

REGIONAL DEVELOPMENT IN CENTRAL ASIA

Bek-Ali Yerzhan*

Abstract

In this paper, the author focuses on the issues of regional development in Central Asia over the last two decades. The issues pertain to the feasibility of multilateral regional cooperation at the economic and institutional levels. Further, Bek Ali dilates upon variety of global initiatives as a boost to Central Asian regional development, and, at the same time, accounts for the challenges in the way of the development. Likewise, he argues that there is no choice with the Central Asian states excepting economic cooperation and institutional soft linkages both from within and outside the region.

The author's debate in the paper revolves round the following few questions: Whether or not the regional cooperation is at all needed in Central Asia? What are regional policies of Central Asian Republics (CARs)? Do they have matching regional priorities? What are their conflicting regional interests? What is role of economy, and soft institutional linkages in the regional cooperation? Does cooperation demand an overnight or gradual approach for the purpose? What would be the role of ruling elite in the region? Are they there to enhance or deter the cooperation? What type of institutional cooperation would the region need? What are the local stereotypes towards the region in each of the CARs?

Keywords:

Central Asia, Economy, Soft linkage, Institutions, Coordination, Interaction.

Introduction:

Central Asia as a region has all necessary conditions for successful and efficient cooperation provided strong will, vision and the initiatives of the ruling elite in the respective states. This calls for the gradual economic and institutional cooperation amongst themselves as well as with the regional and global powers.

The collapse of the Soviet Union paved the way for Central Asian Republics to become independent. While independence of CARs was ladz-oprgely recognized by international community, these new-born states experienced a shaky start in the early nineties. Civil war erupted in Tajikistan, investors showed reluctance to invest in the risky region, as social development was at zero level and people were confronted with the problems of political insecurity and economic hardships. Subsequently, however, they recovered through multilateral cooperation with other countries and gradual restructuring in the foreign and domestic policies, strategies, economies, cultures, languages, geographies and issues allied thereto.

* Senior Lecturer, Department of Social Sciences, Informational Technologies University, Almaty, Kazakhstan.

The area of cooperation was not focused before the collapse of the Soviet Union. It drew attention of scholars in early nineties owing to the energy, security, state building, corruption, poverty, drug and arms trafficking, regional cooperation, and association of Central Asian states with Collective Security Treaty Organization (CSTO), Shanghai cooperation Organization (SCO), Eurasian Economic Space (EES), and OEC. But Laumullin and Sultanov believe that cooperation in post-1991 Central Asia is impossible due to regional, economic, and social differences. The republics have chosen different models of development and such difference aggravate with every passing day.¹ This is perhaps why Tolipov and Babadjanov maintain that Uzbekistan could not affect any tangible dent in regional cooperation over the last two decades, for she has more fears than prospects about it.² Nonetheless, Ibrashev, Baizakova and Gubaidullina support cooperation as a key to the region's growth, and argue that Central Asia should follow European experience of integration and cooperation for the region has more stakes in Europe,³ whereas Umarov suggests that Kyrgyzstan should follow the regional cooperation model for its growth.⁴ While literature exists on regional policies of Central Asian states, still lots of gaps exist, and the present paper is a noble effort to plug such gaps as regards economic policies, political structures, and institutional building.

¹ B. K. Sultanov, "Mnogovektornaya vneshnaya politika Kazakhstana: opyt I perspektivy (Multivectoral foreign policy of Kazakhstan: experience and perspectives)," 15 years of Kazakhstan: success and perspectives, collection of articles, 2006, 4-14; M.T. Laumullin, Kazakhstan v sovremennih mejdunarodnih otnosheniyah: bezopasnost', *geopolitika* (Kazakhstan in contemporary international relations: security, geopolitics), Almaty: KISI publications, Kazakhstan, 2000, 500-510

² F. Tolipov, "Ispytanie geopolitiki terrorizmom I anti terrorizmom (Test of geopolitics by terrorism and anti terrorism)," *the USA – Canada: economy, politics, culture*, No.3, 2002, 94-107; B. Babadjanov, "Teologicheskoe obosnovanie I etapy djihada v dokumentah islamskogo dvizheniya Uzbekistana (Theological arguments and stages of jihad in the documents of Islamic Movement of Uzbekistan)," <http://www.centrasia.ru/newsA.php?st=1037568060>.

³ K.Baizakova, M. Gubaidullina, Opyt evropeiskoi integratsiyi I ego primenenie na territorii Tsentralnoi Azii (European experience of integration and its application in Central Asia) in *Tsentralnaya Azia vo vneshnei politiki Evropeiskogo Soyuz*a (Central Asia in foreign policy of the European Union), Ed. J. Ibrashev, Almaty, Al-Farabi Kazakh Nation University Press, Kazakhstan, 2004, 7-27.

⁴ N. Omarov, *Gumanitarnie aspekty bezopasnosti Kyrgyzskoi Respubliki v XXI veke vyzovy I otvety* (Social aspects of Kyrgyz Republic's security in XXI century: challenges and responses), Bishkek: Ilim Publishers, Kyrgyzstan, 2001, 115-128.

Central Asia and Regional Cooperation Constraints and Prospects:

Need for cooperation is a must for Central Asian states had divergent perceptions regarding their foreign policy, models of religious and economic development on the eve of independence. Subsequently, however, they endeavored to marginalize such a variation and tread relatively a common path of development depending upon their resource and human capacity. Thus they took several initiatives for their individual growth and integration within and outside the region, and the countries like Russia, Belarus, Kazakhstan etc. They signed Customs Union Treaty, which unified custom tariffs and flow of goods. In 2012, Eurasian Economic Space surfaced as a result of forward moving steps of the Central Asian states. The Space provides free flow of labour, capital and goods. Thus Kazakhstan follows almost Russian market vector.

Uzbekistan lacks consistency in its foreign policy and joins various international initiatives today and withdraws from it only next day. Therefore, for her inconsistency and being doubly landlocked, she does not reap desired results from cooperation. However, the republic's self sufficiency and development is unachievable without regional and global support. Perceiving this necessity in early '90s, Uzbek President, Karimov, initiated measures for gradual shift from central to market economy. On the other hand, Turkmenistan remained isolated from the globe for its policy of "positive neutrality." Despite this, she sustains economic cooperation and soft linkages with countries like China for multilateral benefits. Unlike Turkmenistan, war-torn Tajikistan espouses regional and international cooperation keeping her feeble economy and limited resources in mind. Kyrgyzstan being shattered by oft-recurring unhealthy political developments perceives regional interaction as a key to its growth and development.

Obviously, Central Asian states have a divergent foreign policy orientation though all of them realize the efficacy of regional cooperation in the areas of economy and institution building. They understand that no economic restructuring is possible without gradual interaction and soft linkages with the regional powers. As a matter of fact, Central Asian region has no choice except regional engagement based on shared past and common economic interests. Moreover, most of Central Asian countries contribute to the global trade only through their mineral resources. They need to widen their engagements and contribute to other fields also, *per se*, by creating transportation, communication and construction projects. So they can be useful as conduits of trade between

world hubs for it costs them less investment and guarantees them, at the same time, high profits.⁵

They shared and inherited public infrastructure and a unified Soviet system. But, the Soviet hardware is presently becoming old and obsolete. It demands joint maintenance and renovation to keep pace with the progressive global technology. Further, the Central Asian states entail measures for strengthening regional sovereignty and diversification of economic and political priorities. Thus new regional infrastructure and its alignment with the neighboring markets have to be thought at the level of the region as a whole.

Energy structure demands re-orientation. While Tajikistan and Kyrgyzstan abound in hydro resources, Kazakhstan, Uzbekistan, and Turkmenistan contain plenty of oil and gas resources. The region necessitates strong interdependence for resource sharing, as was characteristic of it during the Soviet times. Kazakhstan, Uzbekistan, and Turkmenistan have already begun exporting hydrocarbon resources to near and far abroad. Tajik projects (Nurek hydro-electric station (HES), Sangtuda HES 1 and HES 2, Rogun HES and Zeravshan HES) and Kyrgyz projects (Toktagul HES, Naryn HES, Kambaratan HES), are capable enough to produce electricity for regional sharing and export to Russian, Chinese, Indian, Afghan and Pakistan markets.⁶

Another feature of regional coordination demands harmonization of regulatory standards and working practices in financial markets, communications, and other investment services to boost private sector.⁷ It is the private sector and the medium and small size entrepreneurs who contribute to building effective national economy and regional trade. There is the acute need to reduce trade barriers and grant transit exemptions to make the region attractive for foreign and domestic investors.⁸ According to Karimov, Head of Intergovernmental Council on Roads, the absence of railroad and motor transportation between Tajikistan and Uzbekistan negatively affect annual Tajik economy by 5-

⁵ B. Sham, F. Starr, H. Robert, and J. Miranda, Silk Road Strategy Discussion in J. Hopkins University, <http://www.c-spanvideo.org/program/SSil&showFullAbstract=1#>.

