Oil pipeline completed: a sign of rising great power rivalry in Central Asia

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Last week's ceremony in the Central Asian republic of Azerbaijan to open the Baku-Tbilisi-Ceyhan oil pipeline received scant coverage in the international press. Nevertheless the completion of the US-backed pipeline, which has taken a decade to construct, will inevitably accelerate the scramble for oil and gas in the Caspian Basin region and heighten the potential for conflict among rival major powers.

From the outset, planning for the oil pipeline was guided not by immediate economic considerations but long-term US strategic goals. Since the early 1990s, Washington has been determined to exploit the unprecedented opportunity opened up by the collapse of the Soviet Union to establish its hegemony in the key resource-rich region of Central Asia.

The 1,770 km pipeline, simply known by the acronym BTC, is one of the world's longest and cost $4 billion to build. It snakes its way from the Sangachal oil and gas terminal south of the Azeri capital of Baku on the Caspian Sea through neighbouring Georgia and some of the most mountainous regions of the Caucasus to finally reach the Turkish port of Ceyhan on the Mediterranean.

As far as Washington was concerned, the chief consideration in plotting this tortuous path was to undercut the existing pipeline system in Russia and to avoid Iran, which offers the shortest and cheapest pipeline route from landlocked Central Asia to a coastline. The US has maintained an economic blockade of Iran since 1979.

The resulting pipeline route through Azerbaijan, Georgia and Turkey not only created engineering problems but produced a decade of political intrigue as the White House, first under Clinton then Bush, sought to strengthen the US position in each of these countries. In 2003, the Bush administration backed the so-called Rose Revolution that ousted former Georgian President Eduard Shevardnadze and installed openly pro-US Mikhael Saakashvili in his place.

The BTC's significance was underscored by the presence at the opening of US Energy Secretary Samuel Bodman, who read out a letter from US President Bush, along with the presidents of the three countries involved and also of the Central Asian republic of Kazakhstan. Just prior to the ceremony, Kazakhstan's President Nursultan Nazarbeyev signed a declaration committing his country to transport some of its huge oil reserves through the pipeline—a move that will create tension with Moscow.

Lord Browne, chief executive of British Petroleum (BP), was also present. BP with a 30.1 percent in the pipeline is the leading partner in the controlling consortium, which also includes the Azerbaijani state oil company SOCAR (25 percent), Unocal (US, 8.9 percent), Statoil (Norway, 8.71 percent) and Turkish Petroleum (6.53 percent) as well as French, Italian, Japanese and other US corporations.

Georgian President Saakashvili highlighted the strategic rivalry involved in the BTC's construction when he baldly referred to its completion as "a geopolitical victory" for the Caspian Basin nations. The obvious question is: "victory" over whom? The answer is just as clear: it is a win for Washington and US-aligned Central Asian regimes over Moscow, which is seeking to retain its economic and strategic dominance in a region that has been part of Russia then the Soviet Union for well over a century.

Azerbaijan's President Ilham Aliyev commented at ceremony: "The realisation of this project would not have been possible without constant political support from the US." American backing for the pipeline to pass through Georgia has assisted Azerbaijan in isolating its rival Armenia—also a potential route for a pipeline to Turkey. In April, the US signed an agreement to provide a further $110 million in aid to impoverished Georgia. Earlier this month, Bush included Georgia on his European tour, hailing the "Rose Revolution" and declaring Saakashvili as "a freedom fighter".

In his letter read out at the opening ceremony, Bush declared the pipeline to be "a monumental achievement". "This pipeline can help generate balanced economic growth, and provide a foundation for a prosperous and just society that advances the cause of freedom," he stated. In fact, the pipeline will only reinforce the subordination of the Central Asian republics to the US, heighten social inequality and buttress the anti-democratic rule of the current regimes.

The 50-metre wide corridor, through which the pipeline runs, is a virtual state within a state. It is governed by the Inter-Governmental Agreement signed by the participating countries. The agreement largely exempts BP and its partners from any laws in the three countries by allowing the consortium to demand compensation should any legislation (including environmental, social and human rights laws) make the pipeline less profitable. The pipeline passes through a national park in Georgia and several other environmentally sensitive sites. Critics claim that land has been taken from local farmers without proper compensation.

BP has invested at least $15 billion in Azerbaijan. An article on the *Asia Times* website last week commented: "According to

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Baku's street wisdom, the man who really rules Azerbaijan is David Woodward, BP's chairman, known as 'the viceroy', a walking oil atlas with more than three decades working for the company from Scotland to Abu Dhabi and from Alaska to Siberia. Woodward and BP mercilessly spin that BTC is the cleanest and safest pipeline ever built. Georgian peasants and English non-governmental organisations beg to differ."

