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Russia plays pipeline politics

By Francesco Sisci
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BEIJING - While the United States is engrossed in Iraq and Afghanistan - even planning a troop surge in the latter - a new and bigger strategic risk looms in a much more sensitive area - Europe and Russia. The challenge is about energy and influence in the "old continent", still the richest industrial area in the world.

But first, one needs to take a few steps back.

For three centuries, Russia has attempted to gain access to the Mediterranean Sea, and all this time the traditional European powers, France and Britain, have prevented it. The United States, becoming effectively a European power after World War II, and loaded with ideological anti-communist intentions, inherited this strategic vision and fought hard against the Soviet Union, which had taken over the Russian historical legacy.

Today, [17 years](#) after the US "won" over [the Soviet Union](#) and after a brief honeymoon with the then newly reborn Russia, Moscow is in political limbo with Washington. Many American pundits, although not all of them, point fingers at Russia, and for several reasons. Ambiguities in Moscow's international policies, for instance, leave room for problems in places such as Iran and its [nuclear](#) program; it is not clear whether Russia backs the US-led drive to impose sanctions on Tehran.

A few years ago, with the [war in Iraq](#) raging and oil prices soaring, Russia became haughty and put pressure on the former Soviet republic of Ukraine and others. Moscow also strongly objected to the planned American missile defense installations in Europe - now scrapped - and also denounced the American-supported "color revolutions" in former Soviet countries.

All of this de facto asserted a [sphere of influence](#), almost as if Moscow were trying to re-establish the boundaries of the former Soviet Union.

Furthermore, domestically, there has been an autocratic turn against internal dissent.

These developments, both external and internal, can be justified as a response to the gradual disintegration of the former Soviet empire after the Cold War. Russia has the right to exist and defend its borders and interests without being subjected to process of political erosion - whether slow or fast.

However, Russia's policies could be interpreted as assertive by a country that is still the only one in the world possessing the nuclear capabilities to destroy the United States and all its allies.

Moreover, when the US was in great difficulties in Iraq and energy prices were going through the roof, Moscow sought to use its energy supplies almost as a "strategic weapon" in Europe, wooing countries and also different political camps within states.

In this way, Moscow helped to crack the unity of [the North Atlantic](#) Treaty Organization (NATO) and the European consensus on the war in Iraq, although that consensus was not very strong to begin with. Moreover, [the European Union](#) and its expansion to the east were first conceived as part of an anti-Soviet and then as an anti-Russian containment strategy. But Moscow has cleverly used its new foreign policy in the past decade to break the European front by reaching out for support in Germany, France, Italy and smaller European countries.

Again, all these moves can be seen as legitimate, friendly and neighborly moves or as legitimate opposition to a dubious American Middle Eastern policy. In any case, they form the backdrop to the Russian-sponsored South Stream [pipeline](#) project, which was conceived after and in competition with the US-sponsored Nabucco pipeline project.

Nabucco will carry gas and oil from Central Asia (the former Soviet republics) and directly from the Caucasus to Europe via Turkey - bypassing Russia. The project can be seen as a further effort to contain Russia because it provides a direct "escape route" to new markets for the former Soviet republics, freeing them of the umbilical cord with Moscow. Nabucco provides Europe with a major new source of supplies. This will give them three lines of energy supplies: From African and Middle Eastern and [Organization of Petroleum Exporting Countries](#) (OPEC); from Russia and thirdly from Central Asia and the Caucasus. With these supplies, European countries (all consumers) can expect to negotiate better prices for their fuel.

The strategic implications of Nabucco are serious. This pipeline could cause a further split between Moscow and the former Soviet countries, which still supply Russia at a cheap rate. Moscow then sells its energy in Europe at market prices. Nabucco would put an end to this. Moreover, Nabucco could become operational in about a decade - just when [Russian](#) domestic energy consumption threatens to exceed its production. Then Russia would become a net energy importer, and it would have a greater need for cheap energy.

Faced with the strategic challenge of Nabucco, which is in line with some broad American and European interests, Russia in a nutshell has two choices. The most difficult choice is to change its "development model", gradually abandoning its current system in which over 80% of its exports are of raw materials to create a modern export industry. The other choice, the easier one, is to try to defend its current economic model based on large exports of energy and hence its area of influence, which also broadens the pool of raw materials to sell. [1]

The first choice could also entail a possibly humiliating negotiation with the United States, a fundamental reorganization of the Russian internal political balance (which is now heavily dependent on energy tycoons), and the creation of a class of small and medium businesses (which today is practically non-existent). The second option is easier because it involves internal reorganization of present industrial interests, the consolidation of relations in areas of former Soviet influence, and the projection of influence in neighboring Europe.

