

USA out-flanked in Eurasia Energy Politics?

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Theme: [Oil and Energy](#)

Global Research, June 03, 2006

3 June 2006

Curiously and quietly the United States is being out-flanked in its now-obvious strategy of controlling major oil and energy sources of the Persian Gulf, Central Asia Caspian Basin, Africa and beyond.

The US's global energy control strategy, it's now clear to most, was the actual reason for the highly costly regime change in Iraq, euphemistically dubbed 'democracy' by Washington. George W. Bush restated his democracy mantra as recently as May 28 at the West Point military graduating ceremony where he declared that America's safety depends on an aggressive push for democracy, especially in the Middle East. 'This is only the beginning,' Bush said. 'The message has spread from Damascus to Tehran that the future belongs to freedom, and we will not rest until the promise of liberty reaches every people in every nation.'

If the trend of recent events continues, it won't be Bush-style democracy that is spreading, but rather, Russian and Chinese influence over major oil and gas energy supplies.

The quest for energy control has informed Washington's support for high-risk 'color revolutions' in Georgia, Ukraine, Uzbekistan, Belarus and Kyrgystan in recent months. It lies behind US activity in the Western Africa Gulf of Guinea states, as well as in Sudan, source of 7% of China oil import. It lies behind US policy vis-à-vis Hugo Chavez' Venezuela and Evo Morales' Bolivia.

In recent months, however, this strategy of global energy dominance, a strategic US priority, has shown signs of producing just the opposite: a kind of 'coalition of the unwilling,' states who increasingly see no other prospect, despite traditional animosities, but to cooperate to oppose what they see as a US push to control it all, their energy future security.

Some in Washington are beginning to realize they might have been too clever by about half, as is evident in recent public statements to both China and Russia, two nations whose cooperation in some form is essential to the success of the global US energy project.

Offending both China and Russia

Contrary to advice from older China hands, including former Secretary of State Henry Kissinger, architect of the Nixon 1972 opening to China, the White House denied visiting Chinese President Hu Jintao the honor of a full state dinner when he visited in April, serving instead a short lunch. Hu was publicly humiliated by a well-known Falun Gong heckler at the White House press conference and by other obvious humiliations. In other words, the White House welcomed Hu with a diplomatic slap in the face.

At the same time, Vice President Dick Cheney slapped Russia's Putin, with the most open

attack on its internal human rights policy as well as its energy policy in a speech in the Baltic state of Lithuania in early May. There, Cheney declared of Russia, 'the government has unfairly and improperly restricted the rights of her people.' He accused Russia of energy 'intimidation and blackmail.' Some days later, Secretary of State Condoleezza Rice reiterated that Russia should be 'pressed' on democratic reforms. Rice also slapped China in the face in March during a trip to Southeast Asia, calling China a 'negative force' in Asia.

Curiously, Washington has repeatedly accused China of 'not playing by the rules,' in terms of its oil politics, declaring that China is guilty of 'seeking to control energy at the source,' as though that had not been US energy policy for the past century or so.

The significance of taking aim simultaneously at both Russia and China, the two Eurasian giants, the one the largest investor in US Treasury securities, the other the world's second most developed military nuclear power, reflects the realization in Washington that all may not be as seamless in the quest for global domination as originally promised by various strategists in and around the Bush Administration.

SCO takes on new weight

On June 15, member nations of the Shanghai Co-operation Organization, led by China and Russia, will reportedly invite observer, Iran, to full membership. That meeting will be held in Shanghai. Even if full membership is postponed as has been mooted, the fact remains that Russia and China both want to seal closer cooperation with Iran in Eurasian energy cooperation.

The Shanghai Cooperation Organization, SCO, was founded in June 2001 by China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. Its stated goal was to facilitate 'cooperation in political affairs, economy and trade, scientific-technical, cultural, and educational spheres as well as in energy, transportation, tourism, and environment protection fields.' Recently, however, the SCO is beginning to look like an energy-financial bloc in central Asia consciously being developed to serve as a counter-pole to US hegemony.

In recent months their members have taken several potentially strategic steps to distance themselves from US dependence, both in energy as well as monetary dependence. A look at the map indicates the potential of an expanded SCO.

Russia's energy geopolitics

In his recent State of the Union speech, President Putin announced that Russia is planning to make the Ruble convertible into other major currencies, such as the Euro, and to use the Ruble in its oil and gas transactions. The convertible Ruble is due to be introduced according to latest Russian statements, on July 1, 2006, six months before originally planned. Russia also has stated it plans to shift a share of its now considerable dollar reserves away from the dollar and that it will use \$40 billion in US dollars to purchase gold reserves.

