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**THE GEOPOLITICS of PIPELINE IN CENTRAL ASIA and
CAUCASUS,
FROM IRAN'S NATIONAL INTERESTS PERSPECTIVE**

(M.A. Thesis)

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In the name of god the merciful the compassionate

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Abstract

The quest for power has formed much of the world history especially in 20th and 21st centuries. Oil (energy) particularly after industrial revolution has been a tool for conquest and power and has been transformed to a geopolitical issue.

From a geopolitical point of view this has been the case for the last two centuries in Central Asia and Caucasus. Central Asia and Caucasus has always been important. From the middle ages to the end of the 19th century, while the Central Asia and Caucasus was part of the Russian Empire, the oil-bearing areas of Baku were producing half of the world's oil supplies. In World War II, during his campaign against Russia, Hitler tried to capture Baku and the Caucasus oil fields as part of his strategy for world domination. After the war, the Soviets kept these areas as reserves, choosing to exploit oil deposits on Russian soil, in Tatarstan and Siberia. So it goes without saying that world powers want to have a strong hold in the region first and foremost to control the engine for the growth and development of the world and to strengthen their clout in the world political and economic arena and at the same time to increase their share of Central Asian oil and gas. If we look at the oil and gas production outlook in the world it helps us to understand why the competition for presence and hegemony among world powers in Central Asia and Caucasus is so fierce and cruel.

Notwithstanding the volume of the Central Asia and Caucasus real reserves, struggle for control of remaining hydrocarbon resources of every corner of the world in this case Central Asia and Caucasus has enormous importance for the world powers. Therefore the emergence of the Caspian and Central Asia as a new frontier of energy and development in the 1990's was viewed as one of the most surprising events following the collapse of the Soviet Union. There is yet another reason for western powers to pursue eagerly to be present in Central Asia as (Escobar, 2002) holds, Pipelineistan is the golden future: a paradise of opportunity in the form of US\$ 6 trillion of oil and gas in the Caspian basin and the former Soviet republics of Central Asia. In Washington's global petro strategy, this is supposed to be the end of America's oil dependence on the Organization of Petroleum Exporting Countries (OPEC). This is of course the heart of the

matter in the New Great Game, compared to which the original 19th-century Great Game between czarist Russia and the British Empire seem a childish game.

From Iran national security and interest perspective the formation of pipelines in the region, is of very high importance, because it attracts or have attracted other world powers to Iran's northern borders so limiting Iran's geopolitics in Caucasus and Central Asia. That is why; in the game of development of the various possible pipelines to connect the landlocked Caucasus and Central Asian countries to outer world, Iran has claimed its role not merely as a transit route, but also as a final market for the region's energy. Tehran not only has offered the cheapest transit route in its region for oil and gas, but also to be competitive from a security and economic point of view. This is because, as regards to transnational pipelines, the role of Iran also as a final user of Caspian oil and gas could represent a further guarantee that oil and gas flows would not be interrupted. In addition any development in Caucasus and Central Asia will affect the unresolved legal status of the Caspian Sea thus directly affect Iran's security for foreseeable future so understanding the delicacies of dynamics involved in pipeline geopolitics, is the prime objective of this research. It should be emphasized that throughout this paper Energy is use as something which add to a country's power and influence not just an economic asset. if we look to gas and oil resources in this light it can be said oil and gas in the 21st century is Excalibur of king Arthur for world powers to prove they are worthy of universal leadership. That is why despite Iran's extensive effort to prove its transit routes are more secure and economical have fallen on deaf ears.

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Chapter 1: Introduction

1.1 Background

"Whoever controls pipelines controls the resources running through them"

Ambika Vishwanath

The breakup of the USSR triggered a significant transformation of the geopolitics, economics and political identity of the Central Asian states. Central Asia is usually defined as Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

The Central Asia and Caucasus region has historically been a commercial and cultural bridge between Europe and the countries of Asia Pacific. The natural resources of Central Asia are increasingly attracting countries of the Asia-Pacific, such as US, EU, Iran, China, South Korea, Japan and India. The uncertainties of the Central Asian states' political transformation and continued rivalry for Central Asian resources challenge regional cooperation and institution-building. The geopolitical power vacuum formed by the sudden independence of the five former Soviet Republics of central Asia, as well as the fall of the communist regime in Afghanistan, led many scholars and political analysts to foresee the beginning of a new "Great Game", but this time with more players and with fossil fuels playing a central role. The energy resources are however not easily accessible due to the region's landlockedness and limited export infrastructure. Russia controls the majority of oil export routes from reserves in Central Asia but China is steadily increasing its involvement in the energy sector. Central Asia's heavy dependence on pipeline construction has also led to rivalry and competition between the external powers over preferred routes.