⁶ E. Vinokurov, "Voda, Energia i kapitaly. Budushee vneshne ekonomicheskogo kompleksa Tsentralnoi Azii (Water, energy and capitals. Future of external economic complex of Central Asia)," <http://analitika.org/ca/water-and-energetics/359-2007100605412961.html>.

⁷ Asian Development Bank, "Regional Cooperation Strategy and Program for Central Asia Regional Economic Cooperation, 2005–2007," <http://www.adb.org/Documents/CSPs/CAREC/2004/CSP-CAREC-2004.pdf>.

⁸ Asian Development Bank, "Regional Cooperation Strategy and Program for Central Asia Regional Economic Cooperation, 2005–2007."

6% and Uzbek economy by 3-4%.⁹ Thus lack of institutional mechanisms and alternatives thereof hamper natural growth of the region at large.

Soft linkage and value based orientation is necessary for any successful interaction. Values matter because they are the glue that bind countries and peoples together.¹⁰ In the like manner, soft linkage has deep historical roots. The Central Asian states share common cultural, social, linguistic traditions, thinking and life concepts. This excellent foundation needs nourishment by introduction of exchange programs, sharing specialized institutions, and exchange of people and ideas. Positive stereotypes have to be enhanced through films, joint cultural TV programs, conferences, articles and research papers.

Multivector engagements need institutions for coordination and smooth working because institutions serve as bridge of interaction and coordination. Currently, the Central Asian states mainly conduct their interaction through bilateral relations as none of them can exist in vacuum, and as none of them has indigenous institutions for the purpose. Quite exactly, in early '90s, Uzbek President, Karimov, initiated Central Asian common market reforms. In 2006, Kazakh President, Nazarbayev, proposed establishment of Union of Central Asian countries though the idea could not be later realized for some technical reasons.

The possible way of institutionalizing idea is to focus on a certain regional issue. The most acute issue is water and energy. There was attempt to implement the idea. In 2004, first step was taken to that effect. The drafts of Concept of Water–Energy, Food and Transport Consortiums were launched.¹¹ The efficient and qualified groups were framed to sort out the modalities in this and other areas. However, the experience shows a partial achievement of the underlying objective of the idea for several reasons: the institutions are too big, bureaucratic, and less effective. More important is the absence of will of the ruling elite in this behalf, exceptions apart.

Internationally, several initiatives are in the process of implementation for different regions including Central Asia. The Asian Development Bank (ADB) is working hard to implement the idea of Asian connectivity. It initiated *Central Asian Regional Economic Cooperation* (CAREC) programme for ten countries: Afghanistan,

⁹ Y. Razumov, "Ministry transporta EvrAzES vyskazalis' protiv proekta tranzitnoi dorogi iz Kitaya (Ministers of transportation of EurAzEC are against road from China)," *Panorama*, No 43, 2007, 11.

¹⁰ G. Harding, "The Myth of Europe," *Foreign Policy*, Jan/Feb, 2012, http://www.foreignpolicy.com/articles/2012/01/03/the_myth_of_europe,

¹¹ "The Myth of Europe," *Foreign policy*, Jan/Feb, 2012.

Azerbaijan, Kazakhstan, China, Kyrgyzstan, Mongolia, Pakistan, Tajikistan, Turkmenistan and Uzbekistan. Its investment of \$247 million on six projects in 2001 increased to \$17 billion on one hundred projects in 2011.¹²

The domain of CAREC's Comprehensive Action Plan concerns four priority areas: transport, trade facilitation, trade policy and energy,¹³ and it has six multilateral partners: *Asian Development Bank* (ADB), *European Bank for Reconstruction and Development* (EBRD), *International Monetary Fund* (IMF), *Islamic Development Bank* (IDB), *United Nations Development Programme* (UNDP) and *World Bank* (WB).¹⁴ CAREC is building corridor network of six roads for unfolding landlockedness of Central Asian states and integrating them with South Asia and Europe. The CAREC 2020 features projects of connectivity for six corridors: Corridor-1 (Europe–East Asia), Corridor- 2 (Mediterranean–East Asia), Corridor-3 (Russian Federation–Middle East and South Asia), Corridor-4 (Russian Federation–East Asia), Corridor-5 (East Asia–Middle East and South Asia), and Corridor-6 (Europe–Middle East and South Asia).¹⁵

However, the progress has been just modest so far for various technical reasons. Political leadership has mixed reticence to recognize supra-sovereign entities, which does not reconcile with their inherent leadership proclivities, though they juxtapose acknowledge the domination of external actors in their regional matters. They lack understanding, trust and will to resist foreign intervention and instead appreciate it as long as it serves their interest. In addition, they have weak institutional and management capacities perhaps for being in transition. Growing regional variations and standards of growth and development aggravates this.¹⁶ In fact, regional countries face different social and economic challenges and to address which, they take recourse to specific and largely favouring initiatives to their respective national agendas. Some of them assert to re-assume their historical role and serve

¹² Asian Development Bank's project list, <http://www.carecprogram.org/index.php?page=carec-projects-list>.

¹³ <http://www.carecprogram.org/uploads/docs/CAREC-Comprehensive-Action-Plan.pdf>

¹⁴ Asian Development Bank's CAREC Program, <http://beta.adb.org/countries/subregional-programs/carec>.

¹⁵ Asian Development Bank's CAREC program corridors, <http://www.carecprogram.org/index.php?page=carec-corridors>.

¹⁶ Asian Development Bank's CAREC program corridors.

as a land bridge between some of the world's most dynamic, large, and emerging economies.¹⁷

Moreover, they look for the resolution of problems from affluent foreign actors whereas the alternatives are available to them within the region itself. Their balanced development and relative independence, is possible through their regional cooperation with Russia, China, India and probably Iran, which can facilitate their access to world markets. In reality, huge opportunities exist for their mutual cooperation with neighbourhood. Two important lessons are worth noting: one, strong political commitment and second, the capacity to maintain a balance between hard and soft infrastructures. However, policy and procedural reforms of "soft" infrastructure, such as harmonization of standards and liberalization of transit barriers and custom procedures, are quite indispensable for regional interaction. Therefore, the building of synergies between hard and soft infrastructure need to be enhanced in regional interaction activities.¹⁸

Conclusion:

Regional states have distinct approaches for economic growth and development of soft linkages and institutions. However, all of them have common compulsions: develop their economies, restore social and political stability, resolve internal conflicts, promote trade and infrastructure, ensure internal and external security, and share water and energy. None of them can develop in isolation. The regional partnership is a must for all of them. The sooner ruling governments realize this, the better for the region.

¹⁷ Asian Development Bank, "Regional Cooperation Strategy and Program for Central Asia Regional Economic Cooperation, 2005–2007," <http://www.adb.org/Documents/CSPs/CAREC/2004/CSP-CAREC-2004.pdf>.

¹⁸ Asian Development Bank, "Regional Cooperation Strategy and Program for Central Asia Regional Economic Cooperation, 2005–2007."

DYNAMICS OF INDIA-CENTRAL ASIA RELATIONS ENERGY AS A STRATEGIC FACTOR

Ramakrushna Pradhan*

Abstract:

Central Asian Republics (hereafter CARs) are strategically important to India as an important energy supplier. To quote Prime Minister Manmohan Singh: “energy security is second only in our scheme of things to food security with energy increasingly being viewed as a vital component of what is now broadly defined as national security.”¹ Therefore, developing friendship with CARs is a must to diversify energy import partners and minimise dependence on the volatile Middle Eastern region, keeping in view India’s growing oil demand from the current levels of 72 per cent to 83 per cent by 2030; hence, the anxiety to reconceptualise its strategic perspective.² What can be a more viable destination for India than Central Asia – a home to an estimated 4 per cent (270-360 trillion cubic feet) of the world’s gas reserves³ and the oil reserves pegged at 2.7 per cent (13-15 billion barrels).⁴ The present paper seeks to reconceptualise the changing dynamics of India-Central Asia relations and emphasise on India’s current position in Central Asian energy sector.

Since the scope of the present paper is limited to energy factor, it would, as such, reconceptualise the changing dynamics of India-Central Asia relations from the view point of India’s energy security. It would also examine as to what extent CARs can meet India’s growing energy demand? The paper also offers several suggestions regarding India’s policy options to ensure energy security in Central Asia.

