Chapter IV: Geo-Strategic Conflicts and Regional Relevance of Chabahar:

This chapter evaluates current policies and the potential of Chabahar Port. The chapter starts with a complex, multi state rivalry to influence and control Central Asia’s destiny, trade, and resources and especially the main players are Russia, Iran, Turkey, India, Pakistan, China, and the United States. An evaluation of the growing global need of natural resources, with particular emphasis on the resources of Central Asia, is presented to find their potential flow through the Chabahar port. Additionally, the need for another transshipment port in this area for trade in the vast Asian consumer market and the dictates of a growing domestic trade demand is used to establish economic expectations of this port. This chapter discusses competition between countries and relations with the states of Central Asia, access to Central Asian countries to the world markets and also the methods of connection as well as the geo–strategic relevance of Chabahar with Central Asian access to seaports at the southern-east of Iran on the Oman Sea.
1) Introduction:

For the past few years there has been a growing interest in Central Asia\(^1\), primarily because of the belief that the region contains huge deposits of petroleum and natural gas. And a battle is being waged by neighbouring countries to provide egress routes for the oil and gas to reach the world markets; Russia, China, the United States, Turkey, Georgia, Iran, Pakistan and Afghanistan are all putting forward proposals for pipeline routes that best suit the interests of the region and the world energy market.\(^2\)

Five new states emerged in Central Asia when the Soviet Union collapsed. They are Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan. A complex, multi states rivalry to influence and control Central Asia's destiny, trade and resources is and going on main players are Russia, Iran, Turkey, India, Pakistan, China and the United States. Israel and Saudi Arabia play a lesser role. This competition is particularly strong in the struggle among these countries to acquire positions of leverage over the production, energy, economy, pipelines and refining in Central Asia because this area is blessed with huge energy deposits. These deposits are crucial to central Asia's integration with the world economy.

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1 "Central Asia" here means the area of central Eurasia comprising five states – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan – which were established by their declarations of independence and the collapse of the USSR in 1991.

and for economic progress. Truly, energy exports may be the only way these countries can hope for economic permanence and progress in the future.¹

In Central Asia, Russia is a constant factor, seeking to regain both economic and political control of the region. Iran is seeking economic and political control and trade and transit for the oil. Turkey apparently also has an ambition to exercise economic and political control of the region, but with more limited means than either Iran or Russia. The United States is a newcomer to the region and an outsider. It is seeking economic and political control as well as oil and gas.⁴ This chapter discusses competition between the countries and relations with the states of Central Asia and access for Central Asia countries to the world markets and also the method of connection as well as the geo-strategic relevance of Chabahar with Central Asian access to seaports at the southern-east of Iran on the Oman Sea.

2) Iran and Central Asia:

Iran lies between the Middle East and Central Asia. It is in the centre of a perpetual “hot spot” in world affairs. It’s located on the eastern end of the oil-rich Persian Gulf region and the western end of Central Asia. The country encompasses the Iranian plateau, in what was called ancient Persia.⁵ Iran has very long borders with all former Soviet Union’s neighbours. After the Soviet collapse, Iran remains the only country which shares borders, either at land or sea, with some of the USSR’s successor states on their southern borders. In Central Asia,


⁵ Joseph, Tragert. complete idiot’s guide to understanding Iran. (Indiana, 2003). p. 15.
Turkmenistan has the longest borders with Iran and this geographic proximity has led to close cultural and ethnic ties between Iran and most of the former Soviet Union. Indeed, the historical pattern of movement of people in Iran and Central Asia has a significant degree of overlapping of ethnic and linguistic groups in Iran and in these republics. By the beginning of the 1990’s when the Central Asian countries became independent, the foreign policy of Iran evolved significantly. Iran rushed in (Central Asia) to offer cooperation to advance their interests and prevent any possible ramifications. Iran saw Soviet collapse as giving rise to a vacuum in the former Soviet South, a vacuum that would inevitably be filled by some external power. In a worst case scenario the USA and proxies Turkey and Israel, would move in to encircle Iran’s northern borders.

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8 Source: http://www.geographic.org/maps/new2/iran_maps.html
The collapse of the Soviet Union offered tremendous potential benefits to Iran. Tehran looked at the new found independence of the states in the north as diplomatic opportunity to break out of the containment imposed by the United States. Iran has cultural and historical ties with the Central Asia States to its northeast (none more so than Persian speaking Tajikistan), further more it shares with these States an interest in nurturing their independence from Russia. Geography favours Iran. Most of these States are landlocked. Turkmenistan has access to the Caspian Sea, but this is a closed, inland sea. Quite apart from trade with Iran, gaining access to the open waters of the south is important to these States for securing markets in the Middle East and beyond Iran’s natural link from the Caspian Sea to the Persian Gulf (See Figure 7). And through it, it’s relations with these states. Iran own economy stands to benefit from such relations and from the viewpoint not just of transit fees or even swap arrangement but also of a market for goods that Iran itself produces.9

All countries in the wider Central Asia region have a lack of direct access to the sea, undeveloped transport infrastructure and a largely commodity-oriented structure of exports. Many of these countries have a legacy of substantial public sector involvement in their economies, but at the same time face significant constraints in administrative capacity. Moreover, the geographical composition of intra-regional trade shows a notable bifurcation, with significant trade relations between Afghanistan, Iran and Pakistan. There is some limited but growing trade between Iran and post-Soviet Central Asia, but virtually no trade between Pakistan, Afghanistan and their northern neighbours.

