FOREIGN POLICY SERIES

A PIPELINE THROUGH A TROUBLED LAND: AFGHANISTAN, CANADA, AND THE NEW GREAT ENERGY GAME

By John Foster

Summary

• The proposed Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline will transport approximately 33 billion cubic metres per year of natural gas 1,680 kilometres from the Dauletabad gas field in southeast Turkmenistan through southern Afghanistan, to Pakistan, terminating in Fazilka, India. India and Pakistan will share the output equally, and a small percentage will be used by Afghanistan.

• A Gas Pipeline Framework Agreement, signed by representatives of the four participating nations on April 25, 2008, commits the partners to initiating construction in 2010, supplying gas by 2015. The Asian Development Bank (ADB) is sponsoring the project.

• While the pipeline project holds promise for economic development and regional co-operation, the ongoing conflict in Afghanistan has contributed to construction delays. The estimated cost has doubled since 2002 to $7.6 billion.

• U.S. regional ambitions and rivalries with Russia and China include geopolitical manoeuvring for control of energy, into which Canada has been drawn.

• The impact of the TAPI pipeline on Canadian Forces must be assessed, given that the proposed pipeline route traverses the most conflict-ridden areas of Afghanistan, crossing through Kandahar province where Canadian Forces are attempting to provide security and defeat insurgents.

• Construction of the pipeline could provide important economic development opportunities to the region. But if the project proceeds without a peace agreement that will end the insurgency, the pipeline could exacerbate the ongoing conflict and take the Canadian Forces away from other priorities to defend the pipeline.

• Fulfilling the recommendation of the Manley Panel’s final report, the Canadian government should provide parliamentarians and the public with more information about the proposed TAPI pipeline and its impact on Canadian policy.

Introduction

by Steven Staples
CCPA Research Associate and President of the Rideau Institute

Afghanistan has become the central focus of Canadian defence, aid and foreign policy since Canada joined the invasion to topple the Taliban government and rout al Qaeda from the country following the terrorist attacks of September 11, 2001.

With Canada’s involvement in the country approaching its eighth year, with casualties mounting and the cost still climbing, the government has been trying to reassure Canadians that Canada’s goals are noble and worth the sacrifice.

In 2007, Prime Minister Harper used the Speech from the Throne to articulate Canada’s ambitions. “Nowhere is Canada making a difference more clearly than in Afghanistan. Canada has joined the United Nations–sanctioned mission in Afghanistan because it is noble and necessary,” said Governor General Michaëlle Jean on behalf of the government. “Canadians understand that development and security go hand in hand. Without security, there can be no humanitarian aid, no reconstruction and no democratic development. Progress will be slow, but our efforts are bearing fruit. There is
Discussions of Canada’s role in Afghanistan have ignored the history of the region, which is littered with the failed ambitions of foreign states. Afghanistan has been a frequent battleground between nations and empires vying for dominance of the region. In efforts to conquer Afghanistan, foreign powers have expended great sums in blood and treasure. Today, the Great Game is a quest for control of energy export routes. Afghanistan is an energy bridge to bring natural gas from Turkmenistan to Pakistan and India.

The search for reliable sources of oil, gas and electricity is a top priority of many national capitals, not the least of which is Washington, D.C. In the post–Cold War world, the future economic and military power of old superpowers and emerging powers alike depends on reliable supplies of energy. The United States, the world’s greatest power, is also the most dependent upon energy imports. This dependence is a vulnerability to the U.S. in maintaining its global status.

In the halls of NATO, energy security and national security have become intertwined. As a traditional ally of the United States and member of NATO, Canada is drawn into the global chess match. At the 2008 Summit in Bucharest, NATO’s leaders pledged: “The Alliance will continue to consult on the most immediate risks in the field of energy security." The final communiqué went on to say that “NATO will engage in... supporting the protection of critical energy infrastructure.”

Afghanistan’s role as an energy bridge is recognized at donor meetings and discussed in Asian newspapers, yet Canada’s decision makers and opinion leaders have remained silent. Why? What impact do energy issues have on Canada’s Afghanistan policy? Canadian Members of Parliament and officials have participated in regional energy meetings; but in government speeches and media reports, it’s as if no meetings have ever taken place.

This study is an important contribution to the public debate over Canada’s policy regarding our involvement in Afghanistan. International energy economist John Foster lays out the case that Canadians may be unwittingly dragged into the New Great Game for control of energy. It is essential that Canadians consider these issues when determining our nation’s role in Afghanistan and NATO.

