

## **GEOPOLITICS OF ENERGY IN CENTRAL ASIA NEW PLAYERS ON OLD CHESSBOARD**

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### **Abstract:**

*The emergence of energy resourceful Central Asian states as independent republics has attracted the attention of energy seeking countries. A geopolitical rivalry has been started between the West led by USA and the East led by Russia. Pipeline politics, alliance making and use of energy entities are being employed as means for diverting energy fuels of Central Asia. In this respect, owing to respective geographical location and subsequent interests, Pakistan and India support the southern directed energy pipelines. Consequently, although the prospect of Pakistan becoming an energy corridor is ideal but the planned pipeline projects i.e. TAPI and IP are being subjected to the geopolitical rivalry of the region. The contemporary geopolitics of the region projects a balance of power shift in favor of the eastern countries i.e. Russia, and Iran, because of their geographical contiguity and the consequent influence in the region. The existing realities predict militarization of the water resources along with continuation of authoritarian regimes in Central Asian States, as these can easily be influenced by the external stakeholders for their vested interests.*

**Key Words:** *Central Asia, Energy politics, Pipeline politics, TAPI, Authoritarian regime*

### **Introduction**

Geopolitical significance of Central Asian landmass has always figured prominently in the strategic decision making of great powers. From defensive point of view, all great powers of the past have shown keen interest in the control of this region. Apart from Turkish and Iranian influence, the most important struggle for influence in Central Asia was

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manifested in the form of the so called great game played between Tsarist Russia and Great Britain. Extension of Russian boundaries by Kremlin across Central Asia was in fact motivated for securing its southern by territorial depth.

Between World War I and II all Central Asian Republics (CARs) were incorporated into former USSR and during previous century, these were kept aloof from the rest of world. But defeat of USSR in the cold war and subsequent independence of (CARs) attracted regional and extra regional powers towards these republics. Obvious reason for engagement in this part of the world was exploring new avenues for energy. But the geostrategic importance of the region has transformed an economic battle of energy security into geopolitical rivalry of strategic interests.

Owing to its location, the region cannot remain detached from the global strategic planning. It's located at the cross roads of Europe, Middle East and South Asia and is surrounded by China, Iran, and Afghanistan. In addition, presence of huge untapped hydrocarbons in this land locked region brings competing interests of not only great powers but also of resource deficient countries. This study is an attempt to discover the interests of all these stakeholders.

An investigation is carried out to find how concerned states tend to serve their geopolitical objectives along with securing their energy interests. Tussle among contenders for energy security in this region has often been termed as the "new great game", because in the guise of economic concerns, multiple political and strategic interests are being served, which make this game complicated and difficult to comprehend. The following section begins with the interests of great powers in the region.

### **The Battle of Influence between USA and Russia**

Power vacuum created with the disintegration of USSR, led extra-regional stakeholders, especially the US, European states, India, and China to gain influence in Central Asian region. The additional reason that has made this region significant is its incentive of huge untapped hydrocarbon reserves. America's energy needs do not originate in Central Asia. Majority of its oil demand is met by the Middle East and maximum of its natural gas requirements are fulfilled by Canada (3.5 trillion cubic feet)<sup>1</sup> and Mexico (4.3 trillion cubic feet).<sup>2</sup> Yet, USA shows keen interest in the energy reserves of this region.

Europe is dependent on Russia for 26 %<sup>3</sup> of its oil requirements

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<sup>1</sup> Michael T. Klare, "Petroleum Anxiety and the Militarization of Energy", (Ed.) Daniel Moron and James A. Russell, *Energy Security and Global Politics* (New York: Routledge, 2009), p.44.

<sup>2</sup> bid.

<sup>3</sup> Jeff M. Smith, "The Great Game, Round Three", *Security Affairs*, No.17, Fall 2009. Available at <http://www.securityaffairs.org/issues/2009/17/smith.php>

and 29 %<sup>4</sup> of its natural gas needs. Over dependence on Russia for energy security compromises Europe's strategic leverage vis-à-vis its cold war enemy. Therefore, Europe led by USA aims to gain access to Central Asian reserves directly and end its dependence on Russia. Securing free flow of Central Asian energy also serves a political interest for the West. Avoiding Russian route for energy transfer, oil, and gas would come directly into the open market and neither Russia would be able to manipulate prices in its favour nor would it use energy as a political weapon. Along with energy related incentives, political and strategic compulsions bring USA into the region. After the incident of 9/11, Central Asia provided USA a platform for conducting war on terror. In the year 2001, obtaining of military bases in Karshi-Kanabad (Uzbekistan) and in Manas (Kyrgyzstan) was motivated for the said purpose.<sup>5</sup>

Yet another reason for American physical presence in Central Asia is to counter the influence of emerging China and Iran. Mobility of US forces in and around Central Asian region and conductance of joint naval and military exercises with its allies offer strategic leverage to check the activities of both China and Iran. As compared to USA, Russian interests in the region are based on its geographical contiguity with Central Asian Republics (CARs). Being a successor state of former Soviet Union, Russia still considers these independent republics its region of influence and resists the intervention of any other power in their internal affairs. By losing these states Russian southern flank has been exposed to external threat. Therefore, its presence in this region for energy, political and military interests gives Russia a strategic and territorial depth against any external attack.