Russia's state-owned natural gas transport company, Transneft, has consolidated its pipeline control to become the sole exporter of Russian natural gas. Russia has by far the world's largest natural gas reserves and Iran the second largest. With Iran, the SCO would control the vast majority of the world's natural gas reserves, as well as a significant portion of its oil reserves, not to mention potential control of the Strait of Hormuz, the narrow

corridor for a majority of Gulf oil tanker shipment to Japan and the West.

In late May it was reported that Russia and Algeria, the two largest gas suppliers to Europe, have agreed to increase energy co-operation. Algeria has given Russian companies exclusive access to Algerian oil and gas fields, and Gazprom and Sonatrach will co-operate in delivery of gas to France. Putin has cancelled Algeria's \$4.7 billion debt to Russia, and for its part, Algeria will buy \$7.5 billion worth of Russian advanced jet fighters, air defense systems and weapons. Oh oh.

On May 26 Russian Defense Minister Sergei Ivanov also announced Russia will definitely supply Iran with sophisticated Tor-M1 anti-aircraft missiles, reportedly as a prelude to supply far more sophisticated weapons. Ouch.

Then, in one of the more fascinating examples of geopolitical chutzpah by Putin's Russia in the area of energy, the Kremlin-controlled Gazprom gas monopoly has entered into quiet negotiations with Israeli Prime Minister Ehud Olmert through Olmert's billionaire friend, Benny Steinmetz, to secure Russian natural gas supplies to Israel via an undersea pipeline from Turkey to Israel.

According to the Israeli paper, *Yediot Ahronot*, Olmert's office has said it will support the Gazprom proposal. In several years Israel faces gas shortage from Tethys Sea drilling and soon gas from Egypt. Tethys Sea gas is projected to run dry in a few years. British Gas is in talks to supply gas from Gaza but Israel disputes BG right to drill. But even with Egypt and Gaza gas shortages are expected by 2010 unless Israel is able to find new sources. Enter Gazprom and Putin. The gas would be diverted from the underutilized Russia-Turkey Bluestream pipeline which Russia built for increasing influence over Turkey two years ago. Putin clearly seeks to gain a lever inside Israel over the one-sided US influence on Israel policy. Oyvey!

China energy geopolitics also in high gear

Beijing for its part is also moving to 'secure energy at the sources.' China's booming economy, with 9% growth, requires massive natural resources to sustain its growth. China became a net importer of oil in 1993. By 2045, China will depend on imported oil for 45% of its energy needs.

On May 26, Kazakhstan crude oil began to flow into China from a newly-completed oil pipeline from Atasu in Kazakhstan to the Alatau Pass in far western China Xinjiang province, a 1,000 kilometer route announced only last year. It marked the first time oil is being pumped directly into China. Kazakhstan is also a member of the SCO, but had been regarded by Washington since the collapse of the Soviet Union, as its sphere of influence, with ChevronTexaco, Condi Rice's old oil company, the major oil developer.

By 2011 the pipeline will extend some 3,000 kilometers to Dushanbe where the Chinese are building its largest oil refinery due to complete by 2008. China financed the entire \$700 million pipeline and will buy the oil. In 2005 China's CNPC state oil company bought PetroKazakhstan for \$4.2 billion and will use it to develop oilfields in Kazakhstan.

China is also in negotiations with Russia for a pipeline to deliver Siberian oil to Northeast China a project that could be completed by 2008, and a natural gas pipeline from Russia to Heilongjiang in China's Northeast. China just passed Japan to rank as world's second largest

oil importer behind the United States.

Beijing and Moscow are also integrating their electricity economies. In late May the China State Grid Corp announced it plans to increase imports of Russian electricity fivefold by 2010.

China everywhere in African oil states

In its relentless quest to secure future oil supplies 'at the source,' China has also moved into traditional US, British and French oil domains in Africa. In addition to being the major developer of Sudan's oil pipeline which ships some 7% of total China oil imports, Beijing has been more than active in West Africa in the states bordering the oil-rich Gulf of Guinea, source of vast fields of highly-prized low-sulphur oil.

Since the creation of the China-Africa Forum in 2000, China has scrapped tariffs on 190 imported goods from 28 of the least developed African countries, and cancelled \$1.2 billion in debt.

