iranian geopolitical, economic, and security interest to determine the feasibility of American-Iranian cooperation. This chapter will identify the American persuasion approach towards Iran. Next, the chapter will explain why the persuasion approach failed for thirty years and why the Iranian regime recently decided to negotiate with the international community. This discussion illuminates the complexities of the negotiation process and gives the reader a contemporary understanding of American-Iranian relations. Secondly, the chapter will explore the divergence and convergence of American-Iranian interest in Central Asia and the Caspian Basin. A "cost benefit analysis" of American-Iranian interests in Central Asia will show the reader how American-Iranian cooperation is beneficial to both countries regional interests.

Persuasion

Persuasion, America's current policy towards Iran, is an approach that utilizes positive and negative inducements to force Iran to change its behavior. Persuasion is based on a "reward and punish" system. Under this approach, the United States will relieve sanctions if Iran cooperates, but strengthen them if Iran deviates. Advocates of this policy argue that a similar approach worked in North Korea and Libya.¹⁰⁵ Furthermore, they believe that persuasion can easily branch off into a military option. If the Iranian economy is first weakened by sanctions, then Iran will be a more manageable enemy in the case of a war. Secondly, a weak Iranian economy makes it easier for Western powers to support a domestic coup within Iran. However, neither of these alternative policies will work. A military strike or conventional invasion may not secure the destruction of Iranian nuclear capabilities, and it will not prevent Iran from rebuilding its nuclear infrastructure in the long run. Due to the disclosure of a covert CIA operation in 1953 to oust Iranian leader, Mohammed Mussadeq, a clandestine operation in Iran is unfeasible and

¹⁰⁵ Pollack, Kenneth M., Suzanne Maloney, and Bruce Riedel. *Which Path to Persia? Options for a New American Strategy Towards Iran*. P.38.

risks further dividing the two countries. Despite difficulty dealing with Iran, proponents of the persuasion approach argue its effectiveness. According to a memo by the Brookings Institute, Iran considered making changes to its nuclear program in 2004-2007 to prevent international sanctions.¹⁰⁶ Nonetheless, Iran's nuclear program continued to grow after this point.

Al Jazeera reported in February of 2012 that Iran unveiled its first domestically produced 20 percent enriched nuclear fuel and it announced that 3,000 new nuclear centrifuges would be added to the uranium enrichment program.¹⁰⁷ This indicates that Western sanctions, until June of 2012, were ineffective in persuading Iran to curb its nuclear program. Sanctions proved unsuccessful because they were inherently counterproductive and produced unforeseen consequences.

Sanctions emboldened Iranian hardliners and undermined reformist movements. Since the Islamic Revolution many American policymakers have criticized Iranian human rights, and more recently, the Iranian nuclear program. Iranian leaders believe that the United States is hypocritical of human rights because of American ties to the conservative Sunni monarchy in Saudi Arabia and America's unconditional support for the Shah. According to Ayatollah Ali Khomeini, "The approach of the US and others who advocate human rights is contradictory."¹⁰⁸ Many scholars argue that human rights were violated under the Shah. According to Ann Elizabeth Mayer, the author of *Islamic Rights or Human rights: An Iranian Dilemma*, "Under the reign of the late Shah, Iranians were deprived of basic rights and freedoms and suffered from pervasive violations of human rights, many at the hands of the regime's notorious security

¹⁰⁶ Ibid.

¹⁰⁷ "Timeline of Iran's Nuclear Programme." *Al Jazeera*. N.p., 24 Nov. 2013. Web. 7 Mar. 2014.

¹⁰⁸ Petersen, Freya. "Iran's Supreme Leader, Ayatollah Ali Khamenei, Condemns Boston Bombings, Calls US Selfish and Hypocritical." *Global Post*. N.p., 17 Apr. 2013. Web. 7 Mar. 2014.

forces."¹⁰⁹ Nonetheless, America leaders did not criticize human rights in Iran until after the Islamic Revolution. Thus, Iranian hardliners are convinced that America is motivated by regime change in Iran.

Likewise, these hardliners claim that the nuclear issue is an American ploy to destroy the Islamic regime. According to *Which Path to Persia?*, a memo by the Brookings Institute, Iranian leaders believed that the Bush Administration, "remained committed to regime change and was simply attempting to give an offer to Tehran that it would never accept so that Washington could then use an Iranian rejection as justification for either implementing crippling sanctions or moving to war."¹¹⁰ Thus, Iranian hardliners believe that American sanctions are a deceitful attempt to undermine the Islamic Regime. According to the Brookings Institute, "whatever potential impact the positive inducements of the persuasion approach might have would be undercut by the reflexive negative reaction to the threat of sanctions."¹¹¹ Consequently, sanctions undermine reformist movements and embolden the hardliner's enmity towards the West. Iran's response to sanctions suggest that further alienation will radicalize, not moderate, the Islamic Regime. Although sanctions are inherently counterproductive, persuasion was unsuccessful because the United States failed to secure international cooperation.

Prior to July 2012, the United States failed to secure EU cooperation against Iran. Advocates of the persuasion approach who cite the policy's success in North Korea and Libya fail to see one thing: the international community supported the majority of sanctions against these two regimes. However, the international opinion of Iran was divided. Initially, members of the European Union failed to agree on the organization's stance towards Iran. According to the

¹⁰⁹ Mayer, Ann Elizabeth. "Islamic Rights or Human Rights: An Iranian Dilemma." *Iranian Studies* 29.3-4 (1996): 269. *JSTOR*. Web. 8 Jan. 2014.

¹¹⁰ Pollack, Kenneth M., Suzzane Maloney, and Bruce Riedel. *Which Path to Persia? Options for a New American Strategy Towards Iran*. P.27.

¹¹¹ *Ibid.* 40.

Brookings Institute, Iran's "morally odious behavior is irrelevant to some European regimes and of paramount importance to others."¹¹² For example, in 2005 Germany had the largest share of the Iranian export market with 14.4% of the nation's exports. Italy and France were ranked third and sixth respectively with 7.5% and 6.2% share of the Iranian export market.¹¹³ Without EU cooperation, the United States could not create a large enough negative inducement to break the Iranian regime.

Since the European Union embargo of Iranian oil did not take effect until January, 2012, the United States had to look elsewhere for support of its persuasion policy. This was virtually impossible because China and Russia were, and still are, Iran's most integral business partners. According to a memo written in 2009 by the Brookings Institute, "Russia and China have continued to do business with Iran and have not prevented or even cautioned their own companies against doing so. In fact, Chinese firms have aggressively attempted to expand their business in Iran. Likewise, Russia completed work on Iran's Bushehr research reactor, which many believe to be a front that Tehran uses to conduct research into more nefarious nuclear activities."¹¹⁴ If America sought to successfully contain Iran, it had to compromise or forego other national interest to secure Russian or Chinese cooperation.

This is unsurprising because Iran has traditionally capitalized on the cleavage between Eastern and Western interests. After World War II, Iran welcomed an American presence within its borders to counterbalance Russian and British encroachment.¹¹⁵ Now, Iran is utilizing Russian leverage to counter American sanctions. Iran's reorientation towards Russia and China illustrates

¹¹² Pollack, Kenneth M., Suzzane Maloney, and Bruce Riedel. *Which Path to Persia? Options for a New American Strategy Towards Iran*. P.17.

¹¹³ Habibi, Nader. "The Cost of Economic Sanction on Major Exporters to Iran." *Payvand Iran News*. N.p., 5 May 06. Web. 7 Mar. 2014.

¹¹⁴ Pollack, Kenneth M., Suzzane Maloney, and Bruce Riedel. *Which Path to Persia? Options for a New American Strategy Towards Iran*. P.31.

¹¹⁵ Bill, James A. *The Eagle and the Lion: The Tragedy of American-Iranian Relations*. P.18. New Haven: Yale UP, 1988. Print.

how American unilateral sanctions decreased its leverage over Iran and heightened hostility between the two regimes. Nonetheless, the European Union's sentiment shifted in January of 2012 when the IAEA announced that Iran had begun enriching uranium up to 20 per cent at the Fordo Nuclear facility near Qom.¹¹⁶

Why Now?

In November 2013, Iran reached a historic deal with the international community and decided to negotiate its nuclear program. Many people incorrectly believe that President Rouhani, a recently elected reformist candidate, is responsible for the breakthrough. Although President Rouhani contributed to the historic deal, he was not the deciding factor. Ayatollah Khomeini designed the Iranian constitution to preserve the power of the Supreme Leader. He modeled his doctrine on the concept of absolute rule exercised by the Prophet Mohammad and his successors in the early days of Islam.¹¹⁷ Since Ayatollah Ali Khomeini is the Supreme Leader, he must support the negotiations if they are going to carry any credibility in domestic Iranian politics.

President Khatami is a reformist politician who was elected Iranian president on August 2nd, 1997. Despite his moderate views, he was unable to change the Ayatollah's enmity towards the West, and he was defeated in August, 2005 by President Ahmadinejad, a conservative hardliner. Although Iran elected a moderate President, it failed to reform its international standing. One might ask: What has changed since the 1997 election of President Khatami that makes this negotiation different from the last? Firstly, Ayatollah Ali Khomeini, Ali Khomeini's

¹¹⁶ "Timeline of Iran's Nuclear Programme." *Al Jazeera*. N.p., 24 Nov. 2013. Web. 7 Mar. 2014.

¹¹⁷ Bazzi, Mohamad. "Khomeini's Long Shadow: How a Quiet Revolution in Shiism Could Resolve the Crisis in Iran." *Foreign Affairs* (2010): n. pag. Council on Foreign Relations, 21 June 2010. Web. 25 Nov. 2013.

successor, supports the negotiations. In a letter published by the Washington Times from Ayatollah Khomeini to President Rouhani regarding the nuclear negotiations, Ayatollah Khomeini wrote "What you have gained, an appreciation and thanks for the nuclear negotiation body and officials is befitting, and can be the basis for the next wise steps."¹¹⁸ More importantly, why does Ayatollah Khomeini support the negotiations this time around? Recent developments in the international system reduced Iran's leverage over the West and made it more vulnerable to Chinese and Russian dependence.

Iran reconsidered a negotiated settlement of its nuclear program because the European Union joined the Anti-Iranian sanctions regime. President Ahmadinejad's hostile rhetoric towards Israel and aggressive pursuit of a nuclear program led to EU suspicions about Iranian intentions. After the IAEA confirmed Iran's 20 per cent enrichment program, the European Union passed an embargo on Iranian oil along with sanctions against the Iranian central bank.¹¹⁹ The European P&I club also imposed a ban on insurance and reinsurance for Iranian oil tankers.¹²⁰ This profoundly impacted Iranian exports because the European P&I club underwrites "the majority of insurance policies for the global tanker fleet, covering about 95 percent of tankers."¹²¹ China, India, Korea and Japan temporarily stopped purchasing Iranian oil until each country found alternative insurance.¹²² This caused Iranian oil exports to drop by 17% from 2011 to 2012.¹²³ The decline in Iranian exports is shown in Figure 5 (below).¹²⁴ The slight increase in Iranian oil exports from Q3 to Q4 reflects the continuation of exports to India, China, Korea, and

¹¹⁸ Ernst, Douglas. "Ayatollah Khomeini Backs Iranian Nuclear Deal." *Washington Times*. N.p., 26 Nov. 2013. Web. 25 Feb. 2014.

