

# **Petroleum and Geopolitics: Rivalries in Syria, Iraq, Ukraine**

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*Conflicts in Syria, Iraq, and Ukraine involve geopolitical and petroleum rivalries within the region, and the larger rivalries between the United States, Russia and China. Governments and media offer limited versions of what is going on.*

In current conflicts, narratives emphasize problem leaders, civil war and refugees. Whatever the stated reasons for conflict, resources are often an underlying motivation. The Middle East is the world's Energy Heartland. Petroleum may be only part of the story, but it's been a major reason for British, French and US involvement in the Middle East for over a century. Power, politics and petroleum all go together.

## **Syria and Iraq**

Before 2011, Syria was a tolerated friend of the West. The United States rendered Maher Arar to Syria for torture. Then President Bashar Assad became a Bad Guy. The West put sanctions in place. Civil war erupted. Thousands of Syrians have died or become refugees. Now Islamic State (IS) is there.

Peace negotiations are scheduled to start this month (Jan 2016) in Geneva. Though Syria has only modest petroleum resources, its location makes it a critical piece of geography. Syria is a pipeline transit route. Two rival pipelines are proposed to bring natural gas from the Persian Gulf to Europe – the first ever. One is supported by Washington; the other is opposed.

Iraq is an oil giant. It has huge oil reserves – the world's fifth largest. Iraq was a prosperous country in the 1980s. Now Iraq is a mess. Saddam Hussein was once a friend of the West. Then he became a Bad Guy. The West put sanctions in place. The 2003 Iraq War was ostensibly about Weapons of Mass Destruction. That was rubbish – there were none. Iraq was devastated. Thousands of Iraqis died. Millions fled as refugees. Now Islamic State is there.

## **The Big Picture: Regional Interests**

The story goes beyond Syria and Iraq. It spans the region. It involves China, Russia, the United States and Europe. It affects Canada, through NATO and Washington. The petroleum geopolitics are complex – multidimensional.

Geologically, a vast Oil Corridor runs north from the Arabian Peninsula, through Iraq and Iran, to the Caspian Sea. It contains more than half the world's oil resources. Four countries – Iran, Russia, Qatar, Turkmenistan – have half the world's gas. The US has long interest in the Energy Heartland. The UK too.

**China** has an interest too. It's thinking big. Since 2009, China has built three massive pipelines to bring gas from Turkmenistan to Shanghai – 7,000 kilometres. No wars. No drones! Turkmenistan has huge gas reserves, the world's fourth largest.

China is planning massive investments to link it to Europe via the Middle East – by land and sea. That's the Belt and Road initiative, with many billions of financial support. China has created the Asian Infrastructure Investment Bank, an alternative to the Bretton Woods system. It now has 57 member countries. Not the US. Not yet Canada.

China is also partnering with Russia to build a huge gas pipeline from eastern Siberia to China. They're planning another from western Siberia. Russia's largest gas customer will be China. They're trading in rubles and yuan – a challenge to the US petrodollar.

**Russia** is the world's largest gas exporter. Currently, Europe is the world's largest importing region of gas. Thirty percent of Europe's gas consumption comes from Russia. Europe has been using Russian gas since the 1960s. The US has consistently opposed this on grounds of energy security. Yet, the binding of East and West by pipeline helped build trust. Glasnost.

Ukraine has been the main transit route for Russian gas to Europe, earning significant revenue from transit fees. Pipelines matter – for Russia, Ukraine, and Europe. The gas can only go where the pipelines go.

**The United States** is explicit on its vital interest in the Middle East. It says it will use military force, if necessary, to defend its interest there. That's the so-called Carter Doctrine of 1980. President Obama calls America an “exceptional” nation. President Clinton named it an “indispensable” nation. Washington insiders talk about “benevolent global hegemony.”

In 1999, Dick Cheney was CEO of Halliburton, a giant company servicing oil fields worldwide. He said: “Oil is unique in that it is so strategic in nature. We are not talking about soap-flakes . . . The Middle East . . . is still where the prize ultimately lies.”

Since 1945, the US has had a special relationship with Saudi Arabia, the world's leading oil producer. Traditionally, Saudi Arabia was the world's swing oil producer – reducing or raising production as demand changed. The situation has changed. Six years ago, the US hit the jackpot with fracked oil, Canada too with bitumen oil. The new oil – a gargantuan 5.5 million barrels per day (b/d) – equals half of Saudi production. The Saudis refused to cut back. Oil prices collapsed.

Beyond the Middle East, the US has been active in Eurasia. In his 1997 book *The Grand Chessboard*, Brzezinski wrote: “For America, the chief geopolitical prize is Eurasia. . . . An enormous concentration of gas and oil . . . is located in the region.” Washington seeks to draw Central Asia to its zone of influence in South Asia, away from Russia and China. Afghanistan is the bridgehead.