Although Russia has rich oil and gas reserves, but by utilizing its geography as a bridge between Europe and Central Asian region, Kremlin influences the political decision making in CARs because their economy becomes largely dependent on the transit fees that Russia pays to them. Secondly, Russia is also concerned over the US presence and involvement in Central Asian region, especially after the latter's support for democratic movements in some of these republics.<sup>6</sup> Russian orthodox thinking believes in autocratic control of the state and it desires the same system in its former republics. Such a set up advances its influence over authoritarian regimes of the region for maintaining control over these republics.

Owing to the policy of European Union's expansion to the East, Russian interests in Central Asia vis-à-vis Europe are also significant.

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<sup>4</sup> Ibid.

<sup>5</sup> *EU Energy Policy Data*, European Commission Document SEC, (2007), p.12, The European Commission's Directorate-General of Energy and Transport, *Statistical Pocket Book 2006*. [http://ec.europa.eu/dgs/energy\\_transport/figures/pocketbook/2006\\_en.htm](http://ec.europa.eu/dgs/energy_transport/figures/pocketbook/2006_en.htm).

<sup>6</sup> Ibid., Jeff M. Smith.

European Union (EU) has already extended up to Eastern Europe. Russia considers its strong physical presence in CARs as a hedge against further EU expansion. By striking bilateral energy deals with EU countries, Russia uses Central Asian energy as a tool for creating disunity among different states of Europe and hurts uniform policy making of EU.

Access and security of energy is not only an element falling in the economic domain. As a matter of fact, energy politics- security of supply and demand- has strategic dimensions too. The West led by USA and its counterpart Russia have political and strategic interests to secure in Central Asia, therefore, their respective strategies are not limited to economic considerations. Geopolitics of pipelines, use of military means and formation of strategic alliances are the diverse strategic tools adopted by both contenders for pulling balance of power in their favor.

Since the Cold War, Russia has been controlling oil and gas pipeline routes passing from its territory. Even after the emergence of CARs as independent states the pipeline infrastructure remained directed northwards to Russia. The West, therefore, explored possibilities of developing the western route for gaining direct access to the oil and gas of CARs. A significant effort in this direction was materialized in the form of 1000 mile long Baku-Tbilisi-Ceyhan (BTC) oil pipeline, which is operational since 2006.<sup>7</sup> The BTC pipeline was launched to avoid both Russia and Iran.<sup>8</sup> Similarly, for gaining access to natural gas two limited gas pipelines are functional. The first is South Caucasus pipeline, which runs along BTC oil pipeline and reaches Europe after passing through Greece.<sup>9</sup> The other is Baku-Tbilisi-Erzurum (BTE), which is limited for its supplies from Azerbaijan to Turkey. The source of these two pipelines is the natural gas of Azerbaijan, which is situated at the western shore of Caspian Sea. Azerbaijan is not a significant producer of natural gas and its lasting capacity is also limited. The fact that Europe's natural gas needs would rise in the coming decades compels the West to reach the Eastern shores of Caspian for fulfilling its future demands. According to an estimate, Europe would import over 80 percent of its natural gas needs by 2030.<sup>10</sup> Therefore, Europe wants to gain access to the Turkmen and Kazakh gas fields, for which two other projects are in the pipeline.

First is the Trans-Caspian Pipeline (TCP) that is intended to bring Turkmen or/and Kazakhstan gas from Caspian basin to Georgia and then

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<sup>7</sup> Gawdat Bahgat, "Central Asia and Energy Security", *Asian Affairs*, Vol. XXXVII, No. 1, March 2006, pp. 1-16.

<sup>8</sup> Amy Myers Jaffe and Ronald Soligo, "Energy Security: The Russian Connection", ed. Daniel Moron and James A. Russell, *Energy Security and Global Politics* (New York: Routledge, 2009), p. 122.

<sup>9</sup> Jeff M. Smith, "The Great Game, Round Three", *Security Affairs*, Number 17, Fall 2009.

<sup>10</sup> Paul Belkin, "The European Union's Energy Security Challenges" *The Quarterly Journal*, Spring 2008. pp. 76-102.

across the Black Sea to Romania and the Balkans.<sup>11</sup> The other is Nabucco gas Pipeline project that is supposed to bring gas from Azerbaijan to Turkey and then into Bulgaria and Austria.<sup>12</sup>

Apart from Russian opposition, both pipelines also face technical and financial hurdles. The proposed TCP has to cross Caspian Sea bed, whose sovereignty is still conflicted among its littoral states. Russia and Iran would never allow western sponsored pipeline supplying gas from their area of influence. If TCP is materialized, it would remain hostage to disruption either by Russia or Iran in any hostile situation. Secondly, after crossing the Caspian and following a limited land route, the pipeline would again have to cross the Black Sea. A pipeline passing through two huge waterways is itself a technically dangerous project subjected to environmental concerns. Leakage in the underwater pipeline is difficult to cope with and risk of underground seismic activity remains a potential threat to the stability of the pipeline.

So far as Nabucco pipeline is concerned, its capacity is estimated to be 31 billion cubic meters (bcm)<sup>13</sup> but the Shah Deniz (Azerbaijan) gas facility at the Caspian offshore can provide only 8 billion cubic meters (bcm)<sup>14</sup> allowing the rest of 23 bcm to be supplied by some other source. The other possible sources of supply for filling the required capacity of Nabucco are either the huge gas reserves of Turkmenistan or Iran. Given its opposition to western policies, Iran would never be on the US cards and Turkmenistan's access is also problematic as it resides on the eastern shores of the Caspian Sea. And for linking its gas reserves to Nabucco either a new pipeline has to be built or the proposed facility of TCP would be utilized for this purpose. Again feasibility of both is subjected to the hurdles related to Caspian basin.