¹¹⁹ Timeline of Iran's Nuclear Programme." *Al Jazeera*. N.p., 24 Nov. 2013. Web. 7 Mar. 2014.

¹²⁰ *Country Analysis: Iran*. Washington D.C: EIA, 2013. Print. P.9.

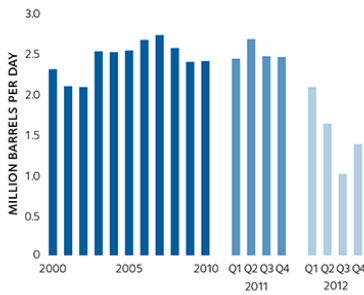
¹²¹ Ibid.

¹²² Ibid.

¹²³ Ibid. 5.

¹²⁴ Securing America's Future Energy. *Decision Point: A Well Supplied Global Oil Market Will Make 2013 the Year to Deal with Iran*. Issue brief. Roubini Global Economics, 26 Apr. 2013. Web. 10 Feb. 2014.

FIGURE 5
IRAN EXPORTS OF CRUDE OIL



Source: Figure 5—IEA;

Japan, after each country found alternative forms of insurance.

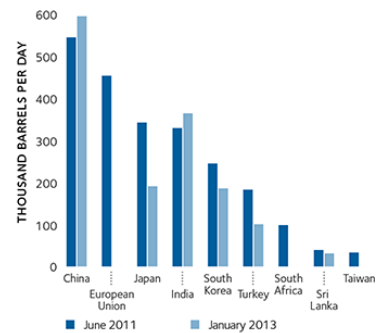
Although Figure 7 (below) indicates that Iran responded by deepening trade relations with China and India, this strategy is not in Iran's long term interests, because its quest for hegemony in the Persian Gulf depends on its ability to balance Eastern and Western interests. Otherwise, Iran, the minority in

the region, will become overly dependent on China, India, or Russia and jeopardize its ability to exert influence beyond its borders.

International cooperation was the most significant component of America's persuasion strategy. The European Union embargo took effect on July, 2012. The impacts of the EU embargo are illustrated in Figure 7.¹²⁵ After several months of new sanctions, the Iranian currency depreciated forty per cent by October 2012.¹²⁶ When President Rouhani took office, he recognized that economic development was

central to the stability of his country. Only five months into his presidency, President Rouhani secured himself a top speaking slot at the World Economic Forum in Davos, Switzerland, something which his predecessor did not do during eight years in office. During his speech, President Rouhani tied economic development to the stability of the Middle East and indicated his desire to attract foreign investment to Iran.¹²⁷ President Rouhani's speech certainly signals a

FIGURE 7
IRAN CRUDE OIL EXPORTS BY DESTINATION



Source: Figure 7—Roubini Global Economics based on data from DOE, EIA, and public;

¹²⁵ Ibid.

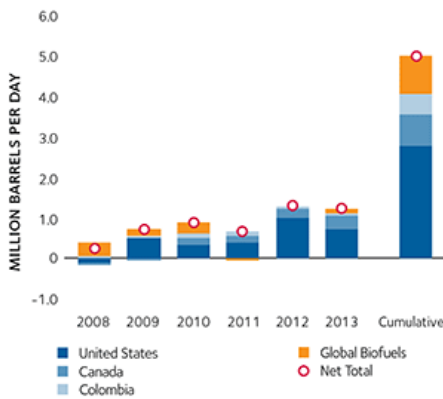
¹²⁶ "Timeline of Iran's Nuclear Programme." *Al Jazeera*. N.p., 24 Nov. 2013. Web. 7 Mar. 2014.

¹²⁷ Vatanka, Alex. "Iran's Rouhani Must Avoid Getting Wings Clipped." *CNN*. Cable News Network, 23 Jan. 2014. Web. 10 Feb. 2014.

change in tone for the Islamic Regime, but it may also reflect Iran's reduced leverage in world oil markets.

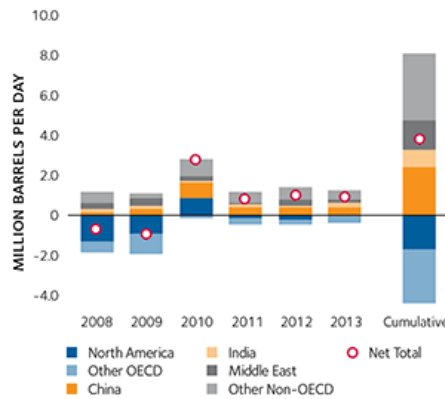
Over the past decade, tight supply-demand conditions in global oil markets have prevented Western nations from dealing assertively with the Iranian nuclear program. However, these dynamics began to change in 2012. Lower global demand, as a result of the 2007-2008 recession, and increased production in non OPEC states created an opportunity for the international community to strengthen sanctions targeting Iran's oil sector without causing a spike in world oil prices.¹²⁸

FIGURE 3
ANNUAL GROWTH IN NON-OPEC AMERICAS LIQUID FUEL PRODUCTION (2008-2013)



Source: Figure 3—IEA; Figure 4—IEA

FIGURE 4
ANNUAL GROWTH IN GLOBAL LIQUID FUEL DEMAND (2008-2013)



Figures 3 and 4 (above) depict the growth in non OPEC America's liquid production and the annual growth in demand for global liquid fuel.¹²⁹ An examination of the graph indicates that net supply from 2008-2013 exceeds net demand over the same period. This difference in supply and demand has given Western nations a temporary window to deal assertively with the Iranian regime without causing a hike in world oil prices. Consequently, stronger sanctions implemented

¹²⁸ Securing America's Future Energy. *Decision Point: A Well Supplied Global Oil Market Will Make 2013 the Year to Deal with Iran.*

¹²⁹ Ibid.

by the United States and the European Union caused Iranian oil production to fall to 1.0 million barrels per day in July 2012, its lowest level since 1989.¹³⁰ Nonetheless, these dynamics are unsustainable because world oil markets will begin to tighten again in 2014 due to increased demand from emerging markets.¹³¹ Despite the macroeconomic outlook of world oil markets, Iran still has bargaining power in the rapprochement process.

Although sanctions and the state of world oil markets impacted Iran's bargaining position, Iran can leverage its role in the greater Middle East to influence the negotiations. Iran's support for Shiite militias in the Levant, its potential nuclear capabilities, and its influence over the Shiite coalition government in Iraq allow it to disrupt the American status quo in the Middle East. Thus, American war hawks might prefer war over diplomacy. This strategy is based on the assumption that an apocalyptic collapse of the current social order is better than an evolutionary change of the regime.¹³² History is not a testament to this approach. Instead, policymakers must consider how American-Iranian interests converge in the Caspian Basin and Central Asia before devising a feasible strategy towards Iran.

Greater American-Iranian Relations

American-Iranian interests are bound to conflict in certain regions because both countries compete for hegemonic influence in the Persian Gulf. For the last twenty years, the United States had a free hand in the region because Iran and Iraq were in disrepair after the Iraq-Iran War and the Persian Gulf War. This allowed the United States to uphold the Saudi-Israeli oriented "status quo" in the Persian Gulf, but these dynamics are rapidly changing. The most unforeseen

¹³⁰ Ibid. 1.

¹³¹ Ibid.

¹³² Starr, Frederick S. "Power Failure: American Policy in the Caspian." *The National Interest*. P.6.

consequence of the Iraq War was the expansion of Iranian influence into Iraq. According to Dexter Filkin, a war time journalist who covered the wars in Iraq and Afghanistan, the Shiite coalition government in Iraq was essentially a negotiation between Washington and Tehran.¹³³ Since America's withdrawal from Iraq, Filkin indicates that Iranian agents have utilized the Iraqi banking sector to trade Iraqi currency at large margins and bypass Western sanctions.¹³⁴ Consequently, Ayad Allawi, a pro American secular politician in Iraq, declared, "Iraq is a failed state now, an Iranian colony."¹³⁵ Iranian expansion in the Persian Gulf threatens Saudi Arabia's Sunni hegemony.

Consequently, each country is supporting proxy groups across the Middle East to tilt the balance of power in its favor, thus leading to disastrous consequences across the Middle East. Iraq is on the verge of a sectarian civil war between Sunni and Shiite Muslims. Syria is in the midst of a civil war fought largely on sectarian divides. In Syria, Iran is backing Hezbollah as a secondary fighting force to President Bashar Al Assad, while Saudi Arabia is funding the Sunni opposition. America's alliance with Saudi Arabia placed it directly in the middle of this sectarian conflict. Saudi Arabian diplomats convinced American policymakers that Iran posed a larger threat than any Sunni extremist group. This calculation became more difficult after Al Qaeda, a Sunni radical group, carried out the 9/11 attacks. The United States recalculation is evident because it empowered a Shiite coalition government in Iraq to counterbalance Sunni influence. Despite this recalculation, the United States is still undecided about which policy to pursue in the greater Muslim world. Since Sunnis are the majority and Shiites are the minority, the balancing theory of international relations suggest that America should align with Iran to counterbalance

¹³³ Filkins, Dexter. "The Shadow Commander." *The New Yorker*. P.6, 30 Sept. 2013. Web. 15 Feb. 2014.

¹³⁴ Ibid. 10.

¹³⁵ Ibid. 9.

Sunni influence. Moreover, America and Iran share a concern for Sunni extremism in Central Asia.

Mutual Security Interests in Central Asia

America and Iran seek to prevent the reemergence of Sunni extremism in Afghanistan. Shortly before the American invasion of Afghanistan, Iran almost went to war with the Taliban for persecuting Shiite Muslims. Iran mobilized a quarter of a million troops to the Afghan border and its leaders "denounced the Taliban as an affront to Islam."¹³⁶ In his interview with Dexter Filkins, Ryan Crocker, a career ambassador with the United States, stated that the Iranians "were eager to help the United States destroy their mutual enemy, the Taliban."¹³⁷ Since Iran views the Taliban as an existential threat, Iran will inevitably check the Taliban's influence in the region. Dexter Filkins stated, "On one occasion, Crocker said, he gave his (Iranian) counterparts the location of an Al Qaeda facilitator living in the eastern city of Mashhad (Iran). The Iranians detained him and brought him to Afghanistan's new leaders, who, Crocker believes, turned him over to the U.S."¹³⁸ This was the high point of American-Iranian cooperation in the last thirty years, but it would not last.