The US works closely with the European Union on energy. The EU has an Energy Commissioner – Miguel Arias Cañete. The US has a Special Envoy for International Energy Affairs – Amos Hochstein. His focus seems to be on Europe and reducing its reliance on Russian gas.

Oil and geopolitics are inseparable, though this is rarely mentioned by our governments or media. Afghanistan, Iran, Iraq, Libya, Syria, Ukraine: they each have both conflict and a petroleum story. Whenever a conflict erupts, it's worth asking: why is that country so important, why are we involved? My contention is there's a Great Game underway for control of the world's petroleum – oil and gas.

In 2001 upon becoming Vice President, Dick Cheney created an Energy Task Force. Participants and deliberations were secret, but a map released later indicated a focus on Iraq's oil. Washington prepared a draft oil law for Iraq **before** the invasion. It was designed to open Iraq's oil to Western companies. The Bush administration claimed the war was **not** about oil. But the Oil Ministry and oil fields were protected during the war. Washington insiders now admit – **there was an oil agenda.**

### **Recent developments – Iraq**

Although oil was not privatized as Washington envisioned, oil companies rushed to Iraq. The country was poised to become a top oil exporter, rivalling Saudi Arabia. Then a civil war erupted – a disastrous legacy of divide-and-conquer. Iraq is *de facto* split into three: the Shia south; Kurdish northeast; and Sunni north (Islamic State - IS).

Each region controls its own oilfields. By far the bulk of Iraq's production is from the southern fields near Basra, unaffected by the conflict with Islamic State to the north. Last month the south reached 3.6 million b/d. Same as Canada.

The Kurdish northeast is full of foreign oil companies. It has its own oil law. Oil production is currently about 300,000 b/d. It is exported by a new pipeline to the Turkish port of Ceyhan. Kurdish Iraq is in all but name a US protectorate. After IS got too near, Washington started air-strikes. Is the intervention purely humanitarian? Or about power, politics, petroleum?

When Iraqi troops fled the north in 2014, Kurdish forces seized Kirkuk city before IS could take over. The Kirkuk oil field, discovered in 1927, is the biggest in northern Iraq. It produces about 200,000 b/d. The oil goes by a new line to Kurdistan – thence Ceyhan Turkey.

Exports of Kurdish and Kirkuk oil halted for much of 2014. The Iraqi and Kurdish governments disagreed how to share the revenue. The Kurds now export independently. The Kurds are exporting 500,000 b/d of oil – to ten countries. Baghdad regards the exports illegal. It threatens to sue any buyer.

In November 2015, the Kurdish oil minister revealed a little secret. To avoid detection, oil was being funnelled through Israel or trans-shipped offshore Malta, and decoy ships used. One thing is clear: Turkey has no problem with the exports.

In the Sunni north, IS controls an oilfield near Mosul, producing a few thousand barrels per day. IS smuggles oil by road to Turkey. More on that in a moment. Mosul is Iraq's second largest city – twice the size of Ottawa. In 1918, Britain rushed troops there to ensure the province – and its oil – would be part of Iraq, not Turkey. The Turks remain annoyed.

Since the 1990s, Turkey has maintained four small bases near Mosul to monitor the Kurdistan Workers Party (PKK) forces fighting for Kurdish independence in Turkey. Last month, Turkey upped the ante. It moved 1,500 troops, twenty tanks and heavy artillery to one of these bases. The Iraqi Government protested. What's going on? Is Turkey now shielding Islamic State?

### **Recent developments – Syria**

IS also has control of oil and gas fields in Syria. Oil fields in IS hands produce maybe 35,000 b/d. Those in Kurdish hands (in northeast Syria) maybe 40,000 b/d. Production under Syrian government control is negligible.

At the G20 Summit, November 15, President Putin shared photos of long lines of oil trucks going to Turkey. They must have been visible from US satellites. They were known by the West but left alone. How come? Russia began destroying these convoys north and the reverse flow of arms and rebels south.

A week later, the Turks shot down a Russian Su-24, allegedly 17 seconds in their airspace. Putin said it was an ambush; that Turkey was guarding oil routes. Moscow published maps showing the routes. It accused President Erdoğan's family of involvement. Russia imposed economic sanctions on Turkey. They include a huge gas pipeline project – Turkish Stream. More on that shortly. Relations between Russia and Turkey lie in tatters.

The Russians have long been supportive of Syria. They have a naval base in Syria at Tartus, their only one in the Mediterranean. They began airstrikes last year at President Assad's request. Assad has strong support from Syria's merchant class and powerful military.

The West tolerated Assad until 2011. The focus then became regime change. The West imposed sanctions. Special Forces moved in; the CIA shipped arms from Libya to Syrian rebels through Turkey. According to US intelligence, the West, Gulf States and Turkey wanted a "Salafist Principality in Eastern Syria."

