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UNDERSTANDING THE “WAR ON TERRORISM”: THE OIL & GAS INTERESTS -- PART 1¹

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Note: This paper is part of a series on understanding why we are fighting terrorism. There is nothing new in it that hasn't been published elsewhere, and of course the coverage of oil and gas activities is not comprehensive. The purpose of this paper is to compile some pertinent information together so that a pattern can be seen. In this paper I have tried to show that the war in Afghanistan was not something that occurred as a result of September 11th in 2001. Rather, it was something brewing for about a decade and the Bush administration merely took advantage of September 11th to launch the offensive. In a broader context, I have also illustrated other trouble spots on the globe that have potential to be affected by the “war on terrorism” if US interests, or US corporate profits, are threatened. This particular paper is Part 1 of “The Oil and Gas Interests.” BA

In May 2002, US Energy Secretary Spencer Abraham told the G-8² energy ministers that by 2020 US oil consumption will have risen 33 percent, gas consumption over 50 percent, and electricity demand by 45 percent. He added that overall energy demands in the developing countries of Asia, Central and South America, the Middle East, and Africa will jump by over 100 percent, bringing them almost up to consumption by G-8 countries in 2002. He sums up: “Over the next two decades, world oil consumption, about one-half of it for transportation, is projected to increase from about 75 million barrels per day in 1999 to over 120 million barrels per day in 2020.”^{3, 4}

Oil is one of America's so-called vital interests -- a very vital interest. The US is the world's largest oil importer. Secretary Abraham told Congress in June 2002 that “We are committed to

¹This two-part paper addresses some of the most blatant US interventions but is not a comprehensive treatment of every repression of indigenous people to further US energy industry interests. Likewise, the oil issue is not the only factor pertaining to the “war on terrorism,” but it is a major one. In companion papers to this I hope to address some of the other factors.

²The G-8 nations are the major industrialized countries of the world -- the United States, the United Kingdom, Canada, Japan, Germany, France, and Italy, plus Russia. They generate 70 percent of the world's economic activity and account for 60 percent of the world's energy consumption. That energy consumption includes nearly 40 million barrels of oil per day, over half of the total world demand.

³Abraham, Spencer, 2 May 2002.

⁴One barrel of oil equals 42 gallons.

ensuring that America's energy needs are not held hostage by politically unstable foreign suppliers."⁵ Today (2002) the US consumes an average of 19.7 million barrels of oil per day. By 2020 that daily usage is expected to jump to 26 million barrels. Today (2002) America imports 52 percent of the oil used. By 2020 that dependence on imports will grow to 62 percent. America's major allies -- Europe and Japan -- also rely heavily on oil imports. (Japan imports 98 percent of its oil.) That is the status and outlook according to Abraham. Let us look closer at how this commitment to energy needs interacts with US foreign policy.

US Under Secretary of State Alan Larson set forth two primary goals of US energy security policy. The first is "to ensure that our economy has access to energy on terms and conditions that support economic growth and prosperity." The second is "to ensure that the United States and its foreign policy can never be held hostage by foreign oil suppliers."⁶ Those may sound like respectable goals at first glance but as the discussion below unfolds we will see the full spectrum of US intentions to preserve America's "economic growth and prosperity." And we will see below who benefits most from such growth and prosperity.

Improvements in deep water exploration have opened up new sources of oil in the Atlantic Basin, Canada, the Caribbean, Brazil and the entire west coast of Africa. The Caspian Basin and Russia also promise huge amounts of new production for the global oil market. The Caspian states, Nigeria, Canada and Russia are expected to be some of the fastest growing sources of new oil production. US diplomatic engagement with these countries is described as "intense."

Nevertheless, significant amounts of oil are presently controlled by "problem" states.⁷ Larson says that in dealing with these "problem" countries the US must balance its desire to diversify energy resources with the security threats those countries might pose. He points out that while the Iran-Libya Sanctions Act⁸ precludes development of resources in those countries, "Iraq will continue to be a wild card in the world oil market."⁹

As far as foreign policy is concerned, Larson points out that managing a continuing trading relationship with Canada and Mexico, two of the four largest US oil suppliers, continues to be a top priority. In addition, other important foreign policy initiatives are: 1) conducting a dialogue with Venezuela to build a more productive relationship, 2) developing multiple pipelines to connect the Caspian Basin to major transportation routes, 3) strengthening energy ties with Russia, 4) reevaluating Africa's role as a major energy supplier, and 5) encouraging Middle Eastern countries to open up certain areas of their energy sector to foreign investment. The first three of these initiatives will be discussed in more detail below. The last two will be addressed in Part 2 of this paper.

⁵Abraham, Spencer; 20 June 2002.

⁶Larson, Alan; 20 June 2002.

⁷The US bars or restricts American firms from most commercial activities in Libya, Iran, Iraq, Sudan, and Cuba because it has designated them as State Sponsors of Terrorism.

⁸The Iran-Libya Sanctions Act discourages development of petroleum resources in those countries which could be used to support international terrorists or to develop weapons of mass destruction.

⁹Larson, Alan; 20 June 2002.

BUILDING MORE PRODUCTIVE RELATIONSHIPS WITH VENEZUELA

As stated above, US Under Secretary of State Alan Larson says that conducting a dialogue with Venezuela to build a more productive relationship is an important US foreign policy initiative. He also stated that “Venezuela historically has been a secure and reliable energy supplier,” and that we “have worked hard to build a more productive energy relationship with Venezuela.”¹⁰ Let us look at how the US has worked toward this important “more productive energy relationship.”

Venezuela is one of the five founding members of the Organization of Petroleum Exporting Countries (OPEC)¹¹ with proven oil reserves of 77 billion barrels, the largest in the western hemisphere. It is America’s 3rd largest foreign oil supplier and the world’s 5th largest oil exporter. Of its daily shipment of 2.5 million barrels, 1.55 million barrels go to the US (2001 figures). US oil giant Exxon-Mobil is the largest extractor of Venezuelan oil. Other US oil companies involved are Phillips Petroleum (now Phillips-Conoco), Chevron-Texaco, Exxon-Mobil, and Occidental Petroleum.



A. PRESIDENT HUGO CHAVEZ AND THE TWO DAY COUP.

Venezuela’s president, Hugo Chavez, an ex-paratrooper in his 40s, won landslide democratic elections in 1998 and 2000. Running on a platform of social and economic reform, he has taken a solid stance against poverty and class divisions. He is not intimidated by US might and has befriended countries which oppose US policy, including Cuba, Libya, Iran, and Iraq. Although he has never been linked to any terrorist activity, being a major oil producer makes befriending such countries unacceptable from the US viewpoint. The Chavez government has been described as a thorn in the side of the Bush Jr. administration.

Chavez has also been described as flamboyant, charismatic, authoritarian, thin-skinned, confrontational, politically inexperienced, inflammatory of speech, and a self-indulgent/long-winded speaker. All of these may be true but he also has the support of a vast majority of the people -- the poor people whom he has empowered. Some 80 percent of Venezuela’s 24 million people are poor Mestizos (Indians) and bitter that wealth from their oil-rich country has not sifted down to them. Chavez, also a Mestizo, was born poor and the people see him as one of them.

Unfortunately, a majority in numbers does not translate to a majority of the power. That is held by the rich and the business sector -- particularly the oil industry -- which hotly opposes Chavez, and which is comprised mainly of descendants from the lighter-complexioned Spanish colonists.

After his election, Chavez was successful in consolidating his power and winning overwhelming approval of a new constitution which enhanced the executive branch while weakening the legislative and judicial branches. It also widened government control of the economy, lengthened his term in

¹⁰Larson, Alan; 20 June 2002.

¹¹OPEC was founded in Baghdad in 1960. Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela (South America) were the five founding members. Algeria (northern Africa), Ecuador (South America), Gabon (central Africa), Indonesia (southwest Asia), Libya, Nigeria (central Africa), Qatar, and the United Arab Emirates were admitted in the early 1970s, making a total of 13 members.

office, and allowed him to serve successive terms. Chavez then proceeded to exercise his power by putting military leaders sympathetic to his reform measures in charge of the state oil company (Petroleos de Venezuela, S.A.) and its US subsidiary, Citgo (wholly owned by Petroleos de Venezuela, S.A.). A new law effective in January 2002 required that Petroleos de Venezuela, S.A. have a 51 percent minimum equity in all future petroleum exploration and exploitation endeavors. In exchange for teachers, Chavez offered Cuba oil at rock bottom prices. This infuriated Washington.

These actions did not reap the desired rewards for the poor, according to some sources who claimed the economy tightened, unemployment rose, and capital fled the country. Less heard about is that Chavez reduced inflation from 40 percent to 12 percent, generated economic growth of 4 percent, and increased primary school enrollment by one million pupils.¹² Chavez then proposed expropriating unused land and properties that had been withheld from production for more than two years, and give it to the landless -- 2 percent of the population own 60 percent of the land. That further set business leaders against him. He also alienated the main labor union by trying to eliminate it, thus inducing an uneasy alliance between labor and industry. And he also alienated US oil companies by raising the royalty tax from 16 percent to 30 percent.

Chavez was being pressured to resign. Then on 11 April 2002 things got out of hand. It happened during a large demonstration -- a national strike -- opposing the president's action of taking over the state oil company, slowing production, and sticking strictly to OPEC quotas. 500,000 protesters captured the presidential palace and spirited Chavez away in a helicopter. More than 100 people died or were wounded as a result of the coup. 60-year-old Pedro Carmona, a business leader, stepped in to take over the presidency when it was announced that Chavez had resigned.

But Chavez's wife, Marisabel, quickly spread the word that her husband had not resigned. Two days after the coup, Chavez loyalists took advantage of the bedlam. to recapture the presidential palace. Chavez was reinstated. Carmona was put under house arrest but later escaped to Columbia.

Before April 11th, Venezuela was shipping 53,000 barrels of oil per day to Cuba. During the two days that Carmona was acting as president, oil company officials ended those shipments. A month after the coup, those shipments had still not resumed.¹³

B. KEY PLAYERS IN US FOREIGN POLICY FOR LATIN AMERICA.

Immediately after the anti-Chavez demonstrators took over the government, every nation in the western hemisphere denounced the coup except the United States. Although the Bush Jr. administration denies supporting the coup, it immediately endorsed the new government under Pedro Carmona.¹⁴ However, the London *Guardian/Observer* claims it has established that the coup was closely tied to US officials, and that such involvement conjures up fears of US ambitions in Latin America.¹⁵ Those fears are well founded. The current US foreign policy team for the Americas is spearheaded by three familiar names which hark back to the days of the Reagan administration and the Iran-Contra Scandal -- Elliot Abrams, Otto Reich, and John Negroponte.

¹²Hallinan.

¹³Associate Press, 16 May 2002.

¹⁴Vulliamy.

¹⁵Vulliamy.

During the Reagan administration Elliott Abrams was Assistant Secretary of State for Inter-American Affairs and, in his own words, “supervised US policy in Latin America and the Caribbean.”¹⁶ This included backing the Contra rebels which were trying to overthrow the democratically-elected government of Nicaragua, funding the military dictatorship in El Salvador, covering up the genocidal policies of the Guatemalan government, and encouraging the Honduran government in supporting death squads from neighboring countries.

When Congress became concerned about US military aid helping the Contras to overthrow a legitimate government, it passed the 1984 Boland Amendment prohibiting such aid. Abrams helped evade that congressional restriction with a scheme of selling arms to Iran and using the profits to support the Contras and their terrorist attacks on entire Nicaraguan villages. When this scam was uncovered in 1986, Abrams was called to testify before Congress. He defended dictators and their death squads, denied massacres by the contras, and lied about illegal US arms shipments to them. In 1991 he was convicted on two counts of lying to Congress but was granted a Christmas eve pardon by George Bush Sr. a year later.

