

## WILL INDIA BECOME A FULL-FLEDGED PARTICIPANT IN THE BIG GAME IN CENTRAL ASIA?

Irina KOMISSINA

*Senior researcher  
at the Department of Asian and APR Affairs,  
Russian Institute of Strategic Studies  
(Moscow, Russia)*

Most analysts now agree that Central Asia has become an arena of the Big Game currently being played by the leading world and regional leaders. Nor has India been left on the sidelines, especially since it has clearly outgrown the role of generally accepted leader of the South Asian subcontinent of late and is making its claims to something more.

Central Asia is geographically close to India and has common deep historical roots with this country; so its presence in the zone of Indian strategic interests comes as no surprise. This is also promoted by the significant potential for cooper-

ation and good-neighborly relations that accumulated over the long years of traditional Indian-Soviet cooperation. Another important factor is that India is trying to prevent Pakistan—its permanent rival in the South Asia Region—from unilaterally increasing its influence on the Central Asian states where a power vacuum rapidly filled by numerous contenders formed after Russia withdrew. So the Indian leadership entrusted its foreign policy and foreign economy departments with the task of developing targeted relations and strengthening cooperation with the countries of the Central Asian Region. The so-

called New Silk Road of Indian Foreign Policy became an important step in this direction.<sup>1</sup>

The exchange of visits between the heads of state and numerous delegations of different levels and vectors clearly demonstrate Delhi's foreign policy priorities. The development of so-called people-to-people diplomacy is very important in the Central Asian vector.

When carrying out its policy, India was able to reach mutual understanding with the leaders of the Central Asian countries regarding the coordination of positions and diplomatic actions in a wide range of international problems such as peacekeeping, settling regional conflicts, opposing terrorism and separatism, combating illicit drug circulation, and so on.

One of India's main foreign policy goals (the very existence of this country as a single state is only possible provided the principle of secularism is observed) in Central Asia consists in preventing the spread and establishment in this region of belligerent Islamic fundamentalism. India is trying not to lag behind Pakistan, which is making wide use of the Muslim factor for this purpose, in terms of the intensity and dimensions of its cooperation with the Central Asian countries. It is primarily motivated by the desire to prevent the Central Asian states from coming too close to Pakistan in light of their Islamic communality, which in the future could lead to them occupying a pro-Pakistani position on the Kashmir issue.

The Indian leadership realized from the beginning that despite the clear statements by the heads of all the Central Asian countries in favor of carrying out a secular policy in their states, the pro-Indian position of these countries was in no way guaranteed. This required active diplomatic efforts, which India's foreign ministry is still exerting to this day. These efforts have resulted in the region's republics joining the Nonalignment Movement, in which Delhi plays a leading role. Turkmenistan and Uzbekistan have already be-

come its full-fledged members, and Kyrgyzstan and Kazakhstan are acting as observers. At the same time, India is actively participating in the Conference on Interaction and Confidence-Building Measures in Asia (CICBMA), the initiator of which is Kazakhstan President Nursultan Nazarbaev. In turn, the Central Asian countries support India's candidacy as a permanent member of the U.N. Security Council and as an observer in the Shanghai Cooperation Organization. They are also in favor of the need for the U.N. to adopt the Universal Convention on Combating International Terrorism proposed by India.<sup>2</sup>

The sides' mutual interest in resolving regional security issues, settling the Afghan conflict, and combating religious extremism, terrorism, and drug trafficking is helping to build relations. The terrorist elements and groups infiltrating into the country, particularly the Kashmir region, from Afghanistan and their direct campaigns are posing a particular danger for both Central Asia and India. Thus, India signed bilateral agreements in 2003-2005 with Tajikistan, Kazakhstan, Uzbekistan, and Kyrgyzstan on cooperation in forming anti-terrorist groups, exchanging experience, and carrying out joint exercises and field training of these states' servicemen in India.

Military-political cooperation is particularly close between India and Tajikistan: the republic's national servicemen are undergoing training in Indian military academies, such as the Academy of National Defense (in Poona), the Indian Military Academy (in Dehradun), and others; and assistance is being rendered to improve the material-technical base of the Tajikistan army. What is more, in 2003, joint exercises were held of special service antiterrorist subdivisions. India has invested 25 million dollars in the reconstruction of the Ayni aerodrome near Dushanbe, which it used to deliver humanitarian aid to Afghanistan, whereby during the reconstruction work, reports appeared in the Indian mass media about India's supposed intention to deploy a squadron of Mi-17 helicopters (according to other data, 12 Mig-29 fighter planes)

<sup>1</sup> See: *Opening Remarks of Prime Minister Vajpayee at a Press Conference*, 5 June, 2002, available at [[http://www.indianembassy.org/special/cabinet/Primeminister/2002/pm\\_june\\_05\\_2002.htm](http://www.indianembassy.org/special/cabinet/Primeminister/2002/pm_june_05_2002.htm)].