During President Bush's State of the Union address in 2002, he named Iran in the "Axis of Evil". This caught Ryan Crocker off guard because American intelligence knew that Iran was cooperating with the United States in Afghanistan. This undermined the cooperation efforts and "reformers inside the (Iranian) government, who advocated a rapprochement with the United States, were put on the defensive." When recalling the moment Crocker said, "One word in one

¹³⁶ Ibid. 5.

¹³⁷ Ibid.

¹³⁸ Ibid. 6.

speech changed history."¹³⁹ Despite American-Iranian cooperation, there is evidence that Iran funded Sunni militias in Afghanistan and Iraq.¹⁴⁰

However, this operation was designed to occupy American military forces because Iran feared an American invasion. According to Dexter Filkin, "After the invasion began, in March, 2003, Iranian officials were frantic to let the Americans know that they wanted peace. Many of them watched the regimes topple in Afghanistan and Iraq and were convinced that they were next."¹⁴¹ Iran armed Sunni militias in Afghanistan to preoccupy American forces and prevent an invasion. Eventually, this strategy backfired, sectarian violence engulfed the region, and Iran was forced to reconsider its approach.

After the American withdrawal from Afghanistan, Iran will seek to stabilize the country for security purposes and to appease other superpowers. As discussed in Chapter Two, China, Russia, and the Central Asian Republics all have a common interest in preventing a Taliban reemergence in Afghanistan. Sunni extremism in Afghanistan could easily spillover into neighboring countries, jeopardizing the security of the region and endangering foreign investment. It is not in Iran's interest to gain leverage over the United States at the expense of alienating China, Russia, and the Central Asian Republics. Moreover, regional security is crucial to pipeline development in Central Asia and the Caspian Basin, which could eventually benefit Iran.

¹³⁹ Ibid.

¹⁴⁰ Ibid. 7.

¹⁴¹ Ibid. 6.

Mutual Energy Interests in the Caspian Basin

America and Iran seek to promote competition in the Caspian Basin. As discussed in Chapters One and Two, Russia monopolized MEPS' energy economies during the height of the Soviet Union, thus allowing Russia to exert outsized influence in the region. China's growing energy demand and geographical proximity will play a pivotal role in the development of Central Asian energy sectors. The region's geographic isolation implies that its connection to the global economy is key to economic development and independence.

If Russia and China provide the only connections (via pipelines) to the global economy, then Russian and Chinese interest will dictate the future of the Caspian Basin and Central Asia. Currently, the majority of Central Asian pipelines are Russian, but Chinese projects are beginning to emerge (see Map 1.1 & 1.2). The diversification of regional energy economies via Iranian competition will counter Russian imperialism and mitigate China's rise, thus enhancing American interests in the region. As discussed in the Turkmen case study in Chapter One, Russia's pipeline monopoly allowed it to exert great influence over Turkmen natural gas prices. More recently, however, Russia increased prices on Turkmen gas, "bringing them closer to the world levels."¹⁴² It is likely that Chinese and Iranian inroads into the Turkmen natural gas sector spurred this development. This trend illustrates the initial stages of free market behavior in the Caspian Basin. Since the United States cannot become a hegemony in the region, embracing competition is the best alternative. Iran seeks to promote competition in the region because it provides an economic transport route for Caspian Basin energy exports.

¹⁴² Yuldasheva, Guli, Dr. "Geopolitics of Central Asia in the Context of the Iranian Factor." *Caucasian Review of International Affairs* 2.3 (2008): 138.

Export routes through Iranian territory reduce cost by providing a shorter southerly exit to the Persian Gulf. According to a report by The National Bureau of Asian Research, "a southerly route has the advantage of lowering cost by connecting to Iran's existing pipeline system and of adding another direction to diversify major supply routes for Caspian oil."¹⁴³ Dr. Guli Yuldasheva argues that " From the Kazakh point of view, the Iranian transit route is a direct exit to the sea ports, and, hence, a direct route to the customers of the Kazakh oil, and not only one of the most profitable exit ways of the Kazakh oil to the Persian Gulf, but the most realistic intermediate route of raw material supply to the markets of the South Asia and Asian-Pacific states."¹⁴⁴ Moreover, Kazakhstan's discovery of the Kashagan oilfield increased the geopolitical significance of an Iranian export route.

A southerly export route is crucial to reducing Russian control of the Kashagan oilfield, which is capable of producing more than a million barrels per day.¹⁴⁵ The project is geopolitically significant because "the greatest potential for oil production growth in Kazakhstan comes from the giant Kashagan field, the biggest oil discovery in the last 35 years."¹⁴⁶ Kashagan is expected to produce 370,000 barrels by 2014.¹⁴⁷ Kazakhstan plans to export 300,000 bbl/d through the BTC pipeline to European markets.¹⁴⁸ This export route, however, is dependent on the development of the Kazakh Caspian Transport System (KCTS), a trans Caspian transportation system that delivers oil to the BTC pipeline (see Map 1.2).¹⁴⁹ The development of the KCTS is controlled by Gazprom, a Russian oil conglomerate (see Table 3). Furthermore,

¹⁴³ Chow, Edward C., and Leigh E. Hendrix. *Central Asia's Pipelines: Field of Dreams and Reality*. Tech. P.35. The National Bureau of Asian Research, Sept. 2009. Web. 14 Feb. 2014.

¹⁴⁴ Yuldasheva, Guli, Dr. "Geopolitics of Central Asia in the Context of the Iranian Factor." *Caucasian Review of International Affairs* 2.3 (2008): 136.

¹⁴⁵ Chow, Edward C., and Leigh E. Hendrix. *Central Asia's Pipelines: Field of Dreams and Reality*. Tech. P.35.

¹⁴⁶ United States. US Department of Energy. Energy Information Administration. *Caspian Sea Region*. P.12.

¹⁴⁷ Ibid.

¹⁴⁸ Ibid. 22.

¹⁴⁹ Ibid.

Kazakhstan's contract with the BTC pipeline company only allows it to ship 500,000 bbl/d.¹⁵⁰ Since the Kashagan field can produce 1 million bbl/d, the "development of Kashagan and other future projects requires significant expansion of Kazakhstan's export capacity."¹⁵¹ Although the Kazakh-Chinese pipeline (discussed in Chapter Two) will transport some of the additional oil, the pipeline only has a capacity of 240,000 bbl/d and it is expected to meet additional export requirements.¹⁵² Thus, the current Kazakh-Chinese pipeline is not a feasible alternative for Kashagan oil exports. Since Iran provides the most economic transport route for Caspian energy exports, "Barring international sanctions and other political barriers, a southerly exit via Iran remains a credible alternative for Kashagan."¹⁵³

An Iranian export route is geopolitically significant because "Kazakhstan's other major oil export pipeline, Uzen-Atyrau-Samara, is a northbound link to Russia's Transneft distribution system."¹⁵⁴ Hence, the alternative export routes for Kashagan oil are the CPC pipeline to the Black Sea port of Novorossiisk and the Atyrau-Samara pipeline, which are both Russian controlled (see Map 1.2 & Table 3). Since Russia manipulated Kazakhstan by "twisting the spigot" on Kazakh oil exports at the Black Sea port of Novorossiisk in the 1990's, a southerly exit for Kashagan oil is crucial to preserving Kazakh sovereignty and reducing Russian leverage over its energy economy. Despite the geopolitical significance of an Iranian export route, American sanctions obstruct this objective.

Pipeline construction requires extensive investment and advanced technology. Since Iran cannot access the international banking system, Western financial institutions, or advanced

¹⁵⁰ Ibid.

¹⁵¹ United States. Energy Information Administration. Washington D.C. *Kazakhstan Energy Profile*. N.p., 28 Oct. 2013. Web. 7 Apr. 2014.

¹⁵² United States. US Department of Energy. Energy Information Administration. *Caspian Sea Region*. P.22.

¹⁵³ Chow, Edward C., and Leigh E. Hendrix. *Central Asia's Pipelines: Field of Dreams and Reality*. Tech. P.35.

¹⁵⁴ United States. US Department of Energy. Energy Information Administration. *Caspian Sea Region*. P.22.

technology, it cannot participate in Caspian energy projects. According to Dr. Guli Yuldasheva, Iran cannot convince Central Asian Republics to pursue a southerly export route because of the "inability of the Iranian economy at present to provide the CA states with high quality technology and big investments."¹⁵⁵ The Kashagan field highlights the tradeoff between Iranian containment and enhanced Russian imperialism. By eliminating Iran from Caspian energy projects, America's containment policy reduces competition and enables Russian dominance in the region. This policy is a byproduct of "economic and political motives that clearly contradict the US interests."¹⁵⁶ Despite the current state of American-Iranian affairs, both countries seek to promote competition in the Caspian Basin, thus suggesting that energy-related cooperation is feasible. Moreover, America and Iran share a potential partner in the region.

Mutual Partner in the Region

American-Iranian geopolitical interests align in Central Asia because both countries seek to cooperate with India. As discussed in Chapter Two, India and Iran recently begun discussions to revive the International North South Transport Corridor (INSTC) (See Map 1.3). India views the INSTC as a mechanism for exerting influence in Central Asia. Since India is landlocked by Pakistan and China, the success of the INSTC depends on Iranian cooperation. India is scheduled to announce the terms of its investment into Chabahar, a southern Iranian port on the Gulf of Oman, at the end of March, 2014. The INSTC will expand Indian influence into Central Asia, countering Pakistani influence amidst growing tensions between Washington and Islamabad. Moreover, India promotes democratic and secular values. As discussed in Chapter Two, Central Asian Republics admire India's secular government and welcome Indian involvement in the

¹⁵⁵ Yuldasheva, Guli, Dr. "Geopolitics of Central Asia in the Context of the Iranian Factor." *Caucasian Review of International Affairs* 2.3 (2008): 134.

¹⁵⁶ Ibid. 138.

region. The spread of secularism is beneficial to American interests because secular governments will limit the reemergence of Islamic extremist. Furthermore, an Indian-Iranian partnership will counterbalance a Chinese-Pakistani alliance. Since American interests align more closely with Indian-Iranian interests than those of China and Pakistan, the United States should support this cooperation effort. Nonetheless, Iran has traditionally capitalized on the divide between global hegemonies by manipulating each country's interests to its benefit. This "double game" is not in America's best interest, but it is a reality that policymakers must accept.

