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Black Gold—a Series About Oil

A war of some convenience ~ Patrick Brown

Fundamentalist Islam threatens the current regimes of the mostly undemocratic governments of the Middle East and Central Asia. But these governments control some 20% of the oil consumed by the US, and this is forecast to rise to 25% by 2020. Ensuring these oil requirements is vital to what US President George W. Bush has referred to as 'the American way of life'.

The three standard methods to accomplish this are bribery, negotiation, or war. Bribery (with its good friend, corruption) has been successful in some instances. Negotiation has been possible, but more difficult, since the formation of OPEC. With the spread of fundamentalist terrorism to US soil, war has once again become a believable option for Americans.

The pursuit of Osama bin Laden in Afghanistan and the targeted overthrow of Afghanistan's Taliban government fits most conveniently with the efforts of US multinational oil corporations to control the oil and gas fields around the Caspian Sea. And control of Caspian Sea oil is an important part of US strategy not only to ensure a continuing supply of oil for the US itself, but also for US oil companies to control the distribution of oil elsewhere, particularly to growing Asian markets.

US Oil Consumption

The US consumes about one quarter of all world oil, and imports half of what it consumes. It is a large and geographically decentralized country fated which has chosen to be dependent

WORLD RESERVES & PRODUCTION - 2000			
Country	Proven Reserves (billion barrels)	Current Production ('000 barrels/day)	Reserves/ Production Years
OPEC			
Iran	89.70	3,741	65.7
Iraq	112.50	2,625	100+
Kuwait	96.50	2,150	100+
Saudi Arabia	261.70	8,841	81.1
UAE	97.80	2,515	100+
Qatar	25.40	795	66.4
Libya	29.50	1,462	55.3
Nigeria	22.50	2,097	29.4
Algeria	9.20	1,449	17.4
Venezuela	<u>76.90</u>	<u>3,173</u>	<u>66.4</u>
TOTAL OPEC	821.70	28,846	
CASPIAN BASIN			
Azerbaijan	6.90	298	63.4
Kazakhstan	8.00	705	31.1
Turkmenistan	0.50	134	10.2
Uzbekistan	<u>0.60</u>	<u>152</u>	<u>10.8</u>
TOTAL CASPIAN	16.00	1,289	
NORTH AMERICA			
United States	29.70	7,824	10.4
Canada	6.40	2,063	8.5
Mexico	<u>28.30</u>	<u>3,299</u>	<u>23.5</u>
TOTAL N.A.	64.40	13,186	
U.K. (North Sea)	5.00	2,585	5.3
China	24.00	3,255	20.2
Russian Federation	48.60	6,464	20.6
Former Soviet Union	0.70	122	15.7

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on road transportation and the internal combustion engine. For many years, its economic growth has required steady increases in oil imports. In an attempt to become less dependent on overseas oil, the US negotiated the NAFTA agreement with both Canada and Mexico, which makes oil in both countries available to the US without limitation.

Throughout the '90s, oil consumption in the US has continued to grow. The Bush government, which has, to say the least, heavy representation from the international oil industry, clearly rejects any move towards conservation or restrictions on greenhouse gas.

The US still gets a significant amount of its oil from Saudi Arabia, a country whose absolute monarchy is threatened by a growing tide of Islamic fundamentalism. Mr. bin Laden has made it clear that one of his objectives is to halt the co-operation, economic and military, of the Saudi royal family with the US during the 1991 Gulf War and since.

Multinational oil companies deal regularly with the Saudi royals; the nation is far from a democracy, and already practices an oppressive form of government.

Every hint of instability in Saudi Arabia is worrying for the US. Because of their delicate political position, the Saudis have been less than co-operative with the US in the present 'war.' A measure of this delicacy is the reported refusal of the Saudis to assist US investigations of the September 11 terrorists, or for that matter of Osama bin Laden himself.

Add to this recent concerns about the vulnerability of the Saudi oil export infrastructure to terrorist attacks.

Most of the oil imported by the US comes from the Middle East and is controlled by the national members of the Organization of Petroleum Exporting Countries (OPEC). But the US has been trying to diversify its sources of oil supply over the past few years, and now imports oil from Venezuela (also in OPEC).

However, these efforts at diversification have already been impeded by previous wars on terrorism. The Gulf War to liberate Kuwait from Iraqi domination ended with an embargo on Iraqi oil. Anti-terrorist actions by the US also resulted in a 1996 law forbidding US trade with both Libya and Iran. This law was renewed by congress in the summer of 2001.

