

The Eurasian Pipeline Calculus

By [F. William Engdahl](#)

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Calculus has two main variants—derivative and integral. The Eurasian energy pipeline geopolitics between Turkey Washington and Moscow today has elements of both. It is highly derivative in that the major actors across Central Asia from China, Russia to Turkey are very much engaged in a derived power game which has less to do with any specific state and more to do with maintaining Superpower hegemony for Washington. Integral as the de facto motion of various pipeline projects now underway or in discussion across Eurasia hold the potential to integrate the economic space of Eurasia in a way that poses a fundamental challenge to Washington's projection of Full Spectrum Dominance over the greatest land mass on earth.

Since at least the time of the Crimean War of 1853, Turkey has played a strategic role in modern Eurasian and European developments. In the 1850's Ottoman Turkey became a target of Great Power imperial ambitions as Britain and France sought to take advantage of tensions between Russia and the Ottoman Empire in order to weaken and ultimately take vital parts of that weakened empire.

The Great Powers of that time, the empires of Britain, France, Russia and Austria began plotting the dismemberment of the vast Ottoman Empire. Debt was their preferred instrument. The foreign debt situation in Ottoman Turkey had become so extreme that Sultan Abdul Hamid II was forced by his French and British creditors to put the entire finances of the realm under the control of a banker-run agency in 1881, the Ottoman Public Debt Administration (OPDA), controlled by the two largest creditors—France and Britain. By the late 1880's a new player on the Continent who was not part of this debt control, the German Reich, engaged the Ottoman Empire economically. That strategically challenged the vital imperial design of the most powerful empire of the day, Britain.

After Britain sank into a Great Depression after 1873, Germany's industrial colossus emerged as the fastest-developing economic power on earth with the possible exception of then fledgling United States. The political and economic fate of Germany and Ottoman Turkey were linked after 1899 with the decision by German industry, Deutsche Bank to build a railway connecting Berlin to the Ottoman Empire as far away as Baghdad in then-Mesopotamia. It was a land bridge for trade between Ottoman Turkey and Germany independent of British control of the seas.

A few Eurasian geopolitical basics

German industry had begun to look overseas for sources of raw materials as well as potential markets for German goods. In 1894 German Chancellor, von Caprivi, told the

Reichstag, "Asia Minor is important to us as a market for German industry, a place for the investment of German capital and a source of supply, capable of considerable expansion, of such essential goods as we now buy from countries of which it may well sooner or later be in our interests to make ourselves independent." Caprivi was supported by German industry, especially the steel barons, and by the great banks such as Deutsche Bank.

That Berlin-Baghdad Railway linking the fate of Ottoman Turkey to that of Germany was a geopolitically strategic factor in the events which led Britain to the First World War in a failed bid to preserve her global hegemony. Turkey then as today was regarded by powerful Great Powers as a "pivot" state. The danger in being a pivot state is, of course, the question of who has their hands on it, who moves the pivot for their own geopolitical purposes.

In 1904 a British professor of geography, Sir Halford Mackinder, delivered a lecture before the Royal Geographical Society titled *The Geographical Pivot of History*, which was to shape a history of two world wars and subsequent wars and power relations. Mackinder, the father of geopolitics—the relation of geography and political economy and power—developed the systematic axiom of British imperial power. It was simple as it was fateful:

Who rules East Europe commands the Heartland:

Who rules the Heartland commands the World-Island:

Who rules the World-Island commands the World.

For Mackinder East Europe was Continental Europe from Germany to Poland, France and Austria. The Heartland was the vast Eurasian land power, Russia. The World-Island was Eurasia.

When the United States emerged to displace the British Empire in world affairs after 1945, she also took the lessons of Mackinder geopolitics. The leading postwar foreign policy strategists including Henry Kissinger, were schooled in Mackinders' ideas. One American disciple of Mackinder, Zbigniew Brzezinski, cited Mackinder's geopolitical axiom in a 1997 essay in *Foreign Affairs* magazine where he defined the American strategic priorities in the post-Soviet era:

Eurasia is home to most of the world's politically assertive and dynamic states...The world's most populous aspirants to regional hegemony, China and India, are in Eurasia, as are all the potential political or economic challengers to American primacy. After the United States, the next six largest economies and military spenders are there... Eurasia accounts for 75 percent of the world's population; 60 percent of its GNP, and 75 percent of its energy resources. Collectively, Eurasia's potential power overshadows even America's.