International transit trade through the region also is minimal, estimated at just $3.5 billion in 2003. Against these backgrounds, opportunity exists for Central

Asian countries to diversify their international connections and to reduce the distance and the number of borders to be crossed to reach international maritime transportation hubs. The central Asia –Afghanistan- Pakistan (Karachi port) road corridor would provide potentially one of the cheapest and probably quickest transit ways to and from Central Asia. This path being reopened has already started to reshape the transportation landscape in the region by spurring competition over transit trade between Iran and Pakistan. Iran is currently undertaking some major investments in the construction of shorter road and railway links to the Iranian ports of Bandar Abbas and Chabahar, while Pakistan is seeking ways of lining its railways with those of the Central Asian states.10

Iran has constructed a network of highways on its border with Turkmenistan, linking it to other Central Asian states. It conducts trade with Kazakhstan via the Caspian Sea and has linked its power grid with the rest of Central Asia. Iran constructed a hydroelectric plant in Tajikistan to obtain further energy supplies. Investment in the Central Asian infrastructure has accompanied the creation of regional free trade zones, which have allowed the developing former Soviet states to access Iran’s large internal market. In turn, Iranian products succeed in the Central Asian market, where they are recognized by a similar language and cultural tradition.11

A railway line from its Persian Gulf port of Bandar Abbas to join the national railway network Bafq has been complete, also as has an extension from Mashhad to Sarakhs, completing the link between Iran and Turkmenistan (and the old Soviet rail system). Additionally, a private-sector Iranian company is planning


a 1,100 mile railway from the port of Chabahar direct to Sarakhs. Thus, Iran uses multinational organizations to defuse anti-Iranian antagonism and share the massive burden of investment. Iran supported the Central Asia states’ entry into the resurrected ECO, the Non-Aligned Movement, the Organization of the Islamic Conference (OIC) and the Organization of Caspian Sea Littoral States (also known as the Caspian Sea Cooperation Zone). In the case of the ECO, for example, Iran works with Turkey and Pakistan, rivals for influence within Central Asia, to provide a framework for supporting economic change, to solicit aid and coordinate pooling of investment funds and to divide responsibility for the massive effort needed to modernize Central Asia. At its 1992 summit, the ECO decided that Turkey would focus on education, administration and industrial management; Pakistan on transport, communication, banking and services; and Iran on oil and mineral resources.

Iran proposes to support Central Asia from the east of the country because in the central of Iran, the road and train traffic is very heavy. The Iranian government wants to support big city like Tehran from Bandar Abbas. The ports of the west are supporting the west of Iran. In the east Iran can support Central Asia, Afghanistan, Pakistan and also the east of the country (Iran). In this plan Iran is constructing a road from Chabahar port in southeast to the Afghanistan border and also Iran has roadways from south to north Tajikistan border. Chabahar port is the best place for supporting Central Asia and Afghanistan because of its geo-strategic situation. It lies on the outside of the Persian Gulf, the important centre of the oil and accesses to the free water of the Indian Ocean and also this port can support all the country in times of crises.


3) India and Central Asia:

The relation between India – Iran – Central Asia provides a new link which could transform the face of trade in the region. Linking the Indian commercial capital of Mumbai with the Iranian ports Chabahar and Bandar Abbas by maritime transport, the North-south corridor will then rely on road and rail networks to connect Chabahar and Bandar Abbas with Central Asia and Afghanistan (See Figure 8).

Figure 9: India and Central Asia Relation

In fact, Iran has land links to Central Asia and its ports offers warm-water sea routes to India. The corridor could evolve towards boosting trade between Central Asia and Southeast Asia. This new initiative is expected to reduce the cost

14 Source: http://www.mytravelguide.com/g/maps/Southwest-Asia-map.gif.
of transit and transportation of goods. However, the potential for India Central Asian trade has been hamstrung by the India Pakistan rivalry. The shortest route from India to the Central Asian republics is through Pakistan and Afghanistan, but New Delhi cannot use this route given its troubled relations with Islamabad. The North-south Corridor holds out new hope for India for it “will enable India to bypass Pakistan and yet reach out to Central Asia”.

In short, India wants to be a supra-regional power and it wants to be seen as one in other capitals. Central Asia, which includes Afghanistan along with Iran, comprises an important theatre for this power projection and only some of India’s interests in Central Asia are Pakistan-focused. India sees enormous energy potential in the region. India is currently the world’s sixth largest energy consumer with more than half of its electricity production based upon coal (See Table 4).

Table 4: Oil Production and Demand in India (million tons)$^{16}$

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<td>Production</td>
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<td>Consumption</td>
<td>86.5</td>
<td>92.5</td>
<td>100.3</td>
<td>106.1</td>
<td>107.0</td>
<td>111.3</td>
<td>113.1</td>
<td>120.2</td>
<td>119.6</td>
<td>120.4</td>
<td>128.5</td>
<td>135.0</td>
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In 2003, India produced 33 million tons (mt) of crude oil: it imported 90 mt-or 73 percent of its total requirement of 123 mt.$^{17}$ Some analysts believe that by

$^{15}$ Sudha Ramachandran. India, Iran, Russia map out trade route. *Asia Times Online* (Hong kong, 2002). p. 5.

2020, India may become the fourth largest consumer, following only the United States, China, and Japan. India hopes that it can diversify its energy sources from Central Asia with 2.7 percent of the world’s confirmed oil deposits and seven percent of the world’s natural gas deposits, which has long figured imminently in these plans.

India also sees Central Asia and Iran as enormous potential consumer markets for Indian products as well as its human capital and manpower. Militarily and strategically, Central Asia is an important area for an Indian presence, at least in part to deny Pakistan the ‘strategic depth’ it craves. India needs Iran to achieve its varied objectives in Central Asia. Iran, on its part, sees a tremendous complementary of interest with India. Both states seek to undermine unipolarity and both states are uncomfortable with the role that United States has played and will likely continue to play in the Middle East, despite the fact that both states have very different relations with the United States. Iran and India are optimistic about the commercial benefits of Central Asian markets and hope to share the spoils of the North-South Transit Corridor. Iran will require massive infrastructure investments to extract maximum benefits from this corridor and India is lined up to provide cost-effective intellectual and material assistance in the development of information technology networks, ports, roads and rail projects.