<sup>2</sup> See: I. Komissina, "India: Cooperation with the Central Asian Countries in Regional Security," *Central Asia and the Caucasus*, No. 6 (24), 2003, p. 18.

and Kiran exercise-training planes at the aerodrome, and over time even turn it into its own military air base.<sup>3</sup> The Pakistani mass media evaluated this action as a step toward strengthening India's military presence in Tajikistan and in Central Asia as a whole. But Indian and Tajik officials have been denying these presumptions for several years now.

It is in the interests of India's own national security for stability to be maintained in the Central Asian states. After all if Islamic fundamentalist regimes, such as the Islamic Movement of Turkestan (the former Islamic Movement of Uzbekistan—IMU) and Hizb ut-Tahrir, come to power in the region's countries as a result of the activity of the extremist groups operating there, the Central Asian republics could fall under the influence of Pakistan, which could use them as allies when the spiral of military-political confrontation with Delhi makes its next twist. This is why India regards the Central Asian countries as a buffer zone for retaining international Islamic fundamentalism.

Rather a complicated situation is developing in the region. For example, problems of religious extremism are becoming aggravated, which is more characteristic of Kyrgyzstan, Uzbekistan, and Tajikistan. When they acquired their sovereignty, all the Central Asian states unequivocally chose the secular model of development, but later a trend toward the radicalization of Islam became increasingly clear. This is eloquently shown by the religious formation Hizb ut-Tahrir, which has put down the deepest roots in the region. After begin-

ning its activity in Kyrgyzstan, Tajikistan, and Uzbekistan, at the end of the 1990s, this organization also spread into Kazakhstan. Hizb ut-Tahrir was declared extremist, prohibited from functioning in the above-mentioned countries, and its followers were prosecuted. But this did not stop it from continuing to operate underground and carrying out active propaganda, which at times escalated directly into insurgent activity. Experts admit that Hizb ut-Tahrir became so radicalized in Central Asia under the influence of external and internal factors that the methods and forms of its activity no longer differed from those of other terrorist organizations and ran counter to the principles of its activity in Europe, the Middle East, and other CIS countries.<sup>4</sup>

This makes India's concern about the situation in the region and its serious attention to building security relations understandable. Former high-ranking Indian serviceman V.P. Malik believes that the Central Asian republics are geostrategically part of India's arena, which means that it must ensure its legal national interests in this region,<sup>5</sup> thus requiring Delhi to participate in the Big Game in Central Asia.<sup>6</sup> In so doing, the absence of any negative historical heritage in its relations with the region's countries is one of India's indisputable advantages, and it does not present any threat to the Central Asian states today, either ideological, demographic, or territorial.

<sup>4</sup> See: "Uzgen-Kadamzhai-Zhalalabat: tendentsiia ili sovpadeniia?" Mirnaia Azia Independent Research Center, available at [[http://tsp.infonet.rus/tbd\\_doc/1080812063031/1156313203140\\_Site/.htm](http://tsp.infonet.rus/tbd_doc/1080812063031/1156313203140_Site/.htm)].

<sup>5</sup> See: V.P. Malik, "Of Pragmatic and Sustained Policies. India, Afghanistan and Central Asian Republics," available at [<http://www.tribuneindia.com/2002/20020826/edit.htm#3>].

<sup>6</sup> See: R. Sikri, "India's Foreign Policy Priorities in the Coming Decade," *ISAS Working Paper*, No. 25, Singapore, 2007.

<sup>3</sup> See, for example: R. Pandit, "Indian Forces Get Foothold in Central Asia," *Times of India*, 17 July, 2007, available at [[http://timesofindia.indiatimes.com/Indian\\_forces\\_get\\_foothold\\_in\\_central\\_Asia/articleshow/2208676.cms](http://timesofindia.indiatimes.com/Indian_forces_get_foothold_in_central_Asia/articleshow/2208676.cms)]; "India Looking for Energy Supplies in Central Asia," *Times of India*, 13 September, 2006, available at [<http://www.asianews.it/view.php?l=en&art=7200>].

## India's Economic Presence in Central Asia

India sees the Central Asian countries as a large potential sales market for industrial production, as well as a promising source of heat and energy resources and minerals. Whereby, judging by the

results of meetings at different levels, this interaction meets the interests of all the sides.<sup>7</sup> In addition, India intends to use the Central Asian Region as a corridor for delivering its goods to Russia and the European states, although several contemporary publications of Indian experts and analysts, Indranil Banerjee, Gulshan Sachdeva, Rajiv Sikri, and others, stubbornly insist that Central Asia is important to Delhi exclusively from security considerations and not because it is attractive from a trade and economic viewpoint. In all likelihood, there is a certain element of cunning here, since it seems unlikely that a rapidly growing economy, which India undoubtedly is, would voluntarily waive the opportunity to engage in trade expansion to foreign markets. More likely something else is at play here. According to the same Indranil Banerjee (executive director of the SAPRA (Security and Political Risk Analysis) India Foundation, New Delhi), India joined the battle for Central Asian energy resources relatively late and too slowly. Moreover, the fact that it has no direct access to this region hinders its economic penetration into it.<sup>8</sup>

Delhi is particularly attracted by the prospect of importing raw material from the Central Asian republics, particularly oil and gas, as well as ferrous and precious metals, primarily gold. All the same, according to Indian economists, trade and economic cooperation between the sides is unsatisfactorily low, and we must agree with this, although there is high potential for mutual advantageous relations.