To counter the US backed pipelines and to block the direct flow of Caspian energy to Europe, Russia has proposed three pipeline projects; one is the Nord Stream Gas Pipeline which is supposed to link Russian gas to Germany via Baltic Sea, is the first project intended to bypass Baltic countries, Poland, and the European middleman Ukraine.<sup>15</sup> For Ukraine, which has been serving as a transit corridor for European gas, it would be a great blow as the project would end its transit revenue. The deal is another manifestation of Russian energy diplomacy punishing a NATO aspirant country and halting further advancement of the US influence in its neighborhood. Poland and Lithuania have protested against Germany for undermining broader European energy security policy by dealing

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<sup>11</sup> Ibid. Paul Belkin, pp. 76-102.

<sup>12</sup> Ibid.,

<sup>13</sup> Dr. John C.K.Daly, "Caspian Sea Geopolitics: Nabucco will be the most Expensive Pipeline Ever Built", *New Eastern Outlook* ([http: www://journal-neo.com/?=node/281](http://journal-neo.com/?=node/281))

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

bilaterally with Russia.<sup>16</sup> The project would also threaten the security of littoral countries of the Baltic Sea as Russia, for pipeline security would increase its military surveillance operations in the Baltic.

Second Russian backed pipeline is South Stream pipeline, which will bring gas from Russia to Bulgaria and then on to both Austria and Italy via Black Sea.<sup>17</sup> The success of this pipeline will win over Bulgaria, Austria, and Romania, which are the potential purchasers of Nabucco pipeline gas. Therefore, materialization of this pipeline will serve as a serious setback to the EU and the US backed Nabucco pipeline.

Third challenge to the US backed plans is the extension of already existent Blue Stream pipeline across the Black Sea through Balkans into Hungary.<sup>18</sup> This project would also deter Hungary and Balkan markets from receiving Caspian gas from Nabucco.<sup>19</sup>

These pipeline projects may serve two political purposes for Russia. *Firstly*, these bilateral deals with European countries are political threats to the unity of the European Union. By doing these agreements and by restricting a unified energy security approach, the EU countries would be disunited and might clash among themselves, especially in the coming decades when security of energy will be major foreign policy concern. *Secondly*, if Russian backed pipelines are materialized, these will eliminate prospects of Turkey from becoming an energy transit route to Europe.

A close scrutiny of the pipeline politics reveals a military and political aspect of energy security. As far as military aspect is concerned, it has been observed that two proposed pipelines across Black Sea (South Stream and extended Blue Stream) and one each from Baltic Sea (Nord Stream) and Caspian Sea (Trans-Caspian) would offer the stakeholders to increase their military maneuverings in these waterways. In fact some military activities are already being started by the USA, Russia, and CARs. According to a report; Azerbaijan and Kazakhstan are now building up their navies with assistance from the USA, while Russia has announced a substantial expansion of its own Caspian fleet. The United States and Russia have also competing plans for multilateral fleets in the region, the Caspian Guard, and the Caspian Rapid-Development Force (CASFOR), respectively.<sup>20</sup> The US initiated partnership for peace; a military assistance program is also in line for gaining foothold in energy rich region of the Caspian and Central Asian energy resources. She is using military aid as a tool for securing energy infrastructure of Central Asia energy resources. It has been found that her financial help for revitalizing an old Soviet air

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<sup>16</sup> Ibid. pp. 76-102.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> Michael T. Klare, "Petroleum Anxiety and the Militarization of Energy", (Ed.) Daniel Moron and James A. Russell, *Energy Security and Global Politics* (New York: Routledge, 2009), pp. 55-63.

base at Atyrau, near the giant offshore Kashagan oil field is directed to enhance Kazakhstan's capability to protect oil platforms.<sup>21</sup>

Yet another use of military means by the USA and Russia for securing energy and political interests is the conduct of joint naval exercises with their respective allies in the Caspian Sea. As for as political tools for gaining influence in the region is concerned both the USA and Russia have either formed or helped in the formation of regional alliances. USA has supported the creation of GUUAM,<sup>22</sup> an informal regional grouping that includes Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova. These countries are politically supported by the USA to get them away from Russian sphere of influence. In response, Russia has established Collective Security Treaty Organization (CSTO), made up of seven former republics of the Soviet Union.

One of the chief considerations of the US interest in Central Asia has been to get the logistic platform for war efforts in Afghanistan. Although air base facility in Uzbekistan had to be closed due to US alleged involvement in rebellion against Uzbek government, but, later USA successfully gained the use of Uzbek territory as part of an overland non-military supply route to Afghanistan.<sup>23</sup> On the other hand, in order to counter the US influence, Russia is in progress to establish its second military base in Osh (Kyrghsztan).<sup>24</sup>

An aspect of Russian energy diplomacy is the use of its national energy entities like Gazprom and Rosneft for not only protecting Russian energy infrastructure from foreign competitive companies, but also for controlling pipelines and thereby energy resources of Central Asian countries. For instance, Kremlin has started taking control of majority of strategically important oil and gas fields for protecting Russian national interests.<sup>25</sup> Gazprom strategy is to purchase Central Asian gas at lower rates for Russian customers and then to sell its own gas at higher prices to Europe. For example, Turkmen gas is locked into the Russian economy at depressed prices of \$ 65 per 1000 cubic meters, allowing Russia to export its own natural gas supplies at over \$ 230 per 1000 cubic meters to high paying European customers.<sup>26</sup>

On the basis of these findings, it can be inferred that energy security policy of the United States of America is chiefly dictated by Carter Doctrine and that of Russia by Brezhnev Doctrine. Free flow of oil from

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<sup>21</sup> Gawdat Bahgat, "Central Asia and Energy Security", *Asian Affairs*, Vol. XXXVII, No. 1, March 2006, pp.1-16.

