

The Geopolitics of Energy & Terrorism

Part 5

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Introduction

The following chapters are independent essays that were written between July 2015 and February 2016. They appear in random order, and therefore they do not have to be read in the order they appear.

The issue in all the essays is the connection between the energy policies of various countries, their foreign policies, and the wars that break out at various parts of the globe, since all three are closely related. I describe many economic interests and many alliances in my essays. But alliances change and so do economic interest. Therefore what is more important for the reader is to have an idea of the global resources i.e. oil and natural gas in my essays, because global resources change at a much lower pace than economic interests and economic alliances.

The alliances and conflicts I describe in my essays might not exist in the near future, but if you have an idea of the global resources you will be able to see the alliances and the economic interests that will exist in the future.

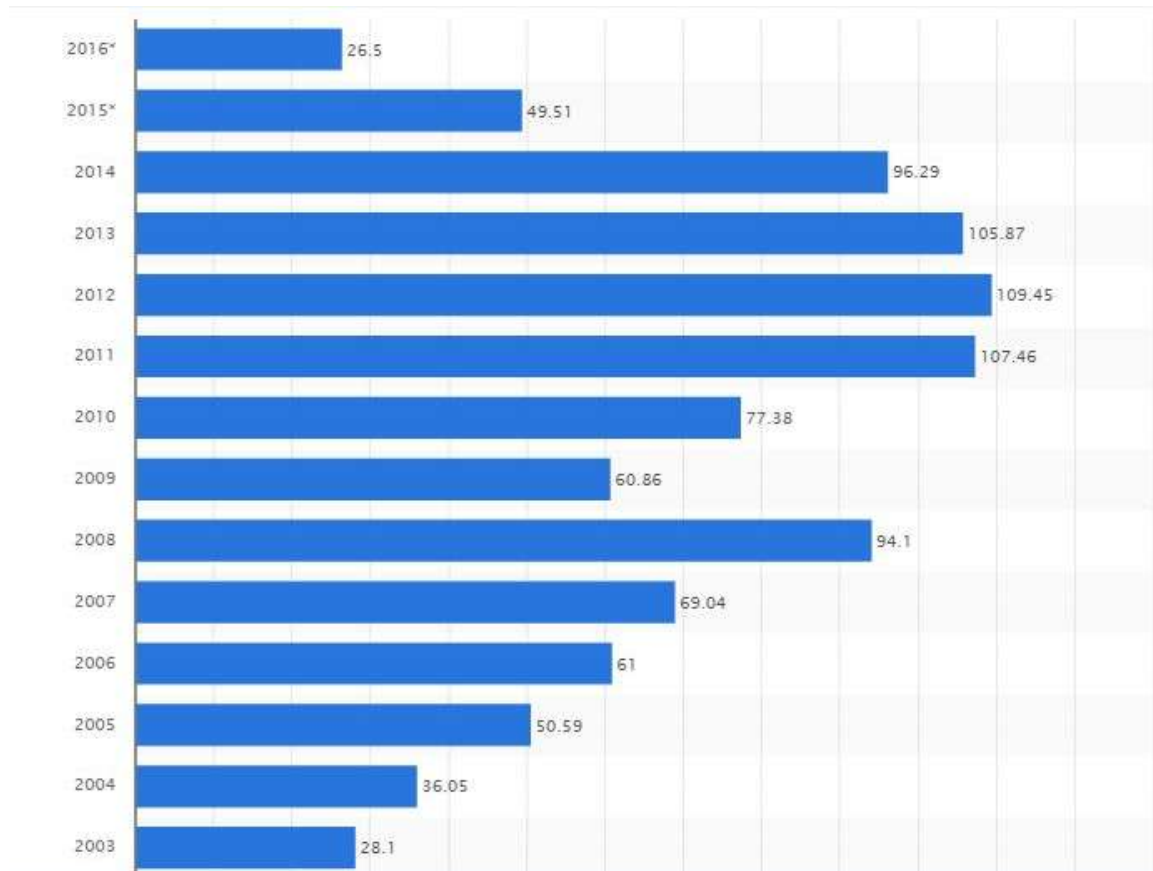
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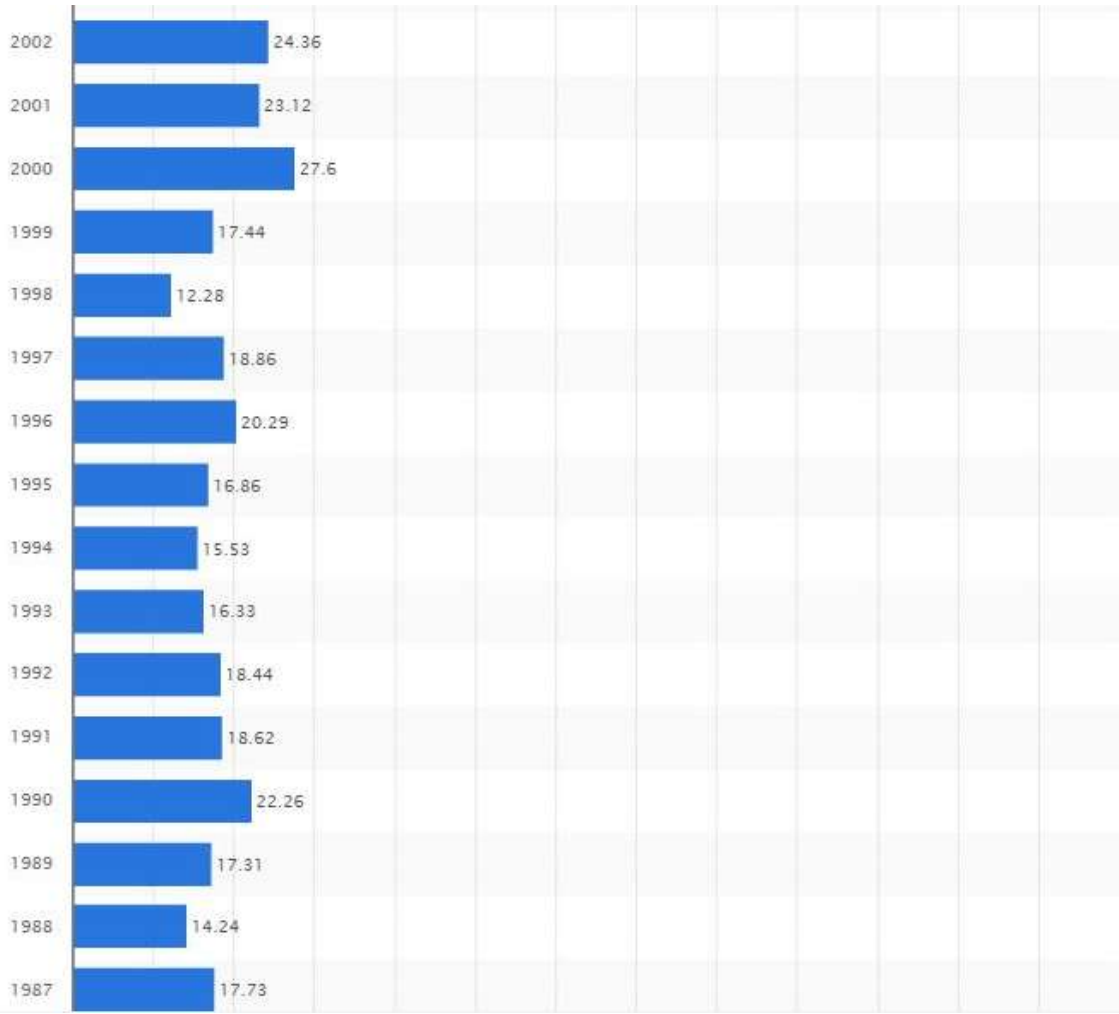
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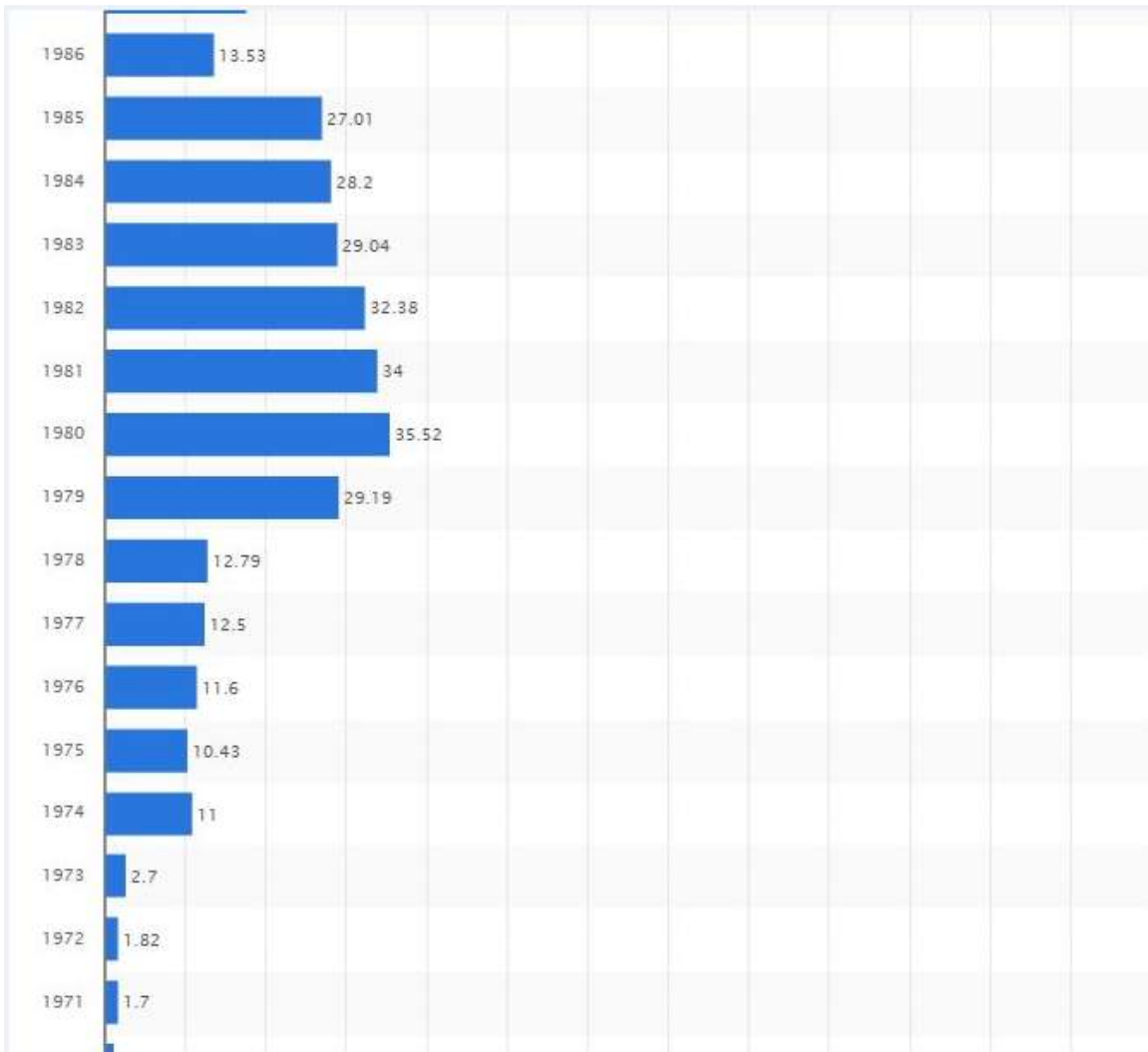
Why it is Difficult for the Russians and the Saudis to Increase Oil Prices