India and Iran continue to make progress on their commitment to build a North-South Corridor with Russia. Iran and India signed this agreement (called the

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Inter-Governmental agreement on International “North-south Transport Corridor”) in September 2000 in St. Petersburg. Since this corridor is a part of an Indo-Iranian initiative to facilitate the movement of goods across Central Asia as well as Russia, both India and Iran entered into an earlier trilateral agreement with Turkmenistan in 1997. Indian officials are very enthusiastic about this route, because it will reduce the logistics of moving goods and diminish travel time and transport costs. Trial runs began in early 2001, with some 1800 freight containers moving through it.

India agreed to help expand the Iranian port of Chabahar and lay railway tracks that would connect Chabahar to the Afghan city of Zaranj. Iran hopes that expanding Chabahar will relieve some of the congestion in Bandar Abbas. However, Pakistan and China fear that once it is complete, India naval vessels will have a presence there. These apprehensions are important and may affect the Chinese and Pakistani planning at Pakistan’s Gwadar port.

4) Russia and Central Asia:

Russia considers Central Asia to be firmly in its sphere of influence and would loathe losing any of its influence in the area and the benefits, especially the economic ones. Also, by combining the sizable Central Asian oil reserves with its own, out of the four countries being discussed in this paper, only Russia has a completed, operational pipeline the Caspian pipeline Consortium (CPC), which started transporting oil in 2001. It runs from Kazakhstan’s Tengiz fields to the

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23 CPC refers to both the consortium and the pipeline itself.
Russian port of Novorossiysk and is the largest current export route of Caspian oil, carrying 34 million tons of oil/year (See Figure 9). The most effective strategy for Russia in its international diplomacy is to continue sometimes yielding on disputes over transit fees, and via this strategy, Russia should be able to guarantee that a large portion of the Caspian oil will continue to flow through its territory.²⁴

Figure 10: Russia and Central Asia²⁵

Additionally, the CPC is solely an oil pipeline. There is no major pipeline to export Caspian gas and interestingly enough, Russia has shown no inclination to


²⁵ Source: IEA
fill this need. Any Caspian gas pipeline would also likely need to connect to Turkmenistan to take advantage of that country's massive gas reserves.  

The creation of these new north-south transport corridors have given Russia virtual access to Indian Ocean ports and opened the possibility of vastly expanded trading connections not only with Iran but with other lucrative markets such as India. In short, there are powerful economic lobbies that support the expansion of Russian-Iranian ties and have no desire to see the imposition of economic sanctions that could deprive them potentially hundreds of millions of dollars income.  

At present, Russian firms and business groups control much of the transportation infrastructure for Central Asia's oil, gas and electricity. Lukoil, Gazprom and United Energy Systems of Russia have invested heavily in various energy production and transportation projects in Central Asia. The abrupt cut off in January 2006 of Russian natural gas deliveries to Ukraine, forcing a price rise, demonstrates how the Russian government can use its control over these enterprises to curtail oil and especially gas deliveries from both Russia and Central Asia to recalcitrant purchasers. Russia also can exploit its pipeline monopoly to prevent supplier countries from exporting energy products, as Gazprom did in 1997 with Turkmenistan's natural gas. Even when it becomes fully operational, the newly opened Baku-Tbilisi-Ceyhan pipeline, which bypasses Russian territory, is unlikely to threaten the political and economic influence Russia derives from its pivotal role in Central Asia's energy networks.  

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Russia’s major interest in the region is in Central Asian energy development, with a new focus on gas as markets expand in Europe and Asia. Together, Russia, Iran and the Central Asian states hold more than half of world gas reserves. Gas is not as mobile as oil and is destined for regional rather than world markets. Retaining a major role in Central Asia gas production and export is a key issue for Russia’s energy industry. Energy analysts doubt that Russia can both meet its domestic demand and growing ambitions for gas exports in the coming decades without having access to and influence over the flow of Central Asian gas.

In addition, Moscow seek the restoration of Soviet-era communications and trade infrastructure between Russia and Central Asia and some capacity for increasing Russian private sector investment in the region beyond the energy sector. In line with this interest, Russia has initiated a major project to revive and revitalize the former North-South transportation corridor from Russian Baltic ports down the Volga River, across the Caspian to Central Asia and Iran and from there to Pakistan and India. In the Soviet period, this served as a major freight route and an alternative to the transportation of goods from Europe to Asia through the Mediterranean and Suez Canal.\textsuperscript{29} Energy is one of the cornerstones of the new Russian geopolitics and nowhere has it been used with greater effectiveness than in the Kremlin’s relationships with the five Central Asian states. Over the past five years, Russian energy companies have deepened their cooperation with Central Asian partners in oil, gas and hydroelectric energy.

All this is part of a general reassertion of Russian influence in the region, in which economic partnerships are being advanced as part of a border package security guarantee. For Russia, certainly, these partnerships have real economic benefit as well and many offer substantial benefit to the Central Asian economies.

\textsuperscript{29} Fione, Hill & Senior, Fellow. \textit{The United States and Russia in Central Asia: Uzbekistan, Tajikistan, Afghanistan, Pakistan and Iran}. (Washington, 2002). p.45
and infrequently to prominent political figures. These partnerships also reinforce Soviet-era dependencies and create levers that Russia can use to influence domestic developments in these states. In this case Iran is the only country which can transport oil, gas, goods and service to and from Russia and Central Asia to the Indian Ocean, Persian Gulf and the world markets especially in South Asian countries. And also Chabahar Port in Oman Sea can play an important role in it for its geographical location to access Central Asian countries and Afghanistan to the world markets.

5) Pakistan and Central Asia:

Stresses on transportation linkages, at home to unite its disparate provinces and abroad to integrate first Afghanistan and now Central Asia, are central and long standing pillars of Pakistan’s strategy. Once Central Asia became free and Moscow’s influence in Afghanistan waned, unexpected strategic vistas opened up to Pakistan’s policymakers. They saw their geopolitical and strategic rivalry with India and economic opportunity through trade and transport.