<sup>22</sup> Ibid.

<sup>23</sup> bid. Michael T. Klare, p.52

<sup>24</sup> Ibid. Jeff M. Smith.

<sup>25</sup> Amy Myers Jaffe and Ronald Soligo, "Energy Security: The Russian Connection", (Ed). Daniel Moron and James A. Russell, *Energy Security and Global Politics* (New York: Routledge, 2009), p.123.

<sup>26</sup> Ibid, p.128.

foreign sources of supply to the United States and its allies must be protected against hostile threats.<sup>27</sup>

All political, diplomatic, and military means employed by the USA in Central Asia and the Caspian region are, therefore, reflective of this doctrine against the perceived threats of supply disruption by its enemies. The Brezhnev doctrine was initiated for keeping the Eastern and Central European states dependent on subsidized Soviet energy supplies under the control of Moscow.<sup>28</sup> In the case of Central Asia, Russia utilizes the doctrine by providing its territory for linking Central Asia to Europe and using energy as a lever by manipulating prices of oil and gas for making Central Asian states dependent on it.

### **Emerging Regional Powers**

Along with Russia the emerging regional powers, China and Iran have great stakes in the so called new great game of energy politics in the Central Asia. The fact that both are considered potential threats to the US regional status makes their influence in the region highly significant. Apart from energy consideration both China and Iran have multiple political and strategic interests in the region.

### **China's Interests**

China's population explosion and economic boom needs industrial development at large scale and for that it is dependent on energy. Given the fact that its resource base does not satisfy its astronomical energy demand, it has to import oil and gas. Estimate of its future energy needs shows that, in the coming decades, China would become a huge consumption market for fossil fuels. The rate of Chinese oil production is 1.7 percent a year,<sup>29</sup> and oil consumption is increasing at 5.8 percent.<sup>30</sup> It is forecasted that in future China would import 84 percent of its energy supplies by 2030.<sup>31</sup>

Currently, China is chiefly importing required energy via sea through Malacca Strait. Given the presence of US naval fleet around Malacca strait, China's energy supply security remains threatened. Therefore, it has been exploring land routes for avoiding sea based transport. In this respect, China has already explored Kazakhstan oil fields for its energy needs. She has launched a 1436 km<sup>32</sup> long oil pipeline named Kazakhstan-China Pipeline (KCP), which is operational since 2006 and is

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<sup>27</sup> Ibid. Michael T. Klare.

<sup>28</sup> Ibid., Myers Jaffe and Ronald Soligo, p.122.

<sup>29</sup> Rizwan Zeb, "China and Central Asia", *Regional Studies*, Vol. XXIII, No.4, Autumn 2005, pp.3-36.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Xuanli Liao, "Central Asia and China's Energy Security", *The China and Eurasian Forum Quarterly*, Vol. 4, No. 4, November 2006, pp. 61-69.

meeting about 15 percent of her crude oil needs.<sup>33</sup> Although the said pipeline is extremely beneficial to both countries in the short term, yet it is subjected to a potential constraint: unrest in Uyghurs dominated Xinjiang province. China is planning to divert the waters of Irtys and Ili Rivers for meeting water needs of her Northwestern region. Diversion of the said rivers can create hostility with Kazakh government as these rivers feed important agricultural and industrial sectors in Kazakhstan.<sup>34</sup>

The water related conflict can uphold the smooth functioning of KCP in future because the nature of such disputes is often very harsh leading the stakeholders to war footing. The water dispute between India and Pakistan is the case in point.

Although China has enough natural gas reserves as compared to oil, still considering its future needs, it approached huge gas fields of Turkmenistan and struck a deal for laying a pipeline from Turkmenistan to China, which has started bringing 30 to 40 billion cubic meters of natural gas annually.<sup>35</sup> If materialized fully, the said pipeline would squeeze much of the gas on which USA has focused eyes for filling capacity of Nabucco gas pipeline.

For China, energy is also very important from demographic point of view. As mentioned above, majority of Chinese energy supply comes via sea, which is at the shore of its eastern land mass. Being a huge geographic country, its western part is away from the beneficial use of energy and remains industrially backward. The Western areas of China are still dependent on agriculture, where its huge population is going unemployed. China needs energy from the neighborhood of its western half to accommodate its growing population.<sup>36</sup>

The Western region of China also laps a strategically, politically, and economically very important province of Xinjiang, whose development and subsequent stability is very crucial for securing its Western boundaries. The province of Xinjiang is a site for military exercises and nuclear tests but is politically unstable due to Uyghurs separatist movement for independence.<sup>37</sup> Xinjiang has an economic significance too. Its Tarin oil basin is estimated to hold 147 billion barrels of untapped oil reserves.<sup>38</sup>

From ethnic point of view, a significant number of Uyghurs also live in Kazakhstan and Kyrgyzstan and similarly small Kazakh, Kyrgyz and Tajik communities live in Xinjiang.<sup>39</sup> An ethnically unstable region with

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<sup>33</sup> Ibid.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid. Rizwan Zeb.

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.