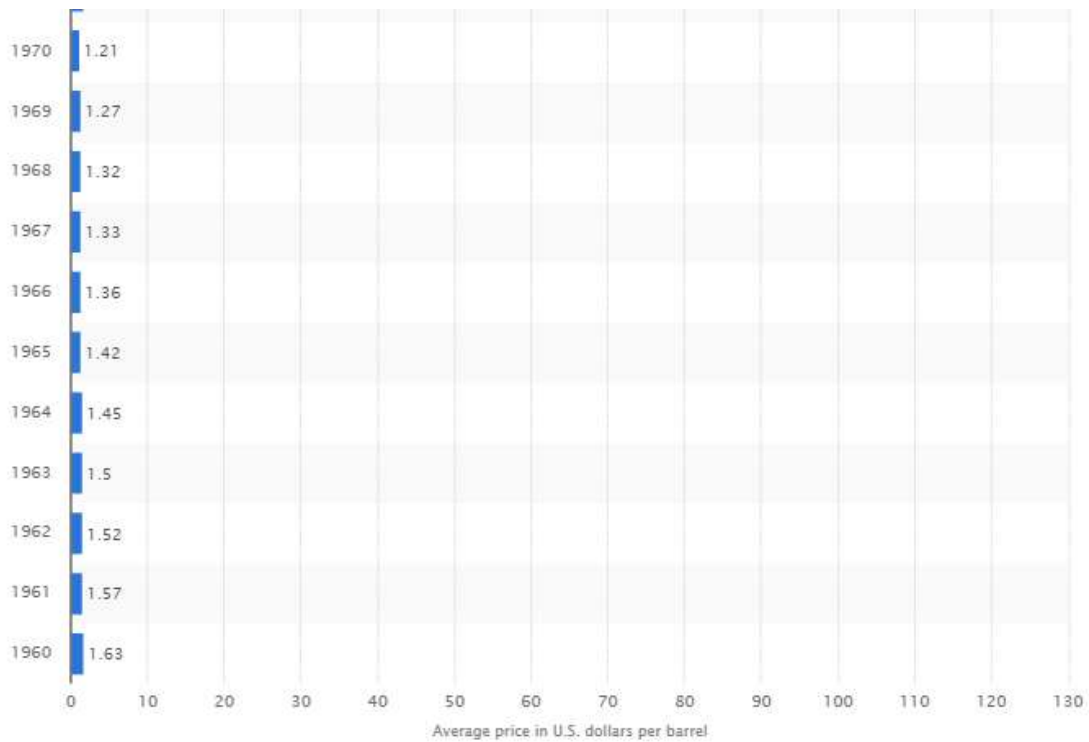
A very nice article from Forbes, that explains why it is currently very difficult for the international oil cartel to increase oil prices. The price of oil has collapsed below 30 dollars per barrel in 2016. The following tables from Statista depict average oil prices from 1960 to February 2016.