Although the sides created the necessary regulatory legal base during the years of cooperation (India signed agreements with almost all the Central Asian countries on establishing trade and economic partnership, stimulating and mutually protecting investments, avoiding double taxation, and instituting most favored trade conditions), the current situation is still characterized by a very low level of bilateral trade (see the table). Despite the trend toward growth, its volume is extremely small: in recent years, the region's share in India's foreign trade has been no higher than 0.1%, and India's share in Central Asian trade is just as miserly at 0.3%. Kazakhstan accounts for more than half of the trade turnover.

Trade between the states basically boils down to an exchange of traditional goods. India exports pharmaceutical products, medical equipment, information technology, textiles, tea, cosmetics, plas-

*Table*

**India's Trade Turnover with the Central Asian States**  
(in million dollars)

Country/Years	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
<b>Kazakhstan</b>	<b>59.6</b>	<b>84.7</b>	<b>96.81</b>	<b>117.16</b>	<b>171.54</b>
<b>Uzbekistan</b>	<b>25.62</b>	<b>42.84</b>	<b>52.81</b>	<b>50.57</b>	<b>63.56</b>
<b>Turkmenistan</b>	<b>15.70</b>	<b>28.55</b>	<b>26.12</b>	<b>31.18</b>	<b>45.89</b>
<b>Kyrgyzstan</b>	<b>15.13</b>	<b>38.74</b>	<b>50.19</b>	<b>29.57</b>	<b>38.01</b>
<b>Tajikistan</b>	<b>8.73</b>	<b>8.42</b>	<b>10.68</b>	<b>12.13</b>	<b>15.51</b>
<b>Total:</b>	<b>124.78</b>	<b>203.25</b>	<b>236.61</b>	<b>240.61</b>	<b>334.51</b>

*Source:* Indian Ministry of Trade [<http://commerce.nic.in>].

<sup>7</sup> See: FBIS. Daily Report, *Central Eurasia*, 20 September, 1995, p. 81.

<sup>8</sup> See: I. Banerjee, "India and the New Central Asian Game," *SAPRA India Bulletin*, May 2007, p. 4.

tics, chemicals, and so on to Central Asia. Import consists mainly of raw cotton, steel, iron, zinc, chemical products, and so on.

Nor was the special program called *Focus: CIS* adopted by the Indian government in 2003 of any help. It was designed to increase Indian export and expand bilateral trade cooperation with the CIS countries, including with all five Central Asian countries. India's leading trade (India Trade Promotion Organization — ITPO, Export Promotion Councils — EPCs, Apex Chambers of Commerce & Industry, etc.) and financial (EXIM Bank, Export Credit Guarantee Corporation — ECGC) structures participated in the program. A large number of measures are being carried within the program, including the exchange of delegations, the arrangement of exhibitions, fairs, and seminars, market research, the publication of product catalogues and brochures on special features of the local markets, to name a few.

The number of joint ventures is just as limited. There are no truly large Indian investments in the Central Asian economy, apart from the metallurgical project in Kazakhstan. Uzbekistan is the regional leader with respect to the number of joint ventures, where, according to the republic's State Statistics Board, 31 enterprises currently function with the participation of investors from India, including 13 joint ventures, 5 enterprises with 100% foreign capital, and 13 without an FDI status and with an authorized capital of less than 150,000 dollars. For reference: ten years ago, exactly the same number of joint ventures operated in the country.<sup>9</sup> The main vectors in the activity of enterprises with Indian capital include the manufacture of consumer goods, the production and processing of agricultural produce, the manufacture of medication, construction, tourism, wholesale and retail trade, and so on. India's Spentex Company invested 81 million dollars in Uzbekistan's textile industry (two textile combines near Tashkent and a textile company in Ferghana have been bought).

In October 2006, the first Kazakh-Indian joint venture, G.V.Display Solutions Pvt. Ltd., went into operation in Kazakhstan, which manufactures advertising equipment. India's Mittal Steel Company, which is owned by billionaire Lakshmi Mittal, purchased a metallurgical combine in Karaganda with a production capacity of 6 million tons of steel a year. According to the Indian Foreign Ministry, total investments in this project have reached two billion dollars.<sup>10</sup> Indian companies are also operating on the Kazakhstan construction market. For example, Punj Lloyd Kazakhstan Ltd. is implementing a project for laying a pipeline and building a power transmission line in the Atyrau Region, estimated at 80 million dollars. Another Indian Company, KEC International Ltd., won a tender for a total of 62 million dollars to build a power transmission line, including a fiber-optic communication line from the YUKTRES substation (Balkhash) to the Chu station.

In Kyrgyzstan, India's Jagson Oil Ltd. Company invested more than one million dollars to build six fill-up stations in the Osh Region.

According to the sides, the most promising areas of cooperation are mining, oil and gas, the electric power and textile industries, silk-worm breeding, agriculture, and high technology.

The still low level of economic cooperation is explained by the fact that Indian businessmen are leery about investing money in Central Asia. Underdeveloped banking relations are also slowing down the increase in Indian investments and the development of bilateral trade. The branch of an Indian bank, Punjab National Bank, opened just recently in Kazakhstan.