<sup>39</sup> Charles William Maynes, "America Discovers Central Asia", *Foreign Affairs*, New York, March/April 2003, p.123.

less economic development and high unemployment threatens the political security of China. China prefers development of this region by importing energy from nearby Central Asian reserves to suppress internal rebellion.

Along with the pipeline projects China has also mobilized its state energy entities for making inroads into Central Asian states. A significant victory for Chinese energy entity, Chinese National Petroleum Company (CNPC) was the takeover of Petrokazakh in Kazakhstan.<sup>40</sup> With this deal China got full possession of the Kumkol

South oil field and a joint ownership of Kumkol North with Russia's oil company Lukoil.<sup>41</sup> Yet another Chinese's company SINOPEC has made inroads into Central Asia by acquiring Kazakhstan North Buzachi oil field in August 2004, followed by a 50 percent equity share in three blocks nearby Tengiz and with Uzbekistan it reached a \$ 600 million oil exploration and development deed in May 2005.<sup>42</sup> Also, with Uzbekneftaz (Uzbekistan), Chinese company CNPC further signed two more agreements in June and September 2006 for exploring and developing prospective petroleum deposits in five onshore blocks of the Aral Sea.<sup>43</sup>

The long list of share purchasing and investment activities clearly shows the economic strength of China. By utilizing economic element of national power, China has beaten other potential competitors, especially Indian companies. As for as Russian giant Gazprom is concerned, China does not seem to be in conflicting terms with it. The obvious reason is the convergence of their interests' vis-à-vis USA. Both regional powers consider the US influence in this region as threat to their political and military security. Apprehensions about possible instigation of Chechen and Uyghurs insurgencies and the planned development of missile defense system<sup>44</sup> unite them against the USA on one platform i.e. Shinghai Cooperation Organization (SCO).

To liquidate US threat from Central Asia, China has flexed its political muscles. Alliance formation of the SCO is very significant from Chinese point of view, as China uses its political influence within its member states and also utilizes military assistance for its interests. Under the umbrella of this regional alliance, the Central Asian States are provided security against terrorism and internal insurgencies; two significant threats to their regimes. In the absence of US backed regional security alliance, the SCO attracts the Central Asian rulers towards China and Russia, given the fact that both are geographically approximate to them.

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<sup>40</sup> Ibid. Xuanli Liao.

<sup>41</sup> Ibid.

<sup>42</sup> Sarfraz Khan & Imran Khan, "Sino-Indian Quest for Energy Security: The Central-West-South Asian Geopolitical Turf" *Regional Studies*, Vol.XXVII, No. 2, Spring 2009, pp. 46-93.

<sup>43</sup> Ibid. Xuanli Liao.

<sup>44</sup> Ibid.

Through the platform of the SCO, China has formed Regional Anti-Terror Structure (RATS) in Bishkek, Kyrghsztan and held counter terror exercises with Kyrghsztan and Kazakhstan.<sup>45</sup>

### **Iran's Interests**

Although limited in military and economic might, still, Iran is considered as an emerging power due to its geostrategic location and regional influence. Presence of the Strait of Hormuz in Persian Gulf at its southern half and the Caspian Sea at its northern flank make Iran an ideal energy transit route from the Central Asia to the world. Its geographical contiguity with Turkmenistan-having fourth largest gas reserves- and with Azerbaijan-significant producer of oil – further enhances its economic and political importance.

Iran's energy reserves are situated at its southern part and their transfer to its underdeveloped northern region is expensive due to less developed infrastructure and difficult geographic terrain. Therefore, Iran is importing natural gas from Turkmenistan via Kurpezhe Kurt Ki (KKK) gas pipeline and has also struck a deal to launch Daulatabad-Khaniran pipeline connecting the Iran's northern Caspian region with the Turkmen vast gas field.<sup>46</sup> The gas from this pipeline would meet energy needs of its less developed areas and also allow it to export own gas via southern routes. Iran has also shown interest in buying Azeri gas.<sup>47</sup> Both these agreements serve political purposes too. By tapping gas from both Turkmenistan and Azerbaijan, the US backed Nabucco project comes under strain as Nabucco is also dependent on these countries for filling its thorough capacity.

Iran is proposing two more pipelines for tapping Kazakh and Turkmen gas. The first is Kazakhstan-Turkmenistan-Iran (KTI) gas pipeline and the other is Turkmenistan-Iran-Turkey (TIT) gas pipeline.<sup>48</sup> In case of success of these projects, Iran will become a strategically significant energy bridge connecting Central Asian reserves to the West and the South. With the former project, Iran would be controlling the flow of gas to southern route via Persian Gulf and in the latter case; it would be holding control over European gas markets.

In Iranian geopolitical calculation, Russian connection is worth considering. Allowing no one to capture European markets of natural gas, Russia is favoring Iran for becoming southern transit corridor. It has favored Iran-Pakistan (I-P) gas pipeline to alter the flow of Iranian gas to

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<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

<sup>48</sup> James Fishelson, "From Silk Route to Chevron: Geopolitics of Oil Pipelines in Central Asia", *Vestnik: The Journal of Russian and Asian Studies*, Issue 7, winter 2007, available at [http://www.sras.org/geopolitics\\_of\\_oil\\_pipelines\\_in\\_central\\_asia](http://www.sras.org/geopolitics_of_oil_pipelines_in_central_asia)

eastern direction away from western markets.<sup>49</sup> On the other hand collaboration of Russia and Iran in the geopolitics of Central Asia is disturbing for the USA.