Eurasia is the world's axial super-continent. A power that dominated Eurasia would exercise decisive influence over two of the world's three most economically productive regions, Western Europe and East Asia. A glance at the map also suggests that a country dominant in Eurasia would almost automatically control the Middle East and Africa. With Eurasia now serving as the decisive geopolitical chessboard...the distribution of power on the Eurasian landmass will be of decisive importance to America's global primacy. [1]

That has largely defined US foreign political and military relations with Turkey and the newly emerging former Soviet Republics of Eurasia since the dissolution of the Soviet Union in

1991. Unfortunately for Turkey and the republics of the Eurasian region, those relations have too often been determined by IMF conditionalities and by military alliances and actions more resembling the Cold War than an era of genuine peace and respect for national sovereignty. Until now the post-Soviet East-West relations have largely been based on a negative construct.

The two geopolitical statements—the one from Mackinder in 1919 during the Versailles talks to divide Europe after the First World War, the second by Mr Brzezinski in 1997 at the end of a bitter Cold War—have defined the principle relations of Turkey and the rest of Eurasia to the world for more than a century.

Eurasia's Opportunity today

What will define the future for the various nations of Eurasia, especially Turkey, two decades since the dissolution of the Soviet Union and Warsaw Pact Cold War structures?

The answer requires some clarity on basic issues. First and most essential is how Turkey and other Eurasian nations define their bilateral and regional relationships. Second, how do they define their relationship with the Atlantic alliance, the system of political, military and economic relations built after 1945 around the dominance of the United States.

What defines the situation today is a growing realization across all Eurasia from Beijing to Moscow, from Alma Ata to Ankara that the pillar of the postwar order, the United States has become an increasingly incalculable partner and force in world economic and political affairs. Some even within the US speak of a terminal decline in American influence over the coming decades, with terms such as 'imperial overstretch.' It's essential to understand the extent and nature of the current economic and financial crisis of the Dollar System if we are to make any serious calculation of the future.

The crisis which broke in August 2007 as a crisis in the sub-prime or high-risk segment of US real estate credit was in fact a first manifestation of a process of debt destruction which is bringing the United States into a new Great Depression, one that will last at least a decade, perhaps several. In its severity it will be far worse than that of the 1930's. Today the USA is the world's greatest debtor economy. In 1929 it was the largest creditor. Today the USA public debt is over \$11 trillion, growing at the fastest rate in history. The Federal deficit this year is estimated to exceed \$1.8 trillion as the Treasury pours money into a bankrupt banking system to try to rescue a collapsing Dollar System. In 1929 US Public Debt was insignificant.

Since Washington abandoned the Bretton Woods Gold Exchange Standard convertibility in August 1971 it has been accepted wisdom in Washington that, as Dick Cheney put it, 'deficits don't matter.' So long as the dollar was world reserve currency and the US was the greatest military power, the world would support the dollar. That era appears to have ended. The trade surplus economies of Asia, above all China are becoming increasingly concerned that the value of their dollar investments in US debt will depreciate as the volume of debt needed continues to soar.

In recent months China has begun exploring alternative investment avenues to replace their dollar investments. Russia and Brazil, seeking to reduce their dependence on the dollar, plan to buy \$20 billion of SDR bonds from the IMF and diversify foreign-currency reserves. Russia's central bank said it may cut investments in US Treasuries, currently estimated at

\$240 billion, and China says it may reduce reliance on the dollar and US bonds. China today is America's largest foreign creditor.

This is no short-term impulse to dump dollars or a pressure tactic by the countries of Eurasia. It's the beginning of a global tectonic shift away from a sole financial center to many regional or 'multipolar' centers over the next decade. As the trillions of dollars of US taxpayer bailouts have demonstrated, try as they might, Humpty Dumpty, the Dollar System can't be put together again, as it was even three years ago. Wrong economic policies, decisions taken more than four decades ago in Washington and Wall Street, have reached their relative limits. The world is in what Joseph Schumpeter once called 'creative destruction.' The consequences for the future of Eurasia are enormous.

