Russia-EU Energy Diplomacy Prepares To Survive Crash

by Rainer Apel

Russian President Vladimir Putin's talks with European Union leaders at the beginning of the EU-Russia Summit in Paris on Oct. 30, had been well prepared by impressively intense diplomacy between Moscow and the EU Commission in Brussels, and between Moscow and several of the EU leading capitals, including Berlin and Paris. Putin met for about two hours with France's President Jacques Chirac, with EU Commission President Romano Prodi, as well as with Javier Solana, the EU chief Foreign and Security Policy Coordinator. But the outcome of this short summit meeting was efficient: Two main areas of cooperation between the EU and Russia were defined, one covering an array of contacts on strategic crisis spots, the other covering a package of upgraded EU investments in Russia's industry, notably in the energy sector, and consultations on banking and monetary affairs.

The fact that both the Western Europeans and their Russian guests voiced opposition to U.S. plans, backed by Britain, for a national missile defense project, as a post-Cold War provocation, indicated that the summit was conducted in an atmosphere of mutual understanding, that nations on the Eurasian continent must unite efforts to fend off destabilizations resulting from the present strategic and monetary policies of the Anglo-American alliance. Possibly the most interesting aspect of the summit, in this context, is the fact that while the continental Europeans have been offered such cooperation by the Russians before, they are only now taking steps to make such cooperation reality.

The outgoing CEO of the Swedish producer of energy technology, Göran Lindahl, put it in an exemplary way at a recent conference in Moscow, held in the context of diplomatic preparations for the EU-Russia Summit. He said, "So far, it has been Russia that needed Europe. But soon, there may come a time when Europe needs Russia."

And, maybe, the widespread protests against the drastic, speculation-driven increases in fuel prices, which western Europe experienced during September, motivated the EU governments to revitalize perspectives for long-term cooperation with Russia in the development of industry and energy resources. With the 20-year "strategic energy partnership" that the EU and Russia are negotiating, continental Europe's vulnerability to speculators on the crude oil markets of London's International Petroleum Exchange and Wall Street's New York Mercantile Exchange will be visibly decreased.

Doubling Russian Energy Deliveries

What the Russians and Europeans have talked about since late September, is doubling Russian deliveries of crude oil, natural gas, and electric power, over this decade. This includes making massive investments in the exploration and production of crude oil and natural gas in Russia, and in the Russian nuclear power sector, for power transfers to eastern and western Europe. It includes investments in new transcontinental pipelines for transfer of oil and gas, and in power lines across eastern Europe.

These projects will require investments of several tens of billions of dollars—or, rather, euros: While in Paris, Putin stated that Russia has a genuine interest in strengthening the single EU currency, the euro. This may mean that future European energy deals with Russia will be billed on a euro basis. On the Russian side, there is interest in receiving substantial western European investments also for other industrial and infrastructure projects, including manufacture of cars and trucks, tractors, steel (including large-diameter pipe for the projected new pipelines), and construction of new highways and railroads. In particular, Russia wants Europe to help not only in the development of the vast raw materials resources of northern Siberia and the Arctic region, but also in the broader industrialization and urbanization of those regions, including the development of transport routes.