Pakistan attempted all three objectives: strategic –political, economic and religious –ideological. It quickly recognized the new state and sponsored Pakistani Airlines linkages to the area and schemes of transport projects and oil pipelines through Afghanistan into Pakistanis’ ports. Political support, economic integration


and Muslim solidarity, it was believed, would pave the way for the broader strategic unity envisioned in the area (See Figure 10).  

However, this strategic vision becomes unrealizable because it is beyond Pakistan’s capabilities. Nor does it square with Central Asia interests. These governments cannot form an Islamic league and benefit too much from trade with India just to gratuitously enter the Indo-Pakistani rivalry. Second, Pakistan cannot


34 Sources: www.googlemap.com.
become a regional economic powerhouse. It lacks both the resources and direct overland routes to Central Asia.  

Pakistan has had mixed success in bringing these bilateral agreements to fruition. They reflect the gap between intent and capability. The greatest obstacle to Pakistan’s Central Asian ambitions is a lack of direct access to the region; also Afghanistan and a small strip of China intervene. Air routes between Pakistan and Central Asia are insufficient for major transfer of goods and services.

The second obstacle is regional instability, political disintegration and the civil war in Afghanistan which make construction and transit prohibitive. The civil war in Tajikistan has derailed the hydro energy agreement, although the concept is sound once peace returns to Tajikistan. A third obstacle is Pakistan’s inadequate domestic communications network. Pakistani (and Central Asian) rail lines currently end at the Afghan border. Internal Pakistani road, rail and seaports also need major upgrading. The fourth obstacle is financial so Pakistan lacks the resources to fund these investments. Even the credits offered have been largely symbolic in nature. The Central Asian states as well are unable to contribute significantly to these projects.

Pakistan’s hope that Central Asia would provide strategic depth, new Islamic allies and collective security partners in its struggle with India has been

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dashed. Geographic constraints and focused efforts by non-Islamic neighbours, especially Russia and China, have stymied her efforts to become a significant influence in Central Asia. But, through bilateral ties and agencies such as the ECO, Pakistan can still provide technical and financial assistance to the Central Asian states effort to confront the economic and social issues which threaten their domestic stability.

Iran’s response to the Gwadar port has been to construct its own Chabahar port and tacitly compete with Pakistan in capturing access routes and energy-related trade from Afghanistan, Kazakhstan, Kyrgyzstan and Tajikistan. Stemming from the Iranian Government’s January 2003 visit to India and the signing of the “Road Map to Strategic Cooperation,” India has agreed to assist Iran in constructing the Chabahar port and the road links between Iran, Afghanistan and northward to Tajikistan.

In its efforts, Iran has a partial upper hand over Pakistan due to its warmer relations with the Central Asian states, particularly with Afghanistan, which remains cool toward Pakistan for supporting the Taliban. That Iran is permitting Afghanistan to use the Chabahar port with a substantial discount on port fees, with the exception of oil tankers, aptly reflects the Iran-Afghan entente. Meanwhile, the Chabahar port has not escaped the notice of Pakistani officials who have stated, “Pakistan is pinning huge hopes on the Gwadar project as the transit point for goods from Russia and the Central Asian Republics bound for the Gulf and the East, but the Chabahar port would inflict a huge financial setback for Pakistan.”

6) **China and Central Asia:**

The independence of the Central Asian republics changes the geopolitics of the region from a closed area to one opened up to other interested foreign

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countries. The countries found themselves in the interest zone of many regional and global powers, attracting widespread attention because they have emerged at a point where the political, economic and security interests of various powers converge.

In this time China increased its influence on global processes and essentially stipulated the development in the republics of Central Asia. The economic upsurge in China at the turn of the century and the way it has successfully adapted to the globalization process is one of the most significant events of modern times.40

On October 27, 2005 China made its first major foray into the Central Asian oil industry when state owned Chinese National Petroleum Company purchased the Canadian based Petrokazakhstan. The purchase of Petrokazakhstan was only a small part of Chain’s overall plan to access Central Asian oil, which is a result of an exploding Chinese economy combined with relatively small proven domestic reserves. China is already the second largest importer of oil and it is predicted that it will overtake the current leader in imports, the U.S., by 2030. China has partly relied on Middle Eastern oil imports. Central Asian oil gives China a source of oil that it at least partially controls, is located in a stable region and which it can import directly overland.41

China, moving gradually toward a leading position in the struggle for influence in the post-Soviet era, has similar geographical advantages. It has fewer limitations than its Middle Eastern rivals, a regulated economy, which is more

40 W, Mengkui. CHINA:ACCESSION TO THE WTO AND ECONOMIC REFORM. Foreign Languages Press, Research Paper, (Shanghai, 2002). p. 34.

compatible with the economies of the Central Asia republics, a secular state and available financial means are also on it plus side. China offers the Central Asian states the use of its territory to gain direct access to the Pacific and on to the Far East and Southeast Asia (See Figure 11). 42

![Figure 12: Proposed Central Asian Pipelines to China](image)

Since China's energy consumption and demand are expected to grow sharply, stability in Xinjiang and Central Asia is vital for China's continued economic growth and modernization. 44 Strong ties with Russia and support for its Central Asian policies are steps toward that goal. Strong trade relations and


43 Source: IIEA and National Pipeline Research Society of Japan

development of Xining’s economy and oil deposits are other steps. Those policies also support China’s larger international economic strategy of gaining more energy and a growing presence in Asia’s international economies. Therefore, China prominently celebrates every advance in oil production from 160 million tons from local fields in 1997, to the scheduled 189 million in 2008 (See Table 5).