Elliott Abrams has now been appointed by Bush Jr. as senior director of the White House Security Council’s office for democracy, human rights, and international operations -- a post which, fortunate for him with his shady past, does not require Senate confirmation. It is ironic that someone with his reputation should be overseeing democracy and human rights.

As congressional opposition to US support of the Contras swelled, something was needed to gain public and media support for overthrowing the Nicaraguan government. President Reagan in 1983 created the Office of Public Diplomacy to propagandize the US public. This new office used tactics identified with manipulating and confusing enemy populations. Otto Juan Reich, an anti-Castro Cuban exile, was appointed as its first director. Although this office was officially set up as part of the State Department, Reich worked under CIA propaganda specialist Walter Raymond Jr. and reported directly to National Security Council aide Lt. Col. Oliver North. This office also was staffed with Defense Department military intelligence and psychological operations specialists. The purpose of Reich’s office has been described as “none other than to get the American people to side with war over peace, using propaganda methods determined to be ‘improper’.”¹⁷

During the 1987 Iran-Contra investigations, the Office of Public Diplomacy was closed down by Congress because it had “engaged in prohibited covert propaganda activities designed to influence the media and the public.”¹⁸ But Reich had been appointed ambassador to Venezuela the year before and escaped the notoriety of congressional hearings. (His ambassadorial appointment was objected to by Venezuelan political leaders until overridden by Venezuela’s desire to market oil in the US.) After leaving government service Reich used his persuasion techniques as a corporate lobbyist, championing such deals as overcoming the ban to sell advanced weaponry to Latin America.

Now Otto Reich has been appointed Assistant Secretary of State for Western Hemisphere Affairs by George Bush Jr. Since the Senate had refused to consider Reich’s appointment before its recess at the end of 2001, Bush Jr. was able to circumvent Senate opposition by using an obscure constitutional provision allowing the president to make an appointment of an announced nominee

¹⁶Cited in Allen.

¹⁷Arias.

¹⁸Quote from official investigations. Cited in Arias.

during a Senate recess. Reich will now be able to serve until the end of 2002. Former Costa Rico president Oscar Arias says that Reich's reputation "[makes me] feel very uneasy about what ends will be served by his potential leadership in our hemisphere."¹⁹

That is not the end of Otto Reich's current appointments. In May 2002 he was appointed to the board that oversees the Western Hemisphere Institute for Security Cooperation (WHISC), formerly known as the School of the Americas (SOA) and dubbed by its critics as the School of Assassins. This combat training school for Latin American soldiers has a long record of graduates being involved in documented atrocities and human rights abuses -- torture, assassinations, disappearances, terrorism.

John J. Negroponte was ambassador to Honduras during the early part of the Reagan administration (1981-1985). From 1985-1987 he was Assistant secretary of State for Oceans, International Environment, and Scientific Affairs. Then he became Deputy Assistant to the President for National Security Affairs (1987-1989).

During his tenure as ambassador to Honduras, Negroponte helped to carry out Reagan's covert war on Nicaragua. He oversaw the military buildup that made Honduras a staging area for Contra activity and death squads in Nicaragua, resulting in hundreds of civilian deaths. And he has also been accused of using US aid to obtain compliance from Honduras. One renown US-trained and equipped death squad, known as Battalion 3-16, tortured and murdered scores of civilian activists. When the International Court of Justice in The Hague declared this activity, along with other US actions in Nicaragua, to be in violation of international covenants, President Reagan pulled out of the Court.

Now Bush Jr. has appointed Negroponte as Ambassador to the United Nations. This is how three dubious characters have been rewarded for their shady experience by appointing them to spearhead foreign policy in Latin America. Now let us see how they have used these appointments.

C. US SUPPORT OF THE COUP.

When terrorists hit the US homeland on 11 September 2001, Venezuelan President Hugo Chavez condemned the action. When the US attacked Afghanistan the following month, Chavez called it "fighting terrorism with terrorism."²⁰ President Bush Jr. reacted to that remark by temporarily withdrawing the US ambassador from Venezuela and required that Chavez unequivocally denounce terrorism as defined by the Bush Jr. administration. Chavez, having diplomatic ties with Cuba which the US has put on a list of countries supporting terrorism, declined the ultimatum.

Shortly thereafter, on 5 November 2001, the Pentagon, the National Security Council, and the State Department (which oversees the CIA) held a 2-day interagency meeting on US policy toward Venezuela. It is presumed that a coup was discussed. Such a meetings preceded other coups and wars tailored to oust governments that wouldn't cooperate with US interests -- Iran in 1953, South Vietnam in 1963, Chili in 1973.

Officials of the Organization of American States (OAS) and other diplomats assert that the Bush Jr. administration knew the coup was planned and approved of it; and that Abrams, Reich, and

¹⁹Arias.

²⁰Cited in Hallinan.

Negroponte were the key players for the administration.²¹ Disgruntled Venezuelans, including Pedro Carmona who seized the presidency for two days, visited Washington several times in the months and weeks prior to the coup. They were received by Otto Reich. During these visits, the coup was discussed in detail. Reich also advised generals who planned the coup, some of them alumni from the SOA, including General Lucas Romero Rincon, commander of the Venezuelan military.

The Bush Jr. administration admits that it met with Venezuelans plotting the coup but denies that it encouraged them. Some present at the meetings said they insisted that democratic means be used to overthrow Chavez. But other accounts conflicted. One Pentagon official involved in forming policy regarding Venezuela said: "We were not discouraging people. We were sending informal, subtle signals that we don't like this guy," referring to Chavez.²²

Washington apparently helped the coup in other ways. According to the 29 April 2002 issue of London's *Guardian* newspaper: "The United States has been considering a coup to overthrow the elected Venezuelan president, Hugo Chavez, since last June ..."²³ That statement was attributed to Wayne Madsen, a former US Navy and National Security Agency (NSA) intelligence officer turned investigative reporter, who also told the *Guardian* that US military attaches have been in touch with their counterparts in Venezuela regarding the possibility of a coup. "I first heard of Lieutenant Colonel James Rogers [the assistant military attache now based at the US embassy in Caracas] going down there last June to set the ground," said Madsen. "Some of our counter-narcotics agents were also involved."²⁴ Madsen also said US Naval vessels provided signals intelligence during the coup; and jamming of communications, especially from the embassies of four particular countries supporting Chavez -- Cuba, Libya, Iran, and Iraq. Venezuelan congressman Roger Rondon accused the US ambassador to Venezuela, Charles Shapiro, and US Embassy military attaches, James Rogers and Ronald MacCammon, of involvement in the coup.²⁵

Wayne Madsen and co-author Richard M. Bennett provided additional detailed information on the Intelligence Briefing website:²⁶

NSA's Spanish-language linguists and signals interception operators in Key West, Sabana Seca on Puerto Rico, and the Regional Security Operating Center in Medina, Texas also assisted in providing communications intelligence to US military and national command authorities on the progress of the coup d'etat.

From eastern Columbia, CIA and US military contract personnel, ostensibly used for counter-narcotics operations, stood by to provide logistics support for the leading members of the coup. Their activities were centered at the Marandus airfield and along the border with Venezuela. Patrol aircraft operating from the US Forward Operating Location in Manta, Ecuador also provided intelligence support for the military move against Chavez. Additional USN vessels on a training

²¹Cited in Vulliamy.

²²Cited in Marquis.

²³Campbell.

²⁴Cited in Campbell.

²⁵Taglieri.

²⁶Cited in Taglieri.

exercise in the Outer Range of the US Navy's Southern Puerto Rico Operating Area also stood by in the event the coup against Chavez faltered, thus requiring a military evacuation of US citizens in Venezuela. The ships included the aircraft carrier *USS George Washington* and the destroyers *USS Barry*, *Laboon*, *Mahan*, and *Arthur W. Radford*. Some of the latter vessels reportedly had NSA Direct Support Units aboard to provide additional signals intelligence support to US Special Operations and intelligence personnel deployed on the ground in close cooperation with the Venezuelan Army and along the Columbian side of the border.

Madsen and Bennett also report CIA and PSYOPs involvement: "The CIA provided Special Operations group personnel, headed by a lieutenant colonel on loan from the US Special Operations Command at Fort Bragg, North Carolina, to help organize the coup against Chavez. They had been in the country since the summer of 2001 and consisted of US Special Operations Support Activity personnel.... The coup was also supported by Special Operations psychological warfare (PSYOPs) personnel deployed from Fort Bragg, North Carolina...."²⁷ Madsen explained how he learned of these coup connections: "It happened by circumstance that I was in attendance at a military banquet in Tysons Corner, near CIA headquarters the night the coup took place, and I merely blended in with some of the active and retired contractor officers who were talking freely about what was occurring."²⁸ Madsen said he also has a number of other sources.

Immediately after the coup, Otto Reich called various ambassadors from Latin America to his office. He told them that democracy still existed in Venezuela and that the US would support the Carmona government. White House Press Secretary Ari Fleischer said, regarding the coup: "The government suppressed what was a peaceful demonstration of the people" which "led very quickly to a combustible situation in which Chavez resigned."²⁹

The Bush Jr. administration's endorsement of Carmona ran counter to condemnation of the coup by other Latin American nations. The US was a little too quick, in many diplomatic opinions, to back up the Carmona presidency. But there were reasons for Washington's overanxiety. Chavez had thumbed his nose at US policy, continued diplomatic relations with countries the US had blackballed, insisted on sticking strictly to the OPEC limits on oil production, doubled the royalty tax on oil production, and had taken over the state oil company run by US corporations.

But Chavez had not resigned. Two days after the coup, Carmona was under house arrest and Chavez was back in the presidential palace. Washington was dismayed. One official, when asked if the administration now recognized Chavez as the legitimate president, replied: "He was democratically elected." But then added: "Legitimacy is something that is conferred not just by a majority of voters, however."³⁰ It was only after learning that Chavez had regained control that the US supported an OAS resolution condemning "The Alteration of Constitutional Order in Venezuela."

D. AFTER THE COUP.

Chavez fired the state oil company's board of directors immediately after returning to office. Within a week he appointed a new board but insisted they would still stick to government policy of

²⁷Cited in Taglieri.

²⁸Cited in Taglieri.

²⁹Cited in Marquis.

³⁰Cited in Marquis.

charging the higher royalty rate for oil extraction and complying with the OPEC limits on production. Big oil in the US is not happy with Chavez. There are rumblings about another coup in the planning. With so much at stake, that is not unexpected. Let us look further.

Since the April 11th coup there have been numerous demonstration by both sides. Chavez, for his part has been trying to promote dialogue. This has been difficult because the wealthy businessmen and landowners have pretty much boycotted the talks. In July 2002 Chavez invited former US president Jimmy Carter to help promote dialogue between the government and opposition parties. Shortly before his arrival, the top businessmen pulled out of the reconciliation talks. After four days of unsuccessful attempts, Carter went home. The opposition blames Chavez's confrontational attitude as the obstacle to agreement. Although Chavez has tried to form a cabinet of more economy-minded members, the opposition says he is still unmoveable on the key issues -- the issues that help big business.

Opponents are also looking at constitutional ways of ousting Chavez. He has repeatedly challenged his opponents to defeat him in a referendum for recall. But that would be hard to do given the president's popularity with the majority of voters -- Venezuela's impoverished who look to his reform measures to close the gap between rich and poor. A poll since the coup showed that more than 60 percent of the voters support Chavez.