Keywords:

India, Central Asia, CARs, Afghanistan, Kremlin, SCO, TAPI.

Introduction:

Central Asia Republics (hereafter CARs) is an extended and strategic neighbourhood of India, having geographical proximity, cultural affinity and shared history with it. This long standing historical relation was reflected in diverse fields, political, cultural, economic and religious. This relationship antedating ancient times, was especially visible during the heydays of Grand Silk Route. It pronounced with during the “great Game” era. Such a relation sustained cordially even during the Soviet

* **Assistant Professor, Department of Political Science, Ramkrishna Mahavidyalaya, Tripura University.**

¹ Quentin Peel, “India’s Terms of Engagement,” *Financial Times*, November 11, 2004, 15.

² Meena Singh Roy, “India’s Interests in Central Asia,” *Strategic Analysis*, 24(12), 2001 March.

³ ICG, *Central Asia’s Energy Risks, Asia Report*, International Crisis Group, 133, 24 May, 2007, 12.

⁴ Raghav Sharma, “India in Central Asia, the Road Ahead,” *Institute of Peace and Conflict Studies*, Special Report, 63, 2009 January, 4.

times. There was no end to it after the Soviet fall. In fact, India and the post-Soviet Central Asian Republics (CARs) kept alive their historical linkages in a changing strategic environment and security alignments. Central Asia region offers not only economic opportunities but also strategic challenges to India. Quite precisely, by mid-1990s, India framed what is termed as the “Look North Policy” to promote democracy, secularism and peaceful co-existence in the Central Asian region. The said policy was subsequently broadened with the inclusion of energy factor in it.

India-Central Asia Relations: A Historical Overview:

India-Central Asia relations have been relatively uncomplicated with no major issues of dispute. Instead, it symbolised a story of mutual trust and cooperation, explained on two counts. First, Central Asia was a staging ground for invasions into India. In fact, Indian strategic thought, propounded in Kautilya’s *Arthashastra*, had its genesis in Central Asian dynamics. Secondly, Central Asia was a land bridge for promoting Indian commerce and culture across Asia during the heydays of Silk Route.⁵ The Silk Route was a source of direct land connectivity and exchange of men, material, ideas and faith, Buddhism, Islam and Sufism, between the two regions.⁶

However, India’s ties with Central Asia waned due to the British Indian Empire around the mid-nineteenth century. Even though relations were subsequently revived by independent India, these failed to acquire any substantial depth. Indian presence in Central Asia was characterized by its closeness to the Kremlin following the Sino-Soviet schism and Sino-Indian border conflict of 1962. Anyhow, India managed to assume as a cultural anchor in the region under the Indo-Soviet Friendship Treaty of 1971,⁷ though its presence remained ‘muted’ and constrained by its ties with the Kremlin.⁸ Further, the lack of vision for a broader engagement with the region always pushed India in the back seat. The end of the Cold War and the Soviet disintegration left Indian political establishment in shock and forced a cataclysmic shift in her foreign policy discourse, away from Nehruvian idealism towards realism and

⁵ P Stobdan, “Central Asia and India’s Security,” *Strategic Analysis*, 28(1), Jan-Mar 2004, 55.

⁶ Mushtaq A. Kaw, “Restoring India’s Silk Route Links with South and Central Asia across Kashmir: Challenges and Opportunities,” *The China and Eurasia Forum Quarterly*, 7(2), 2009, 59-74.

⁷ Raghav Sharma, “India in Central Asia, the Road Ahead,” *Institute of Peace and Conflict Studies*, Special Report, 63, January, 2009, 3.

⁸ Stephen, Blank, “India’s Continuing Drive into Central Asia,” *Central Asia Caucasus Analyst*, 14 January, 2004, 7.

pragmatism. India, however, was a late-starter on the Central Asian chessboard because of India's preoccupation in the first half of the 1990s with its economic difficulties (leading to pledging gold reserves to the Bank of England), insurgency in J&K, and unfriendly ties with its neighbour Pakistan. Notwithstanding this, India recognized Central Asia as an area of strategic importance through its "Look North Policy." During a visit to Turkmenistan in September 1995, the then Prime Minister P.V. Narasimha Rao made it aptly clear that 'for India', Central Asia is an area "of high priority, where we aim to stay engaged far into the future. We are independent partner with no selfish motives. We only desire honest and open friendship and to promote stability and cooperation without causing harm to any third country."⁹ In short, the "Look North Policy" was based on peace, harmony and economic cooperation, which underpins the mythmaking that both of the Asian neighbours are "once again poised for greatness."¹⁰

The trend of realism and pragmatism was again seen in India's foreign policy doctrine of 1997 popularly known as 'Gujural Doctrine', which recognised Central Asia as "India's near abroad." The same policy was almost continued with by the BJP (Bhartiya Janata Party) government in India. Thus changes or continuity in the Indian strategic and foreign policy discourse need to be understood in the context of her larger ideological and political realignments with Central Asia in the post-Cold War era. Although, historically, India's relations with Central Asia have been very close, there were certain moving forces that further brought them closer to each other. The unfolding of energy dumps in Central Asia, India's acutely swelling energy need and growing militancy in the region, served to push the secular minded countries of the CARs closer to India.¹¹ The current security imperatives are in fact common to the countries of Russia, China, Iran, etc. This is perhaps why India enrolled herself as an observer in the China-Russia sponsored anti-terror regional organisation termed the Shanghai Cooperation Organisation (SCO). Its Central Asian member states support India becoming a permanent member not only in the SCO but also in the UN Security Council.¹²

⁹ S. D. Muni, 'India and Central Asia: Towards a Cooperative Future,' In Nirmala Joshi (ed.), *Central Asia – The Great Game Replayed: An Indian Perspective*, New Delhi: New Century Publications, 2003, 110.

¹⁰ Y Sinha, 'India and Central Asia in the Emerging Security Environment' in K. Santhanam and Ramakant Dwivedi (eds), *India and Central Asia: Advancing the Common Interest*, New Delhi: Anamaya Publishers, 2004, 6.

¹¹ Rollie Lal, *Central Asia and its Asian Neighbours: Security and Commerce at the Crossroads*, Santa Monica, CA, Rand Corporation, 2006, 29.

¹² 2005, Tajikistan, Kazakhstan Endorse India's Bid for Seat in UNSC.

Their bilateral and multilateral relationships have grown manifold in course of time. The Annual Report of India's Ministry of Defense declared Central Asia as an area of vital importance to India, courtesy geographical proximity, historical and cultural links and the common challenge of extremism and terrorism. To quote the address of Prime Minister Manmohan Singh during the Combined Commanders Conference in October, 2006: "When we look at our extended neighbourhood we cannot but be struck by the fact that India is the only open pluralistic democratic society and rapidly modernizing market economy between the Mediterranean and the Pacific. This places a special responsibility upon us not only in the defence of our values but also in the search for a peaceful periphery. We have traditionally conceived our security in extending circles of engagement. Today, whether it is West Asia, the Gulf, Central Asia or the Indian Ocean region, there is increasing demand for our political, economic and defence engagement."¹³ These developments augured well for the two regions to come closer during the last two decades in particular in view of her security and energy compulsions, and intense power play in Afghanistan and the region as a whole.

Prior to 1991, India's connection with Central Asia was largely through Soviet Union. Such connections continued after Soviet demise through cooperation in certain fields, and one being the security related to emergence of non-state forces in Pakistan and Afghanistan.¹⁴ Nevertheless, India's foreign policy orientation has been slightly cautious in view of critical geopolitical and geo-energy scenario in Central Asia. Central Asia's rich reserves of oil, natural gas and uranium deposits have attracted immense global attention. For India too, the whole Eurasian hinterland is extraordinarily important to meet her growing energy demand, economic growth and development process.

India's Energy Profile:

India is the eleventh largest producer of energy in the world with 2.4 per cent of world's total energy production.¹⁵ With 3.7 per cent of global energy consumptions India is also at fifth place among the largest energy consumers of the world.¹⁶ With this rate of consumption, India surpasses

¹³ Prime Minister Manmohan Singh, *Address to the Combined Commanders Conference*, October, 2006, <http://pmindia.nic.in/speeches.htm>.

¹⁴ *Central Asia and its Asian Neighbours: Security and Commerce at the Crossroads*, 29.

¹⁵ CIA (2007), *CIA World Fact Book, India*, www.cia.gov/library/publications/the-world-factbook/countrylisting.html.

¹⁶ Tanvi Madan, Tanvi, "Energy Security Series: India," *The Brookings Foreign Policy Studies*, The Brookings Institution, November, 2006, 9.