The Bush administration has not hesitated in supporting the corrupt Azerbaijan dictatorship. Heydar Aliyev, a long-time Stalinist party boss, ruled the republic as his personal fiefdom from 1969 as part of the Soviet Union, then in the 1990s as a separate country. After his death in 2003, his son Ilham, notorious as a playboy, casino owner and vice-president of the state oil company SOCAR, took over the reins. According to Transparency International's global corruption index, Azerbaijan ranks 140 out of 146 countries.

On May 21, Azeri riot police waded into an opposition protest of some 500 people with batons, arresting at least 45 people. The demonstration was called to demand amendments to the country's electoral laws, the creation of an independent public broadcaster and the prosecution of the killer of journalist Elmar Guseinov, a critic of the regime shot dead in early March outside his apartment. The government banned the protest, declaring that the timing was "inappropriate" just days before the pipeline's opening.

A report by Human Rights Watch last month criticised neighbouring Georgia, hailed this month by Bush as "a beacon of liberty", for failing to guarantee the end of torture and duress to extract confessions from prisoners. "The new government... has taken some steps to address abusive practices, but these efforts have proven inadequate to stem them. Moreover, some of the government's new law enforcement policies appeared to trigger new allegations of due process violations, torture and ill-treatment," it stated.

All three participating countries are desperate for income. The pipeline will take six months to fill and is projected to reach a flow of one million barrels a day by 2008. Once fully operational Azerbaijan is expected to accrue $29 billion a year in oil revenues and Georgia and Turkey $600 million and $1.5 billion in annual transit fees respectively.

Since the collapse of the Soviet Union, the standard of living in both Georgia and Azerbaijan has plummetted, with the annual average per capita income currently at just $730 and $710 respectively. Little or none of the projected pipeline income will be used to end the social crisis in these countries. One measure of the indifference to the plight of ordinary people is the consortium's token spending on "community and environmental investment"—estimated to be just $30 million compared to construction costs of $4 billion.

As far as Washington is concerned, the pipeline's projected economic benefits are just one element of a more far-reaching plan. The BTC is a convenient lever for the US to extend its political influence and to buttress its military presence in Central Asia to the detriment of its rivals—particularly Russia and China. The Bush administration has already used its "war on terrorism" to establish military bases for the first time in Tajikistan and Uzbekistan. Now the US is using "pipeline security" as the pretext for forging closer military ties with Georgia and Azerbaijan.

Speculation that the US is seeking to base troops in Azerbaijan was heightened by last month's visit to Baku by US Defence Secretary Donald Rumsfeld. In congressional testimony earlier this year, US commander in Europe General James Jones declared that the US was interested in creating a special "Caspian guard" to protect the BTC. The *Wall Street Journal* reported in April that the US plans to spend $100 million on such a force, including the establishment of a command centre in Baku. Concerned over Russian opposition, Azerbaijan has to date been reluctant to commit itself.

Russian hostility to Washington's growing intrusion into Central Asia was spelled out by Mikhail Margelov, head of the international affairs committee of the country's parliamentary upper house. "Russia's attitude to proposals made by some politicians that this task [pipeline security] should actually be delegated to the United States, is firmly negative. Russia will always oppose the presence of any foreign military contingents within the countries of the CIS [Commonwealth of Independent States]," he commented.

Konstantin Kosachyov, a State Duma parliamentarian, pointed to Washington's geopolitical ambitions, stating: "It is absolutely obvious that this project was born for political rather than economic reasons in order to create a stable alternative for transferring Caspian energy resources to the West bypassing Russia and some other states, such as Iran." Russian President Vladimir Putin's special representative for international energy cooperation, Igor Yusufov, was due to attend the BTC opening ceremony but excused himself at the last minute on the grounds of illness.

The completion of the pipeline is just the first stage in what will certainly be sharpening rivalry in Central Asia for control of the region's largely untapped resources. The Caspian Sea basin is currently estimated to contain eight percent of the world's oil reserves as well as having huge natural gas reserves. A gas pipeline following the same route is due to be completed next year. An agreement was signed in March 2005 between Azerbaijan and Kazakhstan to build a pipeline across the Caspian Sea connecting the Kashagan offshore oil field in Kazakhstan to Baku and thus the BTC.

This latter deal highlights the logic of the newly completed BTC pipeline. Unable to fully utilise the BTC's capacity simply from oilfields in Azerbaijan, the BP consortium, with the backing of Washington, is compelled to seek oil from Kazakhstan and other Central Asian sources, intensifying competition and potentially leading to political and military conflict.

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