Table 5: Oil Production and Demand in China (million tons)46

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<tr>
<td>Production</td>
<td>160.1</td>
<td>160.2</td>
<td>160.2</td>
<td>162.6</td>
<td>164.8</td>
<td>166.9</td>
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<td>180.8</td>
<td>183.7</td>
<td>186.7</td>
<td>189.7</td>
</tr>
<tr>
<td>Consumption</td>
<td>196.0</td>
<td>197.0</td>
<td>209.6</td>
<td>223.6</td>
<td>227.9</td>
<td>247.4</td>
<td>271.7</td>
<td>318.9</td>
<td>327.8</td>
<td>353.3</td>
<td>368.0</td>
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China’s growing energy needs represent another force driving its increased interest and involvement in Central Asia. The combination of a booming economy and declining domestic energy production has resulted in China’s accounting for 40 percent of the growth in world oil demand since 2000 and becoming the world’s second largest oil consumer, surpassing Japan in 2003.47

For the past decade, Chinese policymakers have sought to enhance their access to Central Asia’s energy resources to supplement their vulnerable Persian Gulf sources, which currently supply more than half of China’s oil imports. These shipments traverse sea lanes susceptible to interception by foreign navies.


In addition, the Chinese realizes that terrorism, military conflicts and other sources of instability in the Middle East could abruptly disrupt their energy imports. As a result, Chinese officials are pushing for the development of less vulnerable, land-based oil and gas pipelines that would direct Central Asian energy resources eastward toward China. Although Central Asia currently provides only about 10 percent of China’s total oil imports, Chinese planners apparently hope that, by purchasing local energy equities and developing the region’s eastward transportation infrastructure, they can increase this percentage substantially in the future.

7) Turkey and Central Asia:

Central Asia is important for Turkey’s interests, internal conflicts, trade opportunities, oil terms and Russian influence. For Turkey the disintegration of the Soviet Union created an opportunity for renewing its historical associations with an increase in its influence in Central Asia. Turkey has an increasing need for oil and gas resources that can no longer be exclusively satisfied by Russian supply. Turkey is an advocate of the U.S. supported Baku-Tbilisi-Ceyhan pipeline (See Figure 12) that would link Central Asia and the Caspian energy resources to European markets and avoid Iran as a transit country. It gets support from the U.S. in this question, which is also a clear sign of objection against Iranian and Russian cooperation.

The American administration’s policy of preventing the construction of international oil and natural gas pipeline projects that pass through Iranian territory has angered the Teheran government which feels U.S. efforts have openly


damaged its national interests. Iran has implied that the south route is a cheaper and more secure way than the others. While disturbing Ankara with this statement, Iran has tried to eliminate the Turkish route and strengthen the south route's chances in the international arena – despite the negative statements of the American administration.  

Figure 13: Turkey and Central Asia

Turkey’s interests are briefly political and economic ties with Central Asia as well as transit revenues and access to oil and gas. A major preoccupation for

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51 Source: www.doubledogmusic.com/images/2005/AzPipeMap.gif
Turkey is to reduce the dependence upon Arab Middle Eastern oil. This is the reason why Turkey apparently buys any quantity of oil delivered to the Georgian port of Batumi. Turkey’s quickly rising energy needs also means that the country is a large and expanding market for gas from Central Asia. Turkey’s means are less favourable transit routes, trade and the support of the United States. As already pointed out, the transit route through Georgia and Turkey is both costly and politically vulnerable compared to an outlet through Iran.

Turkey is heavily dependent on imports of Russian natural gas, as is Europe. Both have been trying to find alternative sources of supply, with a central pillar of Turkey’s energy strategy also being to position itself as a major transit country for Europe’s gas and oil. It already has achieved much in this respect, with the opening in 2006 of the Baku–Tbilisi–Ceyhan (BTC) oil pipeline. This brings Azeri oil from the Caspian to the Turkish Mediterranean port of Ceyhan. This route hopes to take on much of the oil from Caspian countries that currently are transported by sea from the Caucasian Black sea ports via the Bosporus Strait into the Mediterranean. At the same time, Turkey is deeply involved in the Trans-Caspian Natural Gas project, which seeks eventually to pipe gas from Turkmenistan and Kazakhstan across the Caspian Sea to Azerbaijan and from there via Georgia into Turkey. If all goes according to plan, the Turkish gas pipeline network will then be hooked up to Europe via the Southern Europe Gas Ring project.

The centrepiece of Turkey’s grand design to become the Rotterdam of the Middle East is endangered because Russia fights Turkey’s pipeline policies. As part of a solution to the Nagorno-Karabakh war involving territorial exchanges,


Turkey aimed to create a pipeline from Central Asia and Azerbaijan through purely Muslim territories that bypassed Russia and Iran.\textsuperscript{54}

It is unlikely that this can be achieved. Russian pressure on the producers and negotiations with Greece to re-route Greece’s pipeline to Russia from the Black Sea through to Bulgaria’s coast to Thessaloniki, aim to outflank Turkey and its policies of closing the Bosporus to tankers, allegedly on ecological grounds. In any case, the Kurdish insurgency makes Turkey’s oil policy moot since it takes place where the pipelines are intended to go and the Kurds have repeatedly targeted these pipelines.\textsuperscript{55} There is also a growing likelihood that Russia will support the Kurds against Turkey and further deflect Ankara from a vigorous international policy. Caspian Sea oil from terminals in the Black Sea must pass through the narrow, congested and ecologically sensitive Turkish straits – the Bosporus and the Dardanelles. One of the busiest water arteries in the world, it is only 700 yards wide in some places and is spanned by a bridge connecting Europe and Asia. In the winter fog, with crosscurrents that reach five to eight knots an hour, the Bosporus serves a route for oil tankers.

Therefore, tanker tonnage in the Turkish Straits is limited to 150,000 tons. Even with the limitation, a tanker needs two full days to negotiate the straits. Along the way, the metropolis of Istanbul home to million people could be endangered by a tanker collision like the one that occurred in the October 1994. The Turkish straits urgently need a modern navigation system and Turkey has called for limits to navigation and shipment of hazardous materials under the 1936 Monteux convention on international navigation, which provides free access to the Turkish Straits for international shipping. In the long run, a pipeline to circumvent


the Bosporus needs to be constructed to alleviate the congestion.\textsuperscript{56} The same is also true of the Trans-Caspian gas pipeline. The U.S. administration is interested in the project and so too are number of European government’s as this pipeline, which would connect with the Baku-Tbilisi-Erzurum gas pipeline currently under construction, would supply gas to the planed Nabucco pipeline that would go from Turkey to the Austrian border.