Thus this research focuses on two main issues: The study of Energy Geopolitics, and its effects on Iran and US rivalry on energy routes of Central Asia and Caucasus to world markets.

Since the end of the Cold War, states and non-state actors have assigned more significance to economic and resource concerns. Conflicts over the control and security

of global oil and gas become more probable as global oil and gas consumption and import rise, environmental conditions deteriorate availability of oil and gas decreases and prices for these commodities rise.

It is expected that even by ۲۰۳۰, the role of renewable energies in the global energy mix will be marginal at best and global oil, gas and coal consumption will continue to rise. Nevertheless, as oil and gas become increasingly scarce the competition between powers to control the energy and its transit routes will become fiercer. Thus the core problem between Iran and US relation is not about human rights or Iran support for Hezbollah or Hamas, but its aspiration to be a major player in energy markets.

E- Key Question(s)

Will improving relations between Iran and US let Iran to be able to fully exploit its potentials in the energy area?

۱.۲ Main Hypotheses

It seems that improving relations between Iran and US will let Iran to be able to fully exploit its potentials. After revolution Iran has struggled to be an absolute dependent state and to eject foreign countries from the region. Confrontational positions of Iran has led world powers and at the top of them US to sabotage Iran's development and integration into the region and world economy. Consequence of this animosity or rivalry with respect to transit of energy from Central Asia and Caucasus US has been a strong and effective objection to passing any pipeline from the Central Asia to high seas.

۱.۳ Methodology

In this paper to support the view points that have presented, it has been tried to refer to data and other scientific articles from international institutions and think tanks such as, Energy reports, journal articles, Council of Foreign Relations and the Center for Energy and Environmental Policy Research, Energy Information Administration, EIA. Also information gathered from official reports by BP, IEA in order to understand and explore the current and future global and regional energy trends. For understandable reasons, the limits on accessing first hand document in most cases have made me to refer in this thesis

to secondary data. By using various independent sources it is tried to increase its objectivity and reliability. This thesis is based on both qualitative and quantitative research. The central theory employed in this thesis is critical geopolitics.

۱.۴ Assumptions

- Energy in this age is not merely an economic asset; it is an indispensable commodity which world powers view it as vital tool for their standing in the world.
- Iran can't be apathetic to global politics. Its strategic and geopolitical situation simply won't let it pursue negative balance policy or it will pay a big price.
- Globalization has knitted an invisible net around all countries, which makes very difficult for Iran, if not impossible, to find a reliable ally to offset US pressure. Of course if there is any such country in the world.

Chapter ۲: Literature Review

Ghorban, N. "By Way of Iran: Caspian's Oil and Gas Outlet," in Amirahmadi, H. (ed.) *The Caspian Region at a Crossroad: Challenges of a New Frontier of Energy and Development*. New York: St. Martin's Press, ۲۰۰۰

This book discusses the various proposed oil and gas pipeline schemes in Central Asia and the role of Iran in the exportation of Caspian petroleum resources. It argues that the obvious choice for the Caspian Sea region countries is to export oil and gas via Iran. A route north to Russia is also considered, but those to the east and west are dismissed. It details the specifics of these alternative routes and the geopolitical aspirations behind

, Ganova. A (۲۰۰۷) refers to the geopolitical nature of energy in a study titled: European Union energy supply: diversified in unity? As the following :policyEnergy security, terms of secure supply and stable prices is increasingly related to geopolitics and international relations. First, the decisions about ensuring energy security are lways taken in the long term, because it implies the implementation of large projects, needing enormous investments, which implies more important role for governments. Second, energy is both strategic good and commercial good.

these economically irrational options, forwarding the use of Iran for exporting Caspian oil. The author argues Iran is situated ideally geographically, has existing refinery and pipeline capacity, and the needed export facilities on the Persian Gulf to exploit Caspian oil. The other options would be more costly and timely ventures. It goes further to note how oil exportation could take place via Iran. The chapter also describes the evolving oil swap deals between Caspian Sea countries and Iran and gas export pipeline possibilities between the Caspian region and South Asia. Altogether, it posits that oil and gas connections between the Caspian Sea region and Iran offer positive interdependency synergies to bring stability and economic development to these newly conceived states.