Conflicting American-Iranian Interests

Iran has an interest in joining the Shanghai Cooperation Organization to solidify its trade relationship with Central Asia. The SCO is the Eurasian equivalent of NATO. It is an economic and military alliance composed of China, Russia, Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan. Iran was granted observer status to the SCO in 2005, but it was denied a permanent seat in 2010 because the SCO bars any country under UN sanctions from permanent membership.¹⁵⁷ Iranian membership was likely denied because member nations were reluctant to defend Iran against the West in a military alliance. An American-Iranian rapprochement, however, would eliminate this possibility. Consequently, a rapprochement might indirectly grant Iran membership in the SCO. This is detrimental to American interests because Iran and Russia could utilize their leverage, as gateway countries for Caspian resources, to corner regional energy markets. Iran and Russia each support a littoral division of Caspian Sea energy resources and share a mutual enemy, the Taliban. According to a 1940 treaty between Russia and Iran, the

¹⁵⁷ Boland, Julie. "Ten Years of the Shanghai Cooperation Organization: A Lost Decade? A Partner for the US?" *Foreign Policy at Brookings* (2011): P.21. The Brookings Institution, 20 June 2011. Web. 20 Feb. 2014.

Caspian is "regarded by both contracting parties as a Soviet and Iranian Sea."¹⁵⁸ If Iran joins the SCO as a permanent member, it could collude with Russia to manipulate regional energy economies. However, the divergence of long term interests between Moscow and Tehran will prevent collusion within the SCO.

Iranian economic inroads into Central Asia will reduce Russian influence. Since "Iran serves as an important outlet for landlocked Central Asian trade", it gives "Tehran a stake in Central Asia's stability and ability to resist Russian subordination (or China)."¹⁵⁹ Moreover, Iran traditionally defends "energy routes from CA states through its territory as the cheapest and most economically grounded."¹⁶⁰ Thus, Iranian-Russian competition in the Caspian Basin is inevitable. If Iran regains access to the international banking system and advanced technology, it will pursue a profit maximizing approach in the Caspian Basin. This implies promoting a southerly export route through Iran, which is detrimental to Russian interests. If the United States lifts sanctions and promotes competition, Russian-Iranian interest will diverge in the long run. Although competition will benefit Iran, it may also limit Iranian influence.

Turkish inroads into Caspian energy sectors will limit Iranian expansion. Since the United States seeks to promote competition in the Caspian Basin, it should support Turkish involvement in the region. Although sectarian divides underlie Turkish-Iranian relations, "the sectarian element underpinning Iranian-Turkish confrontation in the Middle East and, to a lesser degree, the Caucasus is absent in Central Asia, which has only very small Shi'a populations."¹⁶¹

¹⁵⁸ United States. US Department of Energy. Energy Information Administration. *Caspian Sea Region*. P.5. US Energy Information Administration, 26 Aug. 2013. Web. 20 Feb. 2014.

¹⁵⁹ Mankoff, Jeffrey. "Turkey, Russia, and Iran in Afghanistan and Central Asia." *The Turkey, Russia, Iran Nexus* (2013): 29. Center for Strategic and International Studies, Nov. 2013. Web. 1 Apr. 2014.

¹⁶⁰ Yuldasheva, Guli, Dr. "Geopolitics of Central Asia in the Context of the Iranian Factor." *Caucasian Review of International Affairs* 2.3 (2008): 134.

¹⁶¹ Mankoff, Jeffrey. "Turkey, Russia, and Iran in Afghanistan and Central Asia." *The Turkey, Russia, Iran Nexus* (2013): 29.

Since "Turkey's primary interests in Central Asia will continue to be economic", Turkish-Iranian cooperation is possible if both countries stand to benefit.¹⁶² Turkey's energy ambitions center on securing the westward transport of Caspian energy and reducing its energy dependence on Russia. Turkey imports 66 per cent of its natural gas from Russia, and Iran is its second largest supplier.¹⁶³ Thus, Iran can help reduce Turkish dependence on Russian energy. Although "Turkish businesses and the AKP government have tried their best to maintain their economic and energy ties with Iran" regardless of American sanctions, Turkey will benefit further from the lifting of sanctions and the development of Iranian energy sectors.¹⁶⁴ Moreover, Turkey seeks to serve as a transit state for "Iranian gas sales to Europe", thus potentially benefiting Iran by reducing its dependence on the Suez Canal.¹⁶⁵ Since bilateral trade relations are mutually beneficial and both countries seek to reduce Russian influence, there is ground for cooperation. If both countries share geopolitical and economic interests, then sectarian divides may limit, but not eliminate Turkish-Iranian cooperation in the Caspian Basin. Despite this outlook, Iran will make a calculated decision.

Since Iranian energy will reduce Turkey's strategic dependence on Russian energy, it will enhance Turkey's ability to act autonomously in Central Asia. Due to Turkish dependence on Russian energy, "it makes an effort to keep its security cooperation with Central Asian governments within certain bounds to avoid causing problems with Moscow."¹⁶⁶ Since these dynamics will likely change as Turkey reduces its dependence on Russian energy, Turkey may increase its presence in the region. Although short term Turkish-Iranian cooperation is possible,

¹⁶² Ibid. 28.

¹⁶³ Ibid. 27.

¹⁶⁴ Nazemroaya, Mahdi. *Turkey and Iran: The Ties That Bind*. Issue brief. Global Research: Centre for Research on Globalization, 23 Jan. 2014. Web. 5 Apr. 2014.

¹⁶⁵ Ibid. 29.

¹⁶⁶ Ibid. 27-28.

both countries will compete in the long run. Nonetheless, sanctions against Iran's nuclear program continue to limit Iranian engagement in the Caspian Basin.

The uncertainty surrounding Iran's nuclear program has a neutral effect on American interests in the region. All Central Asian Republics unanimously support a diplomatic solution to the issue.¹⁶⁷ Turkmenistan and Tajikistan, which have extensive economic ties with Iran, even defend Iran's position.¹⁶⁸ Thus, the United States must resort to diplomacy to resolve the nuclear standoff. If Iran succumbs to IAEA inspections, then the issue is resolved. If diplomacy is unsuccessful, then the United States should not use military force. America has diplomatic relations with Pakistan, a nuclear power, that pursues policies much more contrary to American interests than Iran. Central Asian Republics believe that "Tehran is a more legitimate partner than Islamabad. Despite its regime, Tehran is considered to be a more stable ally and closer to the long term interests of the region."¹⁶⁹ Moreover, America's hostility towards Iran's nuclear program is hypocritical. President Nursultan Nazarbayev of Kazakhstan asked, "If we talk about the Iranian nuclear program, why did we not talk about that of Pakistan when it was created? Why do we not talk about Israel, which has de facto nuclear weapons?... One cannot function asymmetrically."¹⁷⁰ Many policymakers argue that Iran will use the weapon or give it to an extremist group.

Both of these concerns are overstated because Iran is a rational actor. Thus, it will not use a nuclear weapon because of mutually assured destruction. Furthermore, Iran will not cede control of a nuclear weapon to an extremist group because there is no way of controlling how,

¹⁶⁷ Peyrouse, Sebastien. *The Iranian Nuclear Crisis as Seen from Central Asia*. Issue brief. P.1. The German Marshall Fund of the United States, Apr. 2012. Web. 8 Mar. 2014.

¹⁶⁸ Ibid. 1.

¹⁶⁹ Ibid. 2.

¹⁷⁰ Ibid. 2.

where, or when the group will use the weapon. Relinquishing control of the weapon Iran worked so hard to develop is a self defeating move. Others might argue that a nuclear Iran will take a bolder approach in Central Asia. This criticism is unfounded because Iran is competing for influence in the region with other nuclear powers. Thus, a nuclear weapon will not give Iran an advantage in Central Asia. Most importantly, "Iran as a state and a nation is highly respected in Central Asia and there is no feeling of distrust towards a long term partnership with it."¹⁷¹ Despite Iran's nuclear program, the benefits of an American-Iranian rapprochement in Central Asia greatly outweigh the cost. Nonetheless, Iran will continue to manipulate the United States, when it sees fit, because Iran's geography allows it to wield significant power in the international system.

Conclusion

For many years, America's persuasion approach failed because it could not secure international cooperation against the Iranian regime. Since July of 2012, the European Union imposed an embargo on Iranian oil and banned insurance to Iranian oil tankers. Although Iran responded by continuing to deepen ties with Russia and China, this is not in America or Iran's long term interests. Iran cannot risk further dependence on Russian and Chinese trade because its quest for hegemony in the Persian Gulf depends on its ability to leverage Eastern and Western interests. The state of global oil markets provides a temporary window for the United States to threaten further sanctions without causing a hike in world oil prices. Although multilateral sanctions influence Iran's bargaining power, they also reduce Western leverage over the Iranian regime. Moreover, harsher sanctions will embolden Iranian hardliners and undermine reformist movements, thus radicalizing, not moderating Iran. Despite Iran's nuclear program, American

¹⁷¹ Ibid. 3.

hostility is not beneficial because both countries share security, energy, and geopolitical interests in Central Asia and the Caspian Basin.

The epitome of Iranian foreign policy lies in the formation of a multipolar world order. Iran's quest for hegemony in the Persian Gulf and Central Asia depends on its ability to leverage Western and Eastern interests. Although Iran's double game frustrates American policymakers, it should not concern them in the long run. Iran has the ability to undermine American interests, regardless of a rapprochement, by disrupting the American status quo in the Persian Gulf. Furthermore, Iran's hegemonic pursuit in Central Asia is actually beneficial to American long term interests in the region. Despite references to the next Central Asian "Great Game", America is the "away team". As discussed throughout the text, China and Russia have innate historical and geographical advantages that prevent American hegemony in the region. Consequently, the United States must promote competition to counter Russian imperialism and mitigate China's rise in the region. Therefore, Iranian competition is beneficial to America's long term interests in the region. Although America and Iran share security, energy, and geopolitical interests in the Caspian Basin and Central Asia, America's inflexible relationship with its allies could jeopardize a feasible policy in the region.

Chapter 4: Domestic Politics: An Obstacle to Rapprochement

Although America and Iran share security, geopolitical, and energy interest in Central Asia, US domestic interests groups could threaten a feasible policy in the region. These interest groups utilize financial and political capital to influence the policymaking process. As a result, interest groups with the most money and political clout exert the most pressure on foreign policy. Often times this allows interests groups to exert outsized influence on American foreign policy and undermine national interests. American foreign policy towards Iran is an example of this problem. This chapter will discuss the Saudi and Israeli lobby because both groups threaten a sensible American policy in Central Asia and the Caspian Basin. The Israeli lobby exerts influence at all levels of governance, while the Saudi lobby is especially influential at the highest levels of American bureaucracy. Israeli and Saudi Arabian interests are important because they shape the American status quo in the Persian Gulf.