Like the TAP pipeline, which could have ADB loan guarantees for participants, this project might obtain similar assurances from the EBRD, but Russia, too, has offered to supply gas to Nabucco, making this project less dependent upon Caspian gas.\textsuperscript{57} But international financial institutions seem more eager for these projects than do western oil companies. Both projects have received new life since the Russian-Ukrainian gas fiasco of January 2006, when, after failure to reach a gas price accord, Russia turned off gas supplies to Ukraine and Ukraine bled off gas for their own usage, precipitating a further drop in gas pressure and effectively cutting off gas to Gazprom’s European partners.

8) U.S. and Central Asia:

U.S. new policies for the energy alluded to “energy independence” in every one of the State of the Union addresses. Energy and reduced consumption are two ways that America could reduce its dependence on foreign oil.\textsuperscript{58} Some of


\textsuperscript{57} Martha, Brill Olcott. Eyes On Central Asia: How to Understand the Winners and Losers. \textit{Slavic Research Center (SRC)}. (Sapporo, 2007). pp. 13-27.

America’s oil and gas comes from Russia and Venezuela, but considering the increasing tensions with the former and open animosity with the latter, it makes sense for the U.S. to look for oil from a new region with pro-American governments and in this respect the Caspian region shows great potential.

There are two routes that America is considering, one the Turkmenistan-Afghanistan – Pakistan pipeline that would travel from the Caspian eastward through Turkmenistan and the mountains into Afghanistan and on to Pakistan and to an open-water port at Gwadar. This pipeline is high due to Afghanistan’s mountains and another problem is the civil war still active in Afghanistan. It will be difficult to construct a pipeline in such an environment and if constructed, it will need to be guarded and they have to pay extra maintenance costs. The second pipeline would go from Aktau in Kazakhstan or Turkmenbashi in Turkmenistan under the Caspian Sea to Baku, Azerbaijan and with the existing link access the Mediterranean. It could be a gas, oil, or combined pipeline.  

While feasibility studies have shown that a gas pipeline would cost $5 billion and have a capacity of 30 bcf/ year, an oil pipeline would cost $4 billion and carry 400,000 barrels/day and thus deliver 40% of the BTC’s total export capacity. No feasibility studies have been done for a combined TCP pipeline. However, the underwater pipeline would be far more expensive to construct than the overland Turkmenistan- Afghanistan – Pakistan route.

Some pundits say Washington merely seeks to guarantee supplies of oil for U.S. consumers, which would explain why Central Asia is in the zone of “national interests”. In reality, the U.S. relies heavily on domestic sources and on


Venezuela, Canada and Africa. This is about oil corporation profits which can be greatly enhanced by selling to the energy-hungry South, East and Southeast Asia and by outflanking China and Russia for those Central Asian-Caspian Sea Basin energy resources and for the pipeline to transport them to the market. Supplies of natural gas and oil, including those from newly discovered huge oil reserves in Kazakhstan, could easily be piped through existing conduits traversing Russia. But bypassing and thus hindering, Russian petroleum operations that rely heavily on European customers, would provide Western corporations another benefit. They would gain greater access to the European market.

Building the Afghanistan pipelines would also mean spurning an even more direct route to the Indian Ocean through Iran and this would thwart the growing cooperation between Iran, Russia and the European oil companies, which have invested heavily in Iran’s oil and gas sectors, all of whom are pursuing that pipeline corridor. This is a major factor in the growing rivalry between the U.S. and Europe in the ongoing imperial quest for corporate expansion.\(^6^1\) U.S. interest also seems to be to assist Turkey economically by getting transit revenues and eventually to help Israel getting secure oil supplies from a Turkish port nearby. The United States in any case has formidable means to play a role in Azerbaijan and Central Asia through its oil industry, technology, capital and trade opportunities. In this respect the U.S. oil companies in the region, such as for example Chevron and Unocal, are also political actors, with an increasingly important role in the region.\(^6^2\)

The problem for the United States is that the partners chosen for the oil transit route, Georgia and Turkey are in a weak position to deliver. U.S.


policymakers shook up the strategic balance in Central Asia in the autumn of 2001 when it opened bases in Uzbekistan and in Kyrgyzstan, increased foreign assistance to the Central Asian states and started talking about new kinds of strategic partnerships and alliances. Yet the limits of U.S. strategic engagement in the region were set by the U.S. decision to go to war in Iraq and by the subsequent decision to use this military engagement to lead a global campaign to advance the cause of democratic governance. This made the Central Asian states much less attractive to the U.S. and also made the U.S. a far more problematic partner for many Central Asian leaders. Increases in U.S. assistance to the region never came close to mirroring Central Asian expectations. While there was an increase in U.S. assistance to the region, in most categories, it proved short lived.

9) Afghanistan and Central Asia:

Afghanistan is an extremely poor, land locked country, highly dependent on farming and livestock rising. Afghanistan has experienced over two decades of war, including the nearly 10 years of Soviet military occupation (which ended in 1998). During that conflict, one third of the population fled the country, with Pakistan and Iran sheltering a combined peak of more than 6 million refugees.

Large Afghan refugee populations remain in Pakistan and Iran. Gross domestic product has fallen substantially over the past 20 years because of the loss of labour and capital and the disruption of trade and transport. The severe drought of 1998-2000 added to these problems. The Afghanistan’s region position places it at the crossroads between the Middle East and Asia, Europe and India and between Northern Europe, Russia and the Indian Ocean.

Trade along these routes existed for 2,500 years until it was blocked after 1917, when the Soviet Union’s southern border sliced through the region and then
by the breakdown of continental trade across Afghanistan after 1979. American action in 2001 had the unanticipated consequence of paving the way for reopening trade channels that had enriched Afghans and other Central Asians over the millennia. Internationally, Afghanistan will open a “window to the sea” for all the rest of Central Asia and for the vast and economically struggling parts of Siberia and the Urals and also for China’s wealthy Xinjiang Uyghur Autonomous Region. The expansion of region-wide commerce across Afghanistan will have major geopolitical consequences (See Figure 13).