Meanwhile, threats and rumors of another coup keep cropping up. The one-million strong Venezuela Workers Confederation have sporadically threatened a nationwide strike like the one that set off the April 11th coup. In July, the Bush Jr. administration warned that events in Caracas may be building toward a repeat of the April 11th coup.³¹ Another event that could mean another US-supported coup is in store for Venezuela, or which may even have prompted US backing for the last coup, is the close alliance Venezuela and Russia are developing regarding oil. In December 2001, Russian foreign ministry spokesman Alexander Yakovenko said the two countries experts are maintaining working contacts in order to promote mutual cooperation in the world oil market, and that talks are being held on Russian involvement in Venezuela's oil and gas deposits.³² The cold war may be merely changing to the form of coups, oil hegemony, and terrorist wars.

These are all ominous signs. But one supporting event for Chavez was when, in August 2002, the Permanent Council of the OAS reiterated the organization's support for national dialogue and democratic consolidation in Venezuela.

Business people are still well aware of Chavez's popularity with the poor who are a majority in the country. And some of the wealthy understand why he is popular. Recounting the coup, one wealthy businessman reminisced: "In the early days of our democracy, well-off Venezuelans considered it their work and their hobby to build a nation." His wife added: "In the last 20-30 years, the private leadership of this country fell in love with the case of accumulating wealth and concentrated on getting richer. We have neglected our society's institutions and let them get corrupt." Her brother, a rancher, added: "Chavez did something for this country. He woke us up.... We have no choice now but to embrace our responsibility." But Conchita Mata, a retired government worker living in the barrio of Catia, had a deeper analysis of the coup: "The idea that they could try to destroy in 48 hours all the dreams of the people! I fear an international conspiracy. To the world, we're not Venezuela. We're just oil."³³

³¹Wilson.

³²*Pravda*, 14 December 2001.

³³Cited in Sontag.

DEVELOPING MULTIPLE PIPELINES FROM THE CASPIAN BASIN

As Assistant Secretary of State Alan Larson pointed out, many of the sources of energy are in “problem” areas. The Caspian Basin is one such region. It has proven oil reserves of between 17 and 33 billion barrels, and possible reserves of about 145-233 billion barrels. Proven gas reserves are estimated at 236-337 trillion cubic feet. The Caspian Basin could be the last unexplored and unexploited oil-bearing region in the world. The breakdown among the four main oil- and gas-producing countries is approximately as follows (Iran is also shown for comparison).

	<u>Proven Oil Reserves</u> <u>(Billions of barrels)</u>	<u>Proven Gas Reserves</u> <u>(Trillion cubic feet)</u>
Kazakhstan	10-16 (85 possible)	65-88
Turkmenistan	1.5 (32 possible)	101-159
Azerbaijan	5.3 (27 possible)	35
Uzbekistan	(1 possible)	66
Iran	93	World’s 2 nd largest

The Caspian Basin holds much promise as a source of gas and oil. With adequate oil field and pipeline investment it could produce 3 ½ - 4 million barrels per day by 2010. But pipeline investment runs into problems and multiple pipelines would be needed because one 42-inch-diameter pipeline would not handle the demand. The area is landlocked and not easily accessible for US petroleum companies. There are some oil and gas pipelines going north through Russia but the US wants to break Russia’s monopoly on oil and gas transportation routes for the region. Furthermore, the Caspian Basin/Central Asian republics want to reduce their dependence on Russia. To further that desire, Iran, Pakistan and Turkey are elbowing for alternative pipeline routes through their country while American, European, and Asian oil companies are in fierce competition for the franchises. According to Congressman Doug Bereuter, chairman of the Subcommittee on Asia and the Pacific of the House Committee on International relations: “Stated US Policy goals regarding energy resources in this [Caspian Basin] region include fostering the independence of the States and their ties to the West; breaking Russia’s monopoly over oil and gas transport routes; promoting Western energy security through diversified suppliers; encouraging the construction of east-west pipelines that do not transit Iran, and denying Iran dangerous leverage over the Central Asian economies.”³⁴

Six giant US petroleum companies have invested in the Caspian Basin/Central Asia area. They are Unocal, Total (owned by TotalFinaElf), Chevron-Texaco, Pennzoil (now merging with Shell), BP-Amoco-Arco, and Exxon-Mobil. But finding other routes than through Russia is a complex problem. The Caspian Basin and Central Asia are ridden with internal and cross-border strife, has extreme Muslim fundamentalist factions, and is a breeding ground for Islamic terrorists. Big oil companies are not going to invest billions in an unstable area. This section will examine the potentials and the problems -- and how the US, as Assistant Secretary Larson puts it, hopes to balance “its desire to diversify energy resources with the security threats those countries might pose.”

With the collapse of the Soviet Union in December 1991, the main priority of the Caspian Basin/Central Asian republics, that were former Soviet republics, was to establish their independence

³⁴“US Interests In The Central Asian Republics.”

and form communications links with the outside world. But Russia was also jockeying for position to exercise as much control as possible over the other former republics. One way was to promote instability in the region which provided an excuse for keeping its troops on the Central Asian border. The US, on the other hand, wants stability so its oil companies can move oil south and avoid dealing with Russia and depending on Russian pipelines.



The discussion that follows does not portray the entire potential for exploiting oil and gas reserves in the region. It only addresses some existing pipelines and current plans for pipelines to transport oil to tanker shipping ports and gas to its market. First a brief description of each the most involved countries.

Uzbekistan (population 25.2 million) is adjacent to Afghanistan and, being the most powerful of the Central Asian republics, is the only one capable of standing up to Russia. It is 88 percent Muslim and 9 percent Eastern Orthodox. President Islam Karimov runs an authoritarian police state with the strictest anti-Islamic-fundamentalist laws in the region. There are, however, underground radical Islamic groups established in the Ferghana Valley. Half the population of Uzbekistan is under 18 years of age. Unrest is growing with unemployment, inflation, and the social-economic plight of young people not being addressed.

During a press conference, after two days of consultation in Uzbekistan, the US Assistant secretary of State for European and Eurasian Affairs, Elizabeth Jones, said she and Uzbek Foreign Minister Abdulaziz Kamilov had initialed a “very far-reaching political declaration” that addresses “each of the many areas that are involved in the very broad, new US-Uzbekistan relationship.” She announced that US aid will be tripled to \$160 million (from \$55 million in 2001).³⁵

At that same press conference, US Deputy Assistant Secretary of Defense Mira Ricardel said an agreement has been reached to establish a US-Uzbekistan Bilateral Working Group to deal with defense and security aspects. Uzbekistan was the first Caspian Basin/Central Asian republic to allow US troops and aircraft on its soil during the Afghanistan war. The US now has leases on air bases in that country. Ricardel added that the US is “committed to the long-term security and stability of Uzbekistan and we will continue to develop our bilateral defense and security ties through military-to-military engagement plans, exercises, and training.”³⁶

While urging political and economic reform in Uzbekistan, and providing aid and loan guarantees to further that reform, the US has strengthened its military presence in Central Asia. Some 1,500-1,800 US special forces troops are now stationed at a former Soviet base in Khanabad.

³⁵Washington File, 31 January 2002.

³⁶Washington File, 31 January 2002.

General Tommy Franks, commander-in-chief of the US Central Command, expressed it succinctly when he said there has been “a maturing of the military-to-military relationships” between the United States and countries in Central Asia.³⁷

Turkmenistan (population 4.6 million) is a desert country which also borders Afghanistan and has enormous natural gas reserves but inadequate pipelines for export. With a mix of 89 percent Muslim and 9 percent Eastern Orthodox, it is ruled by President Separmurad Niyazov, a severe authoritarian dictator who entertains no opposition. He has censored the media and controlled the economy. Turkmenistan has the highest unemployment, the highest infant mortality rate, and the lowest industrialization of any other former Soviet republic except Tajikistan. During the Taliban takeover, and the subsequent Afghanistan war, Turkmenistan kept its distance. It had no armed forces and sought neutrality. Since it did not join the anti-Taliban alliance it was accused of being the only country to woo the Taliban.

Turkmenistan has given permission for flyover and refueling of US military planes.

Kazakhstan (population 16.7 million) has the largest oil reserves in the Caspian Basin -- larger than those in the United States -- but it has a 40 percent Russian population which is hostile to the government. This has forced Kazakhstan to accept the security and economic demands of Russia. Energy production is expected to expand rapidly in Kazakhstan. In anticipation of this, the US, on 21 December 2001, announced a bilateral energy cooperation framework agreement with the Kazak government. Called the US-Kazakhstan Energy Partnership, it was signed when Kazakh President Nursultan Nazarbayev was in Washington D.C. The Partnership is geared toward promoting development and opening opportunities for American firms.

At the same time, and as an attempt to sweeten the energy agreement, the US Agency for International Development signed a memorandum of understanding with Kazakstan to provide help with health care, fiscal reform, business investment, and local government assistance.

On the 1st and 2nd of July 2002, the largest delegation yet from Kazakhstan came to the US to meet with US officials, including US Energy Secretary Spencer Abraham. Discussions focused on greater cooperation to improve the financial environment in Kazakhstan with greater incentives for US investment and cooperation in energy, agriculture, transportation, and telecommunications.

As with other newly independent countries in Central Asia, there are civil rights concerns in Kazakhstan. But so far the US has only voiced concerns. It is unlikely that any economic deals, particularly energy deals, will be soured over that issue.

Regarding US military support, activities are closely guarded in secrecy. It is publicly known that Kazak government allows military overflights, refueling, and landing rights in emergencies. Some sources say that Kazakhstan has also offered use of its bases.³⁸

Kyrgystan (population less than 5 million) is a mountainous, dry, and cold country sandwiched between Kazakhstan and China. It is mostly Muslim with a large Eastern Orthodox minority that seems to run things. President Askar Akaev has taken an authoritarian stance against any opposition. Kyrgystan doesn't play a significant strategic role in the quest for gas and oil. But

³⁷Cited in Washington File, 23 August 2002.

³⁸Brown.

it plays an important role toward providing a US military presence in the Caspian Basin area to guard that oil. In December 2001 the US signed an agreement with the Kyrghystan government to construct a permanent, 37-acre US air base on its territory. This base at Manas Airport near Bishkek will eventually accommodate 3,000 troops and an unspecified number of aircraft. The inducement for allowing this base seems to be Kyrghystan's share of the US\$5 billion in assistance money promised for the Central Asian area by the Bush Jr. administration.

Tajikistan (population 6.6 million) is the poorest and most vulnerable of all the former Soviet republics in Central Asia. Its population is 85 percent Muslim. Tajikistan President Imomali Rakhmonov, keeps a tight rein on a political system that remains frail and prone to violence. He maintains firm control over the parliament and the media. Today 30 percent of the population is unemployed and 80 percent live below the poverty level. Prior to the Afghanistan war, Tajikistan relied on 25,000 Russian troops to guard its Afghan border. It was also a key supply route to the Northern Alliance which was resisting the Taliban in Afghanistan.

Tajikistan was engulfed in a bitter civil war during 1992-1997 between a sizeable Uzbek minority and native Tajiks, and also inter-class fighting among Tajiks. It was really a war between a secular and pro-communist government on one side and militant Islamists allied with democracy aspirants on the other. Much of the country's infrastructure was destroyed. Between 60,000 and 100,000 people were killed, about 600,000 displaced from their homes. Plus, some 80,000 fled the country.³⁹

A peace agreement was reached in 1997 but the original optimism has since faded. President Rakhmonov does not support it and continues to favor his own ethnic region while ignoring Muslims who are suppose to have a say in government according to the peace agreement. Military commanders in some areas don't even recognize the peace agreement. Gangs and looting and hostage taking terrorize the public.