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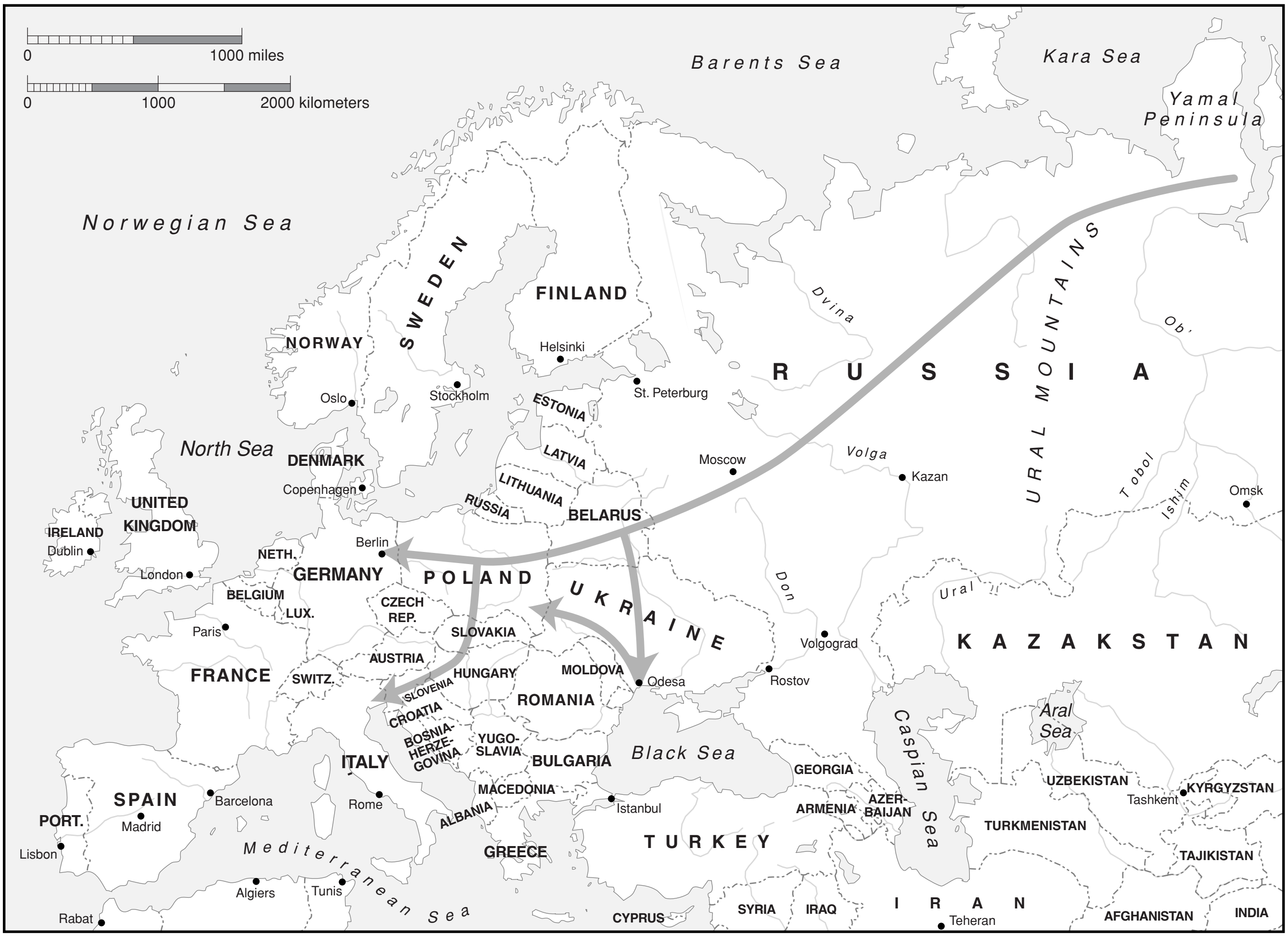
FIGURE 1
New Pipelines Discussed in Russia-EU Energy Talks



An Arctic shipping route would considerably reduce the time required to ship goods between Russia's two big ice-free seaports, Murmansk, in the west, and Vladivostok, in the Far East, and would assist the industrial and urban development of that underpopulated, remote northern region. Where there are only several tens of thousands of Russians living in the Arctic region now, millions, maybe tens of millions, could be living there 20 or 30 years from now. This is not music of the future; this is a real perspective, which has been discussed, more intensely in the recent period, in Russian economic journals, and in some western European journals as well.

After all, oil and gas reserves in Russia's Arctic are expected to be several times larger than those of the Mideast. The few Western experts who have been looking into the Arctic, estimate its oil wealth at about $1.4 trillion in the Barents Sea area alone. This can be made accessible to mankind, by initial investments of several tens of billions of dollars. Had the United States not imposed an embargo on Arctic drilling technology to the Soviets in the 1980s, the Russians would long ago have begun to develop these resources.

The chance to take part in that giant, challenging development project is now on the European agenda, with whatever technology they can contribute. The oil and gas that is going to be produced in Russia's Far North, will also be made available for the Europeans.

Two More Pipelines

Negotiations are under way on a second gas pipeline that the Russians want to build from the northern Siberian Yamal region to western Europe. It would run parallel to the existing route that passes through Belarus and Poland and reaches the West at Schwedt, on the German-Polish border. That pipeline was built in six years, and became fully operational at the beginning of this year.