In 2013, the West accused Assad of using chemical weapons against his own people. Who really used the weapons? An MIT analysis showed they were fired from rebel land. US intelligence told journalist Sy Hersh the chemicals came from Turkey; it was a false flag operation to snooker

Assad. At the last minute, the Russians brokered a deal. Syria gave up its chemical weapons. The US cancelled plans to bomb Damascus.

Syria has suffered four years of war. It's in ruins. Saudi Arabia, Qatar and Turkey support rebels of all sorts, including IS. They want Assad gone. Turkey says it's against IS but is bombing Syrian Kurds instead – US allies. The US supports moderate rebels, if any. China, Russia and Iran support the Syrian Government. Understanding all of this is a challenge!

Behind the scenes is a petroleum dimension. Two rival pipelines are proposed from the Persian Gulf to Europe. They'd both pass through Syria. The Qatar proposal would pass through Saudi Arabia, Syria and Turkey. Announced in 2009, it has US blessing. The Iran proposal would pass through Iraq and Syria, bypassing Turkey. Announced in 2011, it has Assad's blessing. That's the year the US decided he must go.

### **Recent developments – Iran and Pakistan**

Recently, Iran has been much in our news. The nuclear deal between the P5+1 and Iran took effect January 16, 2016. The petroleum sanctions are lifted. Israel and Saudi Arabia apart, the world has moved on. The deal offers the West a way out of a box of its own making. Iran is helping contain Islamic State. Iran can get on with what it really wants - trade and investment. The race is on.

Was Iran pursuing nuclear weapons? The UN agency for nuclear issues, the IAEA, found **no** evidence of this – in countless inspections. US intelligence assessments agreed. Western leaders ignored the evidence. To my mind, the nuclear issue was always a red herring. Investigative journalist Gareth Porter called it a Manufactured Crisis. The goal was geopolitical – control over Iran, power and petroleum.

Iran is a petroleum giant. Its oil reserves are the fourth largest in the world. With sanctions lifted, Iran plans to restore oil exports to Europe. It's already signed deals with Asian countries. Watch for world oil prices falling even lower than they are today.

China's President Xi was there last week, announcing massive trade and investment plans. Russia has become a close partner. European companies are flocking there. Iran remains wary of US investment. What about Canada?

Gas is another story. Iran's gas reserves are the world's **largest**, scarcely tapped. Europeans express interest in importing Iranian gas. The Iranians doubt whether this is viable right now. They are more interested in exporting gas to Asia.

There's a long-planned project to bring gas by pipeline from Iran to Pakistan. The Iranian section is already built. The Pakistani section has languished because of US opposition and threatened sanctions. Will the pipeline go ahead now? Pakistan says yes. Who's going to finance it? China.

In April 2015, President Xi visited Islamabad. The two leaders agreed on an Economic Corridor linking their countries. China will bankroll the pipeline. There's talk of extending it all the way to China. Pakistan and Iran are part of China's Belt and Road strategy to integrate Asia and Europe by land and sea.

### **Recent developments – Turkmenistan**

Since the mid-1990s, Washington has promoted a rival pipeline from Turkmenistan, through Afghanistan, to Pakistan and India. Through Kandahar! It's called TAPI after the initials of the four countries. The Asian Development Bank is the project sponsor. In 2011, Washington went public. It announced a New Silk Road to link Central and South Asia. TAPI is the flagship project. Pipelines bind countries together – physically, diplomatically, economically.

Turkmenistan is hustling to get TAPI built. It's alarmed at the Iran-Pakistan pipeline moving ahead. In December 2015, TAPI leaders met for a ground-breaking ceremony – in Turkmenistan. Washington was effusive. As yet, TAPI is still looking for an international company as lead partner. Security in Afghanistan remains a headache.

### **Recent developments --Russia and Ukraine**

President Putin is the latest Bad Guy – freely denigrated by our politicians and press. Is there another side to it? Washington has never liked the idea of Russia integrated into Europe as an ordinary country. Russia is a useful *bête noire*, a reason for NATO's existence. Is the game to break trade between Europe and Russia, to isolate and weaken the Russian Bear?

What really happened in Ukraine? Ukraine is Russia's Achilles Heel. It has been the main transit route for Russian gas to Europe. Pipelines matter – for Russia, Ukraine, and Europe. Russia earns half its export earnings from oil and gas. Ukraine earns significant revenue from pipeline transit fees. Some European countries depend on Russia for all or most of their gas.

Ukraine has several big problems. First, it is bankrupt. Second, corruption is rampant. Third, it's had a long dispute with Russia over gas price and payment issues. Ukraine has been using IMF and European loans to pay Russia. As a trading route, Ukraine has become unreliable.