Until they moved to Afghanistan in 2000 to help the Taliban, the Islamic Movement of Uzbekistan (IMU) had its bases in Tajikistan. The IMU wants to topple the government of Uzbekistan and strikes across the border, which has been mined by Uzbekistan. During the US war against the Taliban many of the IMU were killed, but it is believed that some have returned to resume their cross-border operations from Tajikistan. If that is true, a danger to Tajik-Uzbek relations exists because Uzbekistan has threatened military action against any country that harbors the IMU.

It has been reported that Tajikistan allows US and British overflights and refueling, and that it allows military basing at its international airport.⁴⁰

Azerbaijan lies west of the Caspian Sea and borders Georgia and Russia to the north, Armenia to the west, and Iran to the south. It shares all the problems of other newly-independent former Soviet republics. Corruption is everywhere and the promise of widespread wealth from oil exports goes unfulfilled. Azerbaijan's population of almost 8 million is 90 percent Azeri by ethnicity and 93.4 percent Islamic by religion (composed of Turkic Muslims).

Azerbaijan has a civil law legal system and three branches of government. The executive branch has President Heydar Aliyev as head of state and Prime Minister Artur Rasizade as head of

³⁹See ICG-24 December 2001.

⁴⁰Brown.

government. The legislative branch consists of the National Assembly, and the Supreme Court makes up the judicial branch.

Oil and gas, along with cotton, are Azerbaijan's main products. Oil and gas make up 75 percent of exports. Most of Azerbaijan's energy resources lie off shore in the Caspian Sea. Azerbaijan also provides a good oil corridor from other Caspian Basin countries to Turkey, Georgia, and Russia.

Pakistan is not a Caspian Basin country but it needs mentioning because it is an important potential market for Caspian gas and an export route for Caspian oil and gas. Pakistan has also been a supporter of the Taliban and helped to finance training camps for terrorists. Then its president, General Pervez Musharraf, was given a stark choice by Washington and is now described by the *International Herald Tribune* as the "man chosen by America to provide local muscle in the US campaign against terrorism ..."⁴¹

Musharraf took over the country in a military coup in 1999 and declared himself president in 2001. Now he is in an very precarious position. Since becoming a puppet for Washington, Musharraf is hated by a large majority of Pakistanis -- even the moderate middle class that initially backed him. His leadership is tenuous. That fact is particularly frightening against the backdrop of Pakistan being a nuclear power. If the president should be overthrown, Islamic extremists would have control of nuclear weapons. One need not contemplate long to recognize what the US reaction to that would be.

Musharraf has taken action to shore up his regime. In August 2002, he unilaterally changed the constitution by imposing 29 amendments giving him tighter control of the country while flatly stating that the legislature has no power to change what he has done. Washington has found it convenient to overlook this autocratic action. A San Jose (CA) *Mercury News* editorial expressed it well: "The lack of condemnation from the Bush administration fits into a long and too often disastrous pattern of US diplomacy that purports to support democracy but turns a blind eye to friendly dictators. It is as predictable as it is dangerous."⁴²

Nevertheless, Washington is in a quandary. It has a fine line to walk between pushing for more aggressive prosecution of terrorists and causing Musharraf's overthrow. If he were overthrown by one of the many militant groups who hate him, Pakistan would not be a receptive country for exporting oil and gas -- particularly with Islamic militants controlling nuclear weapons and the fighting with India over the disputed Kashmir region likely to heat up.

Yet, in spite of fierce internal opposition, Musharraf has allowed US troops to use the Pakistani air bases of Jacobabad, Dalbandin, and Pansi.

Afghanistan also must be mentioned here because of two major military bases in that country since the Taliban has been ousted. Aircraft and some 8,000 US troops are now stationed at the Bagram Airfield near Kabul, and at the Kandahar Airfield.

A. PROPOSED OIL & GAS PIPELINES THROUGH IRAN.

Iran is an oil- and gas-rich state. It has the world's second largest gas reserves and a proven

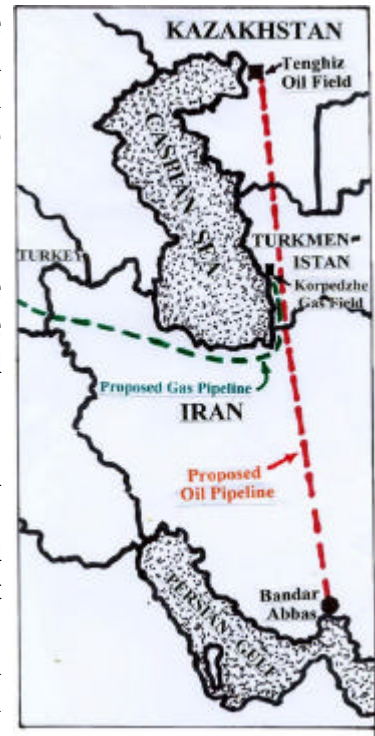
⁴¹Filkins.

⁴²Editorial Opinion of the *Mercury News*, 23 August 2002.

oil reserve of 93 billion barrels. The US was once managing those operations when the Shah was put in power by a US backed coup in 1953. But the Iranian revolution in 1979 ousted the Shah and all western corporations, and set up a fundamentalist Iranian state. The population of Iran is mostly Shiite (Shia) Muslim.

1. *Turkmenistan-Iran-Turkey Proposed Gas Pipeline*

In 1992, a consortium composed of Royal Dutch Shell, Gaz de France, and Snamprogetti proposed a 1,875-mile-long gas pipeline from the Korpedzhe gas field in Turkmenistan around the southern end of the Caspian Sea through Iran to Turkey at a cost of US\$2 billion. None of these are US companies but the pipeline never got built. Washington told Turkmenistan it would not support financing for a pipeline through Iran and suggested Turkmenistan look westward. Then in 1996 a consortium headed by Enron ran feasibility studies and proposed a gas pipeline from Turkmenistan that would bypass Iran. It would run under the Caspian Sea and through Azerbaijan to Turkey. In February 1999 a US\$2.5 billion contract for pipeline construction was awarded to a US team made up of Bechtel Group and General Electric Capital Services.



2. *The Kazakhstan-Turkmenistan-Iran Proposed Oil Pipeline.*

Chevron (now Chevron-Texaco) and Mobil (now Exxon-Mobil) obtained franchises in oil fields located in Kazakhstan and Turkmenistan.. They proposed as early as May 1988 to build an oil pipeline from the Tenghiz (Tengiz) oil field in Kazakhstan and other locations in Turkmenistan that would run through Iran to the port of Bandar Abbas on the Persian Gulf. It is an attractive route but the Iran-Libya Sanctions Act have so far prevented any US company from building pipelines through Iran because it is a major breeding ground for terrorists.

3. *Ultior US Interests In Iran.*

President Bush Jr. has proclaimed that any country harboring terrorists is an enemy of the US. During his January 2002 state of the union message, he labeled Iran part of the world's "axis of evil." He has also blamed Iran for trying to undermine Hamid Karzai, the new US-backed president of Afghanistan. It takes no imagination to know that US oil companies would like an atmosphere in Iran like in the days of the Shah. What will be the next step after the Bush Jr. administration invades Iraq? There are some indications that it may be to invade Iran which would be easier to justify as part of the "war on terrorism."

On 25 August 2002 General Tommy Franks, head of the US Central Command which is waging the war on Afghanistan, said the war could not be confined to Afghanistan: "The relationships that we have with surrounding states around Afghanistan will permit us over time to do the work ... all of us recognize needs to be done. It won't be finished until its all done."⁴³ The US believes many Al-Qaida fighters that have escaped from Afghanistan are hiding in Iran and the border regions of Pakistan.

⁴³Reuters, 25 August 2002.

General Franks assessment touched off a propaganda campaign against Iran.. On 28 August 2002 (just three days after the general's statement) the *Washington Post* published reports by "Arab intelligence sources" telling of two key Al-Qaida deputies and dozens of other fighters being harbored in Iran.⁴⁴ The *Post* alleged that, because Osama Bin Laden and his #2 man are in hiding, the two deputies in Iran have assumed operational control of Al-Qaida's military committee.

That article opened the subject for White House spokesman Scott McClellan to announce that same day: "... there are some Al-Qaida in Iran ... we expect every government not to harbor terrorists in their country... We want to be very clear to the Iranian government on that message."⁴⁵ Following up on that White House statement, State Department spokesman Richard Boucher immediately added: "We have certainly made clear our views about Iran's behavior in any number of areas in terms of its opposition to Middle East peace, its ties with terrorist groups, its human rights record, and a number of other areas.... What is clear to us from a policy point of view is, as the President has made absolutely clear, that no nation should be offering any harbor or safe haven for terrorists, and we would expect Iran not to offer any safe haven."⁴⁶

It should also be noted that the US has established military bases in the Persian Gulf -- three air bases in Qatar including the new Al-Udeid base and other bases in Kuwait. Bahrain is the headquarters for the US 5th Fleet. On 11 September 2002, first anniversary of the terrorist attacks on US targets, it was announced that the Central Command is moving its headquarters to Qatar. Military personnel and forward-deployed equipment/supplies are being beefed up. Ostensibly these bases are to support a war against Iraq. But those bases are also ideally situated for an Iranian offensive. Along with the new US bases in Uzbekistan, Kyrgyzstan, Afghanistan, and Pakistan -- and of course the Incirlik air base in Turkey, which the US has had for many years -- Iran is completely surrounded.

The rhetoric is getting hotter and stories are being promulgated to garner public consent. Iran is an Islamic state made up of, and governed by, extreme Muslim fundamentalists which are not only supporting terrorism, but are organizing them. A regime change in that country would make a pipeline through Iran look like a very good business investment. In addition, US oil and gas companies would just love to once again operate Iran's bountiful oil and gas fields.

B. ELIMINATING THE TALIBAN -- PIPELINES TO THE SOUTH.

Quickly grasping the opportunity offered by the September 11th terrorist attacks, the United States attacked Afghanistan on 8 October 2001. Ostensibly, this action was to oust the Taliban rulers which were harboring and training terrorists, and to annihilate Osama Bin Laden and Al Qaida. This may be partially true but let us examine recent history to see what else would be accomplished by removal of the Taliban government.

The war in Afghanistan has now resulted in a government friendly with the US, albeit very unstable and unpopular. It has also allowed establishment of US military bases in Central Asia. *Asia Times* columnist Pepe Escobar observed: "There's no business like war business. Thanks to war against Iraq, the US now has its military bases in the Persian gulf. Thanks to war against Yugoslavia,

⁴⁴Finn.

⁴⁵McClellan.

⁴⁶Boucher.

the US has its bases in Bosnia, Kosovo, and Macedonia. Thanks to war against the Taliban, the US is now in Turkmenistan, Uzbekistan, Pakistan, Afghanistan.”⁴⁷ US ambitions regarding Afghanistan didn’t start on 11 September 2001, they started almost a decade earlier. Here is a little history.

When the Soviet invasion of Afghanistan ended in 1989, Washington lost interest in that country. US assistance to the Afghan warriors ended and the devastated country was left to its own devices. Then the Soviet Union collapsed and in 1992 many of the newly independent Caspian Basin republics started holding talks with western petroleum companies.