The two pipeline projects, North and South Stream, can help this second choice. The North Stream pipeline would skip Ukraine to get to Germany via the Baltic Sea, along the routes taken by ancient ships of the Hanseatic League. South Stream would be a new pipeline crossing the Black Sea and the Balkans to reach Europe via Italy or Hungary. North Stream is chaired by former German chancellor Gerhard Schroeder. South Stream has the support of [the Italian](#) energy company ENI and Italian Premier Silvio Berlusconi.

With these two projects, Russia could have three channels to take its energy to European countries, including the present pipeline running through Ukraine. With three pipelines, Russia could be able to divide and rule at will in Europe, which is not a political unit but a varied collage of some 30 states often with no or very confused strategies.

It is theoretically true, as observed by some advocates of the Russian project, that the Europeans supply cash to Russia as Russia supplies Europe with gas - there is a symbiotic relationship in which neither side can live without the other. Without Europe's money, Russia dies a minute after the death of Europe for lack of Russian energy.

In reality, this would be true if Europe was politically united: then it could deal on equal terms with Russia. In fact, Europe is disunited, and there could be three Russian pipelines, meaning that Moscow can calibrate its supply and pressure on various states while minimizing the risk of running out of money. That is, for example, Russia can cut gas supplies to an unfriendly country without affecting supplies to friendly ones - and especially without depriving itself of all of the money flow, which would be political suicide.

In other words, South Stream becomes a strategic weapon by which Russia can get the upper hand in Europe. As with the best chess players, for Russia, a situation of defense because of Nabucco can become a position of attack. It can re-establish the former Soviet influence, attempt to reach [the Mediterranean](#) after three centuries of failures, and take on a dominant position in Europe.

South Stream is supported by the Russian state and therefore has no funding problems, in

contrast to Nabucco, which is a commercial project and needs to find funding in the market. A simple political and media push for South Stream could derail Nabucco, which by itself has many political and technical problems before it can be implemented. For example, there is the big question of how to cross the Caspian Sea without clear agreements from bordering countries such as Russia and Iran. Once Nabucco is shipwrecked, South Stream may gain steam and look even more viable.

With South Stream, Russia has one more instrument with which to negotiate from a point of strength: other oil- and gas-producing countries could agree to tag along in Europe. It could become the glue for a new kind of OPEC centered on Russia. Pipelines are strategically important because they are a long-term pact between states, they are very expensive, and completing them takes many years. They can't be changed easily, unlike shipping lines, which in theory can be diverted to another port at will.

This could have global consequences. If Russia corners the European gas market, it gains a strong hand in also determining overall prices for oil to America and Asia. The latter is the fastest-growing consumer of energy and strategically interested in gaining a supply of gas in Central Asia that is independent from Russia.

In Europe, Russia is not just another country, even forgetting its history. Its territorial dimensions (Russia is larger than the rest of Europe) and demographics (there are twice as many Russian native speakers in Europe as German native speakers - the second-most widely spoken European language) make it a giant when compared with other European countries. However, its average wealth is lower than in rich Europe, and Russians feel a sense of alienation from fellow Europeans: Russia feels bigger and stronger than other European countries, while it remains poorer. South Stream could help to change that perception.

In this situation, ENI has seized a business opportunity - to be part of an attempt to corner the European market for oil and to join Gazprom in a potential world monopoly. There is nothing strange in the moves by ENI and Gazprom, the Russian energy giant.

The history of oil is one of monopolies. There were the "seven sisters," the Anglo-American oil companies that dominated [the market](#) from World War II to the 1970s; in the 1970s, OPEC came along. But both attempts were monopoly alliances comprised of many actors - there were at least seven [major oil companies](#) in the seven sisters and dozens of states are OPEC producers. Moreover, OPEC - which was also born of the anti-colonial Third World movement of the 1960s but lacked strong political and [military support](#) - de facto sank in a few years. The seven sisters instead lasted for nearly three decades on the shoulders of Anglo-American political and military power.