Japan and Russia and holds third position by 2030.¹⁷The following Figures 1 and 2 explain India’s energy scenario in terms of consumption, production and imports. India’s domestic coal reserves of 101,903 million tons with an annual production of over 400 million tons, account for 70 per cent of the Country’s energy needs. The remaining 30 per cent is met by oil with more than 65 per cent imports, mainly from the Middle East.¹⁸ Given the environmental reasons, coal quality in India is the dirtiest and hydrocarbon fuel is unpurified, hence, India cannot rely on them for long term to meet her energy needs. On the other end, the India estimates that the country’s consumption of energy will rise 50 per cent by 2015 on the basis of 2005 level.¹⁹

Figure 1²⁰
Indian Crude Oil Consumption

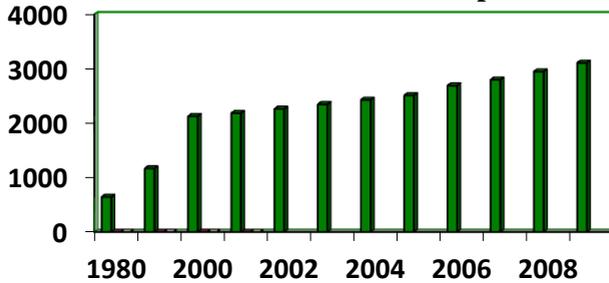
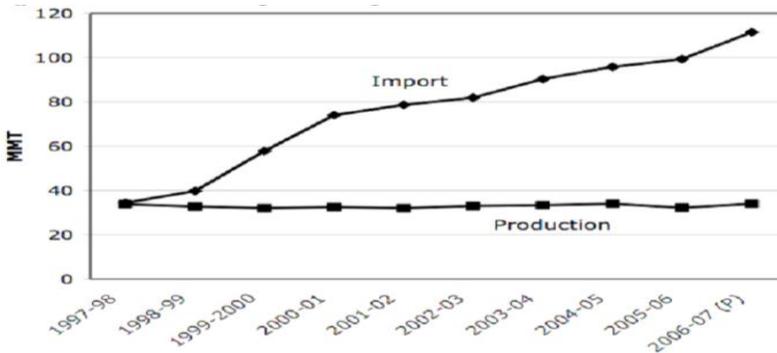


Figure 2²¹



¹⁷ Carin, Zissis, “India’s Energy Crunch,” *Council on Foreign Relations*, October 23, 2007, www.cfr.org.

¹⁸ Sascha Muller Kraenner, “China’s and India’s Emerging Energy Foreign Policy,” *German Development Institute*, Bonn, 2008, 1.

¹⁹ “China’s and India’s Emerging Energy Foreign Policy,” 5.

²⁰ *United States Energy Information Administration*, 2009(Thousand barrels per day).

²¹ Source: Petroleum Planning and Analysis Cell (PPAC), Ministry of Petroleum and Natural Gas, Government of India, 2006-07.

Oil:

India's oil and gas reserves are not sufficient to meet its rapidly growing energy needs. According to the Oil and Gas journal, India has 5.6 billion barrels of proven oil reserves as of January 2009, the second largest amount in the Asia-Pacific region after China.²² Although, oil production in India has slightly trended upwards in recent years, however, it has failed to keep pace with demand. Further, in contrast to production, India's oil consumption is on the constant rise when compared with its growing demand of approximately 2.8 million bbl/d in 2007 and nearly 3 million bbl/d in 2008.²³ The growing energy crunch of India is evident from the fact that in 2006, India was the seventh largest net importer of oil in the world; in 2007 it became the sixth largest importer and is currently in fifth position. She imports about 68 per cent of its total oil consumption (Ibid). It is expected to be the world's fourth largest consumer of oil soon.²⁴ Correspondingly, while global oil demand is expected to increase at an annual average rate of 1.6 per cent, India's demand for oil is expected to increase at an average rate of 2.9 per cent annually from 2002-2030.²⁵ In India, oil and its products are consumed mainly in the transport, commercial, industrial and domestic sectors. Oil is also used in captive power generation as India's power grids fail to provide a reliable and consistent source of electricity. Yet, the main worry for India is its ever widening gap between consumption and production of oil. India's domestic production of crude oil as of 2008 is about 33506,000 tonnes²⁶ contributing only miniature per cent of the world total output. The bulk of India's Supply comes from beyond its border.

The crude oil import partner for India so far has been Saudi Arabia, followed by Iran.²⁷ Therefore, the Indian government expects this geographical dependence to rise in the light of limited prospects for domestic production. There have been few discoveries in the domestic front, but production from these fields is merely replacing that of older oilfields;²⁸ hence, domestic production level is far less than the growing

²² EIA, "Country Specific Analysis-India," *Energy Information Administration*, 2009, www.eia.doe.gov/india, March 14.

²³ EIA, "Country Specific Analysis-India," *Energy Information Administration*.

²⁴ TanviMadan, Tanvi, "Energy Security Series: India," *The Brookings Foreign Policy Studies*, 10.

²⁵ IEA, "World Energy Outlook 2004," *International Energy Agency*, 2004, p. 82, www.iea.org.

²⁶ IEA, "Oil in India in 2008," *International Energy Agency*, 2008, <http://data.iea.org>.

²⁷ EIA, "Country Specific Analysis-India," *Energy Information Administration*, 2009.

²⁸ "Restoring India's Silk Route Links with South and Central Asia across Kashmir: Challenges and Opportunities," 59-74.

demand. International Energy Agency estimation predicts that with current level of reserves and production, India's oil dependence by 2030 would grow to 91 per cent.²⁹

India's dependence on foreign oil is longer standing than that of China. India either buys its oil through spot purchases (Nigeria), short-term contracts (generally of three months) or long term contracts (Saudi Arabia, for a year). By 2006, it imported oil from Middle East accounting to the tune of 70 per cent of of foreign oil purchases. Her largest oil suppliers are Saudi Arabia (25%), Nigeria (15.7%), Kuwait (11.9%), Iran (10%) and Iraq (8.7%).³⁰ Unfortunately, all these countries except Saudi Arabia are trouble torn, marred by civic unrest, political instability, ethnic violence, terrorism etc. Therefore, it is natural on part of India to diversify energy importers by the inclusion of energy-abundant Central Asian Republics, to say the least.

Natural Gas:

India is a relatively newcomer to the use of natural gas, its share in the 1970s and 1980s was quite negligible. However, its use picked up when the Bombay High field went into production in 1987.³¹ By 2009, India had 38 trillion cubic feet (tcf) of proven natural gas reserves,³² most of it from the western offshore regions while the onshore sources are also significant sources of natural gas. Its demand is expected to grow considerably, largely due to growing demand in the power and fertilizer sectors, which together account for nearly three-quarters of natural gas consumption in India. Despite growth in its countrywide production, it does not keep pace with the actual demand, and the country has been its constant importer since 2004³³ and by 2006, India accounted for about 29 mtoe, constituting just about 8 per cent of India's total commercial energy consumption.³⁴

International Energy Agency (IEA) estimates that over the course of 2007-2030 corresponding to the growing rate of oil consumption, India's natural gas consumption will also grow at a rate of 5.4 per cent a year.³⁵ By 2030, natural gas is expected to reach around 132 bcm accounting for more than 10 per cent of India's energy consumption.

²⁹ *International Energy Agency*, 106.

³⁰ "Energy Security Series: India," *The Brookings Foreign Policy Studies*, 11.

³¹ *The Brookings Foreign Policy Studies*, 11.

³² *Oil and Gas Journal*, "India Energy Data, Statistics and Analysis—Oil, Gas, Electricity, Coal," 2009, 5.

³³ EIA, "Country Specific Analysis—India," *Energy Information Administration*.

³⁴ *The Brookings Foreign Policy Studies*, 11.

³⁵ IEA, "Natural Gas in India 2010," Working Paper, *International Energy Agency*, 2010 OECD/IEA, Paris, 5.

India's primary energy supply is currently dominated by Coal (37%), Biomass and waste (27%) and Oil (26%). The share of natural gas in the overall energy mix is only 6%.³⁶ Before 2009, its demand potential was estimated to be 20 to 30 bcm higher than actual use as consumption had been constrained by the lack of supply over a decade.³⁷ The year 2009 marked a turning point as India's gas consumption increased from 43 bcm in FY 2008/09 to 59 bcm in 2009/10.³⁸

In India, natural gas is mainly used for power generation and in the manufacture of fertilizers. Transportation, agriculture and domestic uses account for the rest of the consumption. As of 2004, 29.9 billion cubic metres of the 32.1 bcm gas consumed annually in India were sourced domestically. Most of India's domestic sources are offshore (off the western coast).