~Steven Staples
Canadian leaders knew little of Afghan tribal divisions or history of expelling foreign armies. According to Stein and Lang, Canada went to Afghanistan to placate the Americans.5

Deepak Obhrai, Parliamentary Secretary to the Minister of Foreign Affairs, affirmed in 2007: “Our relationship with the USA is central to our foreign policy… The United States is our strongest and most important ally, for domestic as well as international issues. It is imperative that Canada support an engagement with the US on multiple fronts.”6

Energy issues have not been part of official Canadian statements on Afghanistan. Yet, in its regional setting, Afghanistan has a key role in the quest for access to the immense energy resources of Central Asia.7

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**Map 1. Proposed Central Asian Gas Pipelines**

Afghanistan’s position between Central Asia and South Asia (Pakistan and India) enables it to serve as a link between the two. To the north, Afghanistan borders three of the five countries that became independent when the Soviet Union broke up. Turkmenistan, its immediate neighbour to the northwest, has immense reserves of natural gas. Turkmenistan’s petroleum minister told a meeting of pipeline partners that “Turkmenistan has gas reserves of 8 trillion cubic metres.”8 Until recently, this gas flowed out only northward through Russia. But Turkmenistan wants to send its gas south to supply the growing markets in Pakistan and India.
In its regional setting, Afghanistan is an energy bridge, linking the gas resources of Turkmenistan and the energy-starved economies of Pakistan and India. For more than a decade, the United States has been working towards a pipeline to move natural gas from Turkmenistan through Afghanistan to Pakistan and India.

When the Taliban was governing Afghanistan, two consortia vied for the right to take on the project, one led by Unocal (an American firm) and the other by Bridas (an Argentinean firm). The U.S. government supported the Unocal consortium; it was negotiating with the Taliban regime from 1997 to August 2001, during both the Bill Clinton and George W. Bush administrations. The Bush administration saw the Taliban regime as a source of stability for the proposed pipeline, but demanded that the Taliban form a government of national unity that would include the northern tribes. Bridas took a different approach – they were negotiating separately with different tribes.9

U.S. negotiations with the Taliban broke down in August 2001, just before the terrorist attacks of September 11, 2001. Shortly after, the U.S. ousted the Taliban, with the assistance of the northern tribes. In December 2001, Hamid Karzai was appointed interim president of the Afghan Transitional Administration. Also that month, Zalmay Khalilzad was appointed U.S. Special Presidential Envoy for Afghanistan.

There are reports that Karzai had earlier consulted for Unocal.10 Karzai and Unocal have denied such a relationship. Khalilzad, while at the RAND Corporation in the 1990s, reportedly acted as liaison between Unocal and the Taliban regime. He has held key positions in the Bush Administration, most recently serving as U.S. Ambassador to Afghanistan (2003-05), Iraq (2005-07) and the United Nations (2007-present).

Karzai was elected President in 2004, but Afghanistan continued to lack a government of national unity. The Pashtun – roughly 40 per cent of the population – are woefully under-represented in the Karzai government, which is viewed by many Afghans as corrupt and ineffective.11 The insurgency, rooted in the Pashtun south with bases of support in neighbouring Pakistan, continues to thwart efforts by the Karzai government to extend its legitimacy across the entire country. Throughout the period after Karzai assumed office, pipeline planning continued. In February 2002, Interim President Karzai and President Musharraf of Pakistan announced their agreement to “co-operate in all spheres of activity,” including the proposed pipeline. In May 2002, Karzai signed a memorandum of understanding with the Presidents of Pakistan and Turkmenistan on the pipeline project.12

**Turkmenistan-Afghanistan-Pakistan-India Pipeline**

The original plan for the gas pipeline linking Turkmenistan with southern neighbours extended only to Pakistan, through Afghanistan. But in April 2008, India officially joined and it became commonly known as the TAPI pipeline, TAPI being the initials of the four participating countries – Turkmenistan, Afghanistan, Pakistan and India. The United States strongly supports the project.

The Asian Development Bank (ADB) is coordinating the project. The ADB is a multilateral development bank headquartered in the Philippines, and is owned by 67 members, 48 from the region and 19 from other parts of the world. Canada is an active member of this regional development bank. The four participating countries have regular steering meetings with the ADB as facilitator.13

In 2003 the ADB financed a technical feasibility study of the pipeline.14 The study envisioned the construction of a natural gas transmission pipeline of about 1,700 kilometres to transport about 33 billion cubic metres (BCM) of gas annually through a 56-inch surface and underground pipeline. Reflecting each country’s need for imported gas, Afghanistan’s offtake from the pipeline is estimated at less than 5 BCM annually, compared with 14 BCM each for Pakistan and India. Once the co-operating countries and other partners agree on the project design, operating parameters and contractual agreements, the pipeline could take up to five years to construct.

The proposed TAPI pipeline follows an ancient trading route from Central to South Asia. It will run from the Dauletabad gas field in Turkmenistan along the main highway through Herat, Helmand and Kandahar in Afghanistan; through Quetta and Multan in Pakistan; to Fazilka in India, near the border between Pakistan and India. Helmand and Kandahar are the provinces where safety and security are problems and where British and Canadian forces, under the NATO umbrella, are involved in combat alongside U.S. forces.
Map 2. Proposed Turkmenistan-Afghanistan-Pakistan-India (TAPI) Gas Pipeline.
**TAPI Pipeline and 2006 Donor Meeting**

The TAPI pipeline was high on the agenda of a major donor meeting held November 18-19, 2006, in New Delhi – the Second Regional Economic Cooperation Conference on Afghanistan. Representatives from 21 countries attended, including the United States; Russia; major NATO countries such as Canada, France, Germany, United Kingdom and Italy; and regional powers such as India, Pakistan and Iran, as well as Afghanistan. International institutions participating included the ADB, the International Monetary Fund, the United Nations, the European Commission and the World Bank.