Nevertheless, it should be acknowledged that in recent years, due to the activity of such companies as Ajanta, Ranbaxy, and others, India is meeting more than 30% of the Central Asian countries' demand for medication. Several joint ventures that specialize in the manufacture of pharmaceutical

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<sup>9</sup> See: I. Komissina, "Politika Indii v otnoshenii tsentralnoaziatskikh gosudarstv SNG," in: *Novaia Evraziia: Rossia i strany Blizhnego zarubezhia. Collection of Articles*, RISI, Moscow, No. 8, 1998, p. 80.

<sup>10</sup> See: *India-Kazakhstan Relations*, Internet site of the Indian Foreign Ministry, available at [<http://mea.gov.in>].

products have been created and are functioning, for example, Gufic Avicenna Limited, Shreya Life Scientist Pharmaceutical, Turkmenderman-Ajanta Pharma Ltd., and Reddy-Pharmed Limited.<sup>11</sup>

The main reason for the insignificant presence of Indian companies on the Central Asian market lies in the transportation and communication difficulties, they believe, since India does not have a common border with any of the republics, and the latter, in turn, do not have access to the ocean.

### Transportation Difficulties

As we know, India is separated from the Central Asian Region by Pakistan and Afghanistan. Due to the unstable situation in Afghanistan, the traditional route to Central Asia through its territory will most likely be blocked for a long time to come.

The shortest route to the region lies through Pakistan, but this country is stubbornly rejecting all of India's rights to transit goods through its territory. As a result, India is even encountering great difficulties in establishing direct trade with Afghanistan. The situation becomes particularly aggravated when relations worsen with Pakistan, which closes its air space to the passage of Indian airplanes, thus isolating India from the region. This forces India to use transportation routes passing through Iran in order to reach Central Asia.

Certain prospects for developing regional trade opened up when a trilateral agreement among Turkmenistan, India, and Iran on international road and rail transport and transit was signed in February 1997. This document gave India the opportunity to use a multi-modal corridor for delivering its goods through Iran and Turkmenistan to the CIS states and Europe, and specifically by sea to the Iranian port of Bandar Abbas in the Persian Gulf. From there, goods can be sent by land (road or rail) through Iran to the Turkmen border town of Serakhs and on to the CIS countries and Europe, as well as in the reverse direction. Later, Uzbekistan and Kyrgyzstan joined this route. This transportation corridor is already actively functioning.

The North-South international multi-modal transportation corridor, the decision to build which was adopted in St. Petersburg by Russian, Indian, and Iranian representatives in 2000, also made it possible to increase India's opportunities for developing trade relations with Central Asia, particularly after Kazakhstan, Tajikistan, and Kyrgyzstan joined it.

But according to Indian specialists, all the potential routes to Central Asia that pass through Iran are neither reliable, nor optimal, even without taking into account the current tense international situation around Iran. In this respect, the only acceptable alternative for Delhi to establish land communication with the region is to build a transportation corridor through China, relations with which have dramatically improved in recent years.<sup>12</sup> In particular, the matter concerns trade routes to Central Asia through the PRC. This alternative is particularly attractive keeping in mind China's recently announced plans to build 12 roads connecting Western Xinjiang with various cities in the region's republics, five of which will be laid in the near future.<sup>13</sup>

At present, the opportunity is opening up for creating another route between Central Asia and India—work was recently revived on the Euro-Asian Uzbekistan-Afghanistan-Pakistan-India railroad project. The matter concerns a 600-kilometer Termez—Mazar-i-Sharif—Kabul—Jelalabad—Peshawar—Islamabad—New Delhi railroad. The agreement to build this transport artery was reached by the governments of the Soviet Union, India, and Afghanistan as early as the mid-1950s, but political

<sup>11</sup> See: I. Komissina, "Ekonomicheskie interesy Indii v Tsentral'noi Azii," available at [<http://www.novopol.ru/article721.html>].

<sup>12</sup> See: R. Sikri, "Behind Oil and Gas: India's Interests in Central Asia," 29 June, 2007, available at [<http://www.opinionasia.org/article/print/271>].

<sup>13</sup> See: *Xinhua*, 7 April, 2007.

factors interfered with the implementation of this plan. At the end of the 1990s, the member states of the South Asian Association for Regional Cooperation (SAARC) declared the need to establish through rail communication within the above-mentioned bloc, that is, they remembered about this project. Nevertheless, a real opportunity to put this plan into effect did not appear until Afghanistan acquired the status of associated member of SAARC, which happened just recently. The project will be financed by this organization and, possibly, by the Islamic Bank of Development.<sup>14</sup>

So Delhi still has a chance to overcome the transport problems that continue to hinder the development of trade relations with Central Asia.

### Investment Cooperation

The situation in the investment sphere also leaves much to be desired. During the years of cooperation, credit lines totaling nearly 100 million dollars were opened for Central Asia. However, this amount is so insignificant that it can be described as merely a political gesture of goodwill, particularly since Uzbekistan, Kazakhstan, and Kyrgyzstan were not even able to fully assimilate these funds.