Soviet Union Break-Up Presented New Opportunities

The 1991 break-up of the Soviet Union resulted in the creation of a number of new republics, particularly those centred around the Caspian Sea in central Asia. The break-up also resulted in great interest of multinational oil companies in the area.

The Caspian basin was Russia's original source of oil; Azerbaijan has been producing oil for more than one hundred years. Other countries bordering the Caspian are Russia itself, Kazakhstan, Turkmenistan, and Iran. There is, however, continuing disagreement on which country owns what portion of the Caspian Sea bottom itself—much of the reserves lie

beneath the sea. (The highly-polluted Caspian Sea is 700 miles long—roughly the size of California.)

While the proven reserves of the Caspian Basin are still estimated at only 18-34 billion barrels of oil, the potential of the region may be, according to the US Energy Information Administration, up to 235 billion barrels.

This may be compared with total US reserves of 29 billion barrels, and the British North Sea reserves of 17 billion barrels. Saudi Arabian proven reserves are 262 billion barrels, but with much potential still to be explored.

So, while the Caspian potential could not be substituted for Saudi potential, it is sufficient to make a difference to both supply and prices in world markets. It should also be noted that the region also contains equivalent amounts of natural gas—but that's another story.

Pipelines

One of the advantages of most Middle Eastern crude oil is that it needs only to be piped to the nearest tidewater terminal, and then shipped directly to the US by tanker. However, the Caspian Sea is landlocked, and extracting oil from the region either to the US or to growing south and southeast Asian markets involves running pipelines through a number of countries.

These countries have to be politically stable, terrorist-free, and able to make and keep legal agreements covering the pipelines. All of them will expect economic benefits from the transportation of oil (or gas). But any of them, through war, revolution, guerrillas, terrorists, or government action, may 'turn off the tap' at any moment. The strategy of both the US government and the international oil companies, then, is to diversify pipeline routes, and either buy off or control the national governments involved.

As an example, UNOCAL, a US multinational, some years ago proposed a gas pipeline from Turkmenistan across Afghanistan to Pakistan and possibly India. After lengthy negotiations with the Taliban, the \$2 billion project was abandoned when the US first targeted cruise missiles at Osama bin Laden after the bombing of US embassies in Africa in 1998.

Caspian Basin oil had not been developed to any great extent by the Soviet Union prior to 1991. This was partly because Soviet offshore drilling technology was not particularly sophisticated and much of the proven reserves are under the sea itself. Much of the Caspian Sea is relatively shallow, under 100m, but towards the south end, near Iran, it deepens to over 500m.

The other reason was that the Soviet Union itself had plentiful supplies of oil without the Caspian, with most export activity to Eastern Europe only. As a result, most pipelines from the Caspian were on relatively low capacity, and ran in the general direction of Moscow.

More recent pipeline activity has started to anticipate

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exports from the Caspian towards Europe (see below 'Caspian Basin Pipelines'). Clearly, pipelines passing through many countries are considerably less secure than tankers travelling international waters.

The 'War'

President Bush has made it clear that the 'war on terrorism' is unlikely to be limited to Afghanistan, whether or not Osama bin Laden is ever found there. He has also made it clear that the 'war' is not against Islam as a religion.

It is not too hard to imagine, then, that the 'war' is to defend the supply of oil to the US against the threat of Islamic fundamentalist governments.

The Future

The following is opinion and speculation.

Iraq, Iran, and Libya may well be on the list for future attacks, since the US has previously labeled them as 'harbouring terrorists'. But if they are attacked, is it possible that other, more 'moderate' governments in Muslim countries (such as Pakistan and Indonesia) may also fall to

fundamentalists? Was the September 11th attack a trap, a provocation that the US could not ignore, leading to an attack which would invoke the 'domino effect' much as it did in Southeast Asia? Walden Bello (Professor of Sociology and Public Administration at the University of the Philippines, and Executive Director of 'Focus on the Global South') speculates that the objective of the fundamentalists is a 'vision of Muslim Asia rid of American economic and military power, Israel, and corrupt surrogate elites, and returned to justice and Islamic sanctity.'

Unsustainable Policy

This may be just as much a chimaera as a vision of an America built on US-dominated world free trade in oil. But it is clear that the 'way of life' that President Bush has so staunchly defended has led to a dependence on oil from nations that are increasingly hostile to US economic and political dominance. And increasingly supportive of bin Laden and the other terrorists. ✓

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