A letter of intent on the construction of yet another pipeline, which would connect the Yamal-Europe route with the big Russia-Europe route that runs through Ukraine and Slovakia, was signed on Oct. 19 by Russia's state firm

Gazprom and two German firms, Ruhrgas and Wintershall, as well as with the French firm Gaz de France and Italy's Snam. There are two main options for this pipeline: It could run from Belarus, via Poland and Slovakia, into Europe's southwestern regions, or it could run from Belarus via Ukraine, and link up there with the existing pipeline to western Europe. Talks on the implementation of that project will require more time, because it touches upon sensitive, sometimes controversial interests of the countries involved—or the nations by-passed.

Proposals made by Ukrainian Prime Minister Viktor Yushchenko during a visit to Poland on Oct. 27, for a new oil pipeline from the Ukrainian Black Sea port of Odessa, to Brody on the border with Poland, via Lviv, indicate that the third pipeline—which would also connect the two transcontinental gas pipelines in the north and the south of Europe—may be built along the same Ukrainian-Polish route. It would be the least expensive option, and it would benefit all the countries involved, because it would link them to all essential existing pipeline grids. No country would have to be by-passed.

Strategic Issues

The dialogue on strategic issues which was institutionalized at the EU-Russia Summit represents a breakthrough in East-West diplomacy. For 15 months, relations between Russia and Europe had been aggravated by tensions over the NATO air war against Serbia. The military adventure, instigated by the geopoliticians in the foreign policy and defense establishment of the United States and Britain, pulled all of western Europe into a confrontation with Russian interests in the Balkans. Had several of the European governments, notably France, Germany, and Italy, not managed to restore direct contacts with Russia, and build bridges across the chilly silence that emerged between the West and the East, the Balkans air war might have broadened into a strategic confrontation with Russia.

The agreement signed by Putin and the EU is designed to ensure that, whereas future big crises might not be averted, at least they will not lead to conflicts between the Russians and Europeans that cannot be contained. Cooperation between the EU and Russia in the Balkans, after the end of the NATO air war against Serbia, is to be expanded also in the crisis hotspot regions of the Caucasus, the Middle East, and Central Asia.

Specifically, Putin made a clear commitment to reach a political solution to the Northern Caucasus problem, where Russian troops continue to fight Chechen separatists. But, he also made clear that the same must apply to the Middle East and Central Asia—where the Anglo-American alliance prefers military options.

Russia supports economic expansion of the EU eastward, but it expects the Europeans to not support the expansion of NATO. Also, Russia wants to be consulted on the planned EU military task force, its aims and its strengths, because it may in the future cooperate with the three new joint task forces of the Commonwealth of Independent States (CIS) military alliance, which Russia set up in agreements it recently signed with five other CIS member-governments (Belarus, Armenia, Kazakstan, Kyrgyzstan, and Tajikistan) in the Tajik capital of Dushanbe. A peacekeeping alliance covering most of Eurasia, is being portrayed as on the horizon of EU-Russian-CIS relations.

Thus, together with the economic agreements that are in preparation, essential aspects of a new structure for cooperation that will replace the existing, bankrupt monetarist ones among Eurasian nations after the financial crash, are being put into place. This may be bad news for Anglo-American geopoliticians such as Zbigniew Brzezinski, who has worked all his life to prevent this kind of Eurasian cooperation from emerging. But, for Europe and Russia, the Paris agreements are good news.

Under IMF Pressure, Nigeria Stumbles into Disaster

by Uwe Friesecke

During the third week of October, the Nigerian government of President Olusegun Obasanjo experienced a rude awakening to reality from its new romance with the International Monetary Fund (IMF) and World Bank. Since the government came to power 18 months ago, it had campaigned relentlessly for debt relief from the Western creditor banks. President Obasanjo invested all his authority into convincing world leaders, especially U.K. Prime Minister Tony Blair and U.S. President Bill Clinton, that Nigeria was now a democratic country and deserved a dividend in the form of substantial debt relief.

While IMF officials, such as new Managing Director Horst Köhler, repeatedly praised the country for being on the right path of economic reforms, which would favorably affect the willingness of the international community to consider debt relief, neither concrete proposals for debt reduction, nor serious talks about it, were forthcoming. Instead, officials of the IMF, representing the so-called Paris Club, walked into the Ministry of Finance in Abuja, Nigeria's capital, to demand from the surely astonished officials $1 billion more payment on the debt. In their typical arrogance, they warned the ministry that the proceeds from the oil windfall should not be mismanaged and wasted, and declared, "We are concerned about what you should do with the money. We advise that you increase your debt servicing to $2 billion or $2.5 billion." For the moment, the ministry officials rejected that demand, and argued that to pay more than the $1.5 billion presently allo-