In recent years, certain steps have been taken to encourage Indian companies to invest in the economy of the Central Asian countries. For example, the possibility was considered of instituting a foundation that could render financial assistance to Indian businessmen wishing to create joint ventures in the states of the region. This Foundation, the India-Central Asian Foundation, ICAF, did not become a reality until 2005.

The most promising investment opportunity for all the sides is cooperation in power engineering, since Kazakhstan, Turkmenistan, and Uzbekistan have rich supplies of oil and gas, and Kyrgyzstan and Tajikistan possess large hydropower resources. India, which has recently been demonstrating rather high economic growth rates of up to 7% a year, is experiencing an ever-growing need for energy resources. The country occupies 6th place in the world in terms of the size of its energy market, whereby 40% of its domestic needs are covered by the oil and gas it has to import from abroad, which is making India increasingly dependent on imports. As a result, it has to diversify the sources of its raw hydrocarbons in the interests of its own security in order to decrease its dependence on deliveries from the Middle East, which reach 70%.

India is only just beginning to carve out a niche for itself in the energy sphere of the Central Asian states, although it expressed its intention to cooperate with the republics of the region quite a long time ago. As early as 1997, official Delhi made its first attempts to obtain concessions to explore oil fields in Kazakhstan and Turkmenistan, whereby it intended to carry out such work only in cooperation with foreign structures. The Oil and Natural Gas Corporation of India (ONGC) announced that it would focus either on creating consortiums for obtaining concessions or on forming joint ventures in order to assimilate the oil and gas potential of the Central Asian countries. Hindustan Petroleum Corp., Ltd. and Gas Authority of India, Ltd. also expressed the desire to join such concessions.

Nevertheless, India's presence on **Kazakhstan's** energy market is still nominal, although the Indian companies would like to enter contracts on the exploration and operation of oil fields in the Caspian. At the moment, India's ONGC-Videsh, Ltd. (a subsidiary of ONGC that operates exclusively abroad) owns sets of shares in the Kurmangazy and Alibekmola oil fields in Kazakhstan (10% and 15%, respectively). India is purchasing oil from Kazakhstan under substitution

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<sup>14</sup> See: A. Chichkin, "Vozobnovlennaya rabota nad proektom evroaziatskoi zheleznoi dorogi Uzbekistan-Afghanistan-Pakistan-India," *Rossiiskaia Biznes-gazeta*, No. 603, 15 May, 2007.

conditions: crude oil from Kazakhstan goes by sea to the Iranian port of Bandar Abbas, and Iran sends its oil to India.<sup>15</sup>

Meanwhile, Delhi is still hoping to enter a major contract, since bilateral cooperation between the AO KazMunaiGaz Oil Company and ONGC-Videsh, Ltd. in the exploration and development of the Caspian shelf was recorded in the minutes of the fifth session of the Kazakh-Indian Intergovernmental Commission on Economic and Trade, Scientific-Technical, Industrial, and Cultural Cooperation of 18 February, 2005. During this session, the sides also signed a Memorandum on Mutual Understanding. According to this document, India was offered the choice of two sections: Makhambet or Satpaev. Based on the results of their feasibility reports, the latter was chosen as the more promising for further joint activity.<sup>16</sup> Commercial talks are currently underway on the main conditions for implementing the project, but a consensus has still not been reached regarding the Indian company's share in the Satpaev oil block. The Indian side is insisting on a 50% share, but the Kazakh side thinks that India's share should not initially be higher than 35%. However, as the field is developed, this share could be raised to 50%.<sup>17</sup> According to the results of the talks, an Agreement on the Principles of Cooperation is to be entered, after which a proposal will be addressed to the Kazakhstan government on signing a Contract on Use of the Subsurface in this section. Prior to this, India lost two tenders in Kazakhstan. In order to develop the Satpaev section, a decision was adopted to create a joint enterprise composed of ONGC-Videsh, Ltd. and the Mittal Group, on the Indian side, and AO KazMunaiGaz Oil Company, on the Kazakh side. According to some data, this time the government of Kazakhstan is giving ONGC-Videsh, Ltd. the opportunity to purchase a share in the Satpaev oil block, expecting that in return India will support the republic's membership in the WTO.

In April 2007, Mittal Investments acquired 50% of the assets of Caspian Investments Resources (CIR) belonging to LUKoil's subsidiary company, LUKoil Overseas; the cost of the transaction amounted to 980 million dollars. Moreover, the foundation assumed the obligation to pay half of the company's unsettled debt for a total of 160 million dollars. CIR owns oil-producing assets at five of Kazakhstan's promising fields: Alibekmola, Kozhasai, North Buzachi, Karakuduk, and Arman, the supplies of which are estimated at 270 million barrels and production at which reached 11.6 million barrels in 2005.<sup>18</sup>

The Indian side has its sights set on joining the projects that Russia is carrying out. For example, talks are already underway at the highest level on joining the Kazakh-Russian project to develop the Caspian Kurmangazy oil field of India's ONGC-Videsh, Ltd. India is planning to invest some 1.5 billion dollars in the implementation of this project, which is to last for 30 years.