Canada’s delegation was led by the Parliamentary Secretary to the Minister of Foreign Affairs Deepak Obhrai, Conservative Member of Parliament for Calgary East. In a statement announcing Canada’s participation, then foreign affairs minister Peter MacKay remarked: “Enhanced regional economic cooperation is important not only to Afghanistan’s progress toward becoming a self-sustaining, prosperous state, but also in promoting regional stability.”

According to the official list of delegates, Parliamentary Secretary Obhrai was joined by David Malone, High Commissioner of Canada to India; Douglas Scott Proudfoot, Director of the Afghanistan Task Force in Foreign Affairs; and Linda Libront, First Secretary for Aid and Development.

The conference’s final statement pledged: “Countries and organizations will assist Afghanistan to become an energy bridge in the region and to develop regional trade through supporting initiatives in bilateral/multilateral cross-border energy projects… Work will be accelerated on [the] Turkmenistan-Afghanistan-Pakistan-India gas pipeline to develop a technically and commercially viable project.”

The conference statement exhorted: “Countries will encourage and facilitate transportation of energy resources within the region.” It observed: “The proposed Turkmenistan-Afghanistan-Pakistan-India gas pipeline has the potential for new opportunities for regional energy cooperation, resulting in enhanced development, improvement in physical security and overall economic benefits.”

The conference statement referred to the rising tide of violence in the region, noting: “Peace and economic stability in the region are dependent in large measure on the progress in stabilizing the security situation in southern and eastern Afghanistan.” However, “current conditions, despite the above mentioned security and other constraints, still represent a good opportunity to improve the welfare of the peoples through… joint promotion of infrastructure activities, especially in all forms of transport and energy development.”

**Recent Developments on the TAPI Project**

In Canada hardly anyone talks about the pipeline, despite the fact that it would run through the heart of the insurgency where Canadian troops are deployed. With notable exceptions, politicians and press have remained silent. Even a major report on Afghanistan, presented in February 2007 by the Standing Senate Committee on National Security and Defence, failed to mention the pipeline, energy, oil or gas. The silence may reflect lack of knowledge on this issue. The Canadian government and media have focused mostly on short-term military operations and development.

Yet, if the pipeline goes ahead successfully, it could be Afghanistan’s largest development project. According to the Interim National Development Strategy for Afghanistan (2005), transit revenue could amount to US$160 million per year, or about half of the Afghan government’s domestic revenue. These revenues are important to sustain development efforts. The benefits of construction jobs and transit fees could provide revenue to help pay for teachers and infrastructure.

There are regional benefits too. While helping to meet the energy needs of Pakistan and India, and possibly other countries, the pipeline would link Afghanistan with Pakistan and India in a way that requires co-operation. So it’s potentially good for peace. As the Turkmen President said recently: “The pipeline between Turkmenistan, Afghanistan, Pakistan and India will be a weighty contribution to the positive cooperation on this continent.”

Leaders in Pakistan and India speak publicly about their concerns regarding pipeline safety and security. The former prime minister of Pakistan admitted in February 2007 that the Afghan pipeline “would have to pass through strife-torn Kandahar.” According to the Pakistani press (June 7, 2008), Afghanistan has informed stakeholders that all landmines will be cleared from the pipeline route within two years, and the route will be freed from Taliban influence.

Despite security concerns, the four participating countries signed formal agreements at a TAPI steering committee meeting on April 24, 2008, in Islamabad, Pakistan. The meeting, facilitated by the ADB, was attended by energy ministers from the four countries: Khawaja Asif (Pakistan), Baymurad Hojamuhamedov (Turkmenistan), M. Ibrahim Adel (Afghanistan) and Murli Deora (India). With India’s
signature on the Gas Pipeline Framework Agreement, the project officially became a four-nation initiative.\textsuperscript{24}

At that meeting, the ADB presented an update of the feasibility study done three years ago. It noted that the estimated capital cost has doubled to $7.6 billion (2008 prices) but expressed willingness to submit the project to its Board for financing.\textsuperscript{25} The cost increase was attributed to “(i) sharp increase in the price of steel; (ii) increase in construction cost, and (iii) increase in the cost of compressor stations.” Turkmenistan promised independent certification of the gas available for the pipeline.\textsuperscript{26}

According to reports, the Petroleum Minister of Afghanistan, Muhammad Abrahim, informed the meeting that more than 1,000 industrial units were planned near the pipeline route in Afghanistan and would need gas for their operation. He said 300 industrial units near the pipeline route had already been established, and the project’s early implementation was essential to meet their requirements.\textsuperscript{27}

Plans call for the line to be built and operated by a consortium of national oil companies from the four participating countries. A special-purpose financial vehicle is to be floated, and it is likely that international companies will join in laying and operating the pipeline.\textsuperscript{28} Pakistan’s new prime minister described the pipeline as a vital project for the development and progress of the region.\textsuperscript{29}

A technical meeting of TAPI participants and ADB was held on May 30, 2008, in Ashgabat, Turkmenistan, to follow up on gas pricing and other issues.\textsuperscript{30} It coincided with a three-day visit there by Richard Boucher, U.S. Assistant Secretary of State. He called on the Turkmen President for talks on a wide range of issues, including energy co-operation.\textsuperscript{31} He urged diversification of gas export routes from Turkmenistan.\textsuperscript{32}