First to make a move for the black gold was an Argentinean oil company, Bridas Corporation, the third largest independent oil company in Latin America. In 1991 it bid for leases in Turkmenistan. In 1992 it was awarded gas exploration rights. In 1993 it was awarded oil and gas blocks. In 1994 it proposed a gas pipeline across Afghanistan that would serve Pakistan and India. Bridas had legal contracts for oil and gas franchises in Turkmenistan but then Unocal entered the picture. Although Bridas competed vigorously during the 1990s, and even initiated court action to enforce legal franchises, it is sufficient for this paper to say that the Argentine country was eventually squeezed out of the picture. The discussion that follows will only address Unocal’s activities.

1. *The Central Asia Gas (CentGas) Pipeline Ltd.*

From the collapse of the Soviet Union in 1991 until 1995 the US had ignored Turkmenistan and Uzbekistan because they were ruled by ruthless dictators. But in 1995, Unocal proposed a 937-mile, US\$2.5 billion gas pipeline that would start at the Dauletabad gas field in Turkmenistan, route through Afghanistan, and tie into existing gas pipelines at Multan in central Pakistan. An extension to India was also envisioned for another US\$600 million. A contract was signed on 21 October 1995 between Turkmenistan and Unocal partnered with Delta Oil Company (owned by Saudi Arabia) to form the Central Asia Gas (CentGas) consortium. In August 1996 Gazprom (Russia) and Turkmenrogaz (Turkmenistan state owned) sign on with CentGas. On 25 October 1997 Itochu Oil (Japan), Indonesian Petroleum Company (Japan), Crescent Group (Pakistan), and Hyundai Engineering & Construction (South Korea) signed on. Gazprom (Russia) pulled out in June 1998. The final distribution of shares gave Unocal 54 percent.



2. *The Central Asian Oil Pipeline Project (CAOPP).*

Shortly after signing the CentGas pipeline contract Unocal entered another enterprise -- a 1,050 mile long oil pipeline called the Central Asian Oil Pipeline Project (CAOPP). It would originate at Chardzhou in Turkmenistan, go south through Afghanistan, and end at Pakistan’s coastal city of Gwadar on the Arabian Sea. It was envisioned that other Central Asian and Russian pipelines could feed into it. Unocal sought Moscow’s cooperation from the start, in an effort to avoid Chevron’s

⁴⁷Cited in Dayaneni and Wing.

dilemma.⁴⁸

3. *Wooing the Taliban for Pipeline Routes.*

As the discussion below explains, both CentGas and CAOPP turned out to be futile projects. In early 1995, the major petroleum companies in the US, including Unocal, created their own lobbying group in Washington to influence US foreign policy toward the Caspian Basin. Their lobbying efforts resulted in the National Security Council (NSC) setting up a special working group to study gas and oil interests in the Caspian Basin/Central Asian region. Besides the NSC the group included the CIA and the State Department. The stage was set for US activity to corner Caspian Basin oil.

To export Caspian oil and gas to the south and avoid Russia and Iran, the only remaining corridor is Afghanistan. Going south would open the market for much needed gas in Pakistan, India, and possibly other countries. Also, an oil depot on the Arabian Sea, which opens into the Indian Ocean, would provide easy access for tankers. Afghanistan, however, had been plagued with civil unrest by feuding warlords ever since the Soviet occupation ended. There was no central government to negotiate with and no assurance that pipelines would remain safe and contracts valid. Both the US and Unocal said that no pipeline would be constructed through Afghanistan until there was a recognized government. When the Taliban emerged in 1994, it was hoped they would eventually form the desired stable government.

In September 1996, the Taliban captured Kabul. Unocal, all hopes soaring, quickly announced that the pipeline projects would be easier to negotiate now. Likewise, within hours of Kabul's capture, the US State Department said it would resume diplomatic relations with Afghanistan. Hopes plummeted when it became clear that the capture of Kabul would not immediately bring stability. The State Department retracted its announcement and Unocal claimed it had been misquoted. They realized too late that the world interpreted their announcements as backing the Taliban. That led to suspicions that CIA covert activity was afoot. Iran and Russia, in particular, viewed the Unocal project as a cover for the CIA.

The US had actually been supporting the Taliban indirectly through Pakistan and Saudi Arabia because Washington had perceived the Taliban as anti-Iran and pro-western. Saudi Arabia and Pakistan overtly helped the Taliban by supplying funding and weapons. It was through their help that the Taliban was able to capture Kabul. But US support was even more driven after the Unocal project entered the picture.

Soon it became evident that those who occupy Kabul do not necessarily rule the entire country. Many insurgent warlords in the northern part of the country combined in a uneasy partnership called the Northern Alliance to fight the Taliban. Still, Unocal held on to the thin thread of hope that when the Taliban conquered all of Afghanistan a pipeline deal could be negotiated.

While still under this delusion, Unocal got another false start in 1997. Pakistan, ever anxious to be a major oil depot and in need of a new gas supply, offered intelligence information that the Taliban would soon control the northern area. Anticipating stability at last, Unocal on May 14th

⁴⁸Chevron-Texaco has a 50 percent share in the Tengizchevroil consortium which was started in 1993 to operate Kazakhstan's oil reserves at Tenghiz and Karachagnak. (Exxon-Mobil has a 25 percent share) In 1991 Chevron had promised to invest US\$5 billion in Tenghiz. But Chevron failed to immediately convince Moscow to pump Tenghiz oil through the line to Novorossiisk. Because of the stalled pumping, Chevron had only invested US\$700 million by 1995.

signed contracts with Turkmenistan and Pakistan for oil and gas lines. Unocal was committed to arranging the financing and being ready to start construction by year's end.

Pakistan's intelligence information was way off and the continued fighting still made the project unworkable. On July 23rd, Another deal was signed with Turkmenistan and Pakistan that would give Unocal an additional year -- until December 1998 -- to be ready for construction.

1998 was as bad as they come. Feminist issues came up at Unocal's June shareholders meeting. Some shareholders raised criticism of doing business with the Taliban, considering the way they treated women. These objections increased and continued throughout the year. They spread to gaining the support of Hollywood stars. President Bill Clinton had a lot of support from women and contributions from Hollywood during his presidential campaign. These constituents raising serious issues about the Taliban had a quieting effect on foreign oil policy concerning Afghanistan.

More was yet to come. On 20 August 1998 the US bombed Osama Bin Laden's training camps in Afghanistan with cruise missiles. With the Taliban gender policy, harboring Bin Laden, low oil prices, and the continued fighting in Afghanistan it was impossible to negotiate a pipeline route. The US came full circle from reluctant acceptance to firm condemnation. Unocal formally pulled out of the Afghan pipeline deals and closed its offices in the region.

4. *Ousting the Taliban to Roust Al-Qaida.*

John J. Maresca, Unocal's vice president for international relations, told Congress on 12 February 1998 that "we have made it clear that construction of the pipeline we have proposed across Afghanistan could not begin until a recognized government is in place that has the confidence of governments, lenders, and our company."⁴⁹ US policy makers had given up trying to negotiate with the Taliban. During the Clinton administration the effort swung to getting Bin Laden. Diplomatic actions and arms sanctions were applied to the Taliban in an effort to persuade them to surrender Bin Laden and his top aides. These all failed as did CIA attempts to kill or capture him. The idea of arming the Northern Alliance was discussed the entire year of 2000, especially after the attack on *USS Cole* in Yemen.⁵⁰

During the summer of 2001, as an extension of existing secret CIA activity, the Bush Jr. administration was considering a covert \$200 million assistance plan to help Anti-Taliban guerrillas. It was drawn up in the form of a national security presidential directive, and was on the president's desk September 10th for approval.⁵¹ The next day the terrorists attacked New York and Washington.

The 11 September 2001 terrorist attack came at an opportune time. It rallied the US behind the covert plans and added the use of air strikes and US ground troops. Those additions were not possible before September 11th. Previous secret CIA activity had laid the groundwork for the Afghanistan invasion. Jim Pavitt, head of the CIA clandestine service, explained: "We knew who to approach on the ground, which operations, which warlord to support, what information to collect. Quite simply, we were there before the 11th of September."⁵²

⁴⁹Cited in "US Interests In The Central Asian Republics."

⁵⁰Drogin.

⁵¹Drogin.

⁵²Cited in Drogin.

5. ***After The Taliban: Establishing US Control.***

Just three days after the US attacked Afghanistan, US Ambassador Wendy Chamberlain told the Pakistani oil minister that a previously abandoned Unocal gas pipeline project ... is now back on the table “in view of recent geopolitical developments.”⁵³

In December 2001 the Loya Jirga (Grand Council) was convened in Kabul to establish a transitional government for Afghanistan. On 22 December 2001, Hamid Karzai, Washington’s choice, was appointed by the Loya Jirga to be interim president for six months. In the meantime the Loya Jirga could set up a transitional government which will, in turn, rule for 18 months. Finally, at the end of this process, a general election would be held for a permanent government. Karzai, in his 40s, was a deputy foreign minister in a pre-Taliban government but had to go into exile when the Taliban captured Kabul. There are reports that during the 1990s he was an adviser to Unocal.⁵⁴ A Pashtun leader himself, he reentered Afghanistan again after the US attack in 2001, to stir up a revolt among his tribesmen who had been supporting the Taliban. When another tribal leader in the north was captured and executed, it looked as though the same fate might befall Karzai, so he was rescued by a US helicopter. After the Taliban’s defeat he again returned to Afghanistan to help with the transitional government.

Another pro-western former Afghan, Zalmay Khalilzad, was appointed US Special Envoy to Afghanistan on 31 December 2001. Born near Kabul, he emigrated to the US at an early age, attended US universities, and then held various high-level positions in government and prestigious think tanks. While working at Rand Corporation, Khalilzad was consultant to Unocal on the CentGas pipeline. He drew up a risk analysis and in 1997 participated in talks between Unocal and the Taliban while, at that time, lobbying publicly for a more sympathetic US foreign policy toward Kabul. Khalilzad’s appointment is a subtle indicator of US foreign policy goals in Central Asia.

US Deputy Secretary of State Elizabeth Jones stated in January 2002 that the US would support private companies that choose to undertake trans-Afghanistan pipeline projects if they were to be considered beneficial and commercially viable.⁵⁵ The next month, on February 8th, Interim Afghan President Karzai met with Pakistani President General Pervez Musharraf to agree that their two countries should develop “mutual brotherly relations” and to cooperate “in all spheres of activity.” That, they also agreed, includes building the proposed gas pipeline from Central Asia, through Afghanistan, to Pakistan.⁵⁶

With Afghanistan back in the loop, the next step was to set up a trilateral summit composed of Turkmenistan President Niyazov, Pakistani President Musharraf, and new interim Afghan President Karzai to discuss reactivating the CentGas project. All of this was not just a local effort to set up an economic base. The world was watching. In mid-May, Afghan’s Minister for Mines and Industries, Mohammad Alim Razim, told the British Broadcasting Company (BBC): “The work on the project will start after an agreement is expected to be struck at the coming summit.”⁵⁷

⁵³Ruppert citing a Pakistani newspaper, *The Frontier Post*, article.

⁵⁴Le Monde, 25 December 2001. Cited in Ruppert.

⁵⁵Cited in EIA-July 2002.

⁵⁶“Musharraf, Karzai Agree Major Oil Pipeline In Cooperation Pact.”

⁵⁷Cited on BBC News, “Afghanistan Plans Gas Pipeline,” 13 May 2002.

Two days after BBC published Razim's statement, World bank chief James Wolfensohn said: "I have spoken to a number of people concerning a pipeline from Turkmenistan through Afghanistan.... We have expressed interest in that but I think the principles need to discuss that further. We have said that we are ready to discuss it when they are ready to discuss it."⁵⁸

The principles did discuss it further. The summit took place on 30 May 2002 in Islamabad. They agreed to pursue the project estimated to cost in the US\$2-3 billion range. The next step was to run a feasibility study.