Average Oil Price 1960 – February 2016 Statista









<http://www.statista.com/statistics/262858/change-in-opec-crude-oil-prices-since-1960/>

Forbes refers to the agreement between Russian and Saudi Arabia. The two countries agreed to freeze their oil productions in order to boost prices. Russia and Saudi Arabia are the two largest exporters of oil. Qatar, and Venezuela have already accepted the deal. The United Arab Emirates, Kuwait and Oman have also said they will respect any deal reached by the major players. However the article says that for a number of reasons it is difficult for the agreement between Russia and Saudi Arabia to be effective i.e. increase oil prices.

First of all, at the moment the Russia and Saudi Arabia produce huge quantities, and freezing their production means they will keep producing

huge quantities, since the agreement does not involve reductions in oil productions.

Moreover, according to Forbes there is a credibility issue, and each party worries that the other parties will not respect the agreement in practice, and it also gives Russia as an example. In 2001 and 2008 Russia agreed to reduce her production but did not actually do so. According to Forbes Qatar is willing to monitor the deal in practise.

An even greater problem is that Iran refuses to freeze its production, because by December 2015 Iran was only producing 2.7 million barrels of oil per day, while Saudi Arabia is producing approximately 10 million barrels per day. Now that economic sanctions against Iran have been lifted, Iran wants to bring its production to a level of 5.7 million barrels per day by 2018.