The confluence of Iran and Russia has the potential of instigating unrest in the Shia dominated regions of oil producing Gulf States. Eastern provinces of Saudi Arabia contain 250000 to 500000 Shia populations<sup>50</sup> and her petroleum company Aramco has 75 percent of Shia work force.<sup>51</sup> Similarly, a significant number of pro-Iranian Shias are living in the oil rich southern regions of Iraq.<sup>52</sup>

If Russia is blocking the US efforts of reaching energy reserves from the eastern side, it is Iran in the southern flank that is minimizing prospects of the US backed pipelines to get Central Asian reserves. The combined natural gas reserves of Russia and Iran constitute about 40 percent of the global reserves<sup>53</sup> with lasting capacity of 100 years for Iran and 84 years for Russia.<sup>54</sup> Considering anxiety of high oil prices, global industrialized economies would switch over to the use of natural gas if they are offered a stable and secure supply of it. The prospects of combining the gas reserves of Turkmenistan, Uzbekistan, Kazakhstan and Azerbaijan with their own into a natural gas cartel, would give both Russia and Iran a dominating role in the dynamics of energy politics in the coming decades. Russian control over Western markets and Iran's hold of the South Asian and Asia Pacific supplies would make a significant alliance to reckon with.

Like all concerned states the interests of Iran in Central Asia are not limited to energy security alone. It has many political interests to serve there. The military presence of its arch rival USA in the heart of Central Asia is a constant threat to her security. To liquidate this threat, Iran plays political card with the Central Asians. Its political engagements with the Central Asian Republics are part of her diplomatic efforts that Iran pursues to end its isolation that is imposed upon by the USA. Iran has shown keen interest in becoming a member of SCO, an alliance triggered by Russia and China. Having been given observer status in the organization, Iran has offered energy collaboration from this platform. Along with Russia, Iran is opposing the US backed Trans Caspian Pipeline (TCP) and wants a uniform policy of all littoral states on Caspian reserves.

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<sup>49</sup> Arshi Saleem Hashmi, "Politics of Sanctions: Future of Iran-Pakistan-India Pipeline", *Regional Studies*, Vol. XXVIII, No. 3, Summer 2010, pp.3-30.

<sup>50</sup> Amy Myers Jaffe and Ronald Soligo, "Energy Security: The Russian Connection", (Ed.), Daniel Moron and James A. Russell, *Energy Security and Global Politics* (New York: Routledge, 2009), p.131.

<sup>51</sup> Ibid.

<sup>52</sup> Ibid.

<sup>53</sup> *BP Statistical Review*, June 2013, pp.1-48. Available at [http://www.bp.com/content/dam/bp/pdf/statistical-review/statistical\\_review\\_of\\_world\\_energy\\_2013.pdf](http://www.bp.com/content/dam/bp/pdf/statistical-review/statistical_review_of_world_energy_2013.pdf).

<sup>54</sup> Ibid.

In recent past, it has used gunboat diplomacy in constraining Azerbaijan from taking independent course in the development and exploration of Caspian basin reserves.<sup>55</sup> Iran is against external intervention in the affairs of Caspian basin, connection, its energy related deals with China, India, and Pakistan are worth mentioning. All these countries are energy dependent and Iran is a potential energy supplier, but, with limited economic and technological capacity. For Iran, their cooperation in the energy sector especially of the USA and recommends regional solution to the Caspian related dispute.

In the face of stiff resistance from the USA, Iran has been seeking regional influence by striking deals with regional countries. In this is meaningful. With Iran, China is under a deal of 30 year's energy supply agreement worth dollar 70 billion along with SINOPEC joint venture in Iran, owing a 50 percent share.<sup>56</sup> India has also signed a 25 years LNG supply deal with Tehran and has also acquired development rights in two oil fields and in the north Pars gas fields.<sup>1</sup> Iran and Pakistan have signed I-P gas pipeline project and are also considering import of electricity from the former to the latter.

The above mentioned agreements are indicative of the fact that Iranian use of diplomatic element of national power has neutralized the negative effects of its nuclear related programs. Unlike North Korea, Iranian regime is strong and is using its regional influence even in the face of strong western pressure. The latent power of its huge energy resources and its geostrategic location has helped her break her isolation. Its possible energy related alliance with Russia for securing or emerging energy markets of Asia can give Iran dominating position in the coming decades.

### **India and Pakistan**

The two peripheral countries that figure prominently in the geopolitics of Central Asia are India and Pakistan. India's 87 percent of energy demand is being met by fossil fuels (coal 50 percent, oil 30 percent, and gas 7 percent)<sup>58</sup> and since its indigenous sources are meager, it imports two third of its daily consumption, which is likely to reach three-fourth by 2025.<sup>59</sup> Pakistan is also heavily dependent on the use of fossil fuels.

Pakistan's primary energy demands are chiefly met by fossil fuels,

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<sup>55</sup> Amy Myers Jaffe and Ronald Soligo, "Energy Security: The Russian Connection", (Ed.) Daniel Moron and James A. Russell, *Energy Security and Global Politics* (New York: Routledge, 2009), p.131.

<sup>56</sup> Ibid. Sarfraz Khan & Imran Khan.

<sup>58</sup> Ibid.

