

The ‘Great Game’ and the pipeline wars

by William Engdahl

A battle has been raging since the collapse of the Soviet Union over control of oil reserves in and adjoining the Caspian Sea, believed to be the largest untapped oil reserves found since those of the Alaska North Slope some 25 or so years ago.

The fight over the region, which, for almost a century, was the heart of Britain’s “Great Game” geopolitical manipulations to control Central Asia and contain Russia, has pulled into its vortex every State in the region from Russia to Turkey to Azerbaijan, Georgia, and Kazakhstan. The strategic tug-of-war is being fought over decisions on the routing of pipelines to carry oil from the Tengiz field in Kazakhstan and the offshore fields near Baku in Azeri waters. The British Foreign Office and the interests tied to the House of Windsor, with a strong traditional interest in Royal Dutch Shell, have covertly backed such interests in the region as the mysterious Oman Oil Company, in order to maximize chaos and to deny a strong American role.

Pipeline politics

According to geophysical experts, the Caspian Sea Basin and adjacent land areas form one of the richest unexplored oil and gas reserves outside the Middle East, holding billions of barrels of crude oil, and some of the world’s largest reserves of natural gas. Western oil companies, including Chevron, BP, Amoco, and Shell, are actively seeking to build a major stake in the area, with potential investment in the tens of billions of dollars. Oil and gas reserves are concentrated in the offshore Caspian waters of Turkmenistan, Azerbaijan, and Kazakhstan, as well as in the huge Tengiz field in far west Kazakhstan, and the world’s fourth largest natural gas reserves, in Turkmenistan.

Unlike Russian oil and gas reserves, the Caspian fields are shallow and relatively easy to exploit, making them cheaper to develop. The critical issue is what route pipelines should take to market the oil and gas abroad.

Here is where the battle begins (see Map 17). Not only does Russia border the Caspian Sea, but also Iran. Present oil pipelines pass through embattled Grozny in Chechnya. Russia insists on having future oil export, from both Baku and Tengiz fields, pass through Russian territory. Not surprisingly, the

Central Asian republics as well as Turkey, have other ideas.

Russia would clearly like the Caspian Basin oil all to be piped to the Russian port of Novorossiysk on the Black Sea, and from there by tanker to Bulgaria and on to Greece for Western marketing. This complex route would prevent the oil’s passing through rival Turkey.

Russian-Turkish relations are not exactly cordial on the topic. Turkish Prime Minister Tansu Ciller recently told Moscow that Turkey would refuse passage rights to any more large oil tankers passing through the Bosphorus from the Black Sea to the Mediterranean, claiming environmental danger of oil spills as the reason, and threatening to allow Greenpeace to stage protests there. Moscow replies that this is merely an excuse for Turkey, and that the real reason is to force the Central Asia pipelines to route overland through Turkey, in place of Russia.

In Kazakhstan, where the American oil major, Chevron, has been active for four years in the Super-Giant Tengiz field, the pipeline deadlock has now all but forced Chevron to halt activity. The field is Chevron’s largest new project since first opening Saudi Arabia 50 years ago. But pipeline politics may ruin that. Kazakhstan has formed a consortium, Caspian Pipeline Consortium, whose members include the Kazakh and Russian State oil companies, Chevron, and the Oman Oil Co. The inclusion of Oman is the bizarre factor which Chevron claims is preventing a pipeline solution.

The Russians are demanding a pipeline from Tengiz through Russia to Novorossiysk to replace the presently overloaded Friendship Pipeline that goes through Russia. Kazakhstan’s President Nazarbayev is being advised in his negotiations with Chevron by a mysterious Dutch oil trader, John Deuss, who also is president of Oman Oil Co.

Deuss enjoys close ties to the Sultan of Oman, perhaps the most anglophile of the Gulf rulers, a man trained at Britain’s Sandhurst military academy, who takes policy guidance from a “retired” British Air Force Marshal, Sir Erik Bennett. The sultan was a major supplier to the Afghan mujahideen.

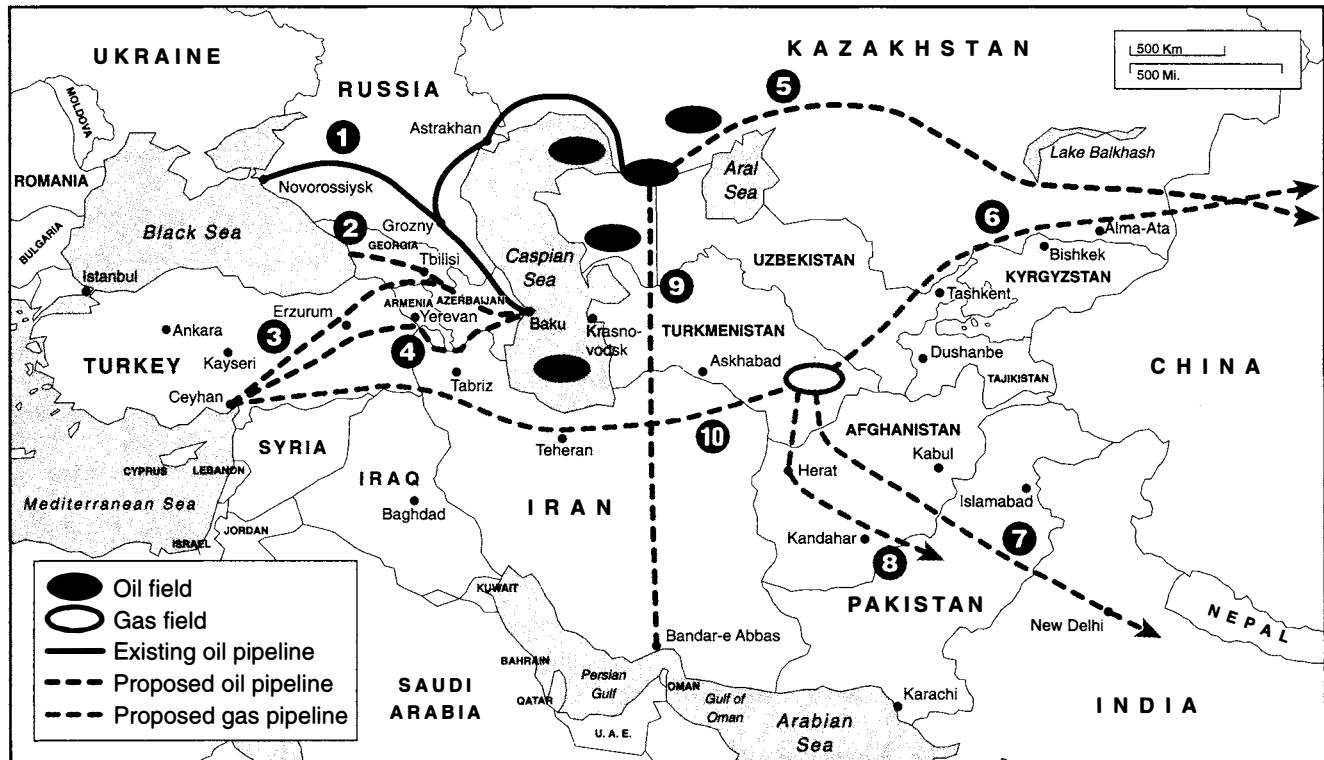
One of Deuss’s partners in this venture is Ted Shackley, a former speechwriter for George Bush. Shackley also has a long history in the U.S. Central Intelligence Agency. He was involved in both Vietnam and the Bay of Pigs before being named deputy chief of clandestine operations in the mid-1970s. In that post, he was the boss of such people as Gen. Richard Secord of Iran-Contra notoriety; Secord won a contract in 1991 to train the Azerbaijan military.

Deuss and Shackley spent six months in Kazakhstan in 1993 to win a deal, but the clincher was when Deuss managed to get a \$100 million “loan” to Nazarbayev from the Oman Sultanate. Since then, Deuss has held the dual role of adviser to the Kazakh government on the oil project, and head of Oman Oil.

In the fall of 1995, Chevron announced that it was scaling back investment in the Tengiz field because of the pipeline

MAP 17

The contesting oil and gas pipelines



Key to Map 17

Conflicting schemes of oil and gas development of the Caucasus and Central Asia have been astutely used by the British to manipulate and inflame ethnic conflict, and to attempt to prepare a Russian-Turkish showdown. Insurgencies in Chechnya, Azerbaijan, Abkhazia, and the Kurdish region of Turkey have blocked all oil development, as have the ongoing conflict in Afghanistan and threatened conflict in Xinjiang, China.

Line 1 is an existing oil pipeline that could pump oil from the Baku Caspian Sea oil fields, and the newly developed Tengiz fields in Kazakhstan, to the Russian port Novorossiysk on the Black Sea. British-sponsored conflict in Chechnya, through which the pipeline runs, has made this route unattractive. The Chechens have recently bombed the pipeline and refineries in the region.

Line 2 is a proposed pipeline running through Azerbaijan and Georgia. The line would run through the Kuma River valley, nearby Karabakh, and would end at the port city of Poti,

nearby Abkhazia. Armenian or Abkhazian forces could destroy the proposed pipeline at any time.

Lines 3 and 4 are two proposed pipelines pumping oil from Baku to the Turkish port of Ceyhan. Both had been proposed as alternatives to the existing line through Russia. Both variants could be blocked by the Armenians or the Kurdish insurgents in eastern Anatolia at any time.

Line 5 is a proposed pipeline which would pump natural gas from the Tengiz field in Kazakhstan via China, for Japan. It is vulnerable to Uighur insurgency in Xinjiang, China, organized by Britain, primarily out of Turkey.

Line 6 is a proposed pipeline which would pump natural gas from Turkmenistan via Central Asia and Xinjiang province, for Japan. It is vulnerable to the same insurrections.

Lines 7 and 8 would pump natural gas to Pakistan and India. Continuing conflict in Afghanistan makes this line impossible.

Lines 9 and 10, which would run through Iran, have been blocked by political pressure.

impasse, citing Deuss's obstructive role. Deuss and Oman, influencing as well Kazakhstan's vote in the consortium, propose constructing a new pipeline to Novorossiysk. Chevron had agreed to finance half the entire cost in return for only 25% interest in the pipeline. Oman's Deuss pressed for Chevron to pay 100%, some \$1.4 billion, for only 33% interest, permitting Deuss a risk-free 33% share for himself. At that point Chevron cut back dramatically. Without Western funds, the impoverished Kazakhstan government is unlikely to be able to finance the project.

The Baku factor

The second crossroads of Central Asian pipeline politics involves Azerbaijan, one of the world's first major oil regions, discovered back in the 1870s and pioneered by Sweden's Nobel brothers. The offshore waters near Baku hold enormous reserves of untapped oil, at least comparable to those of Tengiz, according to geologists.

One person with a prime interest in this oil is Mark Thatcher, the globe-trotting oil and weapons-salesman son of former British Prime Minister Margaret Thatcher. According to a Russian source, Thatcher is capitalizing on the contacts set up for him by his mother. Officially, "Thatcher works for British Petroleum, and the BP-led consortium that is arranging the oil deals with Azerbaijan. He's close to the son of Heidar Aliyev, who's chairman of the Azeri State oil company."

Even with Thatcher's son for an ally, Azerbaijan still has the problem of how to get the oil out.

On Jan. 18, 1996, Russia and Azerbaijan signed an oil transit agreement which guarantees that "at least 5 million tons of oil a year" will flow through a Russian pipeline managed by Transneft by 2002. The route goes through Dagestan and Chechnya. However, the visit of British Foreign Secretary Malcolm Rifkind to Azerbaijan Jan. 3 had already begun tugging events in the opposite direction.

In mid-January, Chechen terrorist provocations dramatically escalated the war in Chechnya. As one European military analyst noted at the time to *EIR*, "The matter of oil flow is quite crucial to the Caucasus conflict. At the moment, there are all sorts of agreement for the northern route for the oil to flow, through Russia. But if this war continues, or expands, the international oil consortium will press for the route through Turkey."

The point has not been lost on Russia. A well-informed Russian source averred to *EIR* that Turkey's encouraging disposition in the hijacking of a ferryboat by Chechen terrorists in the Turkish port of Trabzon, was motivated by the desire to create a "provocation in the Bosphorus," causing such "mischief" that "the idea of sending Azeri and Kazakh oil from Novorossiysk in Russia, through the Bosphorus, becomes impossible." He reported that the international oil consortium developing oil in Azerbaijan, led by Exxon and British Petroleum, had sent a "letter of information" informing

the Russian government that if it is not possible to send "light oil" through the Chechen capital of Grozny by April 1996, then the consortium would send it through Georgia and then via Turkey.

Nor has the point been lost on the Chechens. On Feb. 23, casting their vote for British Petroleum, Chechen terrorists blew up a gas pipeline along the Chechen-Dagestan border, and destroyed an oil refinery in Grozny. BBC cited Jonathan Lee, of the London Center for Global Energy Studies, as saying, "This is the last thing the Russians want, because it will make their negotiations with the Azeri oil consortium all the more difficult."

Moscow geopolitics

For the Russian view of this matter, *EIR* spoke with Prof. Grigori Bondarevsky of the Institute of Social-Political Studies of the Russian Academy of Sciences. Bondarevsky, one of the world's authorities on Muslim Central Asia, was blunt: "Turkey is playing a very problematic role in these complex pipeline negotiations."

This is why Russia insists on the Novorossiysk-Bulgaria route, to avoid Turkey entirely. Moscow is apparently prepared to use strong measures to secure this option. "Of course," Bondarevsky stated, "if Turkey persists in its demand, there are options which could be used to pressure Turkey." He noted the presence of large numbers of Kurds in the very region where the Ciller government would have to route the oil pipeline. "In the 1920s, the Kurds helped Armenia against the Azeris. The Kurds could well respond today again to the unreasonable pipeline project of the Turkish government."

Strained relations between Turkey and Russia, including the contention over pipeline routing, have also played a significant role in the recent improvement of relations between Iran and Moscow, Bondarevsky indicated. "Russia has improving relations with Iran." Citing the controversial deal to deliver Russian nuclear power technology to Teheran, along with Russian submarines, he added, "Russia needs Iran against Turkey." Notably, in late 1995, Iran backed Russian demands that, according to an old 1936 treaty between Iran and the Soviet Union, all countries bordering the Caspian Sea have joint rights to the region's resources, including Russia.

Moscow is also playing a typically Russian pressure game. They are part of the Central Asia Economic Union, but Moscow is holding out blackmail that it will encourage Russian technical cadre and engineers to flee Kazakhstan, for example, if that country tries to go it alone on the oil pipeline. Without Russian engineers and technicians, most oil and gas, and other industrial operations in the Central Asian republics, would soon grind to a halt.

The pipeline wars exemplify the "tightrope" confronting the Central Asian republics, stretched between trying to accommodate Moscow on one side, while seeking more independent ties with neighbors such as Turkey on the other.