
A new Silk Road or just a pipe dream?

by Charles Enman,
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Many believe the \$4-billion BTC oil pipeline, meandering from Azerbaijan to Turkey, may be the area's salvation. Others, though, suggest it is just another door leading to violence.

It seemed like such a madcap scheme, the fodder for foolish spy movies -- building a 1,770-kilometre oil pipeline through land threatened by earthquakes, political instability, geopolitical rivalries, and even war. So, of the BTC pipeline that runs from Azerbaijan on the Caspian Sea all the way to a Mediterranean seaport in Turkey, we may say two things.

First, it did become fodder for a spy flick, the 1999 James Bond film, *The World Is Not Enough*.

And second, it stepped magisterially from celluloid fantasy into reality. After a three-year, \$4-billion construction effort, the BTC pipeline was opened officially only last Thursday.

Only the Druzhba pipeline from Russia to Europe is longer.

The pipeline takes its name from its route, beginning near Baku, the capital of Azerbaijan, and running east and a bit north to Tbilisi, the capital of Georgia, and finally meandering down to Ceyhan, on Turkey's Mediterranean coast.

It is an understatement to call this route something less than direct.

The shortest route to a seaport would be through Iran, but that country, considered unreliable in many Western forums, was never seriously considered.

To go directly west would take the pipeline through Armenia, which is still technically at war with Azerbaijan on account of its occupation, since the early 1990s, of Nagorno-Karabakh and several adjoining regions of Azerbaijan. No go, in other words.

One could have chosen a northern route up to the Druzhba pipeline, but that would leave transport of Caspian oil to Europe partly up to the whims of Moscow, a possibility craved by none of the project's partners.

One of the driving forces behind the pipeline's construction was the late Haydar Aliyev, who led Azerbaijan from 1993 to 2003. He came into office when Azerbaijan was still suffering the political and economic tumult that followed the collapse of the Soviet Union late in 1991.

Azerbaijan has huge offshore oil reserves in the Caspian Sea, and Mr.

Aliyev was canny at luring international oil companies in to exploit them.

In the BTC project, British Petroleum became the lead partner, with 30.1 per cent of the shares, followed by Azerbaijan's oil group Socar, which holds 25 per cent. Other partners include American company

Unocal (8.9 per cent), Norway's Statoil (8.71 per cent), Turkey's TPAO (6.53 per cent), and other companies from Italy, France and Japan.

There were many hesitations before proceeding. Four billion dollars is no small sum, after all. For years, many referred to the project as "the pipeline to nowhere."

But oil prices in the neighbourhood of \$70 per barrel have wonderful levitating effects on the spirit, and one can be sure there were smiles all around as Azerbaijani President Ilham Aliyev, Georgian President Mikhail Saakashvili, Turkish President Ahmet Necdet Sezer and Prime Minister Recep Erdogan, and officials from 30 other countries, inaugurated the pipeline in Ceyhan on Thursday.

Mr. Erdogan pronounced the pipeline "the Silk Road of the 21st century."

The pipeline has the capacity to deliver 50-million tonnes of crude oil annually. That figure won't be reached initially, but with Kazakhstan, just east across the Caspian Sea from Azerbaijan, having recently agreed to use the pipeline for some of its own exports, early fears that the pipeline would be underused are losing traction.

A Wall Street Journal article by Thomas Goltz on Thursday even mentioned rumours that both Russia and Iran are considering the possibility of transporting some of their oil on the new pipeline.

For the world oil market, 50-million tonnes of oil represents only one per cent of global consumption. Still, in the Caucasus, that figure represents big apples.

Over the next two decades, Azerbaijan alone expects to realize \$150 billion of revenue from its oil shipments. For a country of eight-million people with per-capita GDP of \$4,800 U.S., that is a huge inflow. The government is setting up an oil fund, much like Alberta's Heritage Fund, to ensure that much of the revenue is saved for future use.

Azerbaijan may have a more immediate use for the money. It remains officially at war with Armenia over the latter country's 13-year occupation of 15 per cent of Azerbaijan's land. Some 800,000 refugees still live in mostly wretched circumstances.

In a recent interview, Maj.-Gen Ramiz Najafov spoke of the ongoing buildup of the Azerbaijani armed forces. Next year, he said, the country's military budget alone will be larger than the total budget of the Armenian government, which controls a population less than 40 per cent as large as Azerbaijan's.

"We have shown patience in our resolve for a resolution, but our patience is not endless," Maj.-Gen. Najafov said.

The Azerbaijanis are encouraged in their resolve by the fact that not one country has recognized a sovereign government in Nagorno-Karabakh. But the world's supportive platitudes do nothing to change the facts on the ground.

In war, the advantage goes to the defender, and Armenia has had 13 years to entrench itself, allegedly with Russian military help, on the land it conquered 13 years ago.

Azerbaijani oil revenues, in other words, may buy a fight, but not a cakewalk.

Some have worried that the pipeline is vulnerable to sabotage. It runs close to areas of secession in Russia and Turkey, and passes through southern Georgia, which has many ethnic-Armenian residents, some of whom fought for the independence of Nagorno-Karabakh 13 years ago.

Against this dire possibility is the fact that the pipeline has been buried along virtually all of its route, making things difficult for saboteurs.

So, is the pipeline a "new Silk Road," or a doorway to new violence?

That, like so much else, depends on human choice.

What we know today is that Azerbaijan, Georgia and Turkey, with a great deal of western corporate help, and money from the World Bank and the European Bank for Reconstruction and Development, have pulled off one of the great construction projects since the beginning of this millennium.
