

Cheney's speech will deepen divisions in Europe over energy

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Europe has moved to the top of Washington's diplomatic agenda as the Bush administration prepares to take military action against Iran. While George W. Bush was soft-soaping Chancellor Angela Merkel in Washington, Vice President Cheney was on a six-day "democracy" tour in eastern Europe.

On her second visit to the US in four months, Merkel assured Bush that the disagreements with her predecessor, Gerhard Schröder, over the Iraq war are a thing of the past. Bush sought and got Merkel's backing over Iran, and the US president is to visit Germany in the near future.

While these talks were in progress, however, Cheney was delivering a provocative speech attacking Russia over restrictions on democratic rights and its use of oil and gas as "tools of intimidation and blackmail." Cheney was referring to Gazprom temporarily turning off supplies to Ukraine in January of this year to enforce a price increase, resulting in shortages throughout the European Union, which receives a quarter of its gas from Russia.

The supply shutoff was followed by a speech last month by Gazprom chief Alexei Miller to 25 EU ambassadors in which he threatened to switch gas sales to China if Gazprom's investment interests in Europe were restricted.

Cheney's intervention in European politics can only exacerbate the divisions between European governments over energy policy and make life increasingly difficult for Merkel, who is attempting to build a close alliance with both Moscow and Washington.

Only last month, the German government endorsed the €1 billion (\$825 million) credit guarantee made by former chancellor Schröder for the North European Gas Pipeline Company (NEPGC), of which he is now chairman. The pipeline will go directly from Russia to Germany under the Baltic Sea, bypassing Ukraine, Poland and Belarus.

NEPGC is owned by Gazprom, together with the German companies E.ON and Wintershall as junior partners. Russia's share of Germany's gas imports is due to increase from 41 percent now to 60 percent in 2025.

Merkel has decided to continue with the "strategic partnership" developed under Schröder, and whilst there are divisions within the German ruling elite over this closeness to Russia, business has in general pushed for it, with bilateral

trade between the countries increasing by 25 percent from 2004 to 2005.

By putting its national interests first, Germany has antagonised other members of the European Union, especially the new entrants in eastern Europe. Cheney was deliberately boosting the leaders of "New Europe" by speaking at the "Community of Democratic Choice" meeting in Vilnius.

Lithuanian President Valdas Adamkus called for a common European Union front against Russia in an interview in the *Financial Times* the day before Cheney's intervention. Adamkus called on the EU to oppose Russia's use of its energy supplies to gain "political influence" in Europe. He condemned the German NEPG that will bypass the Baltic and eastern European countries. "I believe I can understand the Russian position but I can't understand the German position," he said. "As a member of the EU, they acted without even extending the courtesy of advising the Baltic states [about their plans]."

Polish responses to the German pipeline have been less restrained. Defence Minister Radek Sikorski said, "In Poland we have a particular sensitivity to corridors and deals above our head." Referring to the 1939 carve-up of Poland between the Soviet Union and Nazi Germany, he added, "that was the Molotov-Ribbentrop tradition."

The Polish government claims that the NEPG is motivated entirely by Germany's political interests in wanting gas supplies that bypassed eastern Europe. It will cost at least \$10 billion, and it would have been much cheaper and quicker to upgrade the existing pipeline connections.

Sikorski was speaking at an annual transatlantic conference for political and business leaders, the Brussels Forum, which took place the weekend before Cheney's visit. This appears to have been the occasion to give the US ruling class's anti-Russian agenda a preliminary airing. Right-wing Republican Senator John McCain gave the keynote speech in which, in addition to making a comparison between Iranian President Ahmadinejad and Hitler, he demanded joint US-European opposition to the Putin regime. Putin had "some perverted vision of a restoration of the Soviet empire," and "in all the days of the Soviet Union, Russia never turned off a spigot of gas. Putin did," he thundered.