With the pillar of the US-centered Dollar System slowly collapsing, the choices for Eurasia begin to define themselves. At this point they can go one of two ways: Continue the status quo and subordinate national economic decisions to support the Dollar System. That means abiding by the rules of IMF and World Bank austerity. It means abiding by the trade rules of the G7-dominated WTO, even on issues such as GMO seeds which go against national health security. It means to subordinate national security interests to NATO, an institution created in the Cold War atmosphere of the Truman Doctrine in 1948. That, despite we are at a time the original purpose for NATO, defense against a Soviet military threat or Warsaw Pact aggression has long since become a relic of past history. Those four institutions are at the heart of the 1944 Bretton Woods Dollar System, as I have described in detail in a recent book.

The main problem for fast-emerging Eurasian nations with continuing this Atlantic status quo, sometimes referred to by Washington as 'Globalization,' is that it now means going down with the Dollar Titanic over the longer term.

Emerging Eurasian Economic Space

On the other hand there is second dynamic economic perspective, still raw and unformed, but one containing everything necessary to build a vast zone of economic prosperity, a huge new market.

The catastrophic US military experience in Iraq and also in Pakistan and Afghanistan since 2001 has led to much rethinking across Eurasia.

The fact that the new Obama Administration to date, while making rhetorical gestures of a change, has done little of substance to shift US fundamental economic and military policy, suggests that the real options for maintaining the American Century are few at this point. That is clear from the fact that the key players in Obama economic policy were the same persons responsible for creating the conditions of the financial disaster in the first place. The military policies in the new Administration are represented by the same persons responsible for past military misadventures. They are representing an outmoded paradigm that is in fatal decline.

In this situation of a declining economic influence of the USA the various nations across Eurasia are clearly beginning to look to new regional arrangements which could secure export markets, in fact to build new markets.

A market in the end is a political decision. Markets, contrary to what Milton Friedman taught,

do not exist free in nature. They are created. There is no abstract 'world market.' Regional or local markets can be and are created peacefully.

In the past several years steps to build new markets have become visible across Eurasia. Notable is the Shanghai Cooperation Organization (SCO). According to Russian and to Chinese economists with whom I have discussed, the SCO is seen as an evolving framework to build a new Eurasian economic space.

It is very initial, but an important framework to economically weave the nations of China, Russia and Central Asia into closer cooperation. From the perspective of geopolitics, the SCO is a natural economic convergence of mutual interests of the republics of Central Asia. SCO founding members include Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. Mongolia, India, Pakistan and Iran are observers. They just concluded an annual meeting in Yekaterinburg, Russia where they discussed deeper economic, security and social cooperation. The background of the present deepening dollar crisis shaped the talks. As well the governments of Brazil and India joined after with Russia and China, to discuss mutual economic interests, including energy cooperation.

The Eurasian energy calculus

The future of any economic cooperation among the states of Eurasia, including Turkey, rests on the resolution of vital energy supply issues. Here Eurasia is fortunate to straddle some of the richest energy regions on our planet, in Russia as well as the Caspian Basin state of Kazakhstan and the contiguous Middle East Gulf region.

Following the ill-conceived decision by the G7 in June 1990 to place the economic reorganization of former economies of the Warsaw Pact including Russia under the mandate of IMF conditionalities, a role for which the IMF had never been intended, Russia today is struggling to regain a stable economic base.

It has a way to go. But Russia brings to the table huge positive resource advantages in terms of its wealth of oil and gas reserves and energy technology no Western country possesses. Given the rapid industrial expansion of China since the beginning of the decade, a natural partnership is emerging linking the economies of Russia, Kazakhstan and China increasingly around energy. The role of pipeline geopolitics in the economic future of Turkey and Eurasia generally is central.

Today the future of competing gas pipelines is at the heart of the Eurasian economic calculus. Here Turkey is in a position to play a central role given its geographic and historical role as a bridge between East and West, North and South—Europe and Eurasia.