Since the Islamic Revolution in Iran, America's foreign policy doctrine in the Persian Gulf has focused on preserving Israeli interests and upholding Saudi hegemony, while simultaneously containing Iranian influence. This policy undermined American national interests by failing to counter Russian imperialism in the Caspian Basin and by facilitating the proliferation of Sunni extremist groups in Central Asia. In regard to American relations with Saudi Arabia and Israel, Stephen Walt, a professor of international relations at Harvard University, said " Over the past 25 years or so, the United States has increasingly supported these states no matter what they have done at home or abroad and has turned a blind eye to their various actions that haven't served U.S. interests... overly intimate relations with these states

have robbed U.S. diplomacy of the flexibility that is essential to a sensible regional strategy."¹⁷² This lack of "flexibility" in American foreign policy, as a result of its "overly intimate relations" with Saudi Arabia and Israel, continues to prevent a sensible policy towards Iran.

Israeli Lobby

The Israeli lobby includes any organizations or individuals who steer American foreign policy in a Pro-Israel direction. Although all Pro-Israeli advocates do not support conservative Israeli foreign policy, many of the key organizations in the Lobby, such as AIPAC and the Conference of Presidents of Major Jewish Organizations, are run by hardliners who strongly support the Likud Party's policies.¹⁷³ The Likud Party is opposed to American-Iranian cooperation because they believe that peace between Iran and the West will jeopardize Israeli security. Despite the nuclear deals success in preventing a war, Benjamin Netanyahu, the leader of the Likud Party, deemed the interim American-Iranian nuclear deal a "historic mistake."¹⁷⁴ Opposition by the Jewish lobby endangers the rapprochement process because AIPAC is one of the most powerful interest groups in Washington. In April of 2011, a Business Pundit study placed AIPAC in the top ten most influential interest groups in Washington.¹⁷⁵ According to former Senator Ernest Hollings, as cited by Stephen Walt, "you can't have an Israeli policy other than what AIPAC gives you around here."¹⁷⁶ The Jewish Lobby's power in Washington stems from its ability to pressure Congress and the Executive Branch.

¹⁷² Walt, Stephen. "U.S. Middle East Strategy: Back to Balancing." *Foreign Policy* (2013): n. pag. 21 Nov. 2013. Web. 12 Feb. 2014.

¹⁷³ Walt, Stephen M., and John J. Mearsheimer. "The Israeli Lobby and U.S. Foreign Policy." Diss. University of Chicago, 2006. Mar. 2006. Web. 2 Mar. 2014. P.14.

¹⁷⁴ Simpson, David, and Josh Levs. "Israeli PM Netanyahu: Iran Nuclear Deal 'Historic Mistake'" *CNN*. Cable News Network, 25 Nov. 2013. Web. 10 Mar. 2014.

¹⁷⁵ "10 of the Biggest Lobbies in Washington." *Business Pundit*. N.p., 26 Apr. 2011. Web. 10 Mar. 2014.

¹⁷⁶ Walt, Stephen M., and John J. Mearsheimer. "The Israeli Lobby and U.S. Foreign Policy." P.18.

The lobby generates outsized influence in Washington by rewarding and punishing politicians. AIPAC rewards politicians who support its views by funding their campaigns while punishing the opposition by supporting their opponents. Stephen Walt claims, "AIPAC makes sure that its friends get strong financial support from the myriad pro-Israel political action committees. Those seen as hostile to Israel, on the other hand, can be sure that AIPAC will direct campaign contributions to their opponents."¹⁷⁷ AIPAC's influence also extends to the executive branch. Although American Jews make up less than 3 per cent of the population, they account for a large portion of political donations. According to John Mearsheimer, "The *Washington Post* once estimated that Democratic presidential candidates 'depend on Jewish supporters to supply as much as 60 per cent of the money'. And because Jewish voters have high turn-out rates and are concentrated in key states like California, Florida, Illinois, New York and Pennsylvania, presidential candidates go to great lengths not to antagonize them."¹⁷⁸ The Jewish lobby also strives to ensure that all public discourse portrays Israel in a positive light.

Controlling the debate over US-Israeli relations is crucial to maintaining the United States support of Israel, because an in depth debate could lead policymakers to favor a different approach. Furthermore, the lobby uses its influence to block Presidential foreign policy appointments of Israeli critics. During Jimmy Carter's presidency, he chose not to appoint George Ball as his First Secretary of State because he knew that the Israeli Lobby would oppose his appointment.¹⁷⁹ For this reason, "public critics of Israeli policy have become endangered species in the US foreign policy establishment."¹⁸⁰ Politicians, the mainstream media, and academic institutions around the country are fearful of criticizing Pro-Israel policy because the

¹⁷⁷ Ibid. 17.

¹⁷⁸ Ibid.

¹⁷⁹ Ibid. 19.

¹⁸⁰ Ibid.

Israeli lobby will antagonize the organization. Chuck Hagel, one of the few senators who did not support the Israeli invasion of Lebanon in 2006 and voted against certain Iranian sanctions, received strong criticism from the Israeli Lobby after his appointment for Secretary of Defense by President Obama. The *Independent* reported that Abraham Fox, the head of the Anti Defamation League, said that Chuck Hagel's comments "border on Anti-Semitism" and his " His record relating to Israel and the US-Israel relationship is, at best, disturbing, and at worst, very troubling."¹⁸¹ Over the course of several decades, AIPAC's approach has created a Pro-Israel foreign policy establishment.

Since the Six Days War in 1967, the Israeli lobby has profoundly influenced American foreign policy in the Middle East and Persian Gulf. The lobby continues to secure unprecedented amounts of American support for the Israeli state. According to John Mearsheimer and Stephen Walt, Israel "has been the largest annual recipient of direct economic and military assistance since 1976, and is the largest recipient in total since World War II, to the tune of well over \$140 billion (in 2004 dollars). Israel receives about \$3 billion in direct assistance each year, roughly one-fifth of the foreign aid budget, and worth about \$500 a year for every Israeli."¹⁸² Most recipients of military aid must spend it in the United States. Israel, however, is allowed to use roughly 25 per cent of American military aid to improve its own defense industries.¹⁸³ Moreover, Israel is the only state that does not have to account for how the aid was spent. This makes it virtually impossible to prevent spending in areas that are detrimental to American interest, such

¹⁸¹ Sanchez, Raf. "Pro-Israel Groups Want to Block Appointment of Chuck Hagel as New US Defence Secretary." *Independent*. N.p., 19 Dec. 2012. Web. 10 Mar. 2014.

¹⁸² Walt, Stephen M., and John J. Mearsheimer. "The Israeli Lobby and U.S. Foreign Policy." P.2.

¹⁸³ *Ibid.*

as new settlements in the West Bank.¹⁸⁴ In short, America continues to support Israel, despite Israeli behavior that contradicts American interests.

America's unconditional support for Israel is explainable if Israel protects American interest in the region. During the Cold War, Israel was an asset because they served as an American proxy in the Middle East, contained Soviet influence, and provided valuable intelligence about Soviet capabilities. Nonetheless, American support for Israel became costly and it strained American relations with the Muslim world. For example, the decision to approve \$2.2 billion in emergency military aid to Israel in 1973 triggered the OPEC oil embargo.¹⁸⁵ More recently, politicians justified aid to Israel because it was seen as an asset in the war on terrorism. However, America and Israel are not fighting terrorism together. The United States is fighting terrorism *because* it supports Israel. American support for Israel is one of the largest sources of propaganda for Islamic extremist groups. A final reason to question Israel's strategic value is that it does not behave like a loyal ally.

Israel has provided sensitive military technology to potential rivals like China. The United States Inspector-General called this trend "a systematic and growing pattern of unauthorized transfers."¹⁸⁶ Despite Israel's shortcomings as a loyal ally, the United States continues to provide unhindered diplomatic support for the Israeli state. Since 1982, the US has vetoed 32 Security Council resolutions critical of Israel, "more than the total number of vetoes cast by all other Security Council members."¹⁸⁷ America's "inflexible" diplomatic ties with Israel

¹⁸⁴ Ibid.

¹⁸⁵ Ibid. 4.

¹⁸⁶ Ibid. 6.

¹⁸⁷ Ibid. 3.

challenge a feasible American policy in Central Asia because conservative Israeli's seek to ensure Iran's perpetual weakness.

Conservative Israelis want to prevent Iranian participation in Caspian energy projects because this will limit the resources that Iran can divert to its nuclear program. The Likud party believes that a nuclear Iran will strike Israel or take an aggressive foreign policy approach in the region. Regardless of Iran's nuclear program, it will not attack Israel with a nuclear weapon because the United States and Israel will retaliate. A nuclear Iran may become more aggressive in the Persian Gulf and Central Asia, but its potential expansion is limited. Iran is the minority in the region, and it will encounter difficulties exporting its religious fanaticism abroad. Moreover, the development of bilateral relations between Central Asia and Iran will benefit Israel.

Central Asian Republics will increase their leverage over Tehran by establishing bilateral trade relations with Iran. According to Sebastien Peyrouse from the Hudson Institute, "Like all Central Asian states, Kazakhstan has always held clearly Pro-Israel positions and refused to be drawn into the Anti-Israeli logic of the Iranian regime."¹⁸⁸ Central Asian governments and Israel share a fear of "Islamic-oriented opposition."¹⁸⁹ Israel should hope its allies develop closer economic ties with Iran because this will increase its allies' leverage over Iran. For example, if Kazakhstan were allowed to export oil through Iran, then it could protest Iran's Anti-Israeli stance by discontinuing its oil exports through Iran and switching to a Russian or Chinese pipeline. As discussed in Chapter 3, sanctions are inherently flawed because they reduce Western leverage over Iran. Iran will not moderate in response to further alienation from the international community. On the contrary, sanctions will embolden the hardliners, reduce international

¹⁸⁸ Peyrouse, Sebastien. *The Iranian Nuclear Crisis as Seen from Central Asia*. Issue brief. The German Marshall Fund of the United States, Apr. 2012. Web. 8 Mar. 2014. P.2.

¹⁸⁹ Laurelle, Marlene. "Israel and Central Asia: Opportunities and Limits for Partnership in a Post-Arab Spring World." *Foreign Policy and Civil Society Program* (2012): 1. *The German Marshall Fund of the United States*. July 2012. Web. 4 Apr. 2014.

leverage, and further radicalize Tehran. Iran's reorientation towards Moscow and Beijing, as a result of Western sanctions, illustrates this trend. Thus, Israel will ultimately benefit by allowing Central Asian Republics to influence Iran through trade. Nonetheless, Iran's support for Hezbollah is a primary security threat to the Israeli state.