The hostility to Russian influence in Europe is not confined to

the eastern countries; the financial circles in the City of London are also clearly vexed. Gazprom chief Alexei Miller was responding to threats from the British government to block a bid from Gazprom to take over Centrica, a major gas-distribution company in the UK. The threat was withdrawn, and Prime Minister Tony Blair has assured the world that he remains committed to free market principles, even if it involves Russian companies buying up strategic British concerns. But the EU bureaucracy in Brussels, presumably prompted by Britain, has pronounced that whilst the EU would apply the same competition rules to Gazprom as to any other company, the fact that Gazprom has a monopoly over gas exports from Russia to the EU would be a “significant factor” in the application of the rules.

In the pages of the *Financial Times*, there has been a detailed examination of a Swiss-based company RosUkrEnergo, which is half owned by Gazprom. Most of the other half is owned by Ukrainian trader Dmytro Firtash, whose identity was a secret until two weeks ago. According to one article, Firtash insisted that he was “not a parasitic middleman charging extortionate fees to supply Russian and Turkmen gas to Ukraine and Europe,” but that RosUkrEnergo was a “complement” to Gazprom. Firtash, who apparently has close relations with a number of British businessmen, is considering floating his company on the London Stock Exchange. If he is to achieve that, he will need to be more transparent in his business dealings than he has been in the past. He assured reporters that he intended to be more open, but, like St. Augustine, he demurred, “not just yet.”

The EU Commissioners, whilst diplomatic in their language, are clearly opposed to the German-Russian energy deal. Andris Piebalgs, the EU energy commissioner, is quoted as saying, “We should never have the situation we will have with this [German-Russian] pipeline. One partner country [Germany] decided a project that is not acceptable to others, not even discussing it.”

Also speaking at the Brussels Forum was European Commission President Jose Manuel Barroso. According to reports of the discussion at the conference, he called for the US to join Europe in pressing Moscow to open up its energy markets. Russians had to decide whether they wanted “a real democracy or a half-democracy,” he said. The Kremlin was increasingly resorting to “the use of energy resources as an instrument of political coercion.”

The demand for “democracy” from the EU bureaucracy in relation to Russia is selective and hypocritical. Just as Cheney made no reference to the total lack of democratic rights in Kazakhstan, where he was heading after Lithuania, the EU has close connections with the regime in Turkmenistan, the source of much of RosUkrEnergo’s gas, which it sells to Europe. The US-based organisation Human Rights Watch has pointed out that the foreign and trade committee of the EU parliament has proposed to reopen a trade agreement between the EU and

Turkmenistan, on hold since 1999 because of concerns over human rights. Keeping the supply of gas from Turkmenistan to the EU is clearly the underlying rationale. Turkmenistan is said to be keen to bypass Russia and Ukraine with its gas.

The EU is Turkmenistan’s third largest trading partner (after Iran and Ukraine), and its exports to the country have increased by 14 percent over the last five years. According to the London-based campaign group Global Witness, Turkmen President Saparmurat Niyazov keeps most of the country’s gas earnings in off-budget overseas accounts, including some \$2 billion held at Deutsche Bank. French building company Bouygues has been erecting many of the grand projects that Niyazov has ordered.

Since independence from the Soviet Union in 1991, less and less money has been spent on the impoverished population. The regime has one of the worst human rights records in the world, with arbitrary arrest and oppositionists routinely tortured, killed or thrown into jail for years. Niyazov has absolute power and has created a personality cult in which schools, streets and hospitals are named after him, his picture is displayed everywhere, and most of the books in schools and libraries are written by him.

The mounting energy crisis in Europe has given minor tyrants like Saparmurat Niyazov increased political leverage, as it has Putin and the oligarchs who surround him. Having enriched themselves from the denationalisation of Soviet natural resources, they now see a way to take to the world stage.

In the final analysis, however, the energy crisis is being driven by the aggressive nature of US foreign policy, which has destabilised oil supplies from the Middle East. With characteristic disregard for the political implications of his actions, Cheney has stirred up the conflicts within Europe to a point where the cooperation between EU members threatens to break down. His speech reflects a reckless approach to foreign policy that disregards the entire history of the twentieth century, when conflicts over strategic resources and conflicting national interests produced two world wars in Europe.

Since the end of World War II, US foreign policy has been directed towards maintaining European cooperation in an attempt to avoid a repetition of this recurrent disastrous conflict. Cheney’s speech demonstrated the extent to which the US under the Bush administration has broken with the tradition.



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