Table 1³⁹
India's Gas Market at a Glance

Details	1990	2000	2008	2009
Share in TPES (%)	03	05	06	NA
Domestic Production	12	28	32	46
LNG Imports (bcm)	00	00	11	12
Pipeline Imports (bcm)	00	00	00	00
Consumption (bcm)	12	28	42	59
% of Power generation	37	44	40	NA
% of Industry	59	44	47	NA

As India does not have any pipeline connection, all the gas currently imported in the form of LNG (Liquefied Natural Gas) was first imported in March 2004, when the LNG terminal in Qatar went into operation.⁴⁰ Currently the country has three LNG terminals at Hazira (6.8 bcm), Shell and Total (4.8 bcm) and Dhobal-Ratnagir (7.5 bcm). With consumption expected to increase, the dominance of domestic gas is likely to increase and dependence on foreign imports would automatically increase. Again, it would not get a resource source like Central Asia with huge number of gas filled with untapped resources.

From above, it is quite clear that India's dependence for gas imports is increasing substantially year by year on distantly located

³⁶ *International Energy Agency*, 5.

³⁷ MoPNG, "Basic Statistics on Petroleum and Natural Gas 2007-2008," *Ministry of Petroleum and Natural Gas*, Government of India, 2009, New Delhi.

³⁸ IEA, "Natural Gas in India 2010," Working Paper, *International Energy Agency*, 5.

³⁹ IEA Statistics, 2010, Ministry of Petroleum and Natural Gas 2009, India.

⁴⁰ *International Energy Agency*, 33.

countries like Qatar, Oman, Nigeria and Trinidad and Taboago, whereas Central Asian gas is available to her in the immediate proximity.

Hydroelectricity:

Hydropower plays an important role in India's energy history. With an installed capacity of 144 gigawatts (GW), India generated 703 billion kilowatt hours with conventional thermal sources, which produced over 80 per cent of electricity in 2006. In spite of this, India suffers from a severe shortage of electricity capacity. According to the World Bank, roughly 40 per cent of residences in India are without electricity, and, in addition, blackouts are a common occurrence throughout the country's main cities.⁴¹ More alarming is growing total demand for electricity and is outpacing increases in capacity. India was the eighth largest consumer of hydroelectricity by 2006, which accounts for 5 per cent of country's total consumption of commercial energy.⁴² On top of it, coal resources essential for electricity generation are depleting.

Nuclear Energy:

Nuclear energy accounts for only 1 per cent of India's primary commercial energy consumption. In 2002, it accounted for five mtoe of the commercial energy supply. By 2030, it would increase to at least 29 mtoe.⁴³ With US-India civil nuclear deal, India set its nuclear generation target from 20, 000 MW to 40, 000 MW by 2020.⁴⁴ Nuclear power holds a great deal of potential in India and the government is increasingly relying on its development to hit its power generation targets.

Coal:

India has the fourth largest reserves of coal in the world. It is simultaneously the third largest consumer of energy from coal accounting from 204.8 mtoe by 2004.⁴⁵ In total, coal accounts for more than half of India's total energy consumption followed by oil, which comprises 31 per cent of total energy consumption. Natural gas and hydroelectric power accounts 8 and 6 percents of consumption respectively. While coal's dominance as an energy source has been gradually decreasing, it is likely to decrease further thereby accounting

⁴¹ "Country Specific Analysis – India," *Energy Information Administration*.

⁴² *The Brookings Foreign Policy Studies*, 12.

⁴³ IEA (2004), *World Energy Outlook 2004*, International Energy Agency, 498, www.iea.org.

⁴⁴ "Country Specific Analysis–India," *Energy Information Administration*.

⁴⁵ British Petroleum, *BP Statistical Review of World Energy*, British Petroleum, June, 2005, 33, www.bp.com.

for more than 40% of consumption in 2030. The IEA estimates that 362 mtoe of India's commercial energy will come from coal by then. Although, coal is abundant in India, probably it is the most polluted source of energy. It is relatively cheap, and easier and safer to transport than oil or gas. The majority of India's coal reserves are located in the eastern and central states of India—away from major energy consumption areas in the north and west, and these are diminishing with every passing day thereby subjecting India to great deal of dependence on energy imports. The domestic coal shortage is expected to persist for few more years with India projected to spend \$6 billion a year for importing coal until 2015.⁴⁶ Further, depleting and polluted coal, rising oil imports, increasing natural gas demand, inefficient electric system, energy related water shortage, limited nuclear energy etc., pose serious challenges to India's energy security, which obviously demands a very serious and technically sound energy policy for the purpose. Its broad vision is to ensure the supply of such energy technologies as may resist the shocks and disruptions caused to energy imports from time to time. At its broadest level, India's energy security has to do with the continuous availability of primary commercial energy at an affordable price.

India's Future Energy Demand:

Given the country's developmental goals and plans to maintain a high economic growth rate, various estimates indicate that by 2031, India's primary energy supply would increase significantly from the current levels. The Integrated Energy Policy Report estimates that under an 8% GDP growth level, assuming alternative scenarios of fuel and technological diffusion, India's total energy requirement would be in the range of 1536–1887 MTOE (million tonnes of oil equivalent) by 2031.⁴⁷ The analysis by TERI (The Energy and Resources Institute), which is based on the MARKAL (Market Allocation) model, indicates that under an 8% GDP growth scenario, with current plans and policies of the Government of India, commercial energy needs would increase to 2149 MTOE by 2031/32 and CO₂ (carbon dioxide), emissions would increase to about 7 Gt (giga tonnes) in the same year.⁴⁸ Moreover, coal and oil would continue to account for most of India's energy requirement, even by 2031.

In 1991, India imported just 17.8% of its commercial energy. Today it imports more than 30% and the share of imports is steadily

⁴⁶ *The Brookings Foreign Policy Studies*, 12.

⁴⁷ Planning Commission, "Integrated Energy Policy Report," *Government of India*, New Delhi, 2006.

⁴⁸ TERI, "Annual Report 2008/2009," *The Energy Research Institute*, New Delhi.

growing.⁴⁹ Demand for oil has doubled to 2.9 million barrels per day (mbd) in just a decade⁵⁰ and is projected to reach around 7 mbd by 2030, growing annually at about 4%.⁵¹ Coal imports are expected to surge more than 200% in the next decade, and natural gas imports will also rise dramatically. India's continued economic success hinges on obtaining reliable and cost-effective energy supplies to meet the growing energy demand.

Many research institutes, scholars and energy specialists and think tanks across the world have predicted that India's demand for oil and gas will increase manifold within the coming two-three decades. Even if all hydro, nuclear, wind, biomass and other non-conventional energy sources, are tapped by India to the fullest extent possible, it won't still make up the growing energy demand. According to a recent study done by the Indian Planning Commission, the apex institution that formulates India's Five-Year Plans, even if hydro power, nuclear power and other renewable sources were exploited to their full potential, their best possible contribution to India's energy mix by 2030 would be around five to six per cent each.⁵² Therefore, by 2030, India would overtake Japan and Russia to become the third largest consumer of energy in oil, gas and coal. Her dependence on imported oil is already greater (as percentage of oil consumed) than that of the US and China and is expected to increase even further. The situation is compounded by several complications in the energy sector:

- Though India imports oil from more than two dozen countries, almost three quarters of its oil is imported from five countries of the Middle East, the most fragile region over the past few decades;
- High oil prices which in turn seem to spur high gas prices;
- Few or no obvious viable energy alternatives are available. Progress in its nuclear program has regularly fallen behind schedule. Large scale development of hydroelectricity generation facilities has been stymied by financial, social and environmental concerns, and non-conventional sources are not yet considered affordable or reliable.
- India is not alone in this high speed quest for energy and is vainly competing with China, US, Japan, Europe, South Korea etc;

⁴⁹ Carl Jeremy, Rai Varun and et al (2008), *Energy and India's Foreign Policy*, Working Paper # 75, Program on Energy and Sustainable Development, Stanford University, Stanford, 5, <http://pesd.stanford.edu>.

⁵⁰ Ministry of Petroleum and Natural Gas, "Data for 2006-2007," Petroleum Planning and Analysis Cell (PPAC), *Ministry of Petroleum and Natural Gas*, Government of India, New Delhi, 2007.

⁵¹ Planning Commission, "Integrated Energy Policy Report," *Government of India*, New Delhi, 2006.

⁵² Planning Commission, "Integrated Energy Policy Report," *Government of India*.