In June 2002 the Loya Jirga elected Hamid Karzai to be president of the new transitional government. Because all his opponents dropped out of the race before election, there were accusations that the Loya Jirga had been rigged by Washington. US Envoy Khalilzad visited the Loya Jirga site before the election and, according to international officials, lobbied for Karzai to be elected. Former King Mohammad Zaher Shah was a potential candidate. But at a press meeting the day before election, US Envoy Khalilzad sat with King Zaher Shah and Karzai on the platform while an aide read a statement saying the King would not run. Shortly after that the head of the Northern Alliance dropped out of the race, leaving only Karzai as a choice.⁵⁹ Naturally, he was appointed.

The first working session of delegates from the three countries involved met in July 2002 in Turkmenistan. Rajiv Kumar, chief economist for the Asian Development Bank, announced that "The feasibility study will be financed from our side by a grant."⁶⁰ US Ambassador to Turkmenistan, Laura Kennedy, expresses support for the pipeline and sent an observer to the working session. The embassy representative said the United States was very interested in developing energy resources in the area.⁶¹

Unocal, however, still seemed to be holding back. Although Hamid Karzai is pro-western, Afghanistan is still very unstable. There are still severe differences among Afghan factions and the political situation is volatile.⁶² Nevertheless, as unstable as Afghanistan obviously still is, it is just as obvious that the trillions of dollars worth of oil in the Caspian basin is not going to be ignored by America's giant petroleum companies. America will not walk away from Afghanistan again, as it did when the Soviets disengaged in 1989.

C. AZERBAIJAN AND GEORGIA -- PIPELINES TO THE WEST.

To bypass Russia and Iran, and with no immediate prospect of a pipeline through Afghanistan, there remained only one narrow corridor to the west called Transcaucasia. That region is a small strip of land between Russia and Iran that consists of Azerbaijan, Armenia, and Georgia. To route an oil line from the Caspian Basin to Turkey and the Mediterranean, or the Black Sea, that narrow strip is

⁵⁸Cited in Alexanders Gas & Oil Connections, 15 May 2002.

⁵⁹Associated Press, 12 June 2002.

⁶⁰Cited in Alexanders Gas & Oil Connections, 9 July 2002.

⁶¹Cited in Alexanders Gas & Oil Connections, 9 July 2002 and 10 July 2002.

⁶²Afghanistan's continuing instability is evidenced by the assassination of Haji Abdul Qadir, vice president of the transitional government, 6 July 2002. President Karzai escaped his second assassination attempt in Kandahar on 5 September 2002 although he is guarded by a US special operations team. A car bomb in Kabul that same day killed 25 people.

the only option aside from going through Russia or Iran. In the post Soviet Union vacuum, these three states have no common vision and have not learned to cooperate with one another, and thus create a region vulnerable to foreign influence. That influence has taken on the characters of America and Russia.

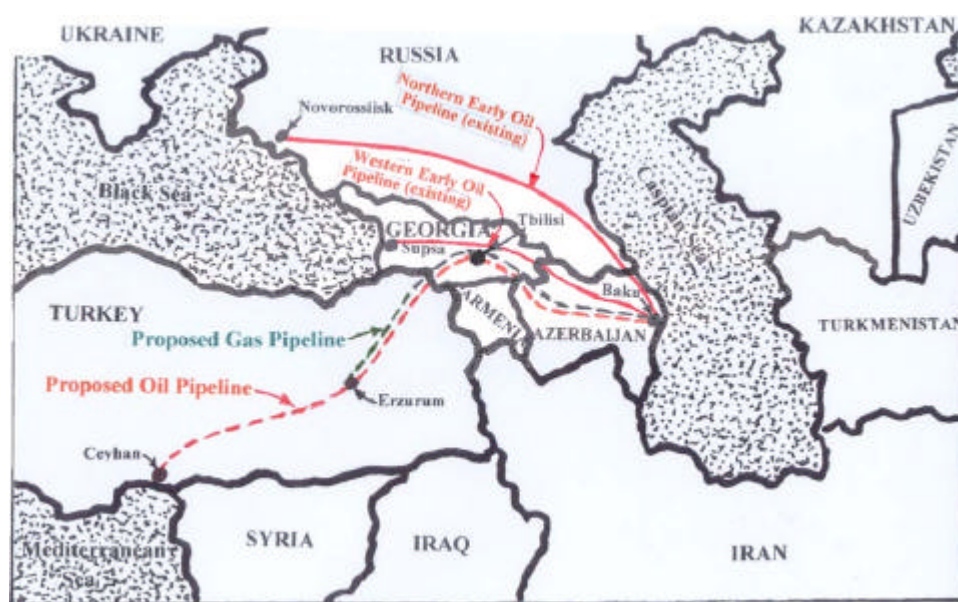
Turkey is interested in building up its oil transfer and export infrastructure and likewise keenly interested in providing a market for the gas. The most direct route from the Caspian Sea to Turkey would be through Azerbaijan and Armenia. But this also creates problems. Because of Azerbaijan and Armenia's long-standing conflict over the Nagorno-Karabakh province (discussed below), cooperation between the two countries would be risky. Therefore, the proposed pipeline route had to circumvent Armenia by going north through Georgia.

1. *Existing "Early Oil" Pipelines.*

The Azerbaijan International Operating Company, is a consortium of eleven global oil companies, including four American -- BP-Amoco-Arco (the operator), Unocal, Exxon-Mobil, and Pennzoil (now merging with Shell). The Company has already built oil pipelines from Baku in Azerbaijan to Russia's port of Novorossiisk (Northern Early Oil Pipeline -- 868 miles long) and to Georgia's port of Supsa (Western Early Oil Pipeline -- 515 miles long), both on the Black Sea. At these ports the oil is loaded into tanker ships which traveled through the only water route out of the Black Sea -- the Bosphorus Strait -- into the Mediterranean. These pipelines started operating in 1997 and 1999 respectively. But they were only initial ventures to carry the "early oil," and greater capacity was planned. Initially an enlargement of the pipeline to Supsa was considered. However, the chokepoint at the Bosphorus Strait presented a safety and environmental hazard for tankers.

2. *The Baku-Tbilisi-Ceyhan Oil Pipeline.*

Therefore, during the summer of 1997, the US and Turkey proposed an oil pipeline from Baku in Azerbaijan, through Tbilisi in Georgia, to Turkey's Mediterranean port of Ceyhan. This 1,038-mile-long pipeline would carry oil from the Azeri-Chirag-Gunashli field and will eliminate the



need to navigate the Bosphorus Strait. So, when oil prices crashed in 1999, and the Afghan pipeline project was put on the back burner, the Azerbaijan International Operating Company settled on the Baku-Tbilisi-Ceyhan route at a projected cost of US\$2.9 billion. The detailed engineering study was started in June 2001. Con-

struction is scheduled to begin in March 2003 with completion in 2005.⁶³ The pipeline is expected to carry 1 million barrels per day.

Turkmenistan and Kazakhstan could feed into the Baku-Tbilisi-Ceyhan pipeline via a pipeline under the Caspian Sea, if the legal status of the sea is ever resolved. The Kazakhstan leg of the pipeline would probably go to Turkmenistan and then a common pipeline under the sea for both countries. However, Russia was not supportive of a second pipeline from Kazakhstan (one already goes through Russia to the Black Sea port of Novorossiisk) because it will be a decade before the Kazak oil fields will produce enough for two pipelines. A second pipeline would cut down on the amount of oil Russia could transport.

3. *The Shah Deniz Gas Pipeline.*

In the late 1990s a consortium including the PSG International (a joint venture of General Electric Capital Structured Finance Group and Bechtel Enterprises) and Royal Dutch Shell (British/Dutch) set out to build the US\$2.4 billion Trans-Caspian Gas Pipeline. It was to be routed under the Caspian Sea from Turkmenistan to Turkey and take three years to complete. The total length would be 1,020 miles. But a satisfactory agreement could not be achieved with Turkmenistan President Separmurad Niyazov on the quantity of oil he would ship and the payment he would receive. Furthermore, Niyazov was playing Russian and Iranian oil companies against the western consortium. The project was stalled in 2000 and attention focused on Azerbaijan's new natural gas discovery which would far exceed Turkey's market needs.

Natural gas was discovered at Azerbaijan's Shah Deniz offshore oil field in 1999. It was the largest natural gas discovery worldwide since 1978. BP-Amoco-Arco (UK/US) became the operator of the field with Statoil (Norway), SOCR (Azerbaijan), LukAgip (Russia/Italy), TotalFinaElf (US/France/Italy), OIEC (Iran), and TPAO (Turkey) as partners in the Shah Deniz consortium. Extraction of natural gas from the Shah Deniz field is expected to begin in 2004. A contract was signed in March 2001 to sell natural gas to Turkey starting in 2004 and continuing until 2018.

The Shah Deniz gas pipeline (also known as the Baku-Tbilisi-Erzurum pipeline) from Baku to Erzurum in Turkey was ratified by Azerbaijan and Georgia in 2001 and then entered the detailed engineering phase. Partners in the pipeline consortium are the same as for the gas field. Construction of the 630-mile-long, US\$2.6 billion pipeline is expected to start in late 2002 and be completed in late 2004. It will run side-by-side with the Baku-Tbilisi-Ceyhan oil line through Azerbaijan and Georgia as far as Erzurum in Turkey, where the natural gas will feed into Turkey's distribution system.. This pipeline will have extra capacity and would be able to handle gas shipped from Turkmenistan if that should ever be desired.

As compensation for its share of the pipeline route, Georgia will receive 5 percent of the natural gas shipped through the pipeline. Georgia also has the option of buying a specific amount of extra gas every year, at a fixed price, for 20 years. The pipeline agreement with Turkey allows Azerbaijan to ship natural gas through Turkey to other countries such as Bulgaria, Greece and Romania. Shipments to Greece are expected to start in 2006 or 2007 through a Turkey-Greece pipeline extension.

There is still a question mark over the Shah Deniz gas line because Turkey had overestimated its natural gas needs and had committed to buying gas from too many sources. Consequently, Turkey

⁶³According to a news clip in the 19 September 2002 issue of the San Jose, CA *Mercury News*, construction of the Baku-Tbilisi-Ceyhan oil pipeline formally began on 28 August 2002.

in 2002 announced a drop in its demand. Even if Turkey cannot meet its contract, there is still the possibility of selling the gas to other European countries. The Shah Deniz consortium is scheduled to decide in October 2002 whether to go ahead with the gas pipeline.

4. *Regional Conflicts and Potential Terrorism.*

Although the obstacles from indigenous opposition and possibly terrorists are not as formidable as for the pipelines through Afghanistan, the route westward is not risk-free.

Nagorno-Karabakh is a mostly ethnic Armenian province between Azerbaijan and Armenia. It was originally part of Azerbaijan. Then Azerbaijan was incorporated into Russia in 1828. When the Soviet Union was formed, Armenia became a Soviet republic. In 1920 Nagorno-Karabakh was taken away from Azerbaijan and made part of the Armenian republic. When Nagorno-Karabakh declared its independence in 1998, Armenia and Azerbaijan fought bitterly over who should have the disputed section. Some 30,000 people were killed and another million displaced from their homes. Finally, six years later, Russia brokered an uneasy cease-fire but Nagorno-Karabakh remained technically part of Armenia. In actuality, that breakaway province, along with an isolated part of Azerbaijan called the Naxcivan conclave (about a fifth of the area of Azerbaijan), are firmly under the control of an unrecognized ethnic Armenian government and its militia. So, diplomatic relations remain stormy and the cease fire is tenuous at best.