Iran's support for Hezbollah, a Shiite militia, is an existential threat to Israel. By preventing Iranian participation in Caspian energy projects, Israel seeks to minimize Iranian resources to fund Hezbollah. America's support for this approach presumes that Hezbollah is a mutual American-Israeli enemy. As discussed above, this logic is unfounded. The United States is fighting terrorism in large part *because* of its support for Israel. Although Hezbollah attacked the marine barracks in Beirut on October 23, 1983 and killed 241 American service personnel, Hezbollah is not a mutual American-Israeli enemy.¹⁹⁰ Hezbollah's 1982 bombing of the marine barracks in Beirut was in response to America's intervention in the Lebanese Civil War on behalf of Israel. According to Mearsheimer and Walt, "Terrorism is not a single adversary, but a tactic employed by a wide array of political groups . The terrorist organizations that threaten Israel do not threaten the United States, except when it intervenes against them (as in Lebanon in 1982)."¹⁹¹ Moreover, it is difficult to classify the Beirut bombings as a terrorist plot.

The attack was directed at the American military, but it was not an attack on civilian life meant to instill fear in the American population. The bombing was meant to influence American policy through coercion and intimidation. However, this is the purpose of any war time aggression. Iran, just like the United States, acted in its own self interest to shape the outcome of the Lebanese civil war. Iran's support for Hezbollah is based on strategic self interests and is not

¹⁹⁰ CNN Library. "Beirut Marine Barracks Bombings Fast Facts." *CNN*. Cable News Network, 13 June 2013. Web. 3 Mar. 2014.

¹⁹¹ Walt, Stephen M., and John J. Mearsheimer. "The Israeli Lobby and U.S. Foreign Policy." P.19.

a primary threat to American security, unless the United States intervenes on behalf of Iran's enemy. Therefore, Iran's support for Hezbollah is not a valid reason to prevent American-Iranian cooperation.

Sunni extremism, on the other hand, poses a much larger risk to American security. Al Qaeda, a Sunni extremist group, carried out the 9/11 attacks on American soil. Despite evidence that members of the Saudi Royal Family provided financial backing for Al Qaeda, Israel and America continue an alliance with Saudi Arabia. According to Internal Treasury documents, "a prominent Saudi charity, the International Islamic Relief Organization, heavily supported by members of the Saudi royal family, showed "support for terrorist organizations" at least through 2006".¹⁹² Although there is no evidence explicitly linking Saudi Arabia, the Sunni hegemony in the Middle East, to Al Qaeda and the 9/11 attacks, there is reason for suspicion. According to the New York Times article, *Documents Back Saudi Links to Extremist*, "classified American intelligence documents related to Saudi finances were leaked anonymously to lawyers for the families (9/11 victims). The Justice Department had the lawyers' copies destroyed and now wants to prevent a judge from even looking at the material."¹⁹³ Despite suspicions surrounding Saudi ties to Sunni extremist groups, Israel has allied with its Arab counterpart to prevent American-Iranian cooperation.

Saudi Lobby

The long and corrupt history of American-Saudi relations is centered around the desert kingdoms easily extractible oil reserves. Ever since President Roosevelt met King Ibn Saud in

¹⁹² Lichtblau, Eric. "Documents Back Saudi Link to Extremist." *New York Times*. N.p., 23 June 2009. Web. 3 Mar. 2014.

¹⁹³ Ibid.

1945, mutual business interests have solidified Saudi-American relations.¹⁹⁴ The Saudi's have usually agreed to sell America oil at a reasonable and consistent price. Despite America's reduced dependence on foreign oil, Saudi Arabia accounted for 18% of America's net oil imports in 2012.¹⁹⁵ Consequently, oil is "the central factor in the mutually supportive relationship between the US and Saudi Arabia."¹⁹⁶ More importantly, oil is the mechanism that allows Saudi Arabia to exert influence over American foreign policy.

Despite the Israeli lobby's outsized influence in Washington, some argue that the Saudi lobby is more powerful. According to Mitchell Bard, the author of *The Arab Lobby* and the director of the American Israeli Cooperative Enterprise, "While the Israeli lobby has hundreds of thousands of grass root members..., the Arab lobby has almost no foot soldiers or public empathy. It's most powerful elements tend to be bureaucrats who represent only their personal views or what they believe are their institutional interest, and foreign governments that care only about their national interest, not those of the United States. What they lack in human capital in terms of American advocates, they make up for with almost unlimited resources to try to buy what they usually cannot win on the merits of their arguments."¹⁹⁷ The main difference between the two lobbies lies in the way that each exerts influence. The Israeli lobby mobilizes popular support at the grass root level and supports Pro-Israel candidates to create a foreign policy establishment that favors Israel. The Saudi lobby, however, influences American foreign policy at the highest bureaucratic level. It utilizes economic resources to buy what it cannot secure with

¹⁹⁴ *Power America's Defense: Energy and Risk to National Security*. Rep. CNA, May 2009. Web. 3 Mar. 2014. P.1.

¹⁹⁵ United States. US Department of Energy. Energy Information Administration. *How Much Petroleum Does the United States Import and from Where?* Energy Information Administration, 3 June 2013. Web. 3 Mar. 2014.

¹⁹⁶ *Power America's Defense: Energy and Risk to National Security*. Rep. CNA, May 2009. Web. 3 Mar. 2014. P.4.

¹⁹⁷ Bard, Mitchell Geoffrey. *The Arab Lobby: The Invisible Alliance That Undermines America's Interests in the Middle East*. P.432. New York: Harper, 2010. Print.

voter turnout. In other words, the Saudi lobby employs a less democratic lobbying approach to influence American policy at the highest bureaucratic levels.

Prince Bandar bin Sultan, the American-Saudi ambassador from 1983-2005, is a prime example. During his deployment as Saudi ambassador to the United States, Prince Bandar bin Sultan formed a deep relationship with the Bush family. According to Seymour Hersh, a Pulitzer prize winning investigative journalist, Prince Bandar bin Sultan was a key figure behind the "redirection" approach of the Bush administration.¹⁹⁸ The "redirection" approach contained Iran and boosted Sunni influence across the Middle East. Consequently, the Bush administration collaborated with the Saudi Arabian government in Lebanon to carry out covert operations against Hezbollah.¹⁹⁹ This strategy facilitated the spread of radical Sunni influence, which advocates a militant vision of Islam and hostility towards the West. The "redirection" approach continues to shape American foreign policy towards Iran.

America's traditional ally, Saudi Arabia, seeks to prevent American-Iranian cooperation. After Iran's Islamic revolution in 1979 overthrew the US-backed Shah, the Sunni Monarchy in Saudi Arabia became of greater strategic value to Washington. Since Saudi Arabia sees Iran as a threat to Sunni hegemony in the Persian Gulf, it sought to deepen ties with the West to further isolate the Islamic Republic of Iran. American cooperation gave Saudi Arabia a strategic advantage over Iran, because the United States pursued policies that were detrimental to Iranian interest. Western sanctions against Iran ensured the regime's perpetual weakness and preserved Saudi Arabia's share of global energy markets. In turn, Saudi Arabia enjoyed a period of

¹⁹⁸ Hersh, Seymour M. "The Redirection." *The New Yorker*. Annals of National Security, 5 Mar. 2007. Web. 10 Mar. 2014.

¹⁹⁹ Ibid.

hegemony in the Middle East. American-Iranian cooperation, however, will undermine Saudi Arabia's strategic advantage.

American-Iranian cooperation will diminish Saudi Arabia's bargaining power vis-à-vis the United States and reduce the Saudi's strategic advantage over Iran. Saudi Arabia may fear that the United States is employing a "divide and conquer" strategy. By normalizing relations with Iran, the United States could balance Saudi-Iranian interest. This would increase the United States bargaining power at Saudi Arabia's expense. This shift in power is rooted in traditional petroleum politics.

A rapprochement would grant Iran access to advanced technology and international investment to develop its oil fields and participate in Caspian energy projects. Iran has an estimated 154 billion barrels of proven oil reserves, nine percent of the world's total reserves, and twelve percent of OPEC reserves.²⁰⁰ If Iran can develop its oil fields and bring Caspian energy resources to global markets, then Saudi Arabian oil will become relatively less important to the international balance of power. Consequently, the international community might pressure Saudi Arabia to reform its human rights situation or to control its citizen's support of radical Sunni organizations. A rapprochement will also provide the Iranian state with more financial resources, via petroleum exports and increased participation in Caspian energy projects, to fund proxy wars against Sunni organizations, thus jeopardizing Saudi Arabian interests in the greater Middle East. As a result, the Saudi lobby continues to leverage its business interests and easily extractable oil reserves to prevent American-Iranian cooperation in Central Asia and the Caspian Basin.

²⁰⁰ United States. US Department of Energy. Energy Information Administration. *Country Analysis: Iran*. P.2.

Conclusion

America's inflexible relationship with Saudi Arabia and Israel continues to prevent a sensible policy towards Iran. The Israeli and Saudi lobbies represent a manifestation of foreign interests in Washington. While the Israeli lobby exerts influence at all levels of American politics, the Saudi lobby is most influential at the highest bureaucratic levels. Domestic interests groups continue to wield power in all areas of government, because their influence is everlasting. Politicians are elected and relinquish power upon leaving office, but AIPAC and the Saudi lobby are a permanent presence in American politics. As a result, Saudi and Israeli interests define the American status quo in the Persian Gulf and determine American foreign policy towards the greater Muslim world. The Saudi and Israeli lobbies seek to isolate Iran from the international community because this enhances each group's strategic interests. This undermines American interests by preventing a feasible policy in Central Asia and the Caspian Basin. American policymakers must circumvent these "inflexible" diplomatic ties with Israel and Saudi Arabia to devise a sensible strategy towards Iran, because this policy will have profound impacts in the Caspian Basin and around the world.

Chapter 5: A New Axis of Power

Regional security and state sovereignty are crucial to American interests in the Caspian Basin and Central Asia. This chapter will incorporate the findings of the paper to suggest a new policy in the region, followed by a discussion surrounding the implications of this new approach. Despite differences in political ideology, America will benefit from the independent development of strong, secular MEPS. Wealthy secular states will possess more resources to fight counter terrorism and narco trafficking. Furthermore, independent MEPS will counter Russian imperialism and mitigate China's emergence in the region. Since Caspian states are largely dependent on their energy exports (see Table 2), "whoever controls the energy economy will determine the destiny of the region."²⁰¹ Thus, MEPS' independence relies on the diversification of their energy economies, which is dependent on competition.

America's containment of Iran isolates the Caspian Basin by deterring Iranian participation in regional energy projects and reducing competition. This prevents the diversification of Caspian energy economies and benefits Russian imperial interests. Regional security is crucial to new pipeline development because instability discourages future investments and endangers current energy projects. Thus, the United States must adjust its policy to prioritize security and promote competition in the Caspian Basin. The casual relationship between regional security and pipeline development is unclear: stability through regional security leads to increased investment and pipeline development, or the profits accruing to the export of Caspian resources, as a result of pipeline development, lead to stronger states with more resources to maintain regional security. Regardless of the causality, an American-Iranian

²⁰¹ Blank, Stephen, Dr. "Energy Economics and Security in Central Asia: Russia and Its Rivals." Diss. Pg.V.

rapprochement will promote competition and increase security, thus fostering economic development and state sovereignty.