\textbf{TAPI and Afghanistan’s National Development Strategy}

Afghanistan’s new National Development Strategy (2009-2013) – presented at a donors’ conference on June 12, 2008, in Paris – refers briefly to ongoing planning for the TAPI gas pipeline and to Afghanistan’s central role as a land bridge connecting land-locked, energy-rich Central Asia to energy-deficient South Asia.\textsuperscript{33}

- “Afghanistan is also participating in ongoing planning for a Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline. A number of regional energy trade and import arrangements have commenced and will contribute to long-term energy security.” (page 81)

- “Enhanced regional cooperation provides Afghanistan an opportunity to connect land locked energy rich Central Asia with warm water ports and energy deficient South Asia. As a result of this expanded trade Afghanistan would be able to meet part of its energy demand. As a transit country, Afghanistan will realize increased revenue and enhanced economic activity, enabling it to better meet its main development challenges.” (page 143)

Interestingly, its table of Policy Actions and Activities (Appendix I) omits TAPI by name. It does mention the “promotion of regional cooperation to facilitate various projects under the energy sector,” for which the expected outcome is “an enabling environment for private sector investment in energy sector.” It goes on to specify various actions and activities that would facilitate the utilization of natural gas; viz., preparation of gas law and manual, establishment of new organizational structure for gas and oil management, design of gas pipeline grid to provinces, establishment of natural gas pricing regime. And finally, it includes planning for exploration activities, and for mapping and survey of minerals, oil and gas.

Meanwhile, Iran has separately offered an alternative to the route through Afghanistan – a pipeline to supply Iranian gas to Pakistan and India.

\textbf{The Rival Pipeline: Iran-Pakistan-India Pipeline}

Iran is negotiating with Pakistan and India for a pipeline (called IPI after the names of the three countries) to supply Iranian gas along a relatively secure route. With an estimated capital cost of $7.5 billion, IPI is similar in cost to the TAPI project, and is seen as a potential rival to TAPI. The IPI pipeline would move Iranian natural gas to neighbouring Pakistan and on to India. The route would avoid strife-torn Afghanistan altogether.
The IPI pipeline would be 2,670 kilometres long, with about 1,115 kilometres in Iran, 705 kilometres in Pakistan, and 850 kilometres in India, and would take four years to build. It would be constructed by the three nations separately, rather than by a single, co-operative venture along the lines that the TAPI partners propose. The purpose of this separate approach is reportedly to avoid raising the United States' ire and potential sanctions for co-operating with Iran.

Russia's Gazprom has expressed willingness to help build the IPI line. Pakistan is considering inviting bids by oil and gas companies to build the section in its territory, and BP has publicly expressed interest.

In 2007, a senior State Department official, Steven Mann, stated that the United States is unequivocally against the deal. “The U.S. government supports multiple pipelines from the Caspian region but remains absolutely opposed to pipelines involving Iran.” Washington fears the IPI pipeline deal would be a blow to its efforts to isolate Iran. The Bush administration has been trying to pressure both Pakistan and India to back off from the pipeline.

This has resulted in the TAPI pipeline being viewed as a U.S.-backed initiative to aid in its isolation of Iran. Local leaders are sensitive to this accusation, given widespread popular aversion to the Bush administration. In response to a reporter's question this April, Pakistan's petroleum minister categorically denied that talks on TAPI were held in Islamabad under U.S. pressure to block the Iran-Pakistan-India deal.

Until recently, India's participation in IPI was uncertain. In a significant breakthrough, oil ministers of India and Pakistan met on April 25, 2008, in Islamabad (just after the TAPI meeting) to resolve a pricing squabble and clear the way for signing agreements. The President of Iran visited Islamabad and New Delhi the following week for talks on the pipeline. This breakthrough happened despite strong U.S. pressure on India and Pakistan to abandon the project and go for the line through Afghanistan.

Assistant Secretary of State Richard Boucher admits the U.S. has a “fundamental strategic interest” in Afghanistan “as a conduit and hub for energy, ideas, people, trade, goods from Central Asia and other places down to the Arabian Sea.” He predicts the U.S. will be there for a long time.
The U.S. strategic interest extends to its relationship with Pakistan and India. Both countries are regional powers, wooed by Russia and China. India has become a major power in Asia (not just South Asia). As Evan Feigenbaum, Deputy Assistant Secretary of State, points out, the U.S. looks at “the role of India, China and Japan… and their relations with each other in this larger Asian space.” Geopolitically, the ties Pakistan and India have with other countries – and their pipeline links – are important to the U.S.

**The Canadian Connection in Turkmenistan and the Region**

Canada’s energy sector is active in the region. In 2005, there were 35 Canadian energy companies in Kazakhstan and 4 in Turkmenistan. On February 12, 2008, former prime minister Jean Chrétien travelled to Turkmenistan to meet with President Berdimuhamedov, along with executives of Buried Hill Energy, an Omani-Canadian company with offices in Calgary. According to the Turkmen state news service, Mr. Chrétien said “the international community showed intense interest in Turkmenistan and its leader, whose policy of the progressive reforms had won the country the recognition and high prestige worldwide.”