- Without clean, convenient and reliable energy sources, India will not be able to sustain a high growth rate in all sectors of the economy;
- Vulnerability to volatile prices adds to the problems causing increase in India's fiscal and trade deficits. There is also certain amount of discomfort that India's economic growth "stands hostage" to imported energy at high price from volatile regions;⁵³
- As domestic resources are dismal and limited, renewable energy sources will take time.

Given the resource scramble in Middle East, resource curse in Africa, Central Asia stands out as a viable destination for India in her energy quest. Peak Oil theory also suggests that Middle East oil quantity is steadily declining and is expected to diminish soon. And same can be applicable to any energy rich destinations. Therefore, it would be wise on part of India to conserve its domestic resources like the US and Chinese do and engage in massive foreign import mission either from Central Asia or Southeast Asia.

The Relevance of Central Asian Energy Resources for India:

Growth demands energy especially when, per se, India expects economic growth at 10 per cent for the next twenty-five years. She accounting 2.4 percent of world's total land surface and around 16 percent of the total world population, is the third largest growing economy of the world.⁵⁴ Her main challenge, therefore, is to maintain a sustainable growth rate of 8%-10% percent GDP over the next quarter century to meet its developmental goals for poverty eradication, food security, rural development, education and health. India has an average growth rate of GDP at 7 percent in the last decade and has attained a growth rate of 9.2 percent up to September, 2008 (then slowed down due to global economic crisis). To maintain the pace of growth, India will have to increase its energy consumption by at least 4 percent annually.⁵⁵ According to the Integrated Energy Policy of Government of India, she needs to increase its primary energy supply three to four times: her electricity generation capacity/supply by a factor of five to six compared to its 2004 level.⁵⁶

Increasingly, frustrated by the dismal performance in her domestic energy sector, India strives to achieve energy sufficiency, and

⁵³ *The Brookings Foreign Policy Studies*, 14-15.

⁵⁴ India Energy Handbook (2011), *Demand Driven, Supply Chained*, Las Vegas: PSI Media Inc, USA, 4.

⁵⁵ CSIS (2006), "India's Energy Dilemma," *South Asia Monitor*, Centre for Strategic and International Studies, No. 28, September 7, Washington D.C., 1.

⁵⁶ Planning Commission, "Integrated Energy Policy Report," *Government of India*.

diversifying and expanding her international sources of energy has been a major Indian policy thrust for the past decade. She realizes that energy security needs to be critical component of India's foreign policy as India's continued economic success hinges around this. She inevitably needs to (a) diversify both its energy mix and sources of energy imports; and (b) seriously pursue overseas acquisition of energy asset because oil and gas are non-renewable and are in limited quantities. Obviously, energy cooperation is at the heart of India's engagement with Central Asia.

The energy resources of Central Asia including the Caspian Sea region will play an important role to this effect. Further, Central Asian oil and gas are of high quality, largely untapped, investment environment is open and very friendly. As the producing countries consume less, major chunk of these resources are meant for export. In addition, unlike the Middle East and African energy rich countries, Central Asia is very much stable and popular uprising against outside power is seemingly absent there. The gas of Central Asia and the Caspian has less ash in comparison to other gas producing countries of world: all these are crucial to India's interests in the Central Asian energy hub.

Central Asia: An Energy Hub:

Central Asia, another Middle East, has assumed a new role in the era of globalisation. The CARs definitely possess 3-4 per cent of proven global oil and gas reserves.⁵⁷ Similarly, production of oil and gas has increased in the last few years. And there are prospects for more new discoveries and growth in production output.

Changing the region's flow from the existing northern routes towards Russia to western, eastern and southern routes towards Europe and Asia was initially thought to be integral to the developmental goals of Central Asian states. To reduce the region's dependence on Russia, and marginalise Russian energy monopoly, a few projects were pursued and implemented by creating alternate pipeline routes skirting Russia. One is the US centric Baku-Tiblisi-Ceyhan (BTC) oil pipeline project. Since demand in Asia, particularly China and India, is expected to grow much faster than Europe, other option have been looked upon as economically lucrative. Few such routes are: eastward routes to China, southern routes through Iran and south-western routes via Afghanistan.

Among Central Asian states, Kazakhstan is the largest and richest of all in oil, gas and uranium deposits; hence, destined to play an

⁵⁷ Sachdeva, Gulshan, "Regional Economic Linkages," In Nirmala Joshi (ed.), *Reconnecting India and Central Asia*, New Delhi: New Elegant Printers, 2011, 117.

important role in India's energy sector. Major oil productions in Kazakhstan are also expected to grow in the coming decades. Its onshore and offshore proven hydrocarbon reserves have been estimated at 30 to 40 billion barrels of oil equivalent. It produced about 1.45 million barrels of oil per day in 2007, 1.9 million barrels per day in 2010 and 2.9 million barrels per day by 2020.⁵⁸

As regards imports, Turkmenistan and Uzbekistan are no less important to India. Both have large amounts of proven reserves. In the last decade and half, both the countries tried hard to increase export volumes and diversify export routes. Uzbekistan increased its gas production to 2.3 tcf/y late in 2007, and Turkmenistan increased her gas production to 2.2 tcf/y in 2006. Accordingly, Turkmenistan stands second in the former Soviet space in terms of gas production after Russia. The country also plans to double its gas production by 2020. According to the revised data, Turkmenistan has got proven gas reserves of 100 tcf.⁵⁹ With the discovery of new gas field in *Yolotan*, proven gas reserves may go up significantly.

Although, Kyrgyzstan and Tajikistan are economically weak, they have enormous potentials of hydroelectricity. Tajikistan has the second highest water resource potential (530 billion kWh/year) followed by the Kyrgyzstan (142 billion kWh/year).⁶⁰ Hydroelectricity from Tajikistan and Kyrgyzstan are being transported to South Asia through CASAREM projected, especially to Afghanistan. This can further be connected to India via Pakistan.

The Caspian Sea Region:

Caspian is the largest inland sea on earth, which attracted the world for its large oil and gas deposits. Consisting of five littoral states such as Russia, Iran, Azerbaijan, Kazakhstan and Turkmenistan, it accounts for 7 per cent of the total world gas production. This is much higher than its oil share in total world oil output. Although, the Caspian region has huge energy resource base, but no consensus exists among littoral states and outside powers about the exact energy potential of the basin. In the mid 1970, the Soviets estimated them at around 35 billion barrels though later estimates put their figure at around 10-11 bn barrels. Nevertheless, at the time of the "Contract of the Century" signed between Azerbaijan and a

⁵⁸ US EIA, "Oil Production Projections in Kazakhstan, 1990-2030," *United States Energy Information Administration*, Washington D C, 2009.

⁵⁹ Gulshan Sachdeva, "Regional Economic Linkages," In Nirmala Joshi (ed.), *Reconnecting India and Central Asia*, New Delhi: New Elegant Printers, 2011, 122.

⁶⁰ Avilas Roul, *The Elusive Yet Abundant Hydropower in the Kyrgyz Republic*, 2010, ECO World, January 15.

Consortium of eight oil companies in September, in 1994, the energy resources of the Caspian littoral states were said to be comparable to those of Emirates of Kuwait and the Persian Gulf.

In 1997, the US government stepped in and announced that the Caspian Region possessed around 15.6 billion proven and 163 billion possible barrels of oil. However, the first credible study on Caspian energy Potential was done by Wood Mackenzie, a Scottish consulting company in 1998. It revealed that the combined proven oil and gas reserves of Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan were 68 billion oil barrels equivalent. Of this amount, the total for oil was 25.2 billion barrels, 65 percent of which belonged to Kazakhstan (16.43 bn), and the rest to Azerbaijan (6.5 bn), Turkmenistan (0.91 bn) and Uzbekistan (1.34 bn).⁶¹ Two further studies published in April 1998 by Rice University's Baker Institute and the International Institute of Strategic Studies of London (IISS) confirmed Wood Mackenzie's figures. With this energy potential, Caspian emerged important for energy consuming countries including energy deficient India.

India's Energy Engagement in Central Asia:

However, Indian policy planners realized Central Asian or Caspian Sea energy potential quite late. Indian companies tried hard to get a strong foothold in the region. ONGC made significant inroads into Iran, Kazakhstan, Turkmenistan, and most recently in Tajikistan. It has formally given bid on Tengiz and Kashaugan oil fields and the Kurmangazy and Darkhan exploration blocks in Kazakhstan⁶² amid great competition especially from China. China always prefers to go alone in energy exploration and trade of Central Asia as is exemplified by the fact that China outbid India in 2005 to acquire PetroKazakhstan – Kazakhstan's third largest oil producer, with CNPC raising its bid to \$4.18 billion.⁶³

Kazakhstan:

Nonetheless, ONGC joined KazMunaigas-the Kazakh state oil company in a project to explore and develop the Satpayev block in highly prospective waters of the north western Caspian Sea. The state oil company pays an \$80m signature bonus for a 25 per cent stake in Satpayev where oil reserves are estimated at 250MT. The deal aims at

⁶¹ Dekmejian, R Hrair, Simonian H Hovann, *Troubled Waters, The Geopolitics of the Caspian Region*, London, I. B., Tauris 2001, 18.