Herzig, E. "Regionalism, Iran and Central Asia." International Affairs. Vol. 41. No. 2. 2004. 3-17

The article explores the increased emphasis Iran has placed on regional relations since the end of the war with Iraq and demise of Ayatollah Khomeini. It explains the country's growing interest in regional cooperation by analyzing geopolitical, regional, and internal dynamics and reflects these policy shifts on two multilateral regional organizations: the Economic Cooperation Organization and the Caspian Sea Cooperation Organization. First, Herzog discusses the reasoning for Iran's new focus on regional relations. The geopolitical and functional aspects of this novel policy focuses on cooperation between regional, Muslim, and possible other alternative major centers of power to counter US containment. However, Iran is also aware of its own significant, globally, but particularly regionally due to the collapse of the Soviet Union. The author argues that Iran's focus on regionalism can be viewed as a reaction to US containment through economic and political sanctions as well as pressuring other countries in the region to abstain from relations with the Islamic Republic. However, he sees Iran's anti-US rhetoric as a drawback to the construction of regional political and economic cooperation, as other states in the Caspian region aim to benefit from relations with Washington. In this light, geopolitics explains Iran's regional politics. Moreover, functional areas such as security and investment ties in energy and other areas present the actual development of Iran's regional relations. But the author continues to argue that Iranian regional aspirations are, albeit promising, thus far failing, due to their birth from policy initiatives rather than

substantial interdependencies in need of specific policy designs. Thus, multilateral regional relations are more prospective than actual. Nonetheless, Herzig still states that these policy initiatives have helped Iran to avoid isolation and containment. "The Geopolitics of Energy in South Asia " Marie Institute of Southeast Asian Studies, २००१

Energy security has become a central concern for all the countries in the Asian region and the search for sufficient sources of energy to fuel economic growth has drastically influenced relations among the South Asian countries as well as their respective relations with their neighbors China, Myanmar, Iran, and Afghanistan. The recent nuclear deal between India and the US is also indicative of how energy and power politics are linked and how these new inter-linkages underlie relations between states. This book aims to give a South Asian perspective on the geopolitics of energy, with a central focus on India. The chapters address how India's global and regional foreign policy making has changed in light of India's search for energy and how this is affecting the relationship on a global level between India and the US, as well as on a regional level between India and the other Asian countries. The book also offers views from Pakistan and Bangladesh, as well as how this shifting reality is affecting relations between India and Southeast Asia.

"Energy security in Asia" Taylor & Francis, २००१

This book explores the various dimensions of energy security in Asia which has become an increasingly important geopolitical issue. Reputable international contributors look at the roles played by each of the major energy importers: the United States, China, Japan and India, as well as the main suppliers: the OPEC states, Russia, the Central Asian states and Australia. In each case, the domestic politics of energy security are investigated, and state interests and perspectives on the issue are considered. Analyzing the policy and security aspects of energy security, the book includes an examination of: the geopolitics of energy competition strategic, economic and environmental dimensions the impacts of energy security on human security. With energy security being one of the central issues facing the world today, this book is a timely and impressive appraisal of the major energy security issues facing Asia.

The discovery of oil, the popularization of the automotive industry, and the introduction of motor vehicles to the army in the २०th century has led industrialized

countries, which lack fuel to support their process of growth and development, including Britain, Germany and France, to enter a race for control over oil fields. Respecting the fact that its own oil resources may someday be consumed up, the US also joined the race after the end of World War I. This started the first battle of taking a share of the region's oil resources. Currently, the final fight is taking place to gain the control oil and natural gas resources, as well as over routes to deliver these resources. Scholarly studies show that global oil production will peak in the short run, after which it will decline. The following table regarding oil production estimates can readily explain the current rivalry surrounding to take hold of Central Asian energy resources.