Figure 14: Afghanistan prostitution in the way of sea ports to Central Asia

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63 Source: www.atimes.com/
First, by fostering economic progress and social stability within Afghanistan and Greater Central Asia it will help remove once and for all what both China and Russia perceive as a major security threat. It has already been noted that the resulting new patterns of trade will benefit China’s “Develop the West” program and will equally benefit development in western Siberia and the southern Urals. This will effectively open a “window to the south” for both countries, but one based on local sovereignties rather than conquest or domination.  

New routes to the South will also open vast new prospects for trade and contact with the South and Southeast Asia and open the countries of Greater Central Asia to investment from India and beyond.

These links will go far towards balancing the complex political pressures to which Afghanistan and the countries of Greater Central Asia are currently subjected to and thus further strengthen their fragile sovereignties. And with respect to both Pakistan and Iran, it will open promising vistas to the pragmatic men and women who comprise the modern commercial sector in those countries and will undercut the appeal of religious extremists.

Iran, India and Afghanistan had signed a memorandum of understanding (MoU) in January 2003, to improve Afghanistan’s access to the coast. Under this agreement, Iran is building a new transit route to connect Milak in the southeast of the country to Zaranj in Afghanistan and has already completed an important bridge over the Helmand River. India is to enjoy similar benefits as Afghanistan at Chabahar port and for transit.

Furthermore, India and Iran have also agreed to build a railroad from Chabahar to the Iranian central railway network, thus creating a link to the

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64 Ibid.
Karachi-Tehran railway line, which goes further westwards. While Afghanistan gains access to realize its trade potential, India will be able to prevail over hurdles posed by Pakistan in refusing to allow the transit of Indian goods on route to Afghanistan.

10) Central Asian Republics:

Rich in oil and gas deposits, the Central Asia countries now wield an influence unequal to their size in the international system. Yet, the political and geographic landscape of Central Asia significantly affects the options that outside powers have for accessing the area’s fossil fuels.

Each of the main energy-producing Central Asia countries suffers from a lack of transparency, infrastructure or technical expertise. While outsiders see the Central Asian hydrocarbon reserves with sizeable anticipations, the regions may promise more than it can deliver.

Hydrocarbon resources are not evenly distributed. The countries like Tajikistan and Kyrgyzstan are located in Central Asia have only minor reserves of oil and gas, although Uzbekistan and Turkmenistan—while main sources of gas—hold little in the way of oil. Despite its huge gas reserves, Uzbekistan faces problems in production (see Table 6).

The five republics, Kazakhstan is blessed with the overwhelming share of oil, and is also a major player in the gas industry. Kazakhstan was the world’s 14th main oil exporter. However, the group has encountered problems in bringing the oil to market; cost estimates for the first phase of production have risen from

US$10 billion to US$19 billion, and the project has experienced substantial delays.66

Table 6: Explored Reserves of Energy Resources in Central Asia (2006)67

<table>
<thead>
<tr>
<th></th>
<th>Oil (million tons)</th>
<th>Gas (Billion Cubic)</th>
<th>Coal (Billion tons)</th>
<th>Hydro energy (billion KW h per year)</th>
<th>Uranium (thousand tons) meters)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>4800</td>
<td>2000</td>
<td>34.1</td>
<td>27</td>
<td>601</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>11.5</td>
<td>6.54</td>
<td>1.34</td>
<td>52</td>
<td>-</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>5.4</td>
<td>16.8</td>
<td>0.67</td>
<td>527</td>
<td>-</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>85</td>
<td>2900</td>
<td>-</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>82</td>
<td>1850</td>
<td>1.95</td>
<td>15</td>
<td>83.7</td>
</tr>
</tbody>
</table>

a) Kazakhstan:

Kazakhstan, ranking second after Azerbaijan, among the oil-producing countries of the former Soviet Union exports its oil mainly to the Russian Federation (See Figure 14). Kazakhstan has tried to attract foreign investors with advanced technology and expertise for the extraction of these deposits. A large number of foreign investments are already in progress in Kazakhstan. The most

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important ones include the agreement with Chevron to develop the oilfield of Tengiz, in western Kazakhstan.  

With deals to develop the oilfields in Kazakhstan already signed, the biggest problem facing foreign investors is how to transport the oil to foreign markets. Unlike other big oil producers, Kazakhstan is landlocked. The issue of pipeline selection has therefore acquired enormous geopolitical significance for the future of the region.

The government of Kazakhstan is also examining various alternative proposals for the construction of an oil pipeline which will channel the oil to the

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69 Source: ESRI, CIA
West. The most feasible proposal seems to be the one that entails the upgrading of the existing network which traverses the area around the northern part of the Caspian Sea, ending at the port of Novorossiysk. This solution entails close cooperation between Russia and Azerbaijan. Other proposals under examination include an oil pipeline, which crosses the Caspian Sea, Azerbaijan and Georgia to end at a Turkish port. Another proposal, involved an oil pipeline which crosses Iran, ending in the Chabahar port on the Indian Ocean.

b) Turkmenistan:

Turkmenistan is located northeast of Iran and also it has border with the Caspian Sea. This country sits on large reserves of oil and natural gas. Yet Turkmenistan faces myriad challenges in bringing those reserves to the world market. It is geographically far from the end-use markets it serves and lacks sufficient pipeline infrastructure to export to more favourable investment climates and greater access to markets pose competition for Turkmenistan (See Figure 15).

