

Russian trans-Balkan pipeline to skirt Turkey

Vladimir Volkov
29 March 2007

On March 15 in Athens, the heads of state of Russia, Greece and Bulgaria signed an agreement of cooperation in the construction and exploitation of an oil pipeline from Burgas, Bulgaria to Alexandroupolis in Greece. Connecting the Bulgarian port on the Black Sea with the Greek port on the Aegean, it will provide for a transport route for Russian oil to the Mediterranean that would bypass Turkey and the Bosphorus Straits, which Turkey controls.

Russia had suggested this plan back in 1994, but it became the signature project of President Vladimir Putin as soon as he assumed power.

What had stalled construction up until now was a disagreement among the three sides as to their respective shares. Russia had been insisting on holding a controlling share, while Greece and Bulgaria were holding out for equal shares for all three sides.

Since last autumn Russia had redoubled its efforts. Putin visited Athens in September of 2006. Prime Minister Mikhail Fradkov also visited there. As a result, Bulgaria and Greece agreed to Russian conditions, and 51 percent of the capital of the operating company TransBalkan Pipeline will belong to Moscow, which will be represented by Gazprom, Rosneft and Transneft. Athens and Sofia will own 24.5 percent each.

Russians will also control the project's infrastructure: the pumping stations, warehouses, loading platforms and docks.

The agreement, signed by Putin and the Greek and Bulgarian prime ministers, Costas Karamanlis and Sergei Stanishev, calls for the pipeline to stretch for some 280 kilometers, to carry 35 million tons of oil annually, rising in the future to 50 million tons. The project is scheduled to be completed in 2010 and will cost about a billion euros.

The complicated scheme calls for Russian oil to be shipped across the Black Sea by tankers from Novorossiysk and Tuapse in Russia to Burgas in Bulgaria. The oil will then travel via the new pipeline to Alexandroupolis, and would then be loaded onto Greek tankers for further distribution to the customers.

The TransBalkan pipeline corresponds to the geopolitical interests of the Kremlin. The pro-government *Rossiyskaya Gazeta* states that with it Moscow "would gain an 'enhanced' access to the energy markets of southern Europe, which may become a transshipment point for deliveries further afield to Western Europe. In addition, Russia would be able to save a considerable amount of money, which it now pays to Ukraine for shipping gas through Ukrainian territory."

The two other partners would also realize considerable advantage. Greece and Bulgaria would secure their position as way stations for the shipment of the huge energy resources from Siberia, Central Asia and the Caspian basin to Europe, and should receive substantial transit fees.

The partners in this deal are attempting to portray it as objectively useful and profitable for all consumers of energy resources.

Greek Prime Minister Costas Karamanlis noted that "Greece and

Bulgaria have emerged on the world map of energy resources," adding that the project's realization "would aid in the development of international energy markets, enhancing the access to oil in a period when energy becomes the world's paramount problem."

At his turn in Athens, Putin stated that "the whole world energy market is interested in the success of this project."

These and similar statements represent attempts to portray this deal in a favourable light. In reality the project, far from being a rational solution to develop world energy infrastructure, is an escalation in the struggle for geopolitical influence. In this struggle, first and foremost are the predatory interests of the ruling elites of the competing powers. By building the Burgas- Alexandroupolis pipeline, Russia is attempting to recover some of the positions of power it had lost during the 1990s.

For a long time, the US government had been able to block the plan. On the very eve of the project's signing, an American delegation headed by assistant secretary of state for European and Eurasian Affairs, Matthew Bryza, visited Athens. It was the latest in US attempts to stall the project.

After the signing ceremony Prime Minister Karamanlis declared, "I do not see why this project should be discussed with anyone else. We have good relations and cooperate with Russia; we have very good relations and cooperate with the United States."

From an economic point of view the project is not very rational. According to a professor of economics at the Centre of Energy Policy of Europe and the Russian Academy of Sciences, Alexei Khaitun, the project "is not very effective." Elaborating on this idea he wrote in *Nezavisimaya Gazeta* on March 13, 2007: "It will be necessary to load small coastal tankers in Novorossiysk and Tuapse, then unload them in Burgas, and all three ports are relatively shallow. It is economically more effective to ship the Caspian oil to Europe via Georgia and Turkey to the Mediterranean through the large pipeline from Baku to Ceyhan. That route is 1.5 times shorter than from Tyumen, and a lot more effective than the traditional pipelines across Russia and Ukraine."

The Baku-Tbilisi-Ceyhan pipeline was constructed with American help so as to create an energy transport corridor bypassing Russia and thereby weaken Russia's influence in the Caspian basin and in Central Asia.

The pipeline started operating last year, but its profitability requires loading it with oil from other sources than Baku alone. To make a profit it must also be loaded with oil from Kazakhstan, perhaps also from Uzbekistan and Turkmenistan. The total proven oil reserves in the Caspian region (Kazakhstan, Azerbaijan, Turkmenistan and Uzbekistan) reach, according to some estimates, 15 billion tons, while the export from these countries could reach 130-150 million tons by the year 2010.

