



TERRORISM PROJECT

Terror and Oil in Central Asia

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Is the United States fighting for oil or combating terrorism in Central Asia? A number of recent articles raise questions about the true goals behind the U.S. military campaign in Afghanistan. "Bush's concealed agenda is to exploit the oil and gas reserves in the Caspian basin," charged the British tabloid *The Mirror*. Other writers point out that Zalmay Khalizad, a member of President Bush's National Security Council and the current U.S. envoy to Afghanistan, used to work on behalf of Unocal, an American oil company, which in 1998 tried to build a pipeline exporting Turkmen gas through Afghanistan. Back then Khalizad advocated engagement of the ruling Taliban regime. He later presided as one of the architects of the U.S. military campaign in Afghanistan.

The real story is, as usual, more prosaic. The actual or potential importance of oil in Central Asia is shrouded in myths and misconceptions. First of all, the Caspian is not the next Middle East, nor will the oil there significantly affect the U.S. supply/demand problem in the long run. (Caspian Sea natural gas reserves are much more promising but the exports will primarily go to Turkey, Western Europe and possibly to Asia). The Caspian countries do not have enough oil to seriously add to the world's reserves in the long run, and their impact on oil prices is also limited (the one exception is Iran, but the bulk of its reserves are far from the Caspian shores). The potential contribution of the former Soviet republics to U.S. energy needs is minimal. The United States still produces about half the oil it consumes, and of the other – imported – half, most comes from sources in the Americas, especially from Venezuela and Canada.

The gap between what the United States produces and what it consumes is expected to grow. Oil reserves on U.S. territory are increasingly scarce while consumption is expected to grow by as much as 25 percent over the next 20 years, necessitating the search for additional foreign sources of oil. However, much of the increase in imports will come from the Middle East, which is home to a lion's share of the world's proven oil reserves. The Caspian, with oil reserves roughly equivalent to those of the North Sea, is simply not in a position to help make up the expected shortfall in U.S. oil needs. None of the states of the region are anywhere near the top of the list of countries holding large proven oil reserves. Saudi Arabia leads with 25 percent of the world's proven reserves, followed by Iraq with 11 percent, Kuwait, the United Arab Emirates and Iran each with 9 percent, and Venezuela at 7 percent.

Nevertheless, it is the policy of the United States to diversify world sources of oil, not only for itself but also for other oil importers. The idea – reduced dependency on any particular region – thus decreases the possibility that a political upheaval in one country/region will significantly affect oil supplies and possibly bring about a global economic crisis. The switch to new exporters outside the Organization of Petroleum Exporting Countries (OPEC) also helps keeping global oil prices down. "The addition of Caspian oil could weaken the OPEC monopoly, providing greater leverage over the pricing policies of Saudi Arabia and other OPEC countries, ultimately contributing to lower world oil prices," one American expert told the U.S. House of Representatives. Moreover, American firms are among the world's largest

oil producers, and their interests in developing and exporting Caspian energy resources neatly coincide with the U.S. desire to add to the world's sources of oil.

The task of developing Azeri or Kazakh mineral riches, however, requires a lot more than simply opening doors for U.S. oil companies to the producer countries. The Caspian is a treacherous territory for doing oil business. Most of its oil deposits are under water, and the actual legal status of the Caspian Sea has yet to be defined 11 years after the collapse of the Soviet Union. In fact, the Caspian is considered a sea by some countries and a lake by others. An April 2002 conference of the presidents of the five littoral states, which was meant to divide up the sea's surface and bed, ended in acrimony. Ownership of a number of oil fields is being disputed – Azerbaijan and Turkmenistan went to court over one such field, and in summer of 2001 the Iranian Navy forced a British Petroleum exploration vessel from a disputed area near the Azeri-Iranian border. Producers are understandably shy about investing millions of dollars into wells that could be expropriated or destroyed in an attack.

Exporting the region's oil is also proving a challenge. The shortest route connecting the Caspian oil to the world's shipping routes leads across Iran. But the U.S. embargo on trade with and investment in Iran has ruled out this option for the foreseeable future. The straight line west – through Armenia – is also out of the question because of Azerbaijan's and Turkey's blockade which dates back to the 1994 Nagorno Karabakh war. A new pipeline is scheduled to connect Azeri (and possibly Kazakh) oil fields to Turkey via Georgia but the companies have yet to break ground on this expensive and somewhat controversial project. Pipelines across Russia are frowned upon by producer states, but for the time being remain the only alternative, together with a smaller pipeline running through Georgia. While immensely important to Turkmenistan – and beneficial to the companies that would build it – the trans-Afghan gas pipeline that Unocal advocated in 1998 is just a small piece of the overall export route jumble. It was effectively abandoned in favor of another route, across the Caspian Sea, long before Sept. 11. Neither pipeline was ultimately built, not because of the Taliban or geopolitics but because of hesitation by the Turkmen government and lukewarm interest among energy companies. The interim Afghan president, Hamid Karzai, renewed calls for the trans-Afghan pipeline in May 2002.

The U.S. attraction to Caspian oil clearly has its limits. Unlike, for example, Saudi Arabia, the southern region of the former Soviet Union doesn't hold enough mineral reserves to be considered strategic and indispensable to the United States. Other interests argue against too much involvement. Washington has long been reluctant to offer substantive military aid or deployment of troops in the Caucasus and Central Asia for fear of alienating Moscow. It was the terrorist threat, not oil, that created a new mindset after Sept. 11. Nor were the countries of the Caspian brought into NATO, despite repeated requests by Georgia and Azerbaijan for inclusion in the alliance. As the RAND Corporation concluded (before Sept. 11): "NATO and the West do not have vital interests at stake in the Caspian region... NATO's engagement in the Caspian should not command a high priority in terms of resources, planning, or attention."

It would be wrong to view the limited of American involvement in the Caspian exclusively through the prism of oil and gas. Military assistance and joint training serve a number of other useful purposes. Prevention of future conflicts in the Caucasus is a goal in its own right, regardless of the region's mineral reserves. Increasingly, U.S. policy toward the former Soviet South – and U.S. foreign policy in general – is dominated by a single-minded determination to prevent future terrorist attacks against the United States. Oil is no doubt a part of the puzzle that is the U.S. policy toward Central Asia – but by no means the only, or even the most important part.

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