<sup>59</sup> Ibid.

with a share of 51 percent of natural gas<sup>60</sup> is leading the rest, followed by 28 percent share of oil<sup>61</sup> and it is estimated that in future, major share of the country's energy demand will be met by gas and oil (the share of oil and gas in 2015 would be 27 percent and 50 percent respectively.)<sup>62</sup>

India lacks direct geographic link to Central Asia and is dependent on Pakistan's territory for the access of oil and gas of this region. Turkmenistan-Afghanistan-Pakistan-India (TAPI) is the proposed gas pipeline that has the potential of supplying much needed energy to both countries. The TAPI gas pipeline is supposed to link the gas reserves of Turkmenistan with India and Pakistan. The proposed gas pipeline is expected to be 3000 km long of which 700 km will pass through Pakistan.<sup>63</sup> The comparative advantage goes to Pakistan as India is dependent on its territory for gaining access to Turkmen gas. This pipeline is further handicapped due to political instability in Afghanistan. Since the proposed pipeline has to pass from Herat and Kandahar, its potential of becoming a success remains in doldrums. These are Taliban dominated areas where sabotage activities involving disruption of pipelines are further enhanced given the fact that TAPI is also favored by the USA.

In the said project, it is Pakistan that might link India to the gas reserves of Turkmenistan. Overtly, India shows reluctance in joining this project due to the apparent price settlement issues. But from strategic and political point of view India's hesitancy in joining the project is based upon two considerations. *Firstly*, the gas pipeline deal would allow Pakistan to control the flow of energy to India. From Indian point of view, in case of any untoward political situation, Pakistan might use energy tool for disrupting Indian gas supply. *Secondly*, for strengthening strategic alliance with the US, India preferred civil nuclear deal with it against TAPI gas pipeline project.

A 7\$ billion Iran-Pakistan (I-P) peace pipeline deal was finalized on 13 June 2010, under which Iran will start exporting natural gas to Pakistan from 2015.<sup>64</sup> The projected length of the pipeline is 1000 km, out of which 907 km has already been built. If extended to India, its length will reach 2700 km, out of which 700 km will pass through Pakistan <sup>65</sup>

In addition to energy related interests in Central Asia both Pakistan and India have political interests too. Pakistan has been accused of considering Central Asia as a natural extension of her strategic depth

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<sup>60</sup> Mukhtar Ahmed, "Meeting Pakistan's Energy Needs", (Ed.) Robert M. Hathaway and Michael Kugelman, *Powering Pakistan: Meeting Pakistan's Energy Needs in the 21<sup>st</sup> Century* (London: Oxford University Press, 2009), pp. 3-18.

<sup>61</sup> Ibid.

<sup>62</sup> Ibid.

<sup>63</sup> Ibid. Arshi Saleem Hashmi.

<sup>64</sup> Ibid.

<sup>65</sup> Ibid.

doctrine in Afghanistan.<sup>66</sup> However, Pakistan's interests in Afghanistan need careful examination.

Right from its birth Pakistan's security has been threatened by an aggressive and hostile neighbor, India. India has charged Pakistan for infiltrating Jihadi elements into Central Asian Republics during the Soviet Afghan war and also blames Pakistan for instigating insurgency in Kashmir via Jihadi base in Afghanistan.<sup>67</sup>

However, the fact of the matter is that, the phenomenon of jihad in Afghanistan was born with the support of the USA and the West for containing the Soviet expansion. The USA gathered Jihadis from all over the world and funded them for its own vested interests. After its departure from Afghanistan it left Pakistan unaided to take care of the unresolved problem of Afghanistan. It is an established fact that Jihadi elements not only infiltrated into Central Asian Republics but also entered into Pakistan through unguarded and porous border between Afghanistan and Pakistan. However, the emergence of the war on terror created a new opportunity for India to link Kashmir struggle with terrorism.

So for, Pakistan's moves for political engagement with the Central Asian Republics are concerned, these were motivated by its security concerns and also due to the uncertainty of power vacuum created with the end of cold war in the region. Pakistan feared that a hasty the US withdrawal might leave Afghanistan in a chaos, creating further problems on its western borders. The emergence of the CARs were perceived as an opportunity to form a large regional grouping for creating a united platform for economic development and also for not allowing any extra regional power to fill the vacuum. The platform chosen for that purpose was Economic Cooperation Organization (ECO).

The strategy did not pay dividends for obvious reasons. Central Asian Republics were ruled by authoritarian leaders who were hesitant to align themselves politically with the local countries for fear of losing support of either the USA or Russia. The ECO could not come up to the expectations as it was limited to economic concerns. Economic interactions in the absence of uniform political and security policies cannot bring fruitful results.

Most of the Central Asian rulers have always looked towards Russia for their security and have aligned their countries to the Russian sponsored political alliances e.g. Common Wealth of Independent States (CIS), CSTO, and SCO.

After the incident of 9/11, India made inroads into Central Asia. The presence of India in the Central Asia is a matter of great concern for Pakistan. For bypassing Pakistan and reaching directly to the energy

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<sup>66</sup> Meena Singh Roy, "Pakistan's Strategies in Central Asia", *Strategic Affairs*, Vol. 30, Issue 4, October 2006. [http://www.idsa.in/strategicanalysis/PakistansStrategiesinCentralAsia\\_msro\\_y\\_1006](http://www.idsa.in/strategicanalysis/PakistansStrategiesinCentralAsia_msro_y_1006)

<sup>67</sup> Ibid.

resources of Central Asia, India is pursuing multiple strategies. India is heavily investing in Afghanistan for getting a foothold there. She has trained Afghan police force, constructed Afghan parliament building, provided \$ 500 million economic assistance, and given 500 educational scholarships.<sup>68</sup>

The Central Asian Republics are interested in Indian information technology industry and its assistance in financial and banking sector.<sup>69</sup> India is also looking to explore Turkey as a gateway for reaching Central Asian energy.<sup>70</sup> Both routes, via Iran and Turkey are sea borne, having risks and insecurities. For securing sea lanes of communication naval force has to remain active with full potential and capability. Even then dangers of piracy and terrorist attacks are always present. Secondly, if Indian proposed pipelines are laid via Arabia Sea then these will be prone to seismic activities and accidental leakage resulting in environmental hazards.

