# Moscow's energy strategy

*William Engdahl describes how the Soviets are making Europe dependent on their supplies, after helping knock out nuclear power there.*

The fact that the Soviet Union has completed its section of the controversial 2,765-mile pipeline that will supply natural gas from Siberia to Western Europe in 14 months is only one of the more significant parts of an overall Russian strategy to lock the future industrial economies of Western Europe into dependence for vital energy on Mother Russia.

The pipeline, stretching from Urengoi down to the Czech border and crossing hundreds of miles of permafrost, swamp, and mountainous terrain of the Carpathian range, is now set to begin delivery of Soviet natural gas to Western Europe by next January. On the advice of State Secretary George Shultz, the Reagan administration lifted an earlier embargo aimed at delaying completion of the pipeline. President Reagan's argument was right on the mark, even if his mode of response was stupidly self-defeating. The Soviet-European natural gas project is one part of a series of integrated moves by which Moscow is moving in the months ahead to break Europe from NATO into a growing dependence on Soviet raw materials and energy.

The Urengoi gas project is only one part of a long-term Russian strategy which includes export of crude oil, petroleum product, coal, and other raw materials to select European NATO countries. A second, as-yet-unpublicized project involves a natural gas pipeline from the huge Russian Astrakhan field in southeastern Russia. Additionally, in the past 18 months, Russia has emerged as a major exporter of crude oil to European markets. It is at an advanced stage of negotiations with Occidental Petroleum's Armand Hammer for construction of a 2,500-mile coal slurry pipeline to carry coal initially from Siberia to Moscow, potentially one of the world's largest industrial projects. When the totality of these Western energy linkages is in place, Moscow will exert an enormously important economic lever over the economies of Western Europe, most emphatically over West Germany, Italy and, to a less extent, France. What follows is a project-by-project summary of the major components of this "Energy Finlandization."

## Yamal natural gas pipeline project

Described by Soviet *Pravda* as an "energy bridge" which will make Europe less dependent on Washington, the 2,780-mile Siberian Urengoi-Yamburg natural gas pipeline project, this massive $11 billion project, the cause of severe strain over the past 24 months between the Reagan administration and Western Europe, is clearly a political coup and a potential economic coup for Yuri Andropov and Henry Kissinger. Because of the administration's waffling, American firms such as Caterpillar Tractor lost billions of dollars in orders to European companies eager to sell to Moscow. The major current orders for the huge German steel firm, Mannesmann AG, the AEG-Telefunken electrical firm, and Saltzgitter are tied to the Urengoi gas project. The German consortium is led by Ruhrgas AG and the bank financing has been organized by Deutsche Bank, the leading German bank. This has created a very strong political beach-head inside West Germany for support of other Soviet initiatives, including the anti-NATO "peace" movement. While details are not documented, a high-level West German security official released a report at the beginning of August, blacked out in German media, which detailed a substantial covert funneling of tens of millions of dollars from the Soviet KGB into West Germany to support anti-NATO demonstrations and activities. German business channels tied to the pipeline project are a large source of KGB influence and money-conduiting into that NATO country.

By the end of this decade, the pipeline will make Germany dependent on Russian natural gas for up to 30 percent of its total gas supply. Much of this will go to homes and industry, which are not readily able to convert to other fuels. The French share of the Siberian gas delivery, although it represents a slightly smaller proportion of France's total energy than Germany's, will bring French dependence on Russian gas up to 30-35 percent of its total gas requirements. And the new Bettino Craxi government of Italy is expected to approve its share of the Siberian gas offtake shortly. The large state petrochemical giant, ENI-Snam, is the prime contractor. ENI is a major affiliate of Armand Hammer's Occidental Petroleum Company, one of the Soviet Union's most important commercial capabilities in the West. ENI-Snam's president has just returned from negotiations in Moscow on the deal. If it is completed, Italy will depend on Moscow for 35 percent of its natural gas requirements.

Austria, which since the late 1940s has been one of the principal bases of Soviet-*Mitteleuropa* collaboration for operations in the West, will depend on Russia for 80 percent of its natural gas. Finland, which is economically a de facto satrap of Comecon, will depend on Moscow for 100 percent of its natural gas. Its two currently operating nuclear plants were also made in Russia.

Existing Soviet contracts with European purchasers of the gas start out at below-market prices, but escalator clauses will push these prices sharply higher by 1990. Russian hard currency earnings are calculated to reach between $4-$8 billion per year from this project alone. In addition, Moscow is currently negotiating creation of a gas pipeline system in Greece, another NATO member. Greek Energy Minister Evangelos Kouloumbis met last month with his Russian counterpart on this matter.