If Astana (the capital of Kazakhstan) were to be persuaded to switch

its oil export route from the present-day Russian corridors to the Baku-Ceyhan pipeline this would bring about huge political and economic changes in the huge territory of the Caucasus, Caspian Sea and Central Asia, and would significantly enhance the influence of the United States.

Russia, and to a lesser extent China and Europe, are trying to prevent this. The European Union is on the one hand supporting Russia's interests in the region against the US; on the other, it is trying to firm up its own sphere of influence. Thus, in late 2006 a vague agreement was signed in Astana between the European Union and the states of the Caspian and Black Sea region concerning some future cooperation in the energy sphere. The discussion centred on creating an integrated energy market tied to the interests of European consumers.

These attempts are conducted within the framework of the so-called "European initiative for Central Asia," which was the subject of the report of German Foreign Minister Frank-Walter Steinmeier at the January meeting of the Permanent Council of the Organization for Security and Cooperation in Europe.

The construction of the Burgas-Alexandroupolis pipeline has become one element in the strategy of turning Russia into an "energy superpower," which was proclaimed by President Putin in late 2005. This doctrine presupposes using Russia's exports of oil and gas resources to the world market as a way to enhance its geopolitical influence. It involves not only the control over the oil and gas pipelines from the interior of the Eurasian continent to Europe, but also the purchase by Russian corporations of shares in the oil and gas networks and the largest world, primarily European, energy companies.

In early 2006 Russia stopped for a few days the supplies of gas via Ukraine, thereby shocking and infuriating the countries of the European Union. A year later, a similar situation, albeit without an actual gas stoppage, occurred in relation to Belarus.

In the fall of 2005 a plan was announced to construct a North European natural gas pipeline, which would enable gas to be shipped from Russia to Germany along the bottom of the Baltic sea, thus bypassing the present transit countries. To underline the importance of this project for the German ruling elite, the former prime minister Gerhard Schröder (Social Democratic Party, SPD) headed the operating company.

In the fall of 2006, the state-owned oil company Transneft began the construction of a 4700-kilometer pipeline from the oilfields around Tayshet west of lake Baikal to the Pacific Ocean port of Nakhodka. The plans call for the construction to be finished in 2012 and for the pipeline capacity to reach 80 million tons of crude, which would give Russia 6.5 percent of the East Asian and Pacific oil market.

Russia is now second place internationally, following Saudi Arabia, in extracting and exporting oil and also controls around a quarter of all natural gas reserves, more than any other country.

Europe is largely dependent on Russia for its energy resources. Russia provides 40 percent of the natural gas and a third of the oil consumed in Europe.

The economic basis for Russia's new geopolitical ambitions rests on its huge external trade surplus, which has risen in the past few years to about US\$100 billion annually. Accumulation of the "oil money" has permitted the state to build up its gold reserves, to about \$300 billion, while under Yeltsin these reserves sank to as low as \$20 billion, and even lower. Simultaneously, the Russian government is putting some savings into the so-called Stabilization Fund, which now holds over

\$100 billion.

There is also an important political cause for the relative strengthening of Russia's role. It is tied to the growth of contradictions and tensions among the leading centres of world imperialism. The US military interventions and occupations of Iraq and Afghanistan have provoked growing anxiety among the leading members of the European Union that the United States might succeed in establishing a stranglehold over the extraction and transport of the oil and natural gas resources of the Middle East and Central Asia. Such physical control would become an American weapon in forcing its interests on the European ruling elites.

Attempts of the West European states to counter the hegemonic plans of Washington, as well as the growing role of China and India, have permitted the Kremlin to utilize these geopolitical contradictions in its own interest, and to make some headway. It would be naïve to think that these recent successes have a secure basis.

First of all, 15 years of Russia's post-Soviet history have witnessed a continuing deterioration of its economic, industrial and technological infrastructure. This social and economic crisis was highlighted recently by the series of aircraft crashes, coal mine disasters and building fires, which cost hundreds of lives. Despite its increased gold reserves, Russia is weaker economically and industrially than 15 years ago.

The "energy superpower" ambitions of the Russian ruling elite cut across the most basic needs of the majority of the country's population. Overall, the production of energy is not rising in Russia. The impoverished population cannot afford to pay market prices for energy—whether electric, coal, natural gas or oil. More and more of the nation's energy resources are redirected for export abroad, while national industry shrinks and the population shivers from cold. The regime's plans to become an "energy superpower" are tied to shrinking consumption even further through freezing and starving the working class.

On the other hand, American imperialism has not abandoned its plans for hegemony in Eurasia. The current situation in this huge geographic space—stretching from the Baltic Sea to the Indian Ocean, from the Mediterranean straits to the Pacific Ocean—exhibits an endless series of complicated rivalries and conflicts, which can at any moment erupt in flames and turn into open armed confrontations. These trends and tendencies exclude a peaceful and good neighbourly coexistence of the countries in the region.

Economic and political cooperation on the Eurasian continent is a necessity for the present and the future. But it can be achieved only by overcoming a system based on profit and on the division of the world among nation states. The peace of the region and a rational utilization of its natural wealth in the interests of the majority of its toiling population are possible only on the basis of the struggle for the United Socialist States of Europe and Asia.



To contact the WWS and the
Socialist Equality Party visit:

wws.org/contact