A New Approach

American policymakers must pull back on the "all or nothing" approach towards Iran, which has produced no significant results in the past. Adjusting U.S. policy towards Iran is not the same as abandoning it. A change in policy does not require the United States to acquiesce to the export of Iranian fundamentalism, and it does not deny the United States the power to retaliate against Iran in whatever ways it deems appropriate. The United States can allow the international community to exert pressure on Iran while simultaneously backtracking on the policies that jeopardize Central Asian and Azeri sovereignty. For example, the United States can allow Iranian firms to participate in Caspian energy projects. These transactions are sensible because the alternative provides a larger share for China and Russia. Likewise, the United States should end its opposition to all pipelines in the region and discontinue punitive actions against countries and firms that finance and build Iranian pipelines.

Since competition is beneficial to American interest in the Caspian Basin, the United States should end its opposition to all pipelines in the region. The pipeline must be a secure and safe investment, but the United States should not inhibit free markets by opposing pipelines on an ideological basis. American-Iranian sanctions have done exactly this in the Caspian Basin. For example, the United States did everything in its power to prevent the construction of a Turkmen pipeline through Iran. Despite the projects economic attractiveness, "Construction of a main gas pipeline through Iran, involving a consortium headed by the English-Dutch oil concern

“Royal-Dutch-Shell”, was virtually frozen due to the American sanctions.”²⁰² The failure of this project exemplifies how America's dogmatic approach towards Iran jeopardizes Central Asian sovereignty. Although Iran will benefit financially from its participation in Caspian energy projects, the "profits accruing from transport tariffs will not be enough to turn around Iran's failing economy.”²⁰³ However, the benefits to MEPS' sovereignty are immeasurable. Most importantly, it will enable these countries to maintain the balance among its powerful neighbors- Russia, Iran, and China- which is essential to their existence and regional peace.

Opponents of the argument will surely point to Iran's increased influence in Central Asia. However, cooperation between MEPS and Iran will be limited to the economic and energy sphere because sectarian and ethnic divides will prevent Iran from exporting its religious extremism abroad. Iranian expansion is limited because "over the past three thousand years Central Asia has more than held its own in its political, economic, and cultural interactions with Persia.”²⁰⁴ Meanwhile, others may argue that this policy is directed towards Russia. This proposal would simply level the playing field that U.S. policy has tilted in favor of Russia and against MEPS' prospects for true independence. Russia has every right to compete for a share of Caspian energy markets. Nonetheless, the United States should not hinder free market behavior by preventing Iranian participation in Caspian energy projects and indirectly supporting Russian oligarchs whose coercive tactics jeopardize Central Asian and Azeri sovereignty. A sensible regional policy is essential to American interests because the Caspian Basin is destined to play a pivotal role in future energy production. If experts are right and the Caspian Basin meets its energy production capabilities, it will reduce the relative importance of the Persian Gulf. These

²⁰² Yuldasheva, Guli, Dr. "Geopolitics of Central Asia in the Context of the Iranian Factor." P.135.

²⁰³ Starr, Frederick S. "Power Failure: American Policy in the Caspian." *The National Interest*. P.8.

²⁰⁴ Ibid.

benefits alone outweigh the cost of allowing Iran to participate in Caspian energy projects. Although engaging Iran is in America's interest, this policy is difficult to implement.

This new attitude requires American policymakers to admit that the last thirty years of foreign policy towards Iran have failed. Nonetheless, America must realize the extent of the situation. Iran will eventually procure nuclear weapons if it desires. The demographic explosion across the Middle East will dramatically alter the world's population. Some estimates predict that by 2030 Muslims will account for a quarter of the world's population.²⁰⁵ This demographic trend indicates that America must make peace with the Muslim world if it is to remain a global hegemony. Since Iran shares American security and geopolitical interests in Central Asia and the Caspian Basin, the United States undermines its position by continuing a containment policy of Iran. Although Ayatollah Khomeini's enmity towards the West became a cornerstone principle of the post revolutionary Iranian regime, popular support within the Iranian population suggest that now represents an opportune time to reset US policy towards Iran.

Hassan Rohani, an Iranian moderate, was recently inaugurated as the country's next president. He is an advocate of equal rights for women, open dialogue with the West, and a break from the last thirty years of Iranian-American relations. CNN reported that Hassan Rouhani "promised an environment with greater personal freedom, and even indicated that he would free political prisoners and jailed journalist. In his campaigning, Rouhani also pledged to improve the economy and unemployment, and as a former nuclear negotiator, he said he would reduce the high tension between Iran and the outside world by addressing sanctions related to Iran's nuclear program."²⁰⁶ The United States should reciprocate Iran's efforts and secure a permanent peace

²⁰⁵ Jones, Hanna. "2.2 Billion: World's Muslim Population Doubles." *Time News Feed* 27 Jan. 2011: n. pag. Web. 10 Aug. 2013.

²⁰⁶ Martinez, Michael, and Shirzad Bozorgmehr. "Hassan Rouhani Is Iran's Next President After Appealing to Tradition, Reform." *CNN*. Cable News Network, 15 June 2013. Web. 2 Feb. 2014.

because American policy will have important geopolitical consequences in Central Asia and its peripheries.

Coalition Building

A rapprochement could facilitate an arms buildup between Pakistan and India. Although neither country is in Central Asia, both countries play a strategic role in the region. As discussed in Chapter two, China provides military aid to Pakistan, in part, because Pakistan is a proxy for containing Indian influence. China views India as a rising democracy and direct competitor to its interests. Since India cannot secure an overland transport route to Central Asia, it is dependent on Iranian cooperation to reinvigorate the International North-South Transport Corridor (See Map 1.3). Although Indian-Iran cooperation is in America's interest, the resulting balance of power could escalate into an arms race. The distance between Islamabad and Washington continues to grow amidst increased drone strikes and the killing of Osama Bin Laden on Pakistani soil. In response, America has redirected its support towards India. American-Iranian cooperation could result in the emergence of an American-Iranian-Indian coalition countered by a Chinese-Pakistani axis.

The polarization of the two coalitions may result in a balance of power that closely mirrors the Middle East during the Cold War. During this period, America backed Israel and the Soviet Union supported Egypt as proxies in the region. These dynamics are similar to an American-Indian-Iranian coalition counterbalanced by a Chinese-Pakistani axis. The potential arms race between Pakistan and India may diffuse or escalate quickly because both countries are nuclear powers and historical rivals. Nonetheless, America must support Indian expansion into

Central Asia because Pakistan is a skeptical partner in the War on Terror; and India's emphasis on education and secularism will positively impact CAR governments.

Balance of Power in Central Asia

Russia

American-Iranian cooperation will counter Russian imperialism in Central Asia. Due to Western sanctions, Iran and Russia are currently cooperating out of mutual interests. In the absence of American intervention, Russian-Iranian interests will diverge. Although the two countries are currently cooperating, Iran suspects Russian imperial motives. Shortly after World War II, Iran welcomed an American presence to counter Soviet and British influence within its borders.²⁰⁷ Since Russian encroachment into Central Asia threatens Iranian security, Iran will counter Russia's presence in the region.

Iran's hegemonic pursuit in Central Asia is contrary to Russian interests because both countries will compete for a share of the region's energy markets. As discussed in Chapters Two and Three, Central Asian Republics have expressed a desire to engage Iran in trade. The economic and geopolitical advantages of a southerly export route provide an incentive for Central Asian Republics to forego Russian energy projects. Competition will diversify regional energy economies and increase Central Asian leverage at Russia's expense. Since Russia's outsized influence in the region is largely dependent on its continued control of Central Asian energy economies, Russia will lose out the most. America's containment of Iran plays directly into Russian strategy because it limits competition, thus benefiting Russia's monopoly. American-Iranian cooperation, however, will change Iran's role in the region.

²⁰⁷ Bill, James A. *The Eagle and the Lion: The Tragedy of American-Iranian Relations*. P.18. New Haven: Yale UP, 1988. Print.

Iran

A rapprochement will increase Iran's influence in Central Asia. As discussed in Chapters One and Three, America has pursued policies to bar Iranian participation in many Central Asian energy projects. With the exception of Turkmenistan and Tajikistan, America's containment policy has limited Iran's ability to exert influence in the region. A rapprochement, however, will grant Iran access to the international banking system and advanced technology, which makes Iran an asset to Central Asian energy projects. Since Central Asian governments look favorably upon Iran, CAR governments will embrace the opportunity to engage Iran and reduce their strategic dependence on Russia. Although Iran will expand its economic influence, it will find difficulty exporting its religious ideology. The majority of Central Asian Muslims are Sunni and all CAR governments are secular. In many Central Asian states, Shiite Islam is legally oppressed or marginalized by the population. Therefore, CAR governments will not welcome Iranian fundamentalism. Nonetheless, Iran's economic inroads into Central Asia are contrary to Chinese interests in the region.

China

An American-Iranian rapprochement will have mixed effects on Chinese interests in Central Asia. On one hand, Chinese investments in Afghanistan (discussed in Chapter Two) will benefit from increased stability in the region. Since Iran and China share an interest in preventing a Taliban resurgence, mutual cooperation in Afghanistan is likely. Without Western pressure, China may approve Iran's bid to join the Shanghai Cooperation Organization. However, cooperation will remain limited to Afghanistan because Chinese-Iranian interests diverge at the regional level.

Despite mutual interests in Afghanistan, China sees Iran as a competitor in Central Asia. Iranian-Indian cooperation will continue to be a source of contention between Tehran and Beijing. In the long run, both countries will compete for shares of the region's energy markets. Since Iran provides the most economic export route for Caspian resources, China will attempt to counter this advantage by providing "no strings attached" aid or security guarantees in exchange for Central Asian allegiance and energy contracts. China will play a predominant role in the region, but an empowered Iran will mitigate its rise in Central Asia.

America

American interests in Central Asia will benefit from a rapprochement because Iran provides a valuable counterbalance to the Taliban, and its participation in Caspian energy projects will diversify the region's gas and oil sectors. The diversification of CA energy economies will reduce the region's dependence on Russia and increase Central Asian Republic's leverage vis-à-vis each of its trading partners. Competition ensures that one power will not dictate the region's future because it enhances CAR government's maneuverability within the Russia-China-Iran framework. These measures will give CAR governments the leverage, which they currently lack, in the exploitation of their most valuable resources. Moreover, wealthy secular states will possess the financial resources required to fight counterterrorism and narco trafficking. India's emergence in the region, as a result of its cooperation with Iran, will reinforce American interests, because India will promote education, counterbalance Taliban influence, and champion secular values in Central Asia. India's strategy is the longest to develop, but it arguably creates the most profound change. Since Iran and the United States share a mutual partner, security interest, and geopolitical interest in Central Asia, cooperation will enhance America's position in the region.