The ENI-Gazprom alliance would then need strong [political](#) support. But does Russia have it? And if it doesn't, then what is it willing to do to get it? What is Russia willing to do if someone stands in the way?

Furthermore, the seven sisters were seven - not just two - companies and were based on the two victorious powers of [World War II](#) (the US and Britain.) - not on the defeated power of

the Cold War (Russia) and on a medium-sized power (like Italy, France or Germany). What then is the interest of Italy - or of Germany or France? In an alliance with Russia, each of them would be a junior partner, largely unable to leverage the senior partner and subjected to any changes in its political mood. The interest of each European country is conversely to have [energy](#) at the lowest possible price, which is obtained by putting several suppliers in competition with each other. This could drive European oil-consuming industrial strengths rather than living off oil annuities.

Finally, there is a basic market rule. Since the beginning of capitalism, theorists noticed the perverting influence of monopolies, which influence prices, create inefficiencies for consumers, and lead to an unhealthy business atmosphere. In other words, monopolies try to restore the old feudal economy and move away from modern capitalism.

Many reasons militate against South Stream. These were brilliantly presented and discussed about a year ago by Zeyno Baran in a report on the security of the South Stream prepared for the European parliament and commissioned by the Hudson Institute in Washington [2]. But so far, the US and European countries have not pushed strongly against it. Washington does not want a confrontation with Russia, instead it wants to engage with Russia and build a positive relationship, as among other things, the US needs Russian support to solve problems in Afghanistan and Iran.

America is willing to help Russia find solutions for the problems of its pipeline through Ukraine. The Barack Obama administration was also willing to scrap its missile program for Europe, and it has toned down its support for anti-Russian Georgia in the Caucasus. Many of these previous policies could be viewed as unnecessary provocations when there was no reason to confront Russia.

Yet, this engagement can never result in the US giving away Europe and the Mediterranean to Moscow. On the other hand, South Stream seems unrealistic, riddled with political and technical difficulties. It may well never take off, and if so, then it would simply not be necessary to confront it - the project will drag on for years and eventually peter out and disappear. This might be a possibility, but in the meantime, the simple idea of South Stream could kill the even more difficult Nabucco project. And without Nabucco, South Stream could emerge as the only practical solution to Europe's energy difficulties.

Here, the European strategy also meets the plans of the Holy See.

Moscow has revamped relations with the [Russian Orthodox Church](#), and the Holy See is working hard to improve relations with Russian Orthodox believers, who have no huge theological difference with Rome. Rome would like to bring the Russian Orthodox Church to the Catholic riverbed.

With a different stress, and even with different purposes, there is a parallel between the US and the Holy See action vis-a-vis Russia - both are aimed at avoiding confrontation with Moscow and in taking Russia back into the fold. Washington is more cautious and Rome more enthusiastic, but certainly the Holy See does not want to give the Catholic Church to the

Moscow patriarch. Italy's political "subjugation" to Russia with South Stream could, however, strengthen the hand of the Moscow patriarch, who is linked to Moscow's political leaders.

Nor are relations between the Holy See and Washington free of difficulties. The old accusations of gay priests and pedophilia are ruining the reputation of the Catholic Church in America, and this threatens the Vatican. In the US, there is a now dormant bill that proposes dropping time limits on pedophilia suits. That is, one could sue a priest because of molestations 30 or 40 years ago. This threatens the US church with [bankruptcy](#) as parishes and dioceses invariably agree to settle out of court to avoid trials that could tarnish the whole church.

President Obama had proposed passing the bill, but now it is in the icebox. But if a new campaign of accusations of homosexuality in [the church](#) makes its way to Italy, the cradle of Catholics, one puts salt in an open wound. It might open a Pandora's box for the whole world - with effects in France, Spain, Germany and Latin America - a danger to the universal church.

In the past few weeks, this took place in Italy as the Berlusconi family newspaper, *il Giornale*, attacked on sexual charges Dino Boffo, the editor of *Avvenire*, the daily belonging to the Italian Conference of Bishops. This was done entirely for domestic reasons; however, its drawbacks may be international, and if the situation continues, it could spin [out of control](#), as Berlusconi's Italian enemies could also bait him with new provocations hoping for excessive reactions from him or his men.

The best course of action should be to take a step back, wait for a few months until things are improving in Afghanistan, and [cool down](#) on the South Stream, with Russia, the pipelines and gay issues. But rational responses are often hard to come by and crises may occur when and where we least like them.