At that meeting, Roger Haines, Chairman and Chief Executive Officer of Buried Hill Energy, gave an update on his company’s activities in Turkmenistan, including seismic work in the offshore Serdar gas field. Buried Hill Energy signed a production-sharing agreement with Turkmenistan in late 2007 to explore and develop this field in the Turkmen sector of the Caspian Sea. Thermo Design, a Canadian engineering and manufacturing company, also has contracts in Turkmenistan. It built and maintains an LPG (liquefied petroleum gas) recovery plant for the state firm Turkmengas in eastern Turkmenistan.

Canadian firms could be awarded construction contracts if the TAPI pipeline moves forward. Afghanistan is already Canada’s largest recipient of foreign aid and Canadian troops have taken a disproportionately high level of casualties, so Canadian firms would be well positioned politically to win contracts from the Afghan government.

But the deteriorating security situation makes it unlikely that any Canadian firm would want to have employees working in the region. Unless the risk of attacks is greatly diminished and the security position improves enough to allow construction and operation to proceed, it’s unlikely that Canadian firms will benefit from the TAPI pipeline.

**NATO Proposals**

Energy has become an issue of strategic discussions at NATO, and the issue was reviewed at the 2008 NATO Summit in Bucharest. The Summit Declaration affirmed that NATO will support the protection of critical energy infrastructure, and stipulated that a progress report on energy security be prepared for the 2009 Summit.

Two years earlier, the 2006 Summit Declaration avowed support for a coordinated effort to promote energy infrastructure security. At that Summit, held in Riga, Latvia, the U.S. made several proposals to commit NATO to energy security activities, but the Summit reached no decision. The Europeans were wary of tasks they might come to regret. However, these proposals could come up again, and they merit close scrutiny.

One proposal at the 2006 Summit called for NATO to guard pipelines and sea lanes. Would that apply to the Afghan pipeline? If so, NATO troops could be in Afghanistan for a very long time. Pipelines last until they’re decommissioned – that may be 50 years or more. Would guarding sea lanes apply to the Persian Gulf? Would the Canadian Navy be part of a sea lane protection service?

A second U.S. proposal called for energy security to be a NATO Article V commitment (an attack on one is an attack on all). That would make threats to energy security tantamount to an attack on a member country, and that, in turn, would require a response from all members. Does Canada wish to have this responsibility outside the North Atlantic area?

At the 2007 E.U.-Canada Summit, Prime Minister Harper referred to energy security as requiring “unprecedented international cooperation… protecting and maintaining the world’s energy supply system.” Foreign Affairs and International Trade Canada (DFAIT) recognizes “the re-emergence of energy as a major foreign policy consideration,” and has resurrected its Energy Secretariat “to analyse key energy security and related issues.” That’s despite severe budget cuts and twenty or so years with no energy secretariat.

NATO proposals could have enormous consequences for Canada, especially if NATO’s role is extended to include energy security worldwide.
Rivalry in Central Asia: The New Great Game

“Energy Security” is the current buzzword in Western capitals. No country talks about playing the New Great Game – what leaders talk about is achieving energy security. These two words have crept into the mission statements of governments and international agencies, including Canada, the United States and NATO.

The New Great Game in Central Asia is a geopolitical game among the world’s Great Powers for control of energy resources. The geopolitical game is openly analyzed in U.S. think tanks, such as Brookings Institution, Johns Hopkins University’s School of Advanced International Studies, and Heritage Foundation. It is well reported in the Asian press. It is hardly visible in Canada.

The term Great Game dates back to the 19th century, when it was popularized by Rudyard Kipling in his novels of British India. At that time, the rivalry was between the British and Russian empires. The epicentre of conflict was Afghanistan, where the British fought and lost three wars. Throughout history, tribal loyalty in Afghanistan has remained paramount, making life difficult for invaders.

North of Afghanistan are the five countries of Central Asia: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Until 1991, they were part of the Soviet Union. They became independent when the Soviet Union broke up. These five “Stans” of Central Asia are sandwiched between the Caspian Sea to the west, Russia to the north, China to the east, and Iran and Afghanistan to the south. When the countries of Central Asia were within the Soviet Union, their oil and gas flowed only to the north through Soviet-controlled pipelines. After 1991, competing world powers began to explore ways to tap these enormous reserves and move them in other directions.

Kazakhstan is by far the largest Central Asian country – about the same size as western Canada. It has the largest oil reserves in Central Asia. They are said to be three times those of the North Sea. One discovery alone – Kashagan in the Caspian Sea – may be the world’s most important oil find in 40 years, since Alaska. According to the International Energy Agency, Turkmenistan has the world’s fourth largest reserves of natural gas.

Turkmenistan and Kazakhstan border the Caspian Sea, as do three other countries – Iran, Azerbaijan and Russia. The Caspian Sea is the world’s largest inland body of water; it is about 20 times the size of Lake Ontario. All littoral countries are looking for their share of the oil and gas riches under the Caspian Sea. That makes it a prime target for rivalry among competing world powers.

