

# Great power rivalries and the Nabucco pipeline project

Niall Green  
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Leading European energy companies, backed by the European Union and the United States, signed an accord last month to construct a major new natural gas pipeline network from the Caspian Sea to Western Europe.

The Nabucco pipeline, a 7.9 billion euro (\$11 billion) project, will pass through Turkey, Bulgaria, Romania and Hungary before terminating at a massive Austrian energy distribution center. Government representatives from these countries signed the deal in the Turkish capital Ankara on July 13.

The US was represented at the signing by Senator Richard Lugar. German energy firm RWE is also a major stakeholder in the project.

The name of the pipeline, Nabucco, alludes to the Verdi opera, whose theme is freedom from bondage, reputedly a reference to Russia's domination over Central Asian gas supplies.

The European Union (EU) was represented at the signing by the president of the European Commission, José Manuel Barroso. "Energy can help to establish new structural links between the EU, Turkey and the Caspian Sea states," Barroso told the assembled dignitaries and media.

The EU has pledged to help fund the pipeline, and has donated large sums to other infrastructure projects in the Caspian region, especially in the ex-Soviet republic of Azerbaijan, from where much of the gas to come through Nabucco will originate.

Due to commercial doubts about the route's potential to make a profit, the European Investment Bank and the European Bank for Reconstruction and Development may have to fund the bulk of total costs for the pipeline.

In addition to gas from the Caspian Basin, which will flow into Turkey via Georgia, Nabucco might also be supplied by Iran, Iraq and Syria.

Nabucco is expected to transit up to 31 billion cubic meters of natural gas a year from these sources to Austria from 2014. The finalized plans for the project are to be signed within six months, Turkish Prime Minister Recep Erdogan announced.

The new pipeline is intended to provide an alternative route to the Russian-dominated network that currently transits much of Europe's energy needs. A dispute between the Russian state gas monopoly Gazprom and the Ukrainian government earlier this year led to natural gas supplies being shut off to parts of Europe.

Gazprom has responded to Nabucco by planning its own new pipeline network in the region, called South Stream. The proposed route is to carry gas from Central Asia to Western Europe via Russia and the Balkans. EU members Italy and Bulgaria have backed the South Stream project, due to come online in 2015. Using Russia's

vast network of pipelines and political connections in Central Asia, South Stream could undermine Nabucco and the existing South Caucasus gas pipeline.

However, the project would be hugely expensive, and it is unclear if Gazprom could afford it. The Russian newspaper *Kommersant* commented, "It has become clear that Nabucco is significantly ahead of South Stream, owing to the fact that the project has the consolidated political support of practically the whole of Europe."

"Gazprom's brainchild, South Stream, cannot boast such consolidated support," the newspaper added.

Meanwhile, Gazprom has acted to strengthen its control over the export of energy from Central Asia. The Russian company recently signed new energy supply contracts with the main gas exporting countries, including Turkmenistan, whose calculated gas deposits were recently revised upwards by a factor of three, making it the world's fourth largest holder of natural gas reserves.

Russian domination of energy exports from Central Asia has led many industry analysts to question the viability of Nabucco. "There's no available gas," Pavel Kushnir, director of oil and gas research at Deutsche Bank AG in Moscow, told the Bloomberg news agency. "Nabucco continues to hope that at some point Turkmenistan will join and supply gas to the project."

Even if Turkmenistan agrees to supply Nabucco, territorial disputes with Azerbaijan mean that Turkmen gas might have to be transported across Iran en route to Turkey.

Nabucco will be supplied by gas piped through the South Caucasus route, which runs from Azerbaijan to the Turkish gas hub at Erzurum. But to be economically viable, it also needs to have a reliable supply of gas from the Tabriz-Erzurum pipeline, which connects the vast gas fields of Iran to Turkey.

Such interests provide background to US and European machinations in Iran. The imperialist powers seek a regime in Tehran that will act in compliance with their energy policies; while within Iran's clerical-business elite there are many who see improved relations with the West as a means to vastly enrich themselves through increased exports of oil and gas.

The fact that Iranian gas could be used to supply much of the energy needs of Western Europe, providing a counterweight to Russia, was doubtless a motive force in the recent intervention of Washington and the EU powers into the Iranian election and their backing of the pro-Western campaign of Mir Hossein Mousavi.

Richard Morningstar, President Barack Obama's special envoy for Caspian Basin energy matters, recently told the press that Washington did not back Iranian involvement in the Nabucco project. "We don't

believe *today* that Iran should be a part” of Nabucco, Morningstar said. Here, however, the word “today” is significant.

The US-backed Iraqi government of Nouri Al-Maliki has pledged to provide 15 billion cubic meters of natural gas per year to Nabucco.

As well as the proposed Nabucco gas pipeline and the operational South Caucasus route, the EU and the United States have backed the Baku-Tbilisi-Ceyhan pipeline that transfers around a million barrels of oil per day from the Caspian to Turkey’s southeastern Mediterranean coast. Involving some of the biggest energy companies in the world—including Chevron, BP and Total—these routes and the region they run through are of vital economic and strategic interest to the major powers.