One key link through Turkey has been the oil and gas pipeline from Azerbaijan to the port of Ceyhan via Georgia. The Baku-Tbilisi-Ceyhan (BTC) oil pipeline and the Baku-Tbilisi-Erzurum gas pipeline are cited as part of Turkey's foreign policy strategy to become an energy conduit. BTC has also been a high priority US foreign policy goal to weaken Russian influence over Caspian energy corridors. By itself BTC has limited strategic effect on the regional geopolitical balance. Were it to be coupled with a second project, the much-discussed Nabucco project, the impact would definitely be a direct challenge to Russia's energy role. The EU knows this well, which is why several member states have been less than eager to invest serious sums in Nabucco.

Recent developments in discovery and development of new natural gas reserves in both Azerbaijan and most recently in Turkmenistan in South Yolotan-Osman and Yashlar gas fields, located in the eastern part of the Amudarya River basin, add significant new energy resources to the energy calculus of the emerging Eurasian economic space.

Turkey-Russia cooperation or Turkish-Washington Cooperation?

Turkish-Russian economic ties have greatly expanded over the past decade, with trade volume reaching \$32 billion in 2008, making Russia Turkey's number one partner. Gas and oil imports from Russia account for most of the trade volume.

Turkey and Russia are already connected by the twin Blue Stream natural gas pipelines across the bottom of the Black Sea. Moscow and Ankara are talking about increasing deliveries through the network, which in 2008 carried 10 bn cm of Russian gas to Turkey.

More importantly, following a March meeting in Ankara between the Turkish Energy Minister and Gazprom chief Alexei Miller, discussions are underway about a Blue Stream-2 project. It would be a new gas pipeline parallel to Blue Stream, in addition to the construction of a gas transportation system in Turkey by expanding Blue Stream to interlink with the proposed Samsun-Ceyhan line, with a spur line under the Mediterranean to Ashkelon in Israel.

Russia's Prime Minister Putin has also said he was counting on the support of Israel in the construction of a new oil pipeline via Turkey and Israel. The pipeline would link to the Samsun-Ceyhan oil pipeline, to be constructed across the Red and Mediterranean seas.

For Turkey, which currently imports 90 % of its energy, the projects would provide increased energy security and, in the case of the Samsun-Ceyhan-Ashkelon pipeline, generate significant transit revenues.

Discussions are also underway on possible extending Turkey's gas lines across its Thracian territory to supply neighbouring Balkan nations Bulgaria, Serbia, Croatia and Hungary. In such an event, Moscow would have gained a prime goal of lessening its dependency on the Ukrainian pipeline network for transit.

Russia also won a tender for the construction of Turkey's first nuclear plant recently, though final resolution is unclear at this time. Russia's market also plays a major role for Turkish overseas investments and exports. Russia is one of the main customers for Turkish construction firms and a major destination for Turkish exports. Similarly, millions of Russian tourists bring significant revenues to Turkey every year. Importantly, Turkey and Russia may start to use the Turkish lira and the Russian ruble in foreign trade, which could increase Turkish exports to Russia.

In recent months both Turkey and Russia have taken steps to deepen economic and political cooperation. Cooperation between Russia and Turkey is seen by both now as essential to regional peace and stability.

In talk of revived 'Great Games' in Eurasia during the 1990's it seemed Turkey was becoming once more Russia's geopolitical rival as in the 19th Century. Turkey's quasi-alliance with Ukraine, Azerbaijan, and Georgia led Moscow until recently to view Turkey as a formidable rival. That is changing significantly.

Russian President Dmitry Medvedev recently commended Turkey's actions during the Russian-Georgian war of last summer, and Turkey's subsequent proposal for the establishment of a Caucasus Stability and Cooperation Platform (CSCP). The Russian President said the Georgia crisis had shown their ability to deal with such problems on their own without the involvement of outside powers.

Russia's aim is clearly to use its economic resources to counter what it sees as a growing NATO encirclement, made dramatic by the Washington decision to place missile and radar bases in Poland and the Czech Republic, as they see it, aimed at Moscow. To date the Obama Administration has indicated it will continue the Bush 'missile defense' policy. Washington also just agreed to place US Patriot missiles in Poland, clearly not aimed at Germany.

If Ankara moves towards closer collaboration with Russia, Georgia's position is precarious and Azerbaijan's natural gas pipeline route to Europe, the Nabucco Pipeline, is blocked. If it cooperates with the United States and manages to reach a stable treaty with Armenia under US auspices, the Russian position in the Caucasus is weakened.