⁶² CSIS, "India's Energy Dilemma," *South Asia Monitor*, Centre for Strategic and International Studies, Washington D.C., 28, 2006, September 7.

⁶³ *Reconnecting India and Central Asia*, 122.

boosting India's energy security and fuelling its rapid economic growth. ONGC covers all exploration costs at Satpayev, minimizing Kazmunaigas' risk in early stages of the project that will eventually require \$9bn of investment. It has become common practice around the world for foreign companies to pay exploration costs when farming into projects with state oil companies. Compared to other countries, India, however, has had less success in winning Kazakh oil deals. US and European majors secured rights to develop the vast Tengiz and Karachaganak fields in the 1990's that now account for the bulk of Kazakhstan's 80MT a year oil production. China, India's main rival for global oil reserves, has accumulated a large portfolio of upstream assets in Kazakhstan and built pipelines to carry production to its north western border.⁶⁴

Having failed to do any effective progress at Satpayev, in January, 2009, India's ONGC Mittal Energy Limited (OMEL) and KazMunaiGaz (KMG) inked an agreement for exploration of oil and gas in the Satpayev block in the Caspian Sea. OMEL is a joint venture between ONGC Videsh Limited (OVL) and Mittal Investments. The Satpayev block covers an area of 1,582 square kilometres and is at water depth of 5-10 meter.⁶⁵ It is situated in a highly prospective region of the North Caspian Sea, and is in close proximity to major energy fields of Karazhanbas, Kalamkas, Kashagan and Donga where significant quantities of oil have been discovered. At estimated reserves of 1.85 billion barrels, the Indian company shall have a 25 per cent stake, and the remaining 75 per cent by KazMunaiGas.⁶⁶ If it works well, India's shall be able to register a worthwhile cooperation with Kazakhstan in energy sector. The two sides also negotiated a uranium supply agreement, pharmaceutical and oil refining deals aside. Kazakhstan already supplies India with nuclear fuel from its significant uranium deposits, while India plans to increase its civil nuclear program, which already counts 20 nuclear reactors.⁶⁷

Uzbekistan and Turkmenistan:

During the last decades and a half, both countries tried to increase export volumes and diversify export routes. The Indian public sector company

⁶⁴ Gorst, Isabel, "India Gains a Foothold in Kazakhstan," *European Dialogue*, April 25, 2011.

⁶⁵ *Reconnecting India and Central Asia*, 122.

⁶⁶ "ONGC Mittal Signs Deal to Take 25 Stake in Kazakh Oilfields," *Times of India*, 24 January, 2009, http://timesofindia.indiatimes.com/Business/India_Business/ONGC-Mittal_signs_deal_to_take_25_stake_in_Kazkh_oilfield/article/articleshow/4027031.cms.

⁶⁷ Robert M. Cutler, "India Raises Energy Profile in Central Asia," *Asia Times*, May 27, 2011, www.asiatimes.com.

Gas Authority of India (GAIL) signed a MoU with Uzbekistan's Uzbekneftegaz for oil and gas exploration and production.⁶⁸ The GAIL also set up a few Liquefied Petroleum Gas (LPG) plants in western Uzbekistan, mainly for Uzbek consumption. India also inked an agreement that could lead to India's ONGC Videsh Ltd (OVL) prospecting for oil and gas in collaboration with Uzbekneftegaz. Under their provisional agreement, OVL, the overseas arm of India's state-owned Oil and Natural Gas Corporation, formed working groups with Uzbekneftegaz to access Central Asia's vast energy resources.⁶⁹ India-Uzbekistan bilateral energy cooperation extended to Afghanistan as well. They cooperated to supply electricity to Kabul, with Uzbekistan furnishing the power for the transmission network built by India.⁷⁰ Karimov's authoritarian rule in Uzbekistan was initially disinclined to cooperation with India, which, however, was realized with growing threat of militancy to both countries. Since then, economic cooperation between the two countries has increased markedly.

Being the richest country in natural gas in Central Asia, Turkmenistan is endowed with rich reserves of natural gas, crude oil, potassium and rock salts. It has the fourth largest natural gas reserves in the world, reserves of crude oil apart. Four countries, viz., Turkmenistan, Afghanistan, Pakistan and India (TAPI countries) are working together on a \$7.6 billion TAPI gas pipeline project, to be operational by 2016.⁷¹ In the last 12 years, there has been much discussion on the said project due to insecurity in Afghanistan and Pakistan⁷² and latter's unfriendly relations with India. Nevertheless, on 11 December 2010, the Presidents of four countries signed the agreement of the project.⁷³ This 1,680 km pipeline would run from the Dauletabad gas field in Turkmenistan to Afghanistan, thence to Herat, Kandahar, Quetta and Multan in Pakistan and Fazilka in Indian Punjab.⁷⁴

The Dauletabad gas field has confirmed reserves of over 2.3 trillion cubic meters (tcm). Additional reserves of about 1.2 tcm expected after drilling in the adjacent area. The gas production capacity of the field could be increased to about 125 million cubic meters per day

⁶⁸ *Reconnecting India and Central Asia*, 122.

⁶⁹ "India Raises Energy Profile in Central Asia," *Asia Times*, www.asiatimes.com.

⁷⁰ "India and Uzbekistan to Firm up Communication and Security Link," *The Hindu*, 18 May, 2011.

⁷¹ MEA, "India-Turkmenistan Relations," Ministry of External Affairs, Government of India, New Delhi, July, 2011, <http://mea.gov.in/mystart.php?id=50044534>.

⁷² *Reconnecting India and Central Asia*, 123.

⁷³ "India-Turkmenistan Relations," Ministry of External Affairs, Government of India, New Delhi, July, 2011, <http://mea.gov.in/mystart.php?id=50044534>.

⁷⁴ *Connecting India and Central Asia*, 123.

(mmcm/d). From the current 80 mmcm/d, Turkmenistan has committed to provide sovereign guarantees for long term uninterrupted supplies to Pakistan and India⁷⁵ and to India vide May, 2006 agreement with the Ministry of Petroleum and Natural Gas.⁷⁶ Moreover, India's continuing relationship with and participation in the project for a Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline has contributed to increasing its profile in the region. Turkmenistan's interest in TAPI has only increased since the Nabucco project for sending its gas to Europe has lately stutter-stepped.

Kyrgyzstan and Tajikistan have intensified their electricity transmission to South Asia (Afghanistan and Pakistan) through a visionary concept of Central Asia – South Asia Regional Electricity Market (CASAREM). The existing facility in Tajikistan on the Vaksh River and in the Kyrgyz republic on the Naryn River would supply the current available summer surplus for export. A North-South 500 kV transmission line in Tajikistan is currently under construction with Chinese financing. Additional transmission links from Kyrgyz Republic to Tajikistan to enable electricity from Kyrgyz Republic via Tajikistan to South Asia. Tajikistan to Afghanistan 220 kV transmission links is also under construction. The electricity transmission and trading system project to transfer about 1000 MW of power from the Kyrgyz Republic and Tajikistan to Pakistan via Afghanistan (referred to as CASA 1000) is in place.⁷⁷ Pakistan is not far from India. She can stretch its muscles and extend CASAREM vision to the Indian soil.

Central Asia – China Relations: Implications for India:

China-Central relations have a certain bearing on India's energy consumption. Three out of five Central Asian states share boundary with China, which allows China to be the proximate player in the region. No doubt Central Asia is a Russian hinter-land, it is China whose presence worries the US most in the region. Chinese growing presence in Central Asia and her massive economic package, military aid and political dominance in the region also hampers India's strategic vision towards Central Asian geopolitics. SCO is the mechanism through which China pushes its agenda in Central Asia in terms of energy and trade.

⁷⁵ The Dawn, "Delhi Invited to Join TAPI Project," *The Dawn*, March 16, 2006, www.dawn.com/2006/03/16/top10.htm.

⁷⁶ PIB, "Union Cabinet Decision Press Release," *Press Information Bureau*, Government of India, May 18, 2006, <http://pib.nic.in/realase/re120lease.asp?relid=17859&kwd=>.