For the European powers and the United States, the liquidation of the Soviet Union by the Stalinist bureaucracy opened up the vast energy resources of the former Soviet republics to exploitation. During the 1990s, the Russian elite found itself increasingly squeezed out of what it regards as its “near abroad” in the ex-Soviet republics.

The economic and political chaos that accompanied the restoration of capitalism left the Kremlin poorly equipped to advance its independent interests. Even within its own borders, foreign energy companies were able to obtain highly lucrative contracts to extract oil and gas. However, over the past decade the Russian ruling elite has been able to expand its control over the export of its own natural resources and those of its Central Asian neighbors.

Influence in the Caspian and Caucasus regions is vital to the interests of all the major powers, providing the motive force behind the military conflicts and diplomatic maneuvers there. Washington most aggressively, but also the European powers, wants to break Russian control over the region. This is a prospect that the Russian elite cannot tolerate, and they are willing to defend and advance their interests with equal ruthlessness.

The Western powers provide large quantities of civilian and military aid to pliant regimes such as Georgia and Azerbaijan, routinely turning a blind eye to human rights abuses and rigged elections there. Russia, in turn, uses its military and political influence to advance its interests.

This has set Moscow and the Western powers, Washington in particular, on a collision course, as expressed most sharply in the war between Georgia and Russia in August last year. When the US-backed regime in Tbilisi attacked the Russian-backed breakaway Georgian province of South Ossetia, Moscow responded with overwhelming force. Having been taken by surprise, the US refused to directly aid its Georgian client, but did send a Navy detachment to the area, in the same waters as the flagship of the Russian Black Sea Fleet.

As a result of the war, the South Caucasus gas pipeline and an important local oil pipeline were briefly shut off by their operator, British Petroleum.

Following that conflict, in which the Georgian government of Mikheil Saakashvili suffered a military debacle, Moscow was able to expand its influence by effectively consolidating its control over the secessionist Georgian provinces of South Ossetia and Abkhazia.

Having installed Saakashvili through the US-sponsored “rose revolution” in order to weaken Russia’s influence in the country and the region, Washington is unlikely to tolerate a resurgent Russian presence there for long.

While the Obama administration is currently seeking to “reset” relations with Russia in order to obtain the Kremlin’s cooperation in the prosecution of the war in Afghanistan, partly in exchange for putting Georgia’s and Ukraine’s applications for entry into NATO

onto the back burner, tensions between Washington and Moscow remain high.

Returning to the United States from last week’s visit to Ukraine and Georgia, Vice President Joseph Biden spoke to the *Wall Street Journal*. Using highly undiplomatic language, Biden derided Russia as a “withering” economy.

“I think we vastly underestimate the hand that we hold,” he said. “They’re in a situation where the world is changing before them, and they’re clinging to something in the past that is not sustainable.”

The vice president added that Russia could not sustain its nuclear arsenal, inherited from the USSR.

While the comments have been portrayed by much of the media as a gaffe, they express real views within Washington regarding US imperialism’s relations with Russia. As long as Russia can play a useful role aiding the US military interventions in Afghanistan and Northern Pakistan, the White House will give some leeway to the ambitions of the Kremlin. However, Washington seeks to take advantage of the continuing weaknesses of the Russian economy and military to impose its interests in the former-Soviet region—including within Russia itself.

Biden’s comments received enthusiastic support from the *Journal* in an editorial Tuesday. Citing them, the newspaper argued against any concessions to Moscow, writing:

“[W]hy lock in lower numbers of US nuclear warheads and delivery vehicles, such as bombers and missiles in a new arms deal, if Russia can’t afford to maintain its stockpile of either? Why indulge Russia’s illusions about its ‘privileged interest’ in Eastern Europe, by signaling a desire to abandon missile defenses in Poland and the Czech Republic, when, as the vice president notes, Moscow’s current regime lives ‘in the past’ and dreams of reclaiming the Imperium? And what, precisely, does the US expect to get in return for these concessions to a ‘withering’ partner?”

Seeking to take the edge off Biden’s comments, US Secretary of State Hillary Clinton told NBC’s “Meet the Press” program that the administration viewed Russia as a “great power.” At the same time she sought to placate factions within the ruling elite who favor a more openly confrontational posture toward Moscow by adding, “They have questions about our policies and we have questions about some of theirs.”

The following day, the *Los Angeles Times* argued in favor of the administration’s approach, writing, “Though Russia’s powers have diminished greatly since the days of the Soviet Union, Moscow’s cooperation is vital for US efforts to deal with Iran, North Korea, Afghanistan and Arab-Israeli strife.”

There is no “reset” button in the conflict between rival national elites for control over the world’s resources. The attempt by the US to reverse its economic decline vis-à-vis its major rivals by military means has an inexorable logic that leads toward open conflict.



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