## Crude and refined oil exports

All talk of imminent Soviet depletion of oil reserves is deliberately misleading. Russia's present energy strategy is premised on the economic collapse of the United States into irreversible decline as a countervailing strategic power.

The U.S.S.R. in 1982, contrary to 1977 CIA estimates, was the world's largest producer of oil, averaging a total output of almost 12.3 million barrels per day. Plans call for this to rise to 12.4 this year. What is of enormous and little-appreciated significance, however, is the process by which Russian exports of crude and refined oil products to the West for 1982 and continuing into 1983 made Moscow the world's second-largest exporter of oil as well, second only to Saudi Arabia. During 1982, Soviet oil exports to the West increased an astonishing 50 percent over 1981. And, according to OPEC estimates to date this year, Moscow's exports to primarily Western Europe are up a further 53.8 percent over 1982. This brings Soviet export of oil and oil refined product to an estimated 1.9-2 million barrels per day (bpd). If we include their exports to Eastern Europe, Russia exported more than 3.3 million bpd last year.

What is most notable is the fact that at a time when every other major exporter of oil is collapsing its market share because of depressed economies, Russia is expanding its share enormously. While Saudi, Nigerian, and Iraqi exports to Italy dropped by some 50 percent, Italian imports from the Soviet Union, Iran, and Mexico almost doubled, to make Moscow today Italy's third-largest supplier. A similar shift occurred in West Germany and other European countries.

Moscow has ruthlessly shifted its exports away from its own Warsaw Pact satellites in Eastern Europe to the hard currency Western European markets. It did this partly through a substitution of Libyan oil—in primarily arms-for-oil arrangements to fuel Qaddafi's imperial designs—into Eastern Europe while Moscow sold directly to the West. Qaddafi's present genocidal rampage through Africa is substantially financed by this larger Soviet oil strategy.

This increased export of Soviet oil exceeded $34 billion in hard dollars last year, the lion's share of total export earnings for Moscow. And all energy exports combined brought in some $45 billion to the Soviet economy in 1982, according to oil industry estimates. The biggest target for this increased Soviet oil export has been West Germany, with much of it also indirectly funneled into Germany via Rotterdam.

The strong, sudden entry of Moscow as a major force in Western petroleum markets has been achieved by a shrewd combination of political and economic armtwisting, facilitated by the Henry Kissinger-Lord Peter Carrington "New Yalta" efforts to force weakening of U.S. ties to Europe and the Mideast. As a result, today Moscow is the single most influential force influencing OPEC price and production in a weakening market. Moscow has grabbed market share by dumping massive quantities of crude onto the Rotterdam and other spot markets of Europe. This has made Moscow a major swing factor in the fragile global oil price stability. Given the precarious relation of oil revenues to current world finance flows, this is a potent weapon. Just last month, six months after Moscow had led the pack down, the Soviet Union, as the first major producer to do so, announced a 50-cent per barrel increase in its spot selling price.

If viewed in the context of the considerable Andropov political and subversion initiatives throughout the Mideast, Moscow today could fairly be said to be the single most influential force in world oil markets. The failure of the Saudis last spring to break this stranglehold by increasing production and pumping full-tilt at whatever price was brought about, in part, by pressure from KGB-tied networks, via Lord Carrington and others, into certain branches of the Saudi royal family.

## Coal

By the second half of this decade, Soviet long-term plans call for spending more on coal than it presently is spending on gas and oil combined. If those targets are met, this will make Russia the world's largest producer of coal as well as oil and natural gas. The ongoing negotiations with Armand Hammer of Occidental Petroleum, Bechtel Corp (Secretary of State George Shultz's old employer), ENI of Italy, and Yuri Andropov for construction of a multi-billion coal slurry pipeline from the vast Siberian coal deposits into Moscow should be viewed as a probable first stage of a larger future pipeline project or rail line for expanded export of coal to the West as well.

Overall, Russian inroads into the vital energy lifeline of Western Europe are properly viewed as an integral long-term component of Moscow's Third and Final Rome strategy to take control of a world empire. Moscow's current policies will lock what is now a major prop of the West, Europe, into its grip. It is noteworthy in this context that dependence on relatively inefficient raw material fossil fuel combustion rather than the far more efficient nuclear energy alternative has been facilitated by an environmentalist movement especially in West Germany, whose controlling oligarchs are working hand-in-glove today with Yuri Andropov to deliver Germany into the waiting arms of Mother Russia.