During Uzbekistan President Islam Karimov's visit to India in April 2005, questions of cooperation in energy were discussed, among other things. In so doing, it was noted that Delhi is willing to invest in Uzbekistan's oil and gas industry, which is attractive to Indian companies for two reasons. First, due to the possibility of active participation in the development and production of the country's oil and gas resources and in sub-projects, as well as in projects for transporting Uzbek gas via transnational pipelines to the markets of South and Northeast Asia. Second, India is interested in Uzbekistan joining the project to build the Turkmenistan-Afghanistan-Pakistan-India gas pipeline.<sup>19</sup>

<sup>15</sup> See: A. Lomanov, "India ne khochet uchastvovat' v bolshoi igre," Interview in the newspaper *Vremia novostei* by Director of the India-Central Asia Foundation Nirmala Joshi, 2 June, 2006, available at [<http://www.vremya.ru>].

<sup>16</sup> Exclusive interview by correspondent of *Trend* in Kazakhstan of President of AO KazMunaiGaz Oil Company Uzakbai Karabalin, 23 January, 2007, available at [<http://www.trend.az>].

<sup>17</sup> See: *SAPRA India Bulletin*, November 2006, p. 21.

<sup>18</sup> See: "LUKoil Overseas and Mittal Investments Sign Agreement Regarding Upstream Assets in Kazakhstan," 12 December, 2006, available at [[http://www.lukoil-overseas.com/press.asp?div\\_id=3&id=381&year=2005](http://www.lukoil-overseas.com/press.asp?div_id=3&id=381&year=2005)].

<sup>19</sup> See: N. Perevozkina, "Sinergiiia vzaimodeistviia," available at [<http://www.review.uz/page/article/analyst/world-economy/2009>].

In April 2006, several documents on cooperation in the oil and gas industry were signed between the states. The Memorandum on Mutual Understanding in Cooperation in the Oil and Gas Industry between the Uzbekneftegaz National Holding Company and the Indian Ministry of Oil and Gas and the Memorandum on Mutual Understanding in Partnership for Exploring Gas Fields between the Uzbekneftegaz National Holding Company and Gas Authority of India, Ltd. deserve particular attention among them. In April 2007, the latter had the opportunity to develop two of the republic's gas fields.<sup>20</sup>

A serious breakthrough in India's energy cooperation with **Turkmenistan** occurred in October 2006 when a representative Indian delegation headed by state foreign minister E. Ahamed visited Ashgabad. The Gas Authority of India, Ltd. Company held successful talks with the Turkmen gas state enterprise on participation in projects to explore and produce gas and build pipelines and urban gas-distribution systems. Another company, Engineering India, Ltd., expressed the hope of participating in modernizing the Charjou oil refinery and in building a new refinery.<sup>21</sup>

### Pipeline Projects

If Indian companies gain access to the development of Central Asia's oil and gas fields, it will be more difficult to ensure regular deliveries of raw hydrocarbons to India due to the absence of the necessary pipeline system.

India thinks that a successful solution to this problem could be implementation of the so-called Project of the Century—building of the Turkmenistan-Afghanistan-Pakistan gas pipeline actively supported by the U.S. Corresponding talks began as early as 1997, when the interested sides signed an agreement on laying a gas and oil pipelines, and Pakistan began increasing the capacity of the Gwadar port in the Province of Baluchistan. The cost of the route is estimated at 3.3 billion dollars. The gas pipeline with a diameter of 56 inches (1,420 mm) and working pressure of 100 atm. is designed to accommodate a throughput capacity of 33 bcm a year. According to the agreement with the Turkmen side, it was initially planned that over the span of 30 years up to 20 bcm of natural gas would be delivered to the Pakistan markets. But it later became clear that the latter's demands were no higher than 12 bcm, and extension of the gas pipeline branch to India was called upon to ensure the project's profitability; in so doing, the net cost of gas would be significantly reduced.

Pakistan exerted great efforts to advance this idea, inviting Delhi to participate in this project, but India had different approaches to participation in it at that time. According to several experts, deliveries of Turkmen gas through Pakistan to India could have become the basis on which their future cooperation began. The supporters of this approach believed that against the background of the vast dividends that Indian-Pakistani energy cooperation promises, even the unresolved problems, particularly Kashmir, would be perceived as mere "insignificant irritants" in the relations between the two states. Other specialists, on the contrary, mistrusted the project, justly believing that even if bilateral relations improved slightly, Pakistan would still intercept deliveries of Turkmen gas.

Due to the unstable situation in Afghanistan, the talks on creating a consortium, which have been going on for many years, did not come to anything. The victory in Afghanistan of the international antiterrorist coalition forces helped to reanimate the plans to build the mentioned gas pipeline. Ashgabad, Islamabad, and Kabul began talking almost in unison about reviving talks on the project. It

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<sup>20</sup> See: K.R. Jawahar, "Central Asia: Urgent Need for Raising India's Investment Profile," *SAPRA India Bulletin*, May 2007, p. 8.