Indicative of the way China is doing an end-run around the customary IMF-led Western control of African states, China's export-import bank recently gave a \$2 billion soft loan to Angola. In return, the Luanda government gave China a stake in oil exploration in shallow waters off the coast. The loan is to be used for infrastructure projects. In contrast, US interest in war-torn Angola has rarely gone beyond the well-fortified oil enclave of Cabinda, where ExxonMobil along with Shell Oil have dominated until recently. That is apparently about to change with the growing Chinese interest.

Chinese infrastructure projects underway in Angola include railways, roads, a fibre-optic network, schools, hospitals, offices and 5,000 units of housing developments. A new airport with direct flights from Luanda to Beijing is also planned.

Indirectly, through its support of the Sudan government, China is also a contender in a high-stakes game of potential regime change in neighboring, oil-rich Chad. Earlier this year, World Bank 'tough guy,' Paul Wofowitz, was forced to back down from plans to cut off World Bank aid, after threat of an oil export cut-off by tiny Chad. ExxonMobil is currently the major oil company active in Chad. But Sudan backs Chad rebels, who were only prevented from toppling the notoriously corrupt and unpopular regime of President Idriss Deby by 1,500 French soldiers propping up the Deby regime. Washington has joined with Paris in backing Deby.

Sudan has involved China, rather than Western corporations, in exploiting its oil fields, largely as a result of misconceived US sanctions imposed in 1997, which blocked American oil companies from doing business in Sudan. A new Sudan-backed regime in Chad would jeopardise the Chad-Cameroon pipeline and Western oil firms. One can imagine China just might be willing to step into such a vacuum and help Chad develop its oil, especially if the lion's share went to China.

And immediately after his unpleasant diplomatic visit to Washington in April, where the Chinese President was greeted by a White House diplomacy of deliberate insults reminiscent of a University of Texas frat house prank, Hu Jintao went on to Nigeria, long regarded by Washington as its 'oil sphere of interest.'

In Nigeria, Africa's largest oil producer, Hu signed a deal with the Nigerian government

where Nigeria will give China four oil drilling licenses in exchange for a commitment to invest \$ 4 billion in infrastructure. China will buy a controlling stake in Nigeria's 110,000-barrel per day Kaduna oil refinery and build railway and power stations, as well as take a 45% stake in developing Nigeria's OML-130 offshore oil and gas field, referred to by China CNOOC oil company chairman as, 'an oil and gas field of huge interest...located in one of the world's largest oil and gas basins.'

Almost all of Nigeria's current oil production is controlled by Western multinationals. But the situation there will also soon change in China's favor.

Similar soft infrastructure loans or energy investment offers are being made by China to Gabon, Ivory Coast, Liberia and Equatorial Guinea.

The curious charge against China of 'not playing by the rules,' and 'trying to secure energy at the source,' begins to assume real dimension when these and Russian recent energy moves are taken as a totality.

Washington's conclusion? Oops...

It's little wonder that some Washington hawks are getting alarmed. Suddenly, the world of potential 'enemies' is no longer restricted to the Islam-centered War on Terror. Leading neo-conservative ideologue, Robert Kagan wrote a prominent OpEd recently in the *Washington Post*. Kagan is privy to pretty high-level thinking in Washington, presumably. His wife, Victoria Nuland, worked as Vice President Cheney's Deputy National Security Advisor until being named US Ambassador to NATO.

Kagan declared, in reference to Russia and China, 'Until now the liberal West's strategy has been to try to integrate these two powers into the international liberal order, to tame them and make them safe for liberalism.' Kagan co-founded the hawkish Project for the New American Century (PNAC in the late 1990's to among other things advocate a major US military buildup and forced regime change in Iraq, the latter a year prior to the September 11, 2001 attack.

Kagan continued, 'If, instead, China and Russia are going to be sturdy pillars of autocracy over the coming decades, enduring and perhaps even prospering, then they cannot be expected to embrace the West's vision of humanity's inexorable evolution toward democracy and the end of autocratic rule.'

Kagan charged that China and Russia have emerged as the protectors of 'an informal league of dictators' – that, according to Kagan, currently includes the leaders of Belarus, Uzbekistan, Burma, Zimbabwe, Sudan, Venezuela, Iran and Angola, among others – around the world, who, like the leaders of Russia and China themselves, resist any efforts by the West to interfere in their domestic affairs, either through sanctions or other means.