Table 2.1 Global Oil Reserves and Production in 2005

Country	Reserves (bb)	Share of world total	Production (mb/d)	Share of world total
Saudi Arabia	264.2	22.0 %	11.0	13.5 %
Iran	137.5	11.5 %	4.0	5.1 %
Iraq	115.0	9.6 %	1.8	2.3 %
Kuwait	101.5	8.5 %	2.6	3.3 %
UAE	97.8	8.1 %	2.8	3.3 %
Venezuela	79.7	6.6 %	3.0	4.0 %
Russia	74.4	6.2 %	9.6	12.1 %
Kazakhstan	39.6	3.3 %	1.4	1.6 %
Nigeria	35.9	3.0 %	2.6	3.2 %
United States	29.3	2.4 %	6.8	8.0 %
Canada	16.5	1.4 %	3.0	3.7 %
China	16.0	1.3 %	3.6	4.7 %
EU-25	6.9	0.6 %	2.5	3.0 %
OPEC	902.4	75.2 %	33.8	41.7 %
Non-OPEC	175.4	14.6 %	47.3	58.3 %
Total World	1200.7	100 %	81.1	100 %

Source: BP 2006: 6-8 & energy charting tool

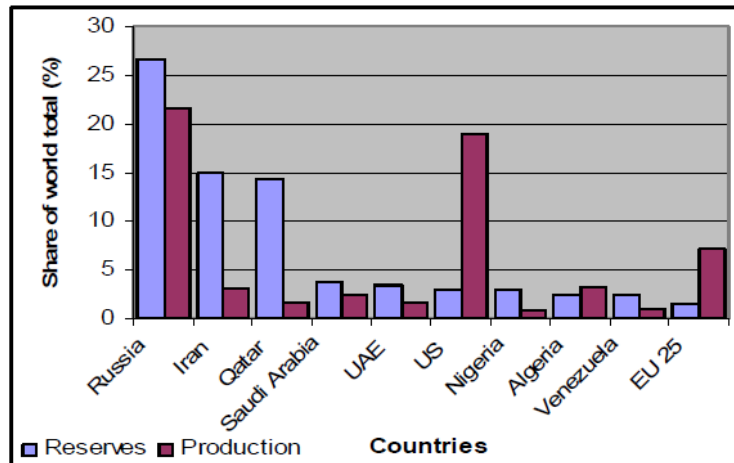
Many experts believe that underlying reasons for the conflicts in Iraq and Afghanistan, and the confrontation with Iran, war on terrorism in Afghanistan and Central Asia and Caucasus, pursues a much broader objective, which is to control EU, India, China, Russia, is founded on resources, trade and, consequently, the distribution of wealth and power among nations.

It is all about control of the world's depleting energy resources and their web of distribution and it is concentrated on the Middle East and Central Asia. The world's remaining abundant petroleum resources are in the Middle East and while the traditional maritime distribution model places the supply of these resources largely in the Persian Gulf, with the guarantor of delivery of the US Navy, this model is slowly changing. As

described by former Turkish Minister of State, Hikmet Uluğbay, “we are now entering the final phase of this competition”.

According to the statistics of AEI, during the 2019-2030 period natural gas production will peak. The increase in oil prices to \$100 per barrel was a harbinger of this. The current decline in oil prices should not mislead us. This temporary development is a product of expectations that the world economy will soon suffer from stagnation.

Figure 2.2 Natural Gas Reserves & Production in Selected Countries (2005)



Source: Based on BP 2006: 22-24.

³ For an overview of OECD Member States

Fatih Uğur believes World is Witnessing Final Fight for Oil, he writes in Zaman Oct 14: Partly due to the shift towards reliance on natural gas, pipeline distribution overland to Europe has become a highly competitive undertaking. Europe is already dependent on Russian natural gas traveling overland from the Caspian region; a situation not lost on US policymakers:

Russia has shown itself increasingly willing to use energy as a tool of foreign policy, posing a threat to EU energy security. Meanwhile, the fourth largest proven natural gas reserves in the world sit in the Caspian region - including Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan, effectively locked away from a natural market in Western Europe by Russia's stranglehold over Europe's natural gas pipeline system.