Iraq is the other problem. Iraq is currently producing 4.35 barrels of oil per day, and it is planning to increase its production to 6 million barrels per day by 2020.

Finally there is the problem of the American energy companies that produce oil from shale rock. These are private companies and are not part of the international oil cartel. They will keep producing oil as long as they find a buyer for their oil, and as long as the price per barrel exceeds its cost of production. To fight the American companies the international oil cartel is hoping that Bernie Sanders will rise to power in United States, in order to heavily tax the American energy companies. By doing so Sanders will increase the price of oil in the United States, which in turn will make the oil

of the international oil cartel more competitive, and they will manage to gain a part of the share currently held by the American companies. See “American Politics in the Age of Oil : The Bernie Sanders Phenomenon”.

<https://iakal.wordpress.com/2016/02/21/american-politics-in-the-age-of-oil-the-bernie-sanders-phenomenon/>

I must also say that after the American companies invented new production techniques which allowed the production of oil and gas from shale rock, the United States became the largest oil and gas producer in the world and they are a big problem for the international oil cartel, which is placing its hopes to people like Bernie Sanders and his likes.. It is true of course that due the huge volume of the American economy, the United States remain the largest importer of oil. See Bloomberg “U.S. Ousts Russia as Top World Oil, Gas Producer in BP Data”, June 2015

<http://www.bloomberg.com/news/articles/2015-06-10/u-s-ousts-russia-as-world-s-top-oil-gas-producer-in-bp-report>

Articles

“Despite Stillborn Deal, Saudi-Russian Petrodiplomacy Could Reshape The Future Of Oil”, February 2016

http://www.forbes.com/sites/christopherhelman/2016/02/18/despite-stillborn-deal-saudi-russian-petrodiplomacy-could-reshape-the-future-of-oil/?utm_source=followingweekly&utm_medium=email&utm_campaign=20160222#274b81c749ae

“Average annual OPEC crude oil price from 1960 to 2016 (in U.S. dollars per barrel)”, February 2016

<http://www.statista.com/statistics/262858/change-in-opec-crude-oil-prices-since-1960/>

France and the Arabs

France decided to start bombing ISIS in Syria, something that will anger Turkey, and at the same time France decided to bring at the United Nations the issue of war crimes against the Assad regime, which is angering Russia and Iran. However with these moves France is pleasing a lot her allies in the Persian Gulf. There are many Franco-Arab projects in the energy sector, and France is also selling arms to the Arabs of the Gulf in multi-billion dollar agreements. France's last success was the sale of the two French Mistral warships to Egypt.

Each Mistral can carry 16 helicopters, 50 armored vehicles, and 700 men. The two Mistral warships were initially built for Russia, after an agreement between Sarkozy and Putin, but Francois Holland canceled the deal after the crisis in Ukraine.

Map 1



Saudi Arabia will finance a significant part of the new Egyptian toys. Saudi Arabia wants to create an Arab Force in order to look Turkey and Iran in the eye. Saudi Arabia and Egypt will be at the core of this Arab force. Egypt is the largest Arab country, and her great importance makes Egypt a very expensive ally. Saudi Arabia is watching a rising Turkish influence over Qatar, and rising Iranian influence over Oman and other small Arab countries, and she desperately needs a strong Arab coalition with Egypt and the United Arab Emirates.

Egypt also bought from France 24 Rafale aircrafts in a 6 billion dollar deal. I guess that Saudi Arabia must have covered a part of this deal too. Qatar bought another 24 Rafale aircrafts, and the United Arab Emirates are discussing with France the purchase of some more. Therefore, no one should be surprised by seeing the French supporting the Arabs against Syria and Iran, but also against Turkey. The French bombing of ISIS is a move that is

more important for Saudi Arabia and the United Arab Emirates, given Qatar's alliance with Turkey, and Turkey's influence over ISIS. Besides their alliance with the Arabs, the French have problematic relations with Turkey and Iran, with whom they are fighting for the uranium and other resources of Africa. France was the great power that mostly objected the agreement about Iran's nuclear program, and I do not think her alliance with the Arabs was the only reason. France is also fighting with Iran and China for the uranium of Niger, and if Iran expands its nuclear program, this struggle will become more intense.