Even with the 1994 cease fire, hundreds of people have been killed by sporadic violence and land mines each year. Azerbaijan has organized an economic blockade of Armenia and suffers strained relations with Russia since discovering that Russia provided Armenia with US\$1 billion in arms during 1993-1995.



Source: Columbia Electronic Encyclopedia

In October 1992 the US passed Section 907 of the Freedom Support Act which restricts assistance to Azerbaijan until it has taken “demonstrable steps to cease all blockades and other offensive uses of force against Armenia and Nagorno-Karabakh.”⁶⁴ Legislation was passed in October 1998 to allow some exemptions -- such as the US Export-Import Bank, the Overseas Private Investment Corporation, and the Trade and Development Agency. These exemptions were passed about the time of financing for “early oil” pipelines to Russia and Georgia. Then on 25 January 2002, five months before the Baku-Tbilisi-Ceyhan pipeline detailed engineering study began, US President George Bush Jr. waived Section 907 in recognition of Azerbaijan’s commitment to the war on terrorism.

Because of hostilities between Azerbaijan and Armenia, and the problems in

⁶⁴EIA-July 2002E.

Nagorno-Karabakh, the new oil and gas pipelines route will bypass Armenia and go north through Georgia. Even at that, they will pass within four miles of the hostile Nagorno-Karabakh province. Sabotage is a concern, especially if hostilities should break out again.

Abkhazia province in northwest Georgia has been a region of extreme separatist struggle. Citing 12 centuries of statehood, the Supreme Council of Abkhazia of 25 August 1990 adopted the “Declaration of State Sovereignty” as a first step toward its restoration. This led to a war in 1992 when Georgian government forces moved into the province. Abkhazian troops expelled the Georgian forces and claimed de facto independence. An uneasy truce has prevailed since 1993.

The Supreme Council of the Republic of Abkhazia adopted the “Constitution of the Republic of Abkhazia” on 26 November 1994, which they claim became the legal basis for an independent state. Five years later, on 3 October 1999, a referendum was held to reascertain public support for the constitution. Of the 219,534 registered voters, 87.6 percent voted. Support for the constitution was endorsed by a 97.7 percent majority of the votes cast.

US support goes to Georgia, not Abkhazia. Following an Abkhazian parliamentary election in March 2002, US diplomat Douglas A. Davidson said “the United States does not recognize the legitimacy of the so-called ‘parliamentary elections’ held on March 2 in the Abkhazia region of Georgia, nor does it recognize Abkhazia as anything other than an integral part of an independent and sovereign Georgian state.”⁶⁵

At some point the Commonwealth of Independent States (an alliance of former Soviet republics to which the Caspian nations belong) requested UN mediation and a UN peacekeeping force. Negotiations appeared fruitful for a while but eventually stagnated. The peacekeeping mandate was to expire at the end of June 2002. US State Department spokesman Richard Boucher stated: “The United States supports extending the Force’s mandate for another six-month period.”⁶⁶

Renewed hostilities in Abkhazia now appear to be likely and Russia may this time become involved. The upper Kodori Gorge of Abkhazia is the only region which Georgia still controls. In an agreement reached in April 2002, Georgia agreed to withdraw troops. But there are still complaints that Georgian-sponsored vigilante bands and border guards continue to operate in that sector. Interfax news agency quoted Abkhaz defense official Raul Khajimba as saying on 1 August 2002 that “Georgian armed bands have recently been attempting to enter territories controlled by Abkhaz authorities.” Khajimba continued: “Georgian border guards, who are located in the upper part of the Kodori Gorge, and their artillery, are the main destabilizing factor in the region.”⁶⁷ Georgian officials deny renewed military activity and disclaim any responsibility for armed partisan bands made up of ethnic Georgians displaced from Abkhazia during the fighting.

To complicate matters, Georgia accuses Moscow of sending additional military units and volunteers to reinforce Russian peacekeepers in Abkhazia. Russia denied the accusations. Russian peacekeeping has always been a bone of contention for Georgia and there have been incidents when Russian military vehicles were spotted in the Kodori Gorge and, following direct talks, convinced to withdraw. Abkhazia is still a region marked by conflict.

⁶⁵Washington File, 8 March 2002.

⁶⁶Washington File, 20 June 2002.

⁶⁷Cited in Castellani.

South Ossetia is a province on the south slope of the Caucasus Mountains in central north Georgia. It is also a region of separatist struggle. (North Ossetia is a province across the border in Russia on the north slope of the Caucasus Mountains) In 1918 the entire area of Ossetia was declared an autonomous Soviet republic. In 1922 South Ossetia became part of Georgia and in 1924 North Ossetia became an autonomous region.

South Ossetia lost its autonomous status in 1990 by an act of the Georgian Supreme Soviet, just before the dissolution of the Soviet Union. Then, when Georgia became an independent state, the Ossetians demanded either independence or incorporation into the Russian province of North Ossetia. Georgia responded in April 1992 by establishing the South Ossetian Autonomous Region.

As part of the UN mandate, Russian peacekeepers are now stationed in South Ossetia but there are widespread reports of graft and bribery, and the region being a supply base for smugglers. There are reports of Georgian officials passing money to Russian peacekeepers to allow goods to pass into Georgia without paying a duty tax. Corruption and criminality have been described as more of a threat to peace than the violence in other regions.⁶⁸ That does not mean there is no violence in South Ossetia. Violent crimes are prevalent and with the breakdown of law and order there is no inhibition for such crimes. Tbilisi-based journalist Jeffrey Silverman warns: "Whatever the ledger of guilt or innocence in South Ossetia, its instability will probably make American peacekeeping efforts hard to quantify.... If the United States simply wants to ferret out Al-Qaida loyalists in the region, it may be facing a more complex assignment than military planners realize."⁶⁹

Pankisi Gorge is in the Caucasus Mountains, in the northeast part of Georgia, has been another trouble spot which seems to be beyond the control of the Georgian government. It is actually not a gorge at all, but a fertile valley some 12-13 miles long which for 200 years has been the home of an ethnic Chechen people called Kists. It is just across the border from the separatist minded Russian province of Chechnya. And since the so-called second Chechen war started in 1999, several thousand refugees have relocated in the Pankisi Gorge. Local reports say that Chechen fighters sometimes mix with the refugees. And if one were to believe sensationalized media reports, the Pankisi Gorge is a bastion for lawlessness and a refuge for Chechen fighters and refugees. Georgian officials have warned them to leave or they will be rooted out.

Then came the "war on terrorism." Whoever threatens US interests is categorized as a terrorist. Unrest such as that in Georgia does threaten the interests of US energy companies. On 11 February 2002 the top US diplomat in Georgia, Philip Remier, said that several dozen members of Osama Bin Laden's Al-Qaida network are active in the Pankisi Gorge. He also indicated that the US is planning anti-terrorist operations in Georgia (announced officially on February 26th).

Russia also jumped on the anti-terrorist bandwagon. The military activities to suppress Chechen separatists became part of the war on terror and Chechen rebels became terrorists. Georgia's inability to exert control over the Pankisi Gorge, making it a refuge for Chechen fighters from Russia, has for a long time created tension between the two countries. Three days after Remier's disclosure, on February 14th, Russia sent a delegation to Georgia to speed up the extradition of 7,000 Chechen refugees. When Georgia captured several Saudi and Jordanian citizens in the Pankisi Gorge, Russia immediately demanded that Georgia share any information extracted from the detainees.

⁶⁸For a fuller treatment of crime and corruption in South Ossetia, see Silverman, 1 May 2002.

⁶⁹Silverman, 1 May 2002.

There is no doubt that the Pankisi Gorge is a lawless enclave elusive of government control. It is known that Chechen refugees have moved there as a safe haven and generally acknowledged that Chechen fighters may likewise use the Pankisi as a base. But there has been no independent verification that Al-Qaida terrorists are trying to establish a new base of operations there. But that doesn't rule out the possibility. In September 2002 the FBI reported that terrorists may be recruiting Chechen radicals because their appearance could escape the Arab and Persian profiling at security checkpoints. That recruiting could be taking place in the Pankisi Gorge.

Javakheti province should also be mentioned. It is in southern Georgia and its population consists mainly of ethnic Armenians. They are not likely to welcome a pipeline from Azerbaijan. Russia has also maintained a major military base in that province since the breakup of the Soviet Union. This has always been a cause for dispute and could now take on a more volatile nature with Russia and the US vying for influence in the region.

Legal Status of the Caspian Sea is still an unresolved issue for the five littoral countries -- Russia, Kazakhstan, Turkmenistan, Iran, and Azerbaijan -- and is a potential cause of war among several of them. Russia, Kazakhstan, and Azerbaijan have signed bilateral agreements which stake out their sectors of the northern Caspian. This has allowed drilling in the northern area and trans-Caspian pipelines from Kazakhstan. But there is no comprehensive agreement among all the littoral countries. Disputes in the southern Caspian, especially, are ongoing. Should these disputes escalate to war it would paralyze oil and gas exploitation in possibly the entire Caspian Basin. Even now, trans-Caspian gas and oil pipelines are not possible. It serves America's oil and gas interests to provide economic and other aid to the Caspian Basin and Central Asian countries to maintain stability, and to mediate an agreement on the Caspian.

5. *US Military Intervention in Transcaucasia.*

Several pipelines in which American companies have great interest pass, or will pass, through the trouble spots mentioned above. Eighty miles of the Northern Early Oil pipeline to the Russian port of Novorossiisk originally passed through Chechnya. When fighting erupted there again in 1999, a bypass pipeline around Chechnya had to be constructed. It was completed in 2000.

The Western Early Oil pipeline to the Georgian port of Supsa passes close to the trouble spots in Georgia, and the port of Supsa, itself, is only 12 miles from the buffer zone between Abkhazia and Georgia. Construction of this pipeline was delayed in October 1998 because of fighting between the Georgian military and separatist forces. In May 2002, thieves caused a leak in the oil pipeline to Supsa when they tried to tap into it.

Two assassination attempts of Georgian President Eduard Shevardnadze (both attributed to disputing oil pipelines through Georgia) and an attempted coup in 1998, led to a call for NATO and the US to station troops in Georgia to protect the pipelines. Today, the proposed gas and oil pipelines from Azerbaijan to Turkey will also pass close to the Nagorno-Karabakh province and the provinces of Abkhazia and South Ossetia in Georgia. Even the Pankisi Gorge is too close to the route for comfort.

The announcement on 26 February 2002 that the US would deploy troops to Georgia fanned the flames of US-Russian competition for influence in the region. A contingent of heavily-armed Russian troops, claiming to be peacekeepers, was sent to the upper Kodori Gorge in Abkhazia on 12 April 2002, but departed two days later. Russia seems to be testing how far it can go without raising international and US objections.

In spite of US and Georgian claims that the upcoming military training by US special forces is only to support operations in the Pankisi Gorge, the country's political situation remained critical. The separatist provinces of Abkhazia and South Ossetia, wary of further "cleansing" in their areas when US troops arrive, stepped up their demands for independence and started pushing harder to become associate members of Russia. The Russian Duma (parliament) on 6 March 2002 passed a non-binding resolution to strengthen ties with those two provinces.