Every major industrial country in the world wants to secure its energy needs well into the future without its supply routes being vulnerable to other rival powers domination and susceptible for their manipulation. This is true even in the western alliance namely the EU and the US as Robert F Winchester asserts in his article: European Energy Security: Wrestling with the Russian Bear for Caspian Natural Gas US Army War College 30 June 2007 Europe is seeking to establish its own alternate routes to the Caspian Basin, the Middle East and Iran:

Natural gas plays an increasingly important role in Europe's energy needs. Because natural gas is the fuel of choice for residential heating and cooking, and increasingly for power generation, Europe's natural gas needs are predicted to double over the next 20 years, at the same time that domestic production declines. As a result of this gap, European Union (EU) dependence on natural gas imports could rise from its current level of 30% to over 80% by 2030, with the majority of those imports coming from Russia. Unfortunately; Russia has shown itself increasingly willing to use energy as a tool of foreign policy, posing a threat to EU energy security. Meanwhile, the fourth largest proven natural gas reserves in the world sit in the Caspian region – including Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan – effectively locked away from a natural market in Western Europe by Russia's stronghold over Europe's natural gas pipeline system. Russia benefits both from avoiding competition in sales (monopoly power), but also in being the only available buyer for Caspian gas (monophony power).

National security dictates the need for an effective EU energy security policy that addresses both increased access to sources and transportation of natural gas. Access to Caspian natural gas reserves will not solve Europe's energy security problems, but it represents the best first step to a more secure energy picture. In addition, the EU must take concrete steps now to avoid further dependence, including: supporting the construction of natural gas pipelines, such as the Turkish-Greek-Italian Interconnector (TGI) or Nabucco: linking the Caspian with western Europe, and avoiding Russian efforts to further increase EU member state reliance on Russian natural gas. The

³ a market in which goods or services are offered by several sellers but there is only one buyer(<http://onlinedictionary.datasegment.com>)

aftermath of the January energy crisis between Russia and Ukraine, which resulted in the interruption of the natural gas supply to some European countries, has once again made relevant the establishment of alternative energy routes from Russia to supply natural gas to Europe. Additionally, alternatives are also needed to Ukraine, through which Russia transported about 10% of Europe's gas. In this case, the actual construction of the natural gas pipelines 'North Stream' and 'South Stream' again rise. Both projects will guarantee the unimpeded transit of natural gas through pipelines which will be laid on the seabed (of the Baltic Sea and the Black Sea). But these pipelines do not provide an alternative to Russian gas, and so a possible alternative for Central and Eastern European countries could be the Nabucco gas pipeline project, which plans to export gas from the Caspian Sea basin states and perhaps from Iran, Iraq and Egypt in the future.

Rovshan Ibrahimov, Nabucco Pipeline writes in Turkish Weekly 19 Feb 09

"Small wonder the US is having trouble getting European partners in its effort to impose economic sanctions on Iran. But it is not just a reality affecting our inability to impose sanction on Iran, this competition for energy resources is global, strongly affecting US policy on Gulf and regional alliances, not to mention the invasion and occupation of Iraq and the security crises in Afghanistan and Pakistan, conflicts usually portrayed in terms of threats to our physical security and ideology. This reality informs the foreign policy of every major power, not to mention the geopolitical motivations of the US in the Middle East and South Asia, now and in the past, for both 'realists' and neoconservatives".

Russia, enjoying the leverage and wealth created by its position as the a major energy supplier of gas to Europe is applying the same strategy to the whole of Asia. After nationalizing the petroleum industry in Russia, Putin set about establishing the regional framework for an energy empire extending from the Baltic to China. In October 2007, at

7 F. Winchester Robert " European Energy Security: Wrestling The Russian Bear For Caspian Natural Gas" USAWC (20 JUN

the height of US tensions with Iran, Vladimir Putin visited Tehran with tangible results, both diplomatic and economic, which forestall US intervention in Iran through lost access to staging areas and potentially change the balance of power regarding access to energy in the Caspian, and the Gulf:

The declaration signed at the end of the summit covers a wide range of subjects in its 10 articles. The document virtually binds the littoral states into a non-aggression commitment, warns the outsiders to refrain from using the Caspian region soil for military operations or interfering in any other way, supports the right of Iran to pursue nuclear technology for peaceful purposes, and defines perimeters for ecological integrity of Caspian.