<sup>21</sup> See: "India Bids for Share in Turkmen Energy," *SAPRA India Bulletin*, October 2006, p. 19.

stands to reason that finances were the main problem for the sides concerned. It comes as no surprise that the question of laying the pipeline was also discussed at the meeting between President Niyazov and U.S. Assistant Secretary of State Elizabeth Jones, who visited Turkmenistan at the beginning of 2002: "The situation has changed so much that the interest of American companies in this project will most likely be revived," she noted at the end of the talks.<sup>22</sup> Undoubtedly, Washington would prefer Turkmen, rather than Iranian, gas to go to Pakistan.

The Asian Development Bank (ADB), which joined the project as a fourth member in 2002 and allotted 1.5 million dollars to compile its feasibility report, presented the ministers of the oil and gas industry and mineral resources of the countries participating in the project with the final version of the feasibility report for the Trans-Afghan gas pipeline. India, which, taking into account the difficult domestic political situation in the region, long refrained from participating in the project, began to show its willingness to enter it. In February 2006, India participated, although as an observer, in the ninth sitting of the project's organizational committee, at which the governments of Turkmenistan, Afghanistan, and Pakistan signed a memorandum of intent to begin the construction. In May 2006, the Indian leadership approved the state's participation in the project and gave instructions to the Ministry of Oil and Gas to send an official request to the governments of the three countries about joining it.

But India still had a few worries about its participation in this project. They were related to the ongoing instability in Afghanistan, the revival of the Taliban movement, and the periodical cooling in the relations between India and Pakistan. India was also worried that Turkmenistan did not have sufficient gas supplies. These problems were partially resolved after America's De Golyer & MacNaughton Company, which conducted an independent audit of the Dauletabad field, estimated its supplies at 4.5 tcm, and ADB, after making a preliminary estimate of the situation, stated that it did not see any technical, economic, or environmental barriers at present to implementing the project.<sup>23</sup> India was to formally join it at a meeting of representatives of the four states on 28 November, 2007 in Islamabad.

When analyzing the prospects for implementing this project, it should be emphasized that the political unanimity among Ashghabad, Kabul, and Islamabad is still no guarantee of complete success, since there are numerous reasons that could make it impossible to carry out the above-mentioned plans at present. The most serious problem hindering implementation of the pipeline project is the uncertainty of settling the long Afghan crisis, since the large number of supporters of the Taliban movement and al-Qa'eda in Afghanistan poses the danger of diversions being carried out on the gas pipeline. The situation in Pakistan itself also arouses concern, where the existence of a large number of nationalist and radical Islamist groups threatens stability. The fact that in the fall of 2007 President Perez Musharraf introduced a state of emergency in the country shows how serious the domestic political situation is in Pakistan.

All of this indicates that potential foreign investors are still faced with a very high political risk with respect to the gas pipeline project from Turkmenistan to Pakistan and India. In addition to the political difficulties, economic problems could also have a significant influence on how quickly the project is implemented. These problems include the expediency of Pakistan<sup>24</sup> importing Turkmen gas in light of the competition from Iran and Qatar, etc.

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<sup>22</sup> See: "Ot truby Baku-Ceyhan k trube cherez Afganistan," *Russkaia mysl* (Paris), No. 4396, 14 February, 2002, available at [<http://www.rusmysl.ru/2002/4396/439617-Fev14.html>].

<sup>23</sup> See: "India Bids for Share in Turkmen Energy," p. 20.

<sup>24</sup> Today there are two diametrically opposite viewpoints on the expediency of Pakistan importing gas from Central Asia, whereby both of them are based on different estimates of the production and consumption growth rates of natural gas in Pakistan.

The Oil and Natural Gas Corporation of India proposed a project in 2002 that called for competing with the Trans-Afghan gas pipeline. It envisages the participation of Russia, China, and India and acquired the high-sounding name of Energy Highway.

According to this project, the pipeline was supposed to stretch from the Russian Federation through Turkmenistan, Uzbekistan, Kazakhstan, and China's XUAR to the north of India (bypassing Afghanistan and Pakistan). The route was to pass through Kashi in XUAR, then continue along the so-called Line of Control—the internationally recognized border between India and Pakistan—through the Xiacheng glacier—to India's Kashmir and on to the state of Jharkhand-Pradesh and New Delhi.<sup>25</sup> Estimated costs on implementing this project reached 15 billion dollars, but ONGC did not finish estimating the economic and technical costs on building the pipeline.<sup>26</sup>

However, both the Russian and the Chinese sides, as it was revealed during a discussion of the project at the 3rd Chinese-Russian-Kazakhstan oil and gas forum in Shanghai (2006), expressed their doubts about the possibility of implementing it. Russia thinks the project is simply unprofitable, since it believes it would be easier to deliver oil to India by sea.<sup>27</sup>

Implementation of this project is even less feasible than the previous one from the financial viewpoint. Large foreign investors will not invest in a project that will compete with already existing and well-processed plans. A pipeline passing through several countries and, most important, through the Line of Control, is too risky and expensive for Indian investors. In contrast to the Central Asian republics interested in exporting oil and gas, Russia and China place top priority on geopolitical aspects and security issues. The Chinese government will hardly guarantee a corridor for the pipeline through the Line of Control of the Chinese-Indian border for security reasons. For the same reasons, the PRC has rejected Delhi's insistent requests since 1992 with respect to laying a railroad from India to Central Asia through western China.