Within Ukraine, there's a tug-of-war for the nation's soul. Divided linguistically, Ukrainian speakers tend to look west. Russian speakers tend towards Russia. They have close economic and cultural ties to Russia. The Eastern part of the country has large Russian-speaking populations. Crimea has an overwhelming predominance of Russian speakers.

There are two opposing narratives of what's been going on – the US, NATO and EU have one, and Russia another. Living in Canada, we read and hear the Western narrative. Watch the use of words – they colour our perception. Washington says it's about democracy; that Putin is a Bad Guy, who should stop meddling. Russia points to Washington's involvement in a coup in

February 2014; to the expansion of NATO; pipeline issues. Then again, are the eastern Ukrainians terrorists or separatists? The very real divisions within Ukraine are rarely discussed.

Demonstrations in the Maidan began in 2013 – at first peaceful, then with involvement from the Neo-Nazi Far Right. Ukraine is bankrupt – worse than Greece. The European Union offered loans and Association status. Moscow offered a huge financial bail-out. President Yanukovich signed the Russian deal.

Washington openly supported the Maidan protesters. In December 2013, Senator McCain was there. So was Victoria Nuland, US Assistant Secretary of State for the region – handing out bread. In Washington, she revealed the US had spent **\$5 billion** over several years backing the opposition. She was then caught on an open line, phoning the US Ambassador about which opposition leaders to support – two months before the change of government.

Crimea held a referendum and rejoined Russia. Annexation, said the West. Then came the downing of MH-17. Washington immediately blamed Russian aggression. No evidence, but the damage was done. Europe caved in and imposed sanctions. Crimea has been an autonomous region since 1921. It's been home to the Russian Black Sea fleet since 1783. No way was Crimea going to become home to NATO. Would Britain give back Gibraltar?

## **Gas to Europe**

All countries want reliable trading routes. The Russians recently built Nord Stream to bypass Ukraine. It's a joint venture with European companies. It goes under the Baltic Sea directly to northern Germany. They agreed on another joint venture in 2015 – to build a second Nord Stream project. It will make Germany the main gateway for Russian gas to Europe. Nord Stream 2 will greatly reduce Ukraine's transit role. The Germans are happy. Eastern Europeans less so, in part because they were hoping for transit fee revenue. They're appealing to Brussels.

The Russians were planning another joint venture, called South Stream, under the Black Sea to Bulgaria and on to Austria. Construction was all set to start in 2014, when geopolitics intervened. The European Commission (the EU secretariat) stepped in, questioning whether Bulgaria had complied with EU rules and regulations. It called for construction to stop. At first, Bulgaria refused. Five days later, US Senator McCain and colleagues turned up in Sofia and met with Bulgaria's Prime Minister. One hour later, Bulgaria's Prime Minister announced construction would stop. That illustrates how Washington and Brussels work together on energy in Europe.

Unable to move forward with South Stream, Russia abruptly cancelled it in December 2014. At the same time, Russia announced an alternate project of equal size called Turkish Stream. It would bring gas across the Black Sea to Turkey – up to the Greek border. Now, after the Turks shot down the Russian Su-24 over Syria, Turkish Stream too is suspended.

Brussels and Washington are promoting a rival pipeline from the Caspian Sea. The Southern Gas Corridor will bring gas from Azerbaijan – through Georgia and Turkey – to southern Europe. It's another blow to Russian efforts to export to Europe.

### **Wars or Missions**

We've seen one war after another these past fourteen years since 9/11. But wars are not the solution. They cause death, destruction, blowback, refugees. Some analysts see what's going on as energy wars. But they are called missions – even “humanitarian missions,” like Libya. Of course, wars for resources are **illegal** under the UN Charter.

Reality and perception are quite different things. I'm reminded of what Stephen Colbert called Truthiness. Generally, the petroleum story is out-of-sight. Governments prefer it that way. Our media give us half the story. We need the other half to see the full picture. Group-think is a problem. People develop one way of looking at things. It's safer to stay with the herd – as in 1984.

### **Power, politics and petroleum**

Oil and geopolitics are inseparable. Control of petroleum resources and their trade routes are drivers behind the scenes. Power, politics and petroleum all go together. Canada is an oil and gas exporter – not an obvious player in petroleum geopolitics. Do we want to play these games? As an ally of the US and a member of NATO, do we have a choice? The Liberal Government will be making decisions. Petroleum may be only part of the story, but it must be factored in.

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*His earlier research on Afghanistan and pipeline politics was presented to the G78 at a 2008 luncheon, [was published](#) by the Canadian Centre for Policy Alternatives, and became banner headlines in the Globe and Mail (19 June 2008). Other articles have appeared in the Globe and Mail, Toronto Star, and Journal of Energy Security (Washington DC).*