Conclusion

The development of Caspian oil and gas sectors is crucial to reducing international dependence on Persian Gulf energy sources. Since the region is destined to play a pivotal role in world energy production, it is vital to American interests that no single power control the region's energy economies. Thus, the United States must promote competition by supporting new pipeline development. Since the United States cannot become a hegemonic power in Central Asia and the Caspian Basin, it must enlist the cooperation of a regional power who shares its interests. Iran is the most suitable candidate. The diversification of Caspian energy economies via Iranian competition will counter Russian imperialism and mitigate China's rise. The benefits to long term security in the Caspian Basin and Central Asia greatly outweigh the cost of allowing Iran to participate in regional energy projects.

The United States can pursue a sensible policy in the region while still pressuring Iran on pertinent issues. Cooperation will increase the channels through which the United States can influence Iran. As discussed in Chapter Three, containment will reduce American leverage over Iran and further radicalize the Iranian regime. A rapprochement, however, might result in changes in American-Iranian relations that mirror the shifts in American-Chinese relations after America's rapprochement with Maoist China. Although America and China disagree on many issues, the two countries cooperate in certain spheres out of mutual interests. Moreover, the all or nothing approach is yet to produce tangible results.

The current US policy towards Iran was shaped in the 1980's, long before the Central Asian Republics and Azerbaijan existed as independent states. Since the collapse of the USSR spawned important geopolitical developments in the region, the United States must shift its

policy towards Iran to evolve with the changing circumstances. Above all, is it not wise to adjust policy to new realities? Fortunately, the necessary measures to advance American interests in the region are inexpensive and readily at hand. The United States must engage Persia in the Caspian Basin and Central Asia to enhance regional security and foster the independence of the Muslim Energy producing states (MEPS) of the former Soviet Union.

Appendix:

Table 1 Caspian and Central Asia Proven (Known) Reserves

| Country | Crude Oil (bbl) | Natural Gas (Tcf) | World Rank Oil | World Rank Gas |
|--------------|-----------------|-------------------|----------------|----------------|
| Azerbaijan | 7.00 | 30 | #21 | #26 |
| Iran | 151.17 | 1,168. | #5 | #2 |
| Kazakhstan | 30.00 | 85 | #12 | #14 |
| Russia | 60.00 | 1,680 | #9 | #1 |
| Turkmenistan | .60 | 265 | #43 | #6 |
| Uzbekistan | .59 | 65 | #44 | #18 |
| Kyrgyzstan | .04 | .20 | #74 | #83 |
| Tajikistan | .01 | .20 | #80 | #83 |
| Afghanistan | 0.00 | 1.75 | #91 | #63 |

Reconstructed from Source: www.eia.gov/countries/country-data

Table 2: Central Asian and Russian Share of Exports and Imports by Category

| | | Kazakhstan | Kyrgyzstan | Tajikistan | Turkmenistan | Uzbekistan | Afghanistan | Russia |
|---------------------------------------|--------|------------|------------|------------|--------------|------------|-------------|--------|
| Share of Agricultural Raw Materials % | In Imp | .6 | 1.2 | 1.2 | 1.1 | 4.1 | 1.1 | .9 |
| | In Exp | .2 | 5.3 | 25.3 | 10.6 | 14.5 | 17.3 | 2.1 |
| Share of Food % | In Imp | 8.5 | 16.9 | 17.7 | 8.7 | 10.9 | 16.2 | 13.1 |
| | In Exp | 3.8 | 30 | 3.4 | .3 | 11.2 | 39.5 | 2 |
| Share of Fuel % | In Imp | 10.1 | 26.6 | 17.5 | .9 | 9.8 | 32.7 | 1.5 |
| | In Exp | 70.6 | 15.3 | 1.5 | 74.3 | 23.1 | .7 | 64.4 |
| Share of Manufactured goods % | In Imp | 79.6 | 53.8 | 55.2 | 88.2 | 70.7 | 49.7 | 69 |
| | In Exp | 13.1 | 38.4 | 9.4 | 13.8 | 37.4 | 33.8 | 14.7 |

Reconstructed from Source: Sinitsina, Irina. *Economic Cooperation Between Russia and Central Asia: Trends and Outlooks*. Issue brief. University of Central Asia, 5 Nov. 2012. Web. 7 Apr. 2014.

Map (1.1) Gas Pipelines of Central Asia and Caspian Basin



"Gas Network of Central Asia." *BBC News*. N.p., n.d. Web. 28 Mar. 2014. <<http://www.bbc.com/news/10213792>>.

Map (1.2) Oil Pipelines of Central Asia and the Caspian Basin Map



"Oil Network of Central Asia." *BBC News*. N.p., n.d. Web. 28 Mar. 2014. <<http://www.bbc.com/news/10213892>>.

Map (1.3) International North South Transport Corridor



"International North South Transport Corridor." *North South Corridor: Accelerating the Construction of the Missing Section*. N.p., n.d. Web. 17 May 2011. <<http://www.railwaypro.com/wp/?p=5513>>.

Table 3 Major Gas and Oil Pipelines to European Markets

| Pipeline | Status | Content | Estimated Capacity | Transit Route | Major Source Field | Owner |
|---|-----------|-------------|--|------------------------------|-----------------------------------|---|
| Baku-Tblisi-Ceyhan | Operating | Crude Oil | 1,000,000 bbl/d | Kazakh-Azeri-Georgia-Turkey | ACG, Shah Deniz, Tengiz (Caspian) | BTC Pipeline Co. |
| Caspian Pipeline Consortium (CPC) | Operating | Crude Oil | 684,000 bbl/d | Kazakh-Russia | Tengiz | Transneft,* Chevron Caspian Pipeline Consortium, BP, Kazmunaigaz, Agip, Rosneft*, Shell Exxon Mobil, LukArco* |
| Uzen-Atyrau-Samara | Operating | Crude Oil | 600,000 bbl/d | Kazakh-Russia | Tengiz | Transneft* |
| Baku-Novorossiysk | Operating | Crude Oil | 100,000 bbl/d | Azeri-Russian | Sangachal | Transneft* |
| Central Asia Center Gas pipeline system (CAC) | Operating | Natural Gas | Eastern branch: 2,200 Bcf Western Branch: 120 Bcf | Turkmen-Uzbek-Kazakh-Russian | Dauletabad | Gazprom,* Turkmengaz, Uzbekneftegas, KazMunaiGas |
| Baku-Tblisi-Ezurum (BTE South Caucas Pipeline) | Operating | Natural Gas | 280 Bcf | Azeri-Georgia-Turkey | Sha Deniz | BP, Statoil, SOCAR, LukOil*, Total, Naftiran, Intertrade, TPAO, |
| Kazakhstan Caspian Transportation System (KCTS) | Proposed | Crude Oil | Initial: 300,000 bbl/d Expand: 800,000 bbl/d | Kazakh-Azeri | Tengiz | Gazprom*, Turkmengaz, Uzbektransgaz |

*- Indicates Russian Company

Naftiran- is a Swiss subsidiary of National Iranian Oil Company (NIOC)

Table 4 Major Gas and Oil Pipelines to East Asian Markets

| Pipeline | Status | Content | Capacity | Transit Route | Major Source Field | Owner |
|-----------------------------|--------------------------------------|-------------|--|----------------------------|---|-----------------------------|
| Kazakhstan-China Pipeline | Phase 1 operating Phase 2 planned | Crude oil | Currently: 240,000 bbl/d Expanding: 400,000 bbl/d | Kazakhstan-China | Tengiz, Zhanazhol | Kazakh-Chinese Pipeline Co. |
| Turkmenistan-China Pipeline | Operating | Natural Gas | 1,400 BcF | Turkmen-Uzbek-Kazakh-China | South Yolotan, Karachaganak, Tengiz, Kashagan | Intergas Central Asia |

Table 5 Major Gas and Oil Pipelines to South Asian Markets

| Pipeline | Status | Content | Capacity | Transit Route | Major Source Field | Owner |
|---------------------------------|-----------|-------------|---------------|---------------------------------|---------------------------|-------|
| Iran Oil Swap | Operating | Crude Oil | 200,000 bbl/d | Kazakh-Turkmen-Azeri-Iran | n/a | n/a |
| Turkmen-Afghan-Pakistani-Indian | Proposed | Natural Gas | 1,000 BcF | Turkmen-Afghan-Pakistani-Indian | South Yolatan, Dauletabad | n/a |

Tables 3-5 reconstructed from Source: EIA Country Analysis *Caspian Basin*: P.25.

Table 6 Exports of Central Asian Countries to Key Markets Outside Region

| | 2000 | 2000 | 2010 | 2010 |
|-------------|---------------|----------------|---------------|----------------|
| | Billion US \$ | % of Total Exp | Billion US \$ | % Total Export |
| EU | \$3.7 | 23.8 | \$31.9 | 37.7 |
| Russia | \$3.6 | 23.3 | \$13.8 | 16.4 |
| China | \$.7 | 4.8 | \$12.4 | 14.6 |
| Iran | \$.5 | 3.3 | \$4.0 | 4.8 |
| Turkey | \$.4 | 2.5 | \$2.7 | 3.1 |
| Switzerland | \$.6 | 4.1 | \$1.7 | 2.0 |
| USA | \$.2 | 1.5 | \$1.1 | 1.3 |
| Japan | \$.08 | .5 | \$.56 | .7 |
| Korea | \$.14 | .9 | \$.38 | .4 |
| India | \$.06 | .4 | \$.26 | .3 |
| Pakistan | \$.04 | .3 | \$.20 | .2 |

Mogilevski, Roman. *Trends and Patterns in Foreign Trade of Central Asian Countries*. P.30. Rep. University of Central Asia, Nov. 2012. Web. 1 Apr. 2014.

Table 7 Imports of Central Asian Countries from Key Partners Outside Region

| | 2000 | 2000 | 2010 | 2010 |
|----------|---------------|------------------|---------------|------------------|
| | Billion US \$ | % of net imports | Billion US \$ | % of net imports |
| Russia | \$3.1 | 27.2 | \$17.2 | 27.3 |
| EU | \$2.2 | 19.0 | \$11.1 | 17.5 |
| China | \$.28 | 2.4 | \$6.8 | 10.7 |
| USA | \$.59 | 5.1 | \$4.1 | 6.6 |
| Turkey | \$.53 | 4.6 | \$2.5 | 4.0 |
| Korea | \$.44 | 3.8 | \$2.2 | 3.5 |
| Pakistan | \$.15 | 1.3 | \$1.9 | 3.1 |
| Iran | \$.23 | 2.0 | \$1.8 | 2.8 |
| Japan | \$.34 | 3.0 | \$.88 | 1.4 |
| India | \$.99 | .9 | \$.84 | 1.3 |

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