This country is eager to diversify export routes for its resources outside of the Russian-controlled pipelines; it must seek to obtain capital, technical assistance and political support for alternative pipelines. Turkmenistan has the fifth largest gas reserves in the world but has problems getting its energy to markets. An idea under consideration since the mid 1990 is to build a pipeline across Afghanistan to take the gas to the energy-hungry countries of South Asia. Construction of such a pipeline requires a marked improvement in the security situation in Afghanistan and is unlikely in the short-term. It could, however, benefit both neighbours, if revenues were held by a trust and put to useful ends.

Pipelines themselves, however, do make countries wealthy and need to be considered as part of a much broader national development plan.\textsuperscript{71}

The Central Asian states have all requested Iran to make its international routes available to them. In particular, they requested Iran to connect its railways to that of neighbouring Turkmenistan, through which all other Central Asian countries would have access to Iranian railways linking Central Asia and Russia to Persian Gulf and Europe. To meet that end, in March 1995 the 700 kilometres railroad line connecting the Iranian city of Bafq to the Iranian Persian Gulf port of Bandar Abbas was officially opened in a ceremony in which the Iranian and

\textsuperscript{71} International Crisis Group. \textit{Afghanistan and Central Asia: Priorities for Reconstruction and Development}. (Belgium: ICG Asia Report N\textsuperscript{0} 26, 2001).P.23.

\textsuperscript{72} China, Turkmenistan: Natural Gas and Regional Geopolitics,( 22 January, 2008).
Central Asia presidents participated. Iran has expanded its transit routes to meet the increasing needs of the central Asians.

In January 1994 Iran opened a new road linking Turkmenistan with Turkey via Iran. The roads halve the distance between the two points and thus Turkmenistan is no longer compelled to use the long Russian route to Europe. Iran has also prepared the port of Chabahar on the Oman Sea for the transit of goods to Central Asia; this port is currently connected to Central Asia via roads and is to be connected via railways.

In May 1994 Iran and Turkmenistan began reconstruction work on a road linking Turkmenistan with the Middle East via Iran. The construction of a railroad line of about 500 kilometres connecting the city of Zahedan (connected to Chabahar and Pakistan via railways) to the city of Kerman (connected to Mashhad by rail) began in February 1995.73

c) Tajikistan:

Tajikistan is located at the crossroads of Russia, Central Asia and South Asia and has rich agro-industrial potential, low production costs and a proximity to major consumer markets (Russia, Kazakhstan and Afghanistan). The government has acknowledged that the development of agri-business is a top priority in its development plan and continues to support investors (See Figure 16).74


Tajikistan has significant potential to generate hydro-electricity. It is already technically and economically feasible for Tajikistan to increase its output to 260 billion kWh per year in the foreseeable future, i.e. half of the current world annual production. Its hydro-power potential is equal to the total consumption of all kinds of power resources in the Central Asian region added together and is four times higher than the region's energy consumption. Under any scenario in the foreseeable future, the available potential will exceed the country's needs by many times.\textsuperscript{75}

Figure 17: Tajikistan in Central Asia\textsuperscript{76}

Tajikistan is India's nearest Central Asian neighbour. India's steadily expanding engagement with Tajikistan must be seen in the context of Tajikistan's

\textsuperscript{75} Ibid.

\textsuperscript{76} Source: http://ec.europa.eu.
proximity to Afghanistan, Pakistan, China and the energy-rich Central Asian republics. India and Tajikistan signed a bilateral extradition treaty, agreements to enhance cooperation in defence, information technology etc. 77

An agreement for a proposed highway project was signed between Dushanbe and New Delhi, which was of significance to India's strategic interests in the region. Delhi will extend the highway that runs from Chabahar in Iran through Afghanistan into Tajikistan. Delhi's moves with regard to this transport corridor are likely to be watched closely by several countries. The highway starts at the Iranian port of Chabahar, which is close to the Pakistani port of Gwadar that China is helping Pakistan build.

d) Kyrgyzstan:

Kyrgyzstan has a weak economic base and has attracted little foreign investment. The government began far reaching economic reforms in the early 1990s, but much of this structural change has been undermined by corruption and difficulties in policy implementation. Small elite has benefited from economic liberalization, but most of the population exists at near-sub-sistence levels, particularly outside the capital, Bishkek. The government has produced an interim poverty reduction program and is working on a ten year comprehensive development program, but much of this work has little impact on real government policies and serves mainly as window dressing for donors. 78


Kyrgyzstan is a poor, mountainous country with a predominantly agricultural economy. Cotton, tobacco, wool and meat are the main agricultural products. Of these only tobacco and cotton are exported in any quantity. Major exports include gold, mercury, uranium, natural gas and electricity. Following independence Kyrgyzstan (See Figure 17) was progressive in carrying out market reforms, such as an improved regulatory system and land reform, but political instability during 2005-06 has undercut the investment climate.

![Figure 18: Kyrgyzstan in Central Asia](image)

Much of the government's stock in enterprises has been sold. Drops in production had been severe after the breakup of the Soviet Union in December 1991, but by mid-1995, production began to recover and exports began to increase. The government and international financial institutions have been

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79 Source: RUSSIAN NAVY BLOG
engaged in a comprehensive medium-term poverty reduction and economic growth strategy. In 2005 Bishkek agreed to pursue a much needed tax reform and in 2006 became eligible for the heavily indebted poor countries initiative but declined to join it in early 2007. Progress in fighting corruption, further restructuring of domestic industry and success in attracting foreign investment are keys to future growth.\textsuperscript{80}

e) Uzbekistan:

Uzbekistan is an important key to stability in Central Asia and without significant reform, Uzbekistan's warmed-over Soviet Style economy is doomed to continued decline. Uzbekistan has a highly centralized economy run by a very limited group of corrupt politicians. Current economic developments raise serious concerns over the long-term political stability of the country (See Figure 18).

Poverty is rising\textsuperscript{81} and external debt is quite high\textsuperscript{82}: foreign investment has decreased and inflation is rising. Water shortages, land scarcity and population growth have only added to this already dangerous mix. Most international financial institutions and independent economists are gloomy about Uzbekistan's prospects unless serious reforms, including currency conversion, are put in place and political instability could well be sparