

## What Did 'Energy Dialogue' At Bush-Putin Summit Mean?

by Muriel Mirak-Weissbach

The summit meeting between U.S. President George W. Bush and Russian President Vladimir Putin on May 23-24, was hailed as "historic" for the strategic arms reduction agreement signed. But that agreement has little substance, militarily or otherwise. Both sides maintain a devastating nuclear capability, and some warheads "reduced" on the American side will be merely stockpiled, not destroyed.

The significance of the summit lies in the far-reaching "energy dialogue," encapsulated in a joint statement issued following the talks on May 24. Even prior to the agreement, speculation had been rife in Russian and other international media, about supposed U.S. plans to build up Russia's oil and gas production, to replace those from the Persian Gulf, in case of a crisis.

The statement begins, "Successful development of the global economy depends on timely and reliable energy delivery. In this context, we welcome the fact that the Russian Federation has confirmed its role as a major world energy provider. In order to strengthen our overall relationship and enhance global energy security and international strategic stability, we have agreed to launch a bilateral energy dialogue." The aims are to:

- "Develop bilateral cooperation in the energy sphere on a mutually beneficial basis in accordance with our respective national energy policies.
- "Reduce volatility and enhance predictability of global energy markets and reliability of global energy supply.
- "Facilitate commercial cooperation in the energy sector, enhancing interaction between our companies in exploration, production, refining, transportation and marketing of energy, as well as in implementation of joint projects including those in third countries.
- "Encourage investment aimed at the further develop-

ment and modernization of the fuel and energy sector of Russia, including expansion of oil and gas production in Eastern Siberia, the Far East, and offshore areas.

- "Promote access to world markets for Russian energy, including through the commercial development and modernization of Russia's port and transportation infrastructures, the electric power and gas sectors, and oil refining capabilities.
- "Foster science, technological, and business cooperation in the use of unconventional energy sources, and energy-efficient and environmentally clean technologies.
- "Cooperate in elaboration and development of new ecologically safer nuclear power technologies."

The statement also cites the Caspian Sea and implicitly Central Asia: It says of the Caspian region, "We also welcome our commercial cooperation with the United States and in other countries where our companies, and their international partners' experience, technology, and capital can be joined to provide the commercially reliable energy supplies which are essential to fostering prosperity and global stability."

### Who's Fooling Whom?

So much for the text. What the agreement actually means, is still an open question. All any intelligent viewer could say, is: "Who in Hell—or, from Hell—is fooling whom?" Is Russia playing a deception game, waiting for America's economic-financial and military-strategic problems to escalate further? Or, is the "liberal" faction in Russia willing to make Russia "the West's energy and raw materials supplier," with some nuclear weapons added as a "sweetener" for having lost great power status?

*Newsweek*, in its May 27 issue, addressed this as a matter of how to make the Great Game "look nice." Saying the "real news" of the summit was that "Moscow and Washington aim



*The strategic arms-reduction treaty Presidents Bush and Putin signed at this May 24 ceremony, was ceremony; their more important “agreement,” which raised serious questions for all of Central and South Asia and the Mideast, was the much-hyped “energy dialogue.”*

to carve out a whole new relationship, particularly in Central Asia,” the magazine predicted the summit would yield a deal, whereby Russia would make up for shortfalls in oil supplies from the Gulf-Middle East region, in exchange for Western investments, and for integrating Central Asia into world markets. Articles on this theme also appeared in *Business Week*, the *New York Times*, the *Wall Street Journal*, *Forbes* magazine, Radio Free Europe/Radio Liberty, and the German daily *Frankfurter Allgemeine Zeitung*, among others.

During the summit, the Russian online publication Strana.ru published a piece by its “Russian Observer,” which outlined a nightmare scenario—at least for the oil producers of the Persian Gulf. It said the intent was to make Russia “an ally of the West in a vital Western economic security interest,” and the West an ally of Russia in the same terms. Author Ira Strauss, known for his anti-Arab views, called the energy dialogue the first step toward an eventual “Russia-West Oil and Gas Community”—which would spell “the end of OPEC,” the Organization of Petroleum Exporting Countries. Strauss cited Mikhail Khodorkovsky of the Russian oil firm Yukos, saying there are “limitless” opportunities for U.S.-Russia energy cooperation.

The scenario outlined in Strana.ru foresees a stage two, in which Russia would join the International Energy Agency (IEA), “a fair price is agreed upon for Russian oil, the West agrees to compensate Russia for financial losses when oil prices fall below this level, and Russia agrees to compete ruthlessly against OPEC to cut world oil prices as low as possible.” Among the “benefits” listed, we find also the notion that “desert sheikdoms stop accumulating huge financial power. . . . And it lances the financial boil of Middle Eastern societies, which have become unhealthier, cartel-and-extortion societies through their oil wealth.”

The third stage “Oil-Gas Community” is envisioned by

the “Russian Observer” as “like the Coal and Steel Community that laid the foundations of the European Common Market, [and] could lay the foundations for a Euro-Atlantic-Eurasian common market.” The IEA, representing all the countries of the global “North,” is greatly strengthened against OPEC.

“IEA can set norms for energy policy, energy taxation, stabilization funds and reserves, investment and production among its members. And the UN can set global norms . . . and dictate to OPEC. UN regulations can undermine what is left of OPEC, outlawing its role as a cartel—an illegitimate form of inter-governmental organization.” The UN Security Council proclaims oil and gas to be a commodity of global economic and security interest and to be subject to global anti-trust regulation, as well as regulation motivated by environmental and other concerns. In low-population high-oil states such as the Gulf states . . . it undoes their nationalization of oil, placing the oil and gas fields under global ownership and authority.”

### **The Russian ‘Liberals’**

The scenario outlined here would mean the triumph of “free trade,” explicitly wiping out the existing structure of oil production where nations still hold sway over their resources, and eventually establishing a one-worldist imperial control over raw materials, through a centralized agency. The key personality mentioned on the Russian side, is Mikhail Khodorkovsky. The chairman and CEO of Yukos, Khodorkovsky was featured in the *Wall Street Journal* on April 29, in an article entitled, “Yukos Chief Sees Russian Oil Firms Being Acquired Within a Few Years; Few To Be Independent After Spree by Western Giants.”

Khodorkovsky has, in fact, been a “frequent, welcome guest in London and Washington” in the recent period. He

this year opened the first overseas office of Yukos, in London, and recruited Lord David Owen to become a member of the board. At the London Russian Investment Forum on April 17-19, Khodorkovsky delivered a keynote, in which he celebrated Russia's oil potential, which, he said, exceeded that of the Gulf. He argued against PSAs (production-sharing agreements) and in favor of Russia's developing its oil on its own. Anders Åslund, at a pre-briefing for the Bush-Putin summit held at the New York Council on Foreign Relations, described Khodorkovsky as someone who travels to Washington every other month, to promote Yukos' interests, including Russia's reliability as an oil exporter. Khodorkovsky was a presence in hosting a delegation of U.S. "investors" (mostly Wall Street fund-manager types), who went to Moscow to meet with government and business figures in mid-May, in advance of the summit.

If the profile of Khodorkovsky points in the direction of a raw materials sell-out policy for Russia, it does not necessarily indicate that the Russian political elite, beginning with Putin, is on this course. Many questions remain open.

Could Russia ever replace the Persian Gulf as major oil and gas supplier for the West? Figures cited by the *Frankfurter Allgemeine Zeitung* on May 22, show that 60% of the world's known oil reserves are in the Persian Gulf, as against 12% in Russia. The United States currently gets 15% of its oil from the Gulf, and less than 1% from Russia. Russian oil is more expensive due to lack of transportation infrastructure: pipelines, port facilities, and so forth.

The propaganda machines for "Russia, the new oil giant" report that in February, it surpassed Saudi Arabia in oil production; however, it exports only half. The surge was due to Russia's forging ahead in exports while OPEC tried to support the oil price. Russia's restriction of oil exports this Winter, was lifted in May after Prime Minister Mikhail Kasyanov's meeting with the oil magnates. While export duties on oil are being raised, the ceiling per company on exports has been removed. In addition, the increase in Russian oil production reflects the coming on line of some investment programs, undertaken by the Russian oil companies with their Western partners in the post-1998-crash period, when investment became a bit more affordable. According to one source, Russia is now using, in the older Siberian fields, some productivity-boosting technologies applied in the North Sea a decade ago, which can dramatically increase production in such fields for two or three years.

Apart from the propaganda, two specific deals may be mentioned. In mid-April, BP announced that it was paying \$380 million to buy out the stakes of Access-Renova and Alfa Group in the Russian oil company Sidanco, increasing its ownership of Sidanco from 10% to 25%. At the end of the same month, TotalFinaElf announced it was negotiating with Anglo Siberian Oil for rights to develop the 900 million-barrel Yankor field in eastern Siberia. Exxon and Royal Dutch Shell signed on for big new investments in the Sakhalin projects, last year.



*The two Presidents at St. Petersburg State University on May 25, striding into a question-and-answer session with students. The big question raised by the propaganda around "U.S.-Russian energy partnership," was, "Who's fooling whom?"*

## The Great Caspian Game

Perhaps the biggest question has to do with the thorny issue of Caspian Sea oil and other resources. The Caspian, whose oil reserves have been estimated at somewhere between 7.8 billion and a whopping 200 billion barrels, is on the drawing board of numerous Anglo-American think-tanks, which identify it as not only a raw materials-rich region, but a central pawn on the chessboard of the Great Game for geopolitical control over Central Asia and the Caucasus.

The legal regime which reigned over Caspian resources, until 1991, was defined by the 1920 and 1941 agreements between the Soviet Union and Iran, which were the only littoral states. After 1991, the two became five, as Azerbaijan, Turkmenistan, and Kazakstan came into being. For 12 years, attempts to map out a new regime have failed, largely due to the influence of the United States on Azerbaijan, against Iran (see "U.S., Iran Strategies Compete in Central Asia," *EIR*, May 24, 2002).

The Caspian Sea summit meeting in Ashgabat in April marked, at the same time, the high point and the low point of this negotiating process: although it was an achievement in itself to hold such a summit, no agreement was reached. Among many examples of American hostility to such an agreement including Iran as an equal sovereign, in March Steven Mann, a State Department adviser, spoke of "the possi-

## EU-Russia Summit Focus on Energy

President Vladimir Putin personally opened the European Union-Russia summit in Moscow May 28, and reiterated his proposal of 2001, for a long-term energy partnership between Russia and Western Europe.

The Russian President urged expanded EU investments in energy projects in Russia, in the larger context of securing oil and gas supplies to a Europe that will depend on increased imports. He reaffirmed Russia's commitment to provide secure supplies to Europe, also in case that supplies from other regions of the world came to a standstill. This was a reintroduction of the offer that Putin had made to Germany and Europe, during his visits to Berlin and

Essen, last September.

The EU-Russian Summit, which was scheduled to sign a deal on energy cooperation on May 29, featured prominent attendance, with the EU ministers on foreign affairs and security, energy, trade, and the EU Commission President, as well as the respective cabinet ministers from Russia.

In a background report to the summit, the EU Commission stated that "the EU has a vital interest in maintaining and enhancing Russia's role as a supplier of gas and oil, and to strengthen Russia as a secure reliable supplier by technology transfers and investments to upgrade the Russian energy infrastructure. The energy sector in Russia represents a major opportunity both for foreign investment and for export revenues. The need for new capital in the sector has been estimated at between \$460 and \$600 billion, to the year 2020."—*Rainer Apel*

bility of exploiting the resources and reserves of the Caspian Sea *before* setting up the legal regime," according to *Izvestia* (emphasis added).

The position of Russia in this regard, was not self-evident like that of America. In what has been dubbed by some Iranian press as a "schizophrenic Russian-Iranian nexus," the relations between Moscow and Tehran are indeed paradoxical. Russia has established excellent and improving economic, trade, and military-strategic relations, crowned by a summit between Presidents Mohammed Seyyed Khatami and Putin last year; and has maintained its commitment to cooperation with Iran to complete the Bushehr nuclear power plant, despite repeated U.S. pressure, most recently during Bush's visit. Yet, Russia has appeared to be playing both sides against the middle regarding the Caspian, and, more broadly, the raw materials factor in the Caucasus and Central Asia.

Following the Caspian Sea summit, it was announced that Russia and Kazakstan had signed a bilateral deal defining, between them, the borders of the sea. Iran cried foul play, and then embarked on a diplomatic initiative to try to regain some leverage over Azerbaijan. Further "bilateral" agreements may be reached to the disadvantage of Tehran.

And it is not just the Caspian Sea resources, but the pipelines which have become a bone of contention. U.S. policy has been to sabotage any and every pipeline project running through Russia or Iran. Now, the emphasis appears to have shifted more toward Iran, and again, the position of Moscow is not clear.

Before the Caspian summit, *Izvestia* reported on March 14, that "America is trying to use Georgia as the main route for the transit of energy from the Caspian Sea to the Black Sea." Immediately following the summit, the Georgian Embassy in Azerbaijan announced, "It has been decided that

another oil pipeline, called the 'Baku-Tblisi-Ceyhan,' will be constructed by the year 2004 . . . to transfer some 50 million tons of oil per year." The Iranian news agency IRNA said on April 27 that the idea was to bypass Iran. David Woodward of BP Azerbaijan was quoted, "The good news is that the pipeline is not going through Russia or Iran."

### A Russian Double Game Is Dangerous

On May 28, Turkmenistan, Afghanistan, and Pakistan announced a meeting to discuss launching a pipeline across their countries (the old UNOCAL "Taliban" project), again an alternative to the route through Iran. And the pipeline project to transfer gas from Turkmenistan through Iran across Turkey into Europe, has been consistently sabotaged by Washington.

The United States' power to dictate energy policy matters seems to express its growing military presence in the region. Azerbaijan has agreed to landing rights for U.S. planes on its territory, and reportedly to U.S. support to defend its maritime borders from Iran. Georgia is also hosting U.S. military; America has established bases in Kyrgyzstan and Uzbekistan, and is inching its way in, via air-basing rights for "humanitarian" purposes, in Kazakstan and Turkmenistan. These are all resource rich regions, once the sphere of influence of the Soviet Union.

What emerges is a picture of a wild-eyed Anglo-American imperial predator, bent on establishing its control over the raw materials-rich areas of the globe, and preventing any independent state—Iran, or the Arab oil-producing giants—from maintaining sovereign control over resources. Russia's stance is the question mark in this picture. Rereading the text of the "energy dialogue" statement only reinforces suspicions that it may be playing a subtle, but very dangerous double game.