⁷⁷ CASAREM, "Electricity Transmission and Trade Projects – CASA -1000," *Central Asia-South Asia Regional Electricity Market*, July, 2007, http://centralasia.usaid.gov/datafiles/upload/CASA-1000_Briefing_Mem_Final.pdf

Presently China is the second consumer of oil and gas in the world and may overtake the U.S by 2010.⁷⁸ Therefore, China would strive to explore Central Asian energy resources to the maximum possible for it is the energy hub accounting “1.7% and 5% of global proven recoverable resources of oil and gas respectively.”⁷⁹ China has emerged as a major player in Kazakhstan’s oil exploration efforts. It has been actively participating in exploring Alktyuinks and Mangyshlak oil deposits and building an oil pipeline in Kazakhstan-Xinjiang region. One of the most ambitious projects signed and executed by China is a \$ 11 billion gas pipeline project stretching over 5,730 kilometers between Turkmenistan and China through Uzbekistan and Kazakhstan. In 1997, the Chinese National Petroleum Company (CNPC) outbid other major oil companies (including Exxon Mobil) to acquire oil fields in Kazakhstan and develop petroleum resources. Obviously, therefore, China’s growing influence is a source of worry not only to Russia but also to energy-hungry India. Already, multiple networks of roads, railways and pipelines connecting Central Asia and Western China and beyond are in full progress. China almost completed a pipeline project from Western Kazakhstan to Western China over 3,008 kilometres, of which 270 kilometres will be within China’s border. The pipeline carries 20 million tons of oil, with construction costs predicted at US\$ 2 million.⁸⁰ China and Kazakhstan also constructed the second line of the Alashankou-Druzba oil pipeline passing the Dzungar Gate.⁸¹ China itself is building a 4,000-kilometre gas pipeline, ‘West-East Pipeline Project Investment B.V’ to pump gas from Xinjiang to coastal provinces in the east, with a cost of US\$ 18 billion. Apart from the existing roads, China and Kyrgyzstan built a road at the cost of US\$ 15 million, connecting the southern bank of Lake Issyk-Kul in northern Kyrgyzstan and the Aksu district of China’s Xinjiang-Uyghur region.⁸² Since 1997, China’s National Petroleum Corporation (CNPC) and China’s National Oil Corporation (CNOOC) undertook several pipeline projects while outbidding US, Japanese, Russian and other companies for exploration, and transportation of oil and gas from Kazakhstan, Turkmenistan and

⁷⁸ Ramakrushna Pradhan, “Chinese Interests in Central Asia: Policies and Challenges,” *Eurasian Report*, 3(2), 2009, Summer, 39.

⁷⁹ Sujit Dutta, “China’s Emerging Ties with Central Asia,” In Nirmala Joshi (ed.), *Central Asia –The Great Game Replayed – An Indian Perspective*, New Delhi, New Century Publication, 2003.

⁸⁰ *Strategic Analysis*, 75.

⁸¹ Interfax, “Study on Sino-Kazakhstan Pipeline Construction and Investment Expected to Finish this Expected Year, 2003,” www.interfax.com/com?item=Kaz&pg=80&id=5641877&req=

⁸² *Strategic Analysis*, 75.

Caspian Sea to China. China is keen to rapidly expand its economic ties with the Central Asian states. Its trade and investments in the region have grown significantly over the past few years. Pakistan had also collaborated with China, Kyrgyzstan and Kazakhstan in transport and communication projects through China's Xinjiang province in 1995. By October 2003, the agreement was to be implemented allowing tariff-free overland trade among the four countries.⁸³ The completion of these projects connecting Asia with Europe will isolate India from major international transport and communication highways, and shall have serious implications for India's energy security orientation in Central Asia. It is here the question comes into mind whether India should compete or cooperate with China in its Central Asian endeavour. However, whether India competes or cooperates always Chinese presence in Central Asia will factor to a large extent in India's energy policy strategy in the region.

Policy Options for India:

India, so far, has not achieved any success in winning any major deal in the Central Asian oil sector for various reasons ranging from technical hurdles to high stake politics. The problem of inaccessibility apart, the issue of avoiding transit through Pakistan itself is a stark reality. Therefore, it is essential to factor China in our energy security calculus. During the British rule, the route via Xinjiang was preferred for conducting trade and commerce with Central Asia. However, due to the Partition of India, de facto division of Kashmir and India-Pakistan and India-China wars on Kashmir, India's direct Northern route to Central Asia over Pakistan freezed for all times to come. As an alternative, thereof, India can cooperate with China for constructing oil/gas "Energy Highways" or pipelines from Central Asia along Western China. Such a proposition would bring about unprecedented strategic change, let alone endowing energy supplies to the entire Northern India. It would undermine the much-hyped Turkmenistan-Afghanistan-Pakistan-India gas pipeline project.

Until China-India cooperation on above lines develop India's interest should remain focused in the petroleum management sector. The Caspian Sea region and Kazakhstan offer enormous opportunity for Indian technicians and experts. Indian presence in the region is already growing, as hundreds of Indian technicians and skilled workers are finding their way into infrastructure development projects. About a

⁸³ Ramakrushna Pradhan, "Chinese Interests in Central Asia: Policies and Challenges," *Eurasian Report*.

thousand Indians are already working in the pipeline construction projects of Aksai and Karachaganak-based Consolidated Construction Company (CCC) and SAIPEM Companies. With the increasing participation of the Indian workforce in petroleum management, the Caspian Sea region and Central Asia would inevitably become another Gulf model for India.

It is therefore, necessary for India to evolve its own perspective and understanding, and to broaden its operational mechanism by the inclusion of Central Asia, Afghanistan and the frontiers of China (Xinjiang) in its greater Central Asian vision. The SCO can be greatly instrumental in this regard. A sub-regional framework involving India, China, Kyrgyzstan, Tajikistan, Kazakhstan and Afghanistan could form a viable option for a long-term cooperation. Like China, it could also use the SCO mechanism to garner its interests in the region, even though not at par with China.

Finally, India doesn't have any country specific policy towards the Central Asian region. India needs to position herself as a strong if not comparable competitor with China in the region. She needs to include Chinese relevance in its Central Asian policy. India has already suffered for its inactiveness and lack of broad vision in J&K, Tibet, Xinjiang, Myanmar etc. It shouldn't repeat such faults in Central Asia. As all Central Asian countries are friendly to India and Russia, India needs to maintain better neighbourly relations with China, Pakistan, Bangladesh and Afghanistan to fulfill its energy mission in Central Asia. Without the cooperation of its neighbour's, India is handicapped to fulfill the underlying objective of her belatedly perceived energy strategy in Central Asia and the Caspian Sea.

Consequently, the five Central Asian states are casting about for counter-balances against the two large Asian powers. Kazakhstan's somewhat closer relations with India earlier in the decade, which seemed to promise increased trade ties, foundered for a time upon the difficult geography: on top of the transportation difficulties endemic to the region, New Delhi has no border with any Central Asian state. As of Uzbekistan, it is an old ally of India—historically connected. Turkmenistan, Kyrgyzstan and Tajikistan have maintained very close and cordial relations with India through years and are expecting greater India role in their region to counter balance the growing hegemony of Russia, China and the US.

In the last few years, India has thus become one of the Central Asian counterbalances against Sino-Russian hegemony. Given India's need to increase its energy imports, it is no surprise that a significant

economic axis for its newly developing cooperation with Central Asia is in the oil and gas sector.

Two decades after the independence of the Central Asian states, India's relatively low profile in the region has acquired higher relief as it searches for "poles of attraction" other than Russia and China, which in the late 1990s had begun to establish a condominium (not an apartment, but an international law term for "joint rule") over that part of the former Soviet territory.

Conclusion:

India was intimately connected to Central Asia since early times. Such connections being characteristic of exchange of faith, men, material and ideas, were maintained either across Kashmir in the north or Kabul in South. However, such connections fractured with the Partition of Indian sub-continent, division of Kashmir and India-Pakistan and India-China wars over Kashmir. Borders were sealed in the process, and India was axed from Central Asia.

However, there is a great feeling of reviving such connections to boost India-Central Asia bilateral trade with energy as its major segment, keeping in view India's acutely growing energy demand due to largely swelling population, shrinking indigenous production resources, staggering Gulf energy supplies and their soaring prices. In this back drop, energy-abundant Central Asia offers a viable alternative to India. The hitch is either China or lack of India's direct land route excess to Central Asia. China has successfully driven considerable share of Central Asian energy resources to its use through number of pipeline projects. Thus, she would not want India to enter into the Central Asian energy consumption or transportation fray. Therefore, it is advisable for India to access Central Asian resources through cooperation with China, and, at the same time, establish friendly relations with Pakistan and Afghanistan for both these countries provide a land bridge to India for intra-regional trade with South and Central Asian space.