Investment through its energy entities is yet another tool of controlling the flow of energy in Central Asia. Although not successful in the presence of Chinese energy companies, still, it has managed to purchase some shares in the exploration and development of oil and gas in the region. India has a 20 percent stake in SINOPEC joint venture in Iran and a 10 percent stake in Kumangazy, a joint Russian and Kazakh oil field in the Caspian basin.<sup>71</sup>

Although limited to complete success, still, Pakistan is following a few projects to get its infrastructure linked to the Central Asian States. The proposed extension of Karakorum Highway (KKH) to Tajikistan and Kyrgyzstan, reconstruction of road linking Peshawar with Termez in Uzbekistan (involving a distance of 880 km for getting easy access to the remaining four CARs) and the land route linking Chaman with Kushka in Turkmenistan (involving a distance of 1170 km) are the projects in developmental stages.<sup>72</sup> The most important of the projects that Pakistan has materialized with the cooperation of China is Gwadar port.

The port is strategically located at the cross roads of the Middle East, Central Asia and southwestern provinces of China, the regions that are rich in natural resources. It has the potential to act as a hub port not only for the natural resources of Central Asia but also for regional trade in all kind of consumer goods. The port complex would provide facilities of ware housing, trans-shipment, transit coastal trade and provision of

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<sup>68</sup> Ramakant Dwivendi, "Conference Report: 3<sup>rd</sup> India-Central Asia Regional Conference", *Strategic Analysis*, Vol. 27, No. 4, Institute for Defense Studies and Analyses, (New Delhi), October-December 2003, pp. 621-626.

<sup>69</sup> Ibid. Meena Singh Roy.

<sup>70</sup> Ibid.

<sup>71</sup> Ibid. Sarfraz Khan & Imran Khan.

<sup>72</sup> Shabbir Ahmed Khan, "Pakistan's Policy Towards Central Asia: An Evaluation Since 1991", *Central Asia*, No. 65, Winter 2006.

commercial and industrial facilities for international export, import trade particularly of CARs.<sup>73</sup>

## Conclusion

Findings of this study reveal that the great game of energy politics is conducted between the West and the East. Latest developments in the Central Asian region show that at present the East represented by Russia, China, and Iran are dominating energy politics. The proposed pipeline projects sponsored by the West led by the USA are not progressing as compared to pipeline routes backed by countries of the East. Nabucco and Trans-Caspian gas pipelines are subjected to financial, legal, and technical constraints. Russian sponsored Nord Stream; South Stream and Blue Stream gas pipeline projects are gaining favor among the European countries. Russian policy of striking bilateral deals with European countries is serving two pronged interests for her. On the one hand these deals are winning over those countries which are supposed to be the buyers of natural gas from the US backed pipeline projects. This ensures Russia's dominance on the European gas markets. Secondly, these deals are also causing disunity among European Union countries, serving Moscow's geopolitical interests.

The Central Asian gas supplier countries, Turkmenistan, and Kazakhstan, are interested in divergence of energy supply, and are striking more energy deals with Iran and China to minimize their dependence on Russia. China is getting oil from Kazakhstan and has started obtaining Turkmen gas to its western region. Despite the US sanctions, Iran is receiving Turkmen gas for its underdeveloped northern region. Although northern pipelines routes are still controlled by Russia, yet opportunities are becoming apparent for flow of the Central Asian hydrocarbons, especially natural gas via eastern pipeline routes to China and via southern pipeline routes either through Iran or Pakistan.

There seems to be an indirect energy interaction being established between Russia, China, and Iran against the USA. China and Iran are not aiming to disturb energy dominance of Russia in the European markets, but are conducting energy deals to offset US backed pipeline routes. Russia is favoring southern pipeline routes so that Iranian energy reserves flow towards south and its monopoly over European markets remain intact.

There are two main reasons for the likely success of eastern countries in the new great game of energy politics being played in the Caspian region. *Firstly*, the states of Russia, China, and Iran are regional stakeholders and have geographical connection with energy producers of the region. *Secondly*, the USA is an extra regional country and its imposed physical presence is not supported by majority countries of the region.

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<sup>73</sup> Ibid.

Moreover, energy producers understand that regional countries have much communality of interests with them and these can better be served with their cooperation. Secondly, Russia, China and Iran play energy politics through their state run energy entities. There is always a uniformity of policy between their governments and energy companies. Although many American and European energy companies are doing business in the Central Asian region, but, these are not under strict control of their respective governments.

Energy politics in the Central Asian region has created security threat to all concerned countries. Almost all proposed pipeline routes have to pass through one or more seas, making militarization of the related seas certain. Secondly, Afghanistan, from where the most suitable pipeline route is supposed to pass through is also under intense military conflict that has a far reaching effect for all regional countries.

Although Pakistan is not a direct player in the energy politics of the region, still, its importance as an energy transit corridor cannot be overruled because Pakistan's territory offers the most convenient bridge to exporters and importers of energy. Why Pakistan is the ideal transit corridor and what are the geo-economic and geopolitical advantages for her in becoming an energy bridge between Central Asian region and South Asia and beyond, are the subject items of further research.