Countries playing the New Great Game want energy to flow in directions under their control: north to Russia, west to Europe (bypassing Russia), east to China, south through Afghanistan. The players are U.S.A., China and Russia; regional powers such as Pakistan, India, Turkey and Iran; and NATO countries, and by extension Canada through its NATO membership.

The Central Asian countries are far from the world’s oceans and tankers, so they must rely on pipelines to get their oil and gas to market. Pipelines are fixed and inflexible. Without a pipeline, the oil and gas remain locked in the ground. The pipeline route is critical; the oil or gas can only go where the pipeline goes.

Pipeline routes are important in the same way that railway lines were important in the 19th century. They connect trading partners and influence the regional balance of power. When a pipeline crosses more than one country, each country becomes a stakeholder. The countries are bonded physically, economically and diplomatically.

Russia is expanding its imports of Turkmenistan’s gas treasure. Turkmenistan currently exports virtually all its gas via Kazakhstan to Russia. However, the pipeline infrastructure is aging, and the route was originally designed to supply other Soviet republics rather than European countries. In December 2007, ministers from the three countries signed an agreement to construct a new gas pipeline that will parallel the older one and augment the export system’s capacity. President Putin of Russia and President Nazarbayev of Kazakhstan oversaw the signing and conferred by phone with President Berdimuhamedov of Turkmenistan. The pipeline is expected to come on line in 2010 and have an initial capacity of 20 BCM annually. The gas is destined for countries of the European Union.

When this project was first announced in May 2007, during a visit by President Putin to Turkmenistan, U.S. Energy Secretary Samuel Bodman voiced concern about European dependence on Russian energy. He said the proposed pipeline was “not good for Europe.”

On May 27, 2008, President Berdimuhamedov visited the Dauletabad gas field to inaugurate a new gas compressor.
<table>
<thead>
<tr>
<th>Pipeline</th>
<th>Route (Source &amp; recipient)</th>
<th>Length, Volume</th>
<th>Cost US$ bn</th>
<th>Completion Date</th>
<th>Partners</th>
<th>Financing</th>
<th>Support</th>
<th>Oppose</th>
<th>Certainty of Supply</th>
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<tr>
<td>TAPI</td>
<td>Turkmenistan, Afghanistan, Pakistan, India</td>
<td>33 BCM 1,700 km</td>
<td>$7.6</td>
<td>2015</td>
<td>Special venture company held by national companies. May bring in private partners</td>
<td>ADB</td>
<td>USA</td>
<td>Russia</td>
<td>Security problems</td>
</tr>
<tr>
<td>IPI</td>
<td>Iran, Pakistan, India</td>
<td>33 BCM 2,670 km</td>
<td>$7.5</td>
<td>2015</td>
<td>Iran, Pakistan, India (may subcontract in private companies)</td>
<td>Partners</td>
<td>Russia</td>
<td>USA</td>
<td>Political problems - US opposition</td>
</tr>
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<td>Caspian Coastal</td>
<td>Turkmenistan &amp; Kazakhstan to Russia</td>
<td>20 BCM initially</td>
<td>2010</td>
<td>Turkmenistan Kazakhstan Russia</td>
<td>Partners separately</td>
<td>Russia</td>
<td>USA</td>
<td>Good</td>
<td></td>
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<td>Central Asia-China</td>
<td>Turkmenistan &amp; Kazakhstan to China</td>
<td>30 BCM 2,000 km</td>
<td>$7.3</td>
<td>2011</td>
<td>Turkmenistan Kazakhstan China</td>
<td>Partners</td>
<td>China, Russia</td>
<td>Good</td>
<td></td>
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<td>South Caucasus</td>
<td>Azerbaijan-Georgia - Turkey</td>
<td>8.8 BCM expandable to 20 BCM 692 km</td>
<td>$1.2</td>
<td>2006</td>
<td>Consortium of companies led by BP &amp; Statoil</td>
<td>EBRD</td>
<td>USA</td>
<td>Russia</td>
<td>Phase 1: OK Phase 2: gas additional to Azerbaijan (Iran, Turkmenistan)</td>
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<td>Trans-Caspian</td>
<td>Turkmenistan-Azerbaijan</td>
<td>30 BCM</td>
<td>$5.0</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>USA</td>
<td>Russia, Iran</td>
<td>Hurdle: Russian opposition</td>
</tr>
<tr>
<td>South Stream</td>
<td>Russia to Italy &amp; Austria via Black Sea</td>
<td>31 BCM 900 km</td>
<td>2013</td>
<td>Led by Gazprom and ENI</td>
<td>Russia</td>
<td>USA</td>
<td>Good</td>
<td></td>
<td></td>
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<tr>
<td>Nabucco</td>
<td>Turkey-Austria</td>
<td>3,300 km Rising to 31 BCM</td>
<td>$12.0</td>
<td>2013</td>
<td>Project company owned equally by companies of Austria, Hungary, Romania, Bulgaria, Turkey, Germany</td>
<td>EU, USA</td>
<td>USA</td>
<td>Hurdle: gas additional to (Iran, Turkmenistan)</td>
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station that will increase the capacity of the pipeline connecting Turkmenistan with Kazakhstan and Russia. The ceremony took place one day before Richard Boucher’s visit to Ashgabat mentioned above.