The neighboring state of Armenia was also leery of a US presence. Armenia is closely aligned with Russia. Its foreign policy is intricately tied to Russia and it is becoming increasingly dependent on Russia. The pro-government daily newspaper, *Azg*, warns that in the long run the American troop deployment in Georgia may lead to dangerous developments.. This is particularly true for Georgia's southern province of Javakheti with its ethnic Armenians and Russian military base. To make matters worse, Armenians in Javakheti started street protests of an American presence in March 2002. That prompted rumors that Georgia might ask for Turkish troops to help patrol the province. Although the rumors were later denied as false by Georgia, they sparked hysteria in Armenia because Armenia views Turkey as rival Azerbaijan's ally and the major threat to Armenian security.

On 29 April 2002, the first contingent of the US anti-terrorism "Train and Equip" program arrived in Georgia. Georgia's military of some 30,000 troops is underpaid, ill-equipped, poorly trained, plagued by corruption, and suffering from inadequate leadership. President Shevardnadze is calling for a leaner and meaner force of about 8,000. The US\$64 million US training program will affect a 2,000-strong elite force. Represented in that force will be all of Georgia's armed security forces -- military, border guards, police, etc. -- so they can interact smoothly while performing light infantry tactics, platoon level operations, and air-mobile exercises. Equipping consists of furnishing uniforms, small arms & ammunition, communications gear, training gear, medical gear, fuel, and construction materials. The Vaziani base⁷⁰ will be the home for 150 special operations forces instructors for a current mandate of two years. US officials have insisted that these troops will not fight in the Pankisi Gorge.

To stoke the atmosphere of concern about the Pankisi Gorge, Georgia's Security Minister Valeri Khaburdzania alleged in May 2002 that about 100 Arabs and 800 Chechen fighters were in the Gorge. (Later, on August 31st, Georgian intelligence chief Avtandil Ioseliani put the number of Chechen fighters at 160.)

Eradicating Islamic terrorists in the Pankisi Gorge has been promulgated by Washington as its reason for US troops in Georgia. But most regional experts say the deployment represents broader concerns -- propping up the sympathetic Georgian government, protecting the oil and gas pipelines, or guaranteeing a safe supply line to new US bases in Central Asia. Turkey is supportive of the deployment but the *Turkish Daily News* says deploying US troops in Georgia "is tied to the demands of the oil insurance companies involved in the construction of the Baku-Tbilisi-Ceyhan pipeline ... the insurance companies were demanding a security guarantee for the pipeline."⁷¹

During the summer of 2002, Russian aircraft crossed over the border into Georgia at least five times. On three of those occasions they launched air strikes. During one of those strikes, on August 23rd, at least one Georgian civilian was killed. Under pressure from Russia, Georgia on August 25th launched a ground sweep of the Pankisi with some 1,000 police officers and security soldiers. By September there were 2,500 Georgian troops operating in the Pankisi Gorge.

⁷⁰Vaziani was formerly a Russian base. It was vacated in July 2001.

⁷¹Oruc.

This did not mollify Russia, which had been pushing for joint security control over the Gorge. Georgia, however, has strongly resisted such a coalition, causing Russia to question Georgia's sincerity in routing out Chechen separatists. Yet Russia alleges that terrorists who have struck in the US and in Russia are hiding in the Pankisi Gorge, and asserts its moral right to conduct anti-terrorist operations in Pankisi to root out those terrorists fugitives seeking a haven there.

On 12 September 2002 Russian President Vladimir Putin informed the United Nations that his forces were starting an offensive against Chechen rebels. A few hours later US President George Bush Jr. made his case for US military action against Iraq. Putin used very much the same reasoning concerning Georgia-based militants when he warned: "If the Georgian leadership doesn't take concrete actions to destroy the terrorists, and bandit incursions continue from [the Pankisi Gorge], Russia will take adequate measures to counteract the terrorist threat."⁷²

If Russia uses the war on terrorism as an excuse to invade Pankisi, with the US base at Vaziani and the Russian base in Javakheti, conditions in Transcaucasia could become extremely dangerous.

F. CHINA -- PIPELINES TO THE EAST.

There were plans in 1994 for a 1,800-mile oil pipeline from Aktyubinsk in Kazakhstan to Xinjiang in China. An agreement for the US\$3.0-3.5 billion project was signed in 1997 but the feasibility study was halted in September 1999 because Kazakhstan could not commit to supplying enough oil to make the pipeline commercially viable during the first 10 years.

Later, a consortium of Exxon-Mobil, Mitsubishi (Japan), and China National Petroleum Company submitted a feasibility study for a 4,161-mile gas pipeline to the Chinese coast. It will originate in Turkmenistan, traverse Uzbekistan and Kazakhstan, and then go through China's Xinjiang province before continuing on to the Chinese coast. It may be extended to Japan. The pipeline's estimated cost is US\$10 billion to the coast, more if it goes on to Japan.

In July 2002 the media reported that "China is in the final stages of securing major pipeline deal with Shell, Exxon-Mobil, and Gazprom, the big Russian pipeline operator."⁷³ Whatever pipelines -- oil, gas, or both -- are in the offing, they must pass through Xinjiang Province, in which an 8-million strong ethnic Urghur Muslim group is resisting China's harsh social and economic domination. China, of course, wants stability in the Xinjiang region. Pipelines will supply the energy needed for economic growth in the province itself, but pipelines must also cross this province to reach the remainder of China.

It can be safely assumed that Exxon-Mobil and Shell are using their lobbying power to influence US policy in the region. China has also been pressing Washington for months to include the Urghurs on the terrorist list, saying they are linked to Al-Qaida. The Urghur leader denies that accusation although he admits the separatists do use violence because peaceful opposition is outlawed. Nevertheless, after emerging from a meeting with Chinese diplomats, US Deputy Secretary of State Richard Armitage announced that a little known Islamic terrorist group in eastern Turkmenistan was linked to the Xinjiang Muslims. While offering little evidence for adding the Urghurs to Washington's terrorist list, the action seems to be justified by two Chinese Urghurs in the Turkmenistan group being deported to China for plotting attacks on western embassies in

⁷²Cited in Williams.

⁷³Ridgeway.

Kyrgyzstan. By a curious coincidence, or maybe it wasn't, at about the same time as Armitage's announcement China published new regulations on exporting missile technology which the US had been demanding for a long time.

According to a US State Department press release on 11 September 2002, the United States along with China, Afghanistan and Kyrgyzstan asked the UN sanctions committee to designate the Eastern Turkistan Islamic Movement as a financier of terrorism. This would mandate other countries to freeze their assets, ban their members, and prohibit any type of funding for them. The group was accused of committing acts of terrorism in China.

When discussing how other world leaders are jumping on the anti-terrorist bandwagon to promote their own agendas, Zbigniew Brzezinski, former national security adviser for President Carter, pointed out that "the Chinese recently succeeded in persuading the Bush administration to list an obscure Urghur Muslim separatist group fighting in Xinjiang province as a terrorist organization with ties to Al-Qaida."⁷⁴ It does indeed appear that China is using the post-September 11th climate to mask its suppression of Urghurs and repressive tactics against them. All the while, Shell and Exxon-Mobil are gleaming a more stable region through which to run profitable oil and gas pipelines.

G. STRENGTHENING ENERGY TIES WITH RUSSIA -- PIPELINES TO THE NORTH

Although America would rather cut Russia out of new oil developments in the Caspian Basin, US petroleum companies cannot ignore the market already established by existing and potential petroleum enterprises. Russia is the world's second largest crude oil producer and exporter. Also, Russia is the 5th largest export market for US-made oil and gas field equipment.

The 2002 US-Russian summit led to a stronger energy relationship with Russia. Russia's new oil and gas fields development includes multi-billion projects with US and other foreign investors -- such as the agreements with Shell, Exxon-Mobil, and Total (owned by TotalFinaElf) to develop fields at Sakhalin in the east and Kharayhiaga in northwest Russia. Pipelines are also planned, including the Baltic pipeline, a pipeline from Siberia to China, and one from Sakhalin to Japan. Russian companies are also seeking a partnership in the Baku-Tbilisi-Ceyhan pipeline discussed above, which may be one way of avoiding some trouble along the pipeline route.

US Energy Secretary Spencer Abraham announced on 1 August 2002 that the US would fund analysis of offshore oil and gas potential in the Russian Arctic. During his meeting in Moscow with Russian Energy Minister Igor Yusufov and representatives of Russia's largest petroleum companies, Abraham said that evaluating oil and gas reserves off the shores of eastern Siberia would be accomplished in conjunction with the US Geological Survey's Arctic Resource Assessment.

The US\$4 billion initial phase of Sakhalin production, the Sakhalin 1 gas project, on Russia's far eastern island of the same name, operates under a production sharing agreement which includes Exxon-Mobil. It expects to start exporting gas in 2005. The eventual total Sakhalin investment of US\$12 billion could produce 2.5 billion barrels of crude oil and 17 trillion cubic feet of natural gas.

Prior to the breakup of the Soviet Union, pipelines from the Caspian Basin went north and west through Russia. After the breakup came the 515-mile oil pipeline from Baku to Novorossiisk, called the northern early oil pipeline, operated by the Azerbaijan International Operating Company (discussed above).

In 1998 the Caspian Pipeline Consortium started planning a pipeline north and west from the Tenghiz Oil Field in Kazakhstan, around the northern end of the Caspian Sea, to Russia's Black Sea

⁷⁴Brzezinski.

port of Novorossiisk. Phase 1 of this US\$2.5 billion, 990-mile-long pipeline began pumping oil in October 2001. The Tenghiz-Novorossiisk oil pipeline is the largest single foreign investment in Russia. Chevron-Texaco (operator) and Exxon-Mobil are US partners in the consortium. Phase-2 will enlarge the line's capacity and bring the total investment to US\$4.2 billion when completed.

So, in the long run, cooperating with Russia seems to provide the greatest security for US business adventures in the Caspian region. First of all, it mitigates the extent of hostility toward US energy policies that would be present if there was an attempt to cut Russia completely out. Second, cooperation with Russia opens business opportunities in other areas of Russia that would not be available in a competitive atmosphere.

CONCLUSION FOR PART 1

At the beginning of this paper I quoted US Under Secretary of State Alan Larson's saying that in addition to a continuing trading relationship with Canada and Mexico, other important foreign policy initiatives are: 1) conducting a dialogue with Venezuela to build a more productive relationship, 2) developing multiple pipelines to connect the Caspian Basin to major transportation routes, 3) strengthening energy ties with Russia, 4) reevaluating Africa's role as a major energy supplier, and 5) encouraging Middle Eastern countries to open up certain areas of their energy sector to foreign investment. Implications of the first three were discussed in this paper. In Part 2 I will discuss the fourth (Africa) and fifth (Middle East) of these foreign policy initiatives. In addition, Part 2 will address the interaction of US foreign policy with oil and gas interests in the Asia-Pacific region.

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GLOSSARY

APEC	Asia Pacific Economic Cooperation group.
BBC	British Broadcasting Company.
CAOPP	Central Asian Oil Pipeline Project (through Afghanistan).
CentGas	Central Asia Gas Company.
CEO	Chief Executive Officer.

CIA	Central intelligence Agency.
ICG	International Crisis group.
IMU	Islamic Movement of Uzbekistan
Inpex	Indonesian Petroleum.
Islamist	A follower of the extremist, fundamentalist form of Islam -- a militant Muslim terrorist.
NSA	National Security Agency.
OAS	Organization of American States.
OPEC	Organization of Petroleum Exporting Countries.
PSYOPs	Psychological Operations.
SOA	School Of the Americas.
TAP	Turkmenistan-Afghanistan-Pakistan gas pipeline proposed by Bidas Corporation.
UAE	United Arab Emirates.
USN	United States Navy.
WHISC	Western Hemisphere Institute for Security Cooperation. Formerly known as the School of the Americas (SOA).