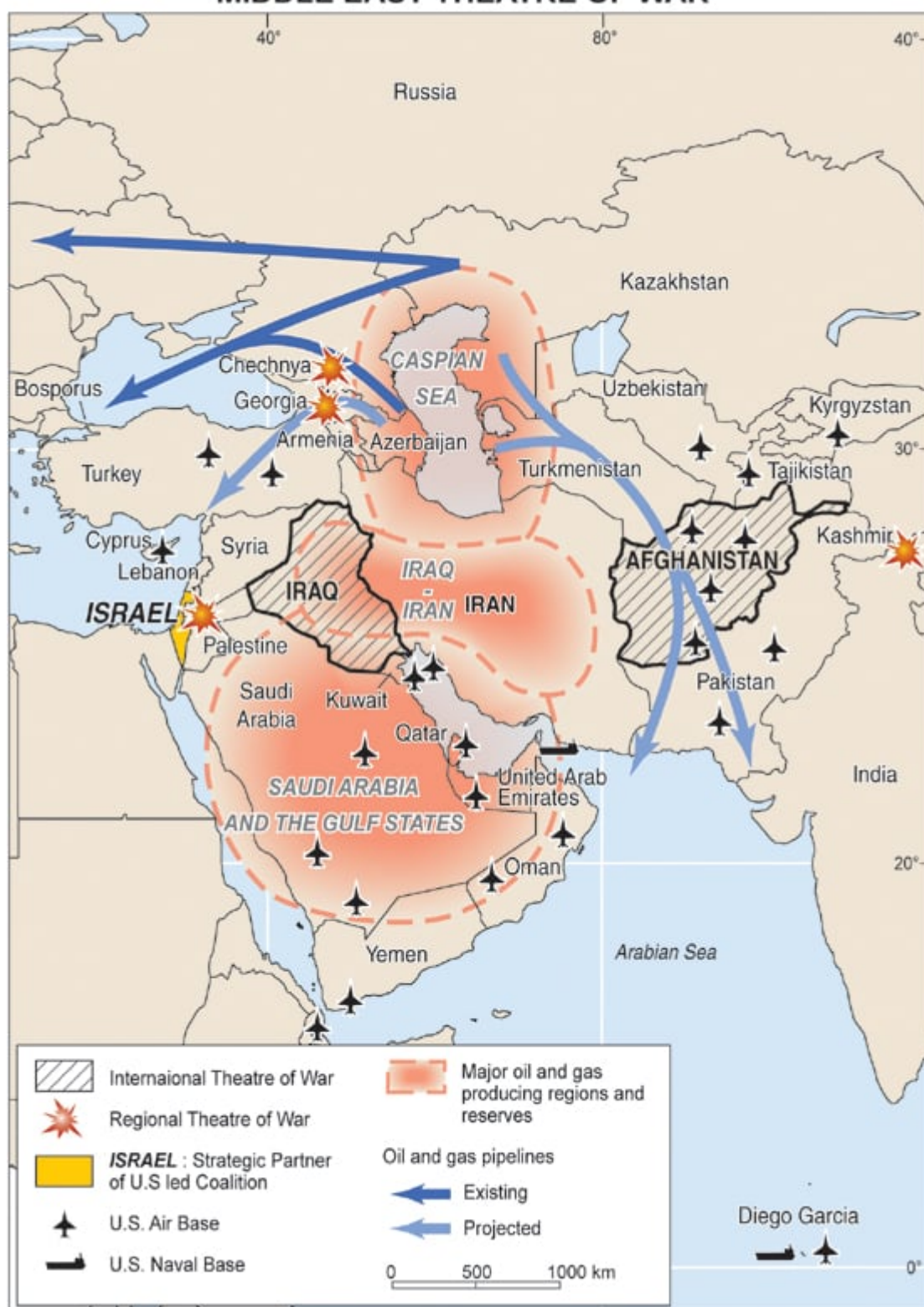
'The question is what the United States and Europe decide to do in response,' wrote Kagan. 'Unfortunately, al-Qaeda may not be the only challenge liberalism faces today, or even the greatest.' The question, as Kagan wisely states it, is what the United States or Europe can do in response. The genius of Washington hawk strategy is showing its tattered edges.

The mainstream US foreign policy organization, the New York Council on Foreign Relations has also recently weighed in on the question of especially Chinese energy pursuits. In a recent report, the CFR accuses the Bush Administration of lacking any comprehensive long-

term strategy for Africa. They criticize US focus on humanitarian issues such as in Darfur southern Sudan, demanding instead that the US 'act on its rising national interests on the continent.' Those interests? The CFR lists oil and gas number one; growing competition with China (closely related to 1) as number two. Oops...

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MIDDLE EAST THEATRE OF WAR



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