China is tapping into Turkmenistan’s gas treasure too. It has started building a 2,000-kilometre gas pipeline from Turkmenistan east through Kazakhstan to China’s western province Xinjiang. There it will join a proposed west-east pipeline, stretching to Shanghai in the east and Guangzhou in the south. The total length of both lines will exceed 7,000 kilometres.

The Great Power rivalry continues with plans for new gas lines to Central Europe. The Russians plan to bring gas under the Black Sea to Bulgaria, thence forking to Italy and Austria, in what is called the South Stream project. It would bypass Turkey and Ukraine.

The E.U. is backing a rival plan, called the Nabucco project, to bring gas from Turkey to Central Europe. It would connect to the line from Azerbaijan, but Azerbaijan can’t supply enough gas. So Turkey wants to get additional gas from Iran and Turkmenistan.

For its part, Washington wants pipelines built under the Caspian Sea to bring Central Asian oil and gas to Azerbaijan. They would link with the recently built pipelines to Turkey. The Russians oppose that, but the Americans are persistent. In the first nine months of 2007, the U.S. government sent fifteen delegations to Turkmenistan.

In January 2008, over a three-week period, three high-level U.S. officials called on the Turkmen President to discuss economic and energy sector co-operation. In turn, they were Senator Richard Lugar, senior Republican on the Senate Foreign Relations Committee; Admiral William J. Fallon, at that time in charge of U.S. Central Command; and Ambassador Steven Mann, Coordinator for Eurasian Energy Diplomacy. Ambassador Mann returned in late February and early June for further discussions on energy issues and bilateral relations.

President Berdimuhamedov of Turkmenistan has reiterated his commitment to multiple routes for export of gas: to China, to Russia, to Pakistan and India via Afghanistan, as well as a possible route to Europe via the Caspian Sea. Significantly, in April 2008 during the NATO Summit in Bucharest, Romania, he met with President Bush to discuss gas export policy, and with President Karzai to review the TAPI project. Mr. Bush wrote to President Berdimuhamedov: “I enjoyed seeing you in Romania during NATO Summit. I enjoyed our discussions, and I look forward to continuing to work with you on important issues facing the United States and Turkmenistan.”

Energy Security – Canada and Russia

In the context of Turkmenistan, Assistant Secretary of State Richard Boucher defines energy security as not being dependent “on any one route, on any one customer, or on any one investor.” He maintains that European energy security is important to the United States as well as to Europeans and that it “is based on having multiple sources.” Author Michael Klare asserts the rivalry in Central Asia is “part of a global struggle over energy.” Canada’s role in this struggle is unclear.

At the 2006 G-8 Summit, Prime Minister Harper and President Putin issued a joint statement welcoming “cooperation between Canadian and Russian energy industry players.” They agreed to promote international trade between Canada and Russia, “particularly in the area of liquefied natural gas (LNG).” They affirmed such development “will play an important role in enhancing global energy security.” Announcements in May 2008 indicate planning is underway to deliver Russian gas to eastern Canada. A Canadian consortium, Rabaska (Gaz Metro, Enbridge, Gaz de France), plans to import natural gas from Russia into Quebec, thence to eastern Ontario. The gas would come from Gazprom’s giant Shtkoman field offshore the Russian Arctic in the Barents Sea. It would be liquefied in the Russian Arctic, shipped to Quebec, and re-gasified at Lévis east of Quebec City.

Currently, Quebec and Ontario receive natural gas from Alberta down the Trans-Canada pipeline. But the gas market continues to grow; and the flow of a pipeline can be reversed. How the plan to deliver Russian gas to Eastern Canada relates to Canada’s energy security has not been elaborated. It would, of course, free up Alberta gas for the U.S. market.

Consolidating Control in the Middle East

The Middle East is a sensitive region – strategically, economically, politically, culturally and religiously – not least because of its oil and gas. The United States has acknowledged its vital interest in Middle East oil since the 1940s. The British have done so since before the First World War. But the Bush administration put a new twist on the Great
It pushed for global domination through overwhelming unilateral power and sought to reshape the Middle East by force. There may be more than one motive for the U.S. invasion of Iraq and for its bellicosity towards Iran. But one major reason is energy.

**Chart 1. World’s Proven Oil Reserves**

The Middle East accounts for 60% of the world’s proven oil reserves and 40% of its gas. It is of vital importance. Saudi Arabia alone accounts for 20% of the world’s oil reserves, and the Gulf States (Bahrain, Kuwait, Oman, Qatar, United Arab Emirates) another 20%. Iraq accounts for an additional 10%. (Oil and gas data in this article are drawn from the BP Statistical Review.)

The U.S. military umbrella dominates these countries, ensuring a measure of control over more than 50% of the world’s oil reserves. And Iran has a further 10% of the world’s oil reserves.

A brief look at Iran reveals ongoing strategies. Iran is a regional player in the New Great Game – a place of enormous strategic importance. Its proven reserves of oil are the world’s third largest in size, and those of natural gas rank second.