The funny thing is that France's relations with the Arabs were very problematic until the 1960s, because Algeria was a French colony, and there was a war between France and the Arabs. There was also the issue with the socialist dictator of Egypt, Gamal Nasser, who was a Russian ally and who wanted to close the Suez Canal. As a result, France had many problems with the Arabs, and she was very close to Israel. France was Israel's main arms supplier until the special relation developed between Israel and the United States in the 60s under President Kennedy. Once France lost her colonies, and the United States became the dominant power of the Middle East, France normalized her relations with the Arabs. France wanted to cooperate with the Arabs in the energy sector and also in order to sell arms to them.

However until recently the Islamist Arab dictators of the Persian Gulf were mainly buying arms from the United States, and the socialist Arab dictators were buying arms from the Russians. But after the Arab-Chinese rapprochement and the American-Iranian rapprochement, the Islamist Arabs of the Gulf started feeling less comfortably about by purchasing arms only

from the United States. After all, they know that the Americans will have to adopt a more neutral stance between the Arabs and their new friends the Iranians. To make things worse, they cannot go only for Chinese or Russian arms because China and Russia have much stronger ties with Iran than they have with Saudi Arabia. Russia is also Saudi Arabia's main competitor in the oil markets.

Map 2



With the French on the other hand, the Arabs do not have such a problem. The French are fighting with the Iranians and the Chinese for the raw materials of North and Central Africa, and the Arabs know that the French will not be neutral between the Arabs and the Iranians. That's what it is meant by the following Time article, titled "The Real Reason Egypt Is Buying Fighter Jets From France",

February 2015. According to the Time, the real reason the Egyptians want to buy French weapons is because they want to diversify their supplies. That is also true for the Arabs of the Gulf as I already said. Especially now that Saudi Arabia, the United Arab Emirates, and Egypt want to form an Arab Force, which will be able to withstand the Turks and the Iranians. They need to buy weapons from a source a bit hostile towards the Iranians to have support in case of a potential crisis.

I must also say that the further strengthening of the Franco-Arab relations should generate a strengthening of the German-Iranian relations. It is true that there is the issue of Israel which is a thorn in the German-Iranian relations. Iran is openly asking for the extermination of Israel while Germany has been protecting Israel after World War 2. Germany has asked Iran to cool its position on Israel if Iran wants to bring the German-Iranian relations where they were in the past. For the last 60 years, the Germans have put Israel above their economic interests, and they have backed Israel both financially and diplomatically.

But can the Germans afford to keep protecting Israel in a period of deep economic crisis, with so many opportunities in Iran? The German Chancellor, Angela Merkel, said that Germany will never be neutral towards Israel, as you can read at the following Jerusalem Post article, titled “Merkel: Germany will never be neutral on Israel”, September 2013. Only time will tell.

Relevant Articles

“France makes first air strikes against Isis in Syria”, September 2015

<http://www.cnbc.com/2015/09/27/financial-times-france-makes-first-air-strikes-against-isis-in-syria.html>

“France 'opens war crimes inquiry against Assad regime' in Syria: UN debate”, September 2015

<http://www.telegraph.co.uk/news/worldnews/11895857/Vladimir-Putin-and-Barack-Obama-speak-at-UN-General-Assembly-live.html>

“Egypt to buy Mistral-class warships France originally built for Russia”, September 2015

<http://www.worldtribune.com/egypt-to-buy-mistral-class-warships-france-originally-built-for-russia/>

“Qatar agrees to buy 24 Rafale fighter jets from France”, May 2015

<http://www.aljazeera.com/news/middleeast/2015/05/qatar-agrees-buy-24-rafale-fighter-jets-france-150504100952250.html>

“UAE Restarts Rafale Talks With France”, May 2015

<http://www.defensenews.com/story/defense/air-space/strike/2015/04/19/uae-restarts-rafale-talks-with-france/25870693/>

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