The strategy for Washington to bring Germany into closer cooperation with the US is to weaken German dependence on Russian energy flows. With the recent Obama visit to Ankara, Washington is evidently attempting to win Turkish support for its troubled Nabucco alternative gas pipeline through Turkey from Azerbaijan which would potentially lessen EU dependence on Russian gas.

Turkey is one of the only routes energy from new sources can cross to Europe from the Middle East, Central Asia or the Caucasus. If Turkey decides to cooperate with Russia, Russia retains the initiative. Since it became clear in Moscow that US strategy was to extend NATO to Russia's front door via Ukraine and Georgia, Russia has moved to use its economic "carrot" its vast natural gas resources, to at the very least neutralize Western Europe, especially Germany, towards Russia.

A Washington Great Game?

However the question of Turkish-EU relations is linked with the issue of Turkish membership into the EU, a move vehemently opposed by France and also less openly so by Germany, and strongly backed by Washington.

Washington is clearly playing what some call 'a deeper game.' Obama's backing for Turkey's application for EU membership comes with a heavy price. As the US is no member of the EU it was an attempt to try to curry favor with the Erdogan government. Since the April Obama visit, Ankara has begun to discuss an agreement with Armenia including diplomatic relations.

A Turkish accord with Armenia would change the balance of power in the entire region. Since the August 2008 Georgia-Russia conflict the Caucasus, a strategically vital area has been unstable. Russian troops remain in South Ossetia. Russia also has troops in Armenia meaning Russia has Georgia surrounded.

Turkey is the key link in this complex game of geopolitical balance of power between Washington and Moscow. If Turkey decides to collaborate with Russia Georgia's position becomes insecure and Azerbaijan's possible pipeline route to Europe is blocked. If Turkey

decides to cooperate with Washington and at the same time reaches a stable agreement with Armenia under US nudging, Russia's entire position in the Caucasus is weakened and an alternative route for natural gas to Europe becomes available, reducing Russian leverage with Western Europe.

This past March a memorandum was signed between the Azerbaijan state oil company SOCAR and Russia's Gazprom for major deliveries of Azerbaijan natural gas to Russia by January 2010.

Azerbaijan is the only state outside Iran that would likely supply gas to the planned EU Nabucco pipeline from Azerbaijan through Turkey to south-eastern Europe. Russia has proposed South Stream as an alternative to the Nabucco project, also in need of Azerbaijan gas, so in effect Russia weakens the chances of realization of Nabucco.

In this Eurasian pipeline and economic diplomacy, clear is that Turkey and the other nations of Eurasia are grappling with new possible economic arrangements which will have profound impact on the future of the world economy. The EU as a body is at present clearly frozen in the dynamic of the old post-1945 Bretton Woods order. Initiative is unlikely to come from Brussels for a dynamic economic growth in Turkey or Eurasia generally. Interestingly, Eurasia is becoming the growth locomotive for the EU. Many Europeans find that a hard pill to swallow. It is however the reality, and a fascinating opportunity for the nations of Eurasia as well as for the economies of the EU. Ultimately, as well, a vibrant growing Eurasian economic space would be in the best long-term interest of the United States in a multi-polar world.

1. Brzezinski, Zbigniew, *A Geostrategy for Eurasia*, Foreign Affairs, 76:5, September/October 1997.

F. William Engdahl is author of *Full Spectrum Dominance: Totalitarian Democracy in the New World Order*. He may be reached via his website www.engdahl.oilgeopolitics.net

Seeds of Destruction

The Hidden Agenda of Genetic Manipulation

by F. William Engdahl

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This skillfully researched book focuses on how a small socio-political American elite seeks to establish control over the very basis of human survival: the provision of our daily bread. *"Control the food and you control the people."*

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What is so frightening about Engdahl's vision of the world is that it is so real. Although our civilization has been built on humanistic ideals, in this new age of "free markets", everything- science, commerce, agriculture and even seeds- have become weapons in the hands of a few global corporation barons and their political fellow travelers. To achieve world domination, they no longer rely on bayonet-wielding soldiers. All they need is to control food production. (Dr. Arpad Pusztai, biochemist, formerly of the Rowett Research Institute, Scotland)

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