Where are Iran’s oil and gas reserves? Some are in the Persian Gulf – heavily patrolled by the U.S. navy. But 90 per cent lie in Khuzestan province, just across the Shatt al-Arab River from Iraq. Saddam Hussein crossed the Shatt al-Arab River in the Eight-Year War and tried to seize Iran’s oil. He destroyed the Abadan refinery, once the largest in the world.

The Iranians remember that the U.S. has interfered for regime change before. Iran had a democracy in 1951; that government nationalized the Iranian assets of the Anglo-Iranian Oil Company, a UK company that later became British Petroleum. Foreign companies blackballed Iran, and no oil flowed for 18 months. Then, in 1953, the CIA engineered a coup. Democracy ended, and the Shah was reinstalled. A foreign oil consortium came in, and oil flowed again.

In 1979, the foreign oil companies were thrown out. Since then, U.S. oil firms have remained out of Iran – for about thirty years. Iran reopened the door to investment after its crippling war with Iraq. European and Asian companies signed huge contracts, but the White House blocked American companies from Iran. Now the U.S. and others have imposed new sanctions against Iran. There is much more to the tussle than the question of nuclear energy.

What’s been going on in the Middle East involves increasing control over energy resources. This provides insight into what’s going on in Central Asian countries as well. They are at the northern end of the so-called Oil Corridor, which runs from the Gulf states through Iraq and Iran to the Caspian Sea. The New Great Game is a serious competition for energy resources. It’s a big game, and a ruthless one.

**Conclusion: Canada and Afghanistan Policy**

Canada’s stated objective is to help Afghanistan become a stable, democratic and self-sustaining state. Over the years, the public has been presented with numerous other reasons for Canada’s presence in the country, such as helping to provide for Afghanistan’s development needs, liberating women, educating girls, seeking retribution for the attacks of September 11, 2001, and even keeping NATO from failing.

Government efforts to convince Canadians to stay in Afghanistan have been enormous. But the impact of a proposed multi-billion dollar pipeline in areas of Afghanistan under Canadian purview has never been seriously debated.
Even so, the Canadian government participates in donor meetings where Afghanistan is discussed as an energy bridge – a pipeline corridor.

The TAPI pipeline proposal could have positive or negative impacts on Canada’s role in the country. Yet, during parliamentary deliberations over whether to extend the Canadian mission in Kandahar to 2011, the debate focused on how many troops to send and how long they should stay there – details rather than the big picture. It ignored regional geopolitics and energy issues.

The decision to extend the mission was reached hot on the heels of the report of the Independent Panel on Canada’s Future Role in Afghanistan (the Manley Panel). The report said that Canadian governments have failed “to communicate… the reasons for Canadian involvement.” It focused on four military options for Canada’s role in Afghanistan but gave little attention to a political settlement, which is how most conflicts end. It ignored Central Asia, regional geopolitics and energy issues, albeit at least one submission (made by this author) brought these matters to the panel’s attention.

Canadian policy makers and the public cannot ignore the fact that the U.S. clearly asserts the geopolitical importance of the region. Assistant Secretary of State Richard Boucher, in recent testimony to the U.S. House Committee on Foreign Affairs, stressed the importance of Central Asian states to the “long-term stability of Afghanistan.” He noted the U.S. has “ambitious policy objectives in the region.” These ambitions clearly involve energy. He said the U.S. is “working to facilitate multiple oil and gas export routes” and “has been active in promoting private energy sector investment in the Region.” How much these objectives are shared by Canada, and how U.S. ambitions will affect Canada, remain to be clarified.

The importance of oil and gas in the region was stressed at a Council of Foreign Relations panel discussion in 2007 in New York. Steve LeVine, journalist and author, noted: “US policy is pipeline-driven within a strategy... to make this area a pro-western swath of territory between Russia and Iran, driven by the establishment of an independent economic channel. Everything else is really – I hate to call it window-dressing – but it’s secondary to that.” Carter W. Page, CEO for Energy and Power, Merrill Lynch, observed: “From an economic perspective, oil and gas are far and away the largest place for both investment and trade... Energy and power are really the main game.”

Informed decisions on Canada’s future role in Afghanistan and NATO require attention to energy issues and to our allies’ designs on the resources and routes in the region.

Afghanistan must be seen in its geopolitical setting and in terms of the rivalry for the energy of Central Asia. Since Afghanistan is perceived to be an energy bridge, why don’t our leaders say so? Our troops, our citizens and our democracy deserve an explanation.

**About the author**

John Foster is an international energy economist and an expert on the world oil scene. Born in London, England, he graduated from Cambridge University in economics and law. He served in the Royal Navy and went to Suez (1956). He has 40 years of worldwide experience in energy and international development – with two international development banks and two oil companies – and has worked in more than thirty countries in Asia, Africa and Latin America.

With British Petroleum in England and Montreal (1957-66), he worked on oil pricing and corporate strategy. At the World Bank (1966-76) in Washington, D.C., he served in its Asia Department and then became the Bank’s first petroleum economist. Returning to Canada, he joined Petro-Canada when it was created and served as its lead economist (1976-81), then operated a consulting firm in Ottawa (1982-90), specializing in energy policy. He returned to Washington, D.C., and worked on energy and development issues in Latin America with the Inter-American Development Bank (1990-98), then served as an independent consultant (1998-2002). He lives in Kingston, Ontario.

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