Mahdi Darius Nazemroaya - The "Great Game" Enters the Mediterranean: Gas, Oil, War, and Geo-Politics globalsecurity.ca 16 Oct 04 writes:

"As for our confrontation with Iran and security issues in Afghanistan and Pakistan, these have forced abandonment of some proposed distribution routes and perhaps created opportunities for Russia and China while we are engaged elsewhere:

A multidimensional network of pipelines has been evolving in the world over the years. There were a lot of options for investor countries to take oil and natural gas assets in the Caspian Basin and the Middle East to global markets. I touched upon why the Russian route was not picked. The least expensive option for the shipment of Caspian Oil to global markets is via Iran.

However, because of US-Iran tensions, this option has not been considered; this is why the Baku-Tbilisi-Ceyhan (BTC) pipeline option was taken into account. The route for Middle Eastern oil and natural gas considered by the Western world was by the Indian Ocean through Afghanistan and Pakistan. However, instability in these countries hampered the realization of this option.

Meanwhile, because of changing energy balances, attempts to take Middle Eastern natural gas and oil to China have also taken their fair share of attention. Like the Western world, China and India are eager to have Iranian natural gas and oil. For this reason, an Iran-India pipeline project is under consideration. China is investing \$100 billion in Iranian natural gas and oil."

Fatih Uğur in an another article titled "World is Witnessing Final Fight For Oil" in Zaman newspaper on 20 Oct 2001 notes:

"Afghanistan, an alternative route for Caspian gas, was tantalizingly out of reach of US interests by 2001, in spite of every effort by Unocal to strike a deal. Earlier attempts, cited below, aligned US interest in the pipeline with tacit support for the Taliban, via Pakistan and the ISI:

Several major oil companies have investigated building pipelines from Central Asia through Herat and Kandahar, Afghanistan, and on to Quetta and Karachi, Pakistan, at an estimated cost of \$1.4 billion. The distance is relatively short and would bring oil to the Indian subcontinent market. However, Afghanistan is still locked in civil war. Many area residents feel that Unocal backed the Taliban forces financially in return for future pipeline rights in Afghanistan. Unocal and other companies have abandoned attempts at establishing this route since the political situation seems irresolvable".

Lester W Grau - Hydrocarbons and a New Strategic Region: The Caspian Sea and Central Asia Military Affairs May-June 2001

The Taliban conquer Kabul, establishing control over much of Afghanistan. A surge in the Taliban's military successes at this time is later attributed to an increase in direct military assistance from Pakistan's ISI (New York Times, 12/4/2001). The oil

company Unocal then was hopeful that the Taliban will stabilize Afghanistan and allow its pipeline plans to go forward. According to some reports, "preliminary agreement (on the pipeline) was reached between the Taliban and Unocal long before the fall of Kabul. Oil industry insiders say the dream of securing a pipeline across Afghanistan is the main reason why Pakistan, a close political ally of America's, has been so supportive of the Taliban, and why America has quietly acquiesced in its conquest of Afghanistan."

Victorious Taliban Supported by Pakistan; Viewed by US, Unocal as Stabilizing Force.

In this context it is hard not to see US intervention in Afghanistan as serving a variety of interests at the time. As for Iraq, it seems now it was merely an awkward, and costly, US attempt to insure access to a larger volume of Persian Gulf reserves through traditional distribution chains.

Alan Greenspan, the former Federal Reserve chairman, said in an interview that the removal of Saddam Hussein had been "essential" to secure world oil supplies, a point he emphasized to the White House in private conversations before the ۲۰۰۳ invasion of Iraq.

Greenspan, who was the country's top voice on monetary policy at the time Bush decided to go to war in Iraq, has refrained from extensive public comment on it until now, but he made the most incendiary comment in his book about Iraq war "The Age of Turbulence: Adventures in a New World" was clearly Greenspan's conclusion that the Iraq War II was all about oil." In the interview, he clarified that sentence in his book, saying that while securing global oil supplies was "not the administration's motive," he had presented the White House with the case for why removing Hussein was important for the global economy.

"I was not saying that that's the administration's motive," Greenspan said in an interview Saturday, "I'm just saying that if somebody asked me, and 'Are we fortunate in taking out Saddam?' I would say it was essential."

He said that in his discussions with President Bush and Vice President Cheney, "I have never heard them basically say, 'We've got to protect the oil supplies of the world,'

۱ Monbiot G., " America's Pipe Dream" Guardian (۲۳ October ۲۰۰۳)