So, despite the existence of several projects, there are still no real prospects for ensuring pipeline deliveries to India. This is possibly why Indian Minister of the Oil and Gas Industry Mani Shankar Aiyar, when talking in November 2005 at a conference of Asian producers and consumers of oil and gas products in New Delhi, suggested creating an Asian oil and gas network linking Bangladesh, India, Iran, China, Korea, Myanma, Pakistan, Russia, Thailand, Japan, and the Central Asian countries. This network is to be more than 20,000 km in length and its construction is estimated at 22.5 billion dollars.<sup>28</sup>

### **Cooperation in Personnel Training**

Education is a successfully developing area of cooperation between India and the Central Asian states. Since the beginning of the 1990s, an Indian Technical Economic Cooperation Program (ITEC) has been introduced in all the region's countries, which was initiated as early as 1964 for rendering economic and technical assistance to the developing states of Asia, Africa, and Latin America. With its help, India is passing on the experience it has accumulated by training foreign specialists at its educational institutions or sending experts to developing countries to carry out individual projects. The accent is placed on free study for foreigners at India's best institutions in such fields of special-

<sup>25</sup> See: "India-Kazakhstan Oil Pipeline to Bypass Afghanistan and Pakistan," *Financial Times*, 29 May, 2002.

<sup>26</sup> See: A. Kazi, "Is the Proposed Russia-China-India Pipeline Feasible?" *Central Asia-Caucasus Analyst*, Wednesday/3 July, 2002, available at [ <http://www.cacianalyst.org/Archives.htm>].

<sup>27</sup> See: Yin Ping, "Russia-China-India Pipeline Being Discussed," *China Daily*, 7 December, 2006.

<sup>28</sup> See: A. Chebotarev, "Pragmaticheskie interesy skazochnoi strany," 26 May, 2006, available at: [<http://www.sim.kz/?act=readarticle&id=945>].

ization as the mass media, banking, finances, diplomacy, management, small business, and agriculture. In the past years, more than 600 specialists from Uzbekistan, 561 from Kazakhstan, 200 from Turkmenistan, and 343 from Tajikistan have been trained under this program.

In order to assist the training of national specialists, India has formed Centers of Information Technology in Tashkent, Almaty, and Dushanbe. In 2006, Memorandums of Intent were signed to open such structures in Ashghabad and Bishkek. There are plans to create an Uzbek-Indian Center of Business Development in Tashkent.

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At the beginning of the 1990s, a new vector appeared in Delhi's foreign policy strategy namely, Central Asia. Its importance for India is primarily determined by the geopolitical importance and economic potential of the Central Asian countries, as well as by the deep common historical cultural roots they have with India.

It should be noted that the confrontation involving Kashmir that is still going on between India and Pakistan has made a significant mark on Delhi's policy regarding the Central Asian states. In this context, Delhi's main tasks, according to Indian scientists, consist in preventing the region from entering an alliance that would be hostile to India, as well as in carefully following all of Pakistan's strategic achievements in Central Asia. This explains why the diplomatic activity of both the Indian and Pakistani sides is extremely high in the region and generally more noticeable than their economic presence.

In recent years, India has been demonstrating rather high rates of economic growth, 6%-8% a year, but it is not able to offer the Central Asian countries large investments in the development of infrastructure and communications, or in the environment, that is, in those areas in which a solution to the most urgent problems on the current agenda of the region's states is most needed. This means that Delhi is not one of Central Asia's main investors or major trade partners. Despite the fact that relations between the sides have been friendly from time immemorial, India is unable to ensure the corresponding level of economic presence in the region.

Delhi is placing certain hopes on building cooperation in developing Central Asia's hydrocarbon supplies, which, however, is being slowed down due to the absence of a corresponding pipeline system. In so doing, it should be noted that essentially all the states in the region are showing an increased interest in transporting their energy resources in a direction that is profitable to them. There is no doubt that this strategy is pursuing specific geopolitical goals, since in today's world control over fuel and energy resources and the means for transporting them is becoming increasingly important. Moreover, it is obvious that in the future energy routes will define the future regional alliances and geopolitical situation not only in Central Asia, but also in the Eurasian space as a whole. In this respect, the route of the future pipeline from the region to India is extremely important.

Most experts believe that it would be better for Delhi to realize its ambitions in Central Asia in cooperation with its stable partner Russia. And for the Russian Federation too, India's role as a traditionally friendly country will continue to grow as the geopolitical situation changes.

Still, based on the results of an analysis of the development rates of India's political and economic cooperation with the Central Asian states, it can be concluded that it is unlikely to occupy a sufficiently important position here in **the short or medium term.**

But taking into account the entirely realistic possibility of augmenting Delhi's transportation and pipeline cooperation with the Central Asian countries, the influence of the Indian factor on the

situation in Central Asia should grow **in the long term**. India will most likely continue to play its role in maintaining the balance of interests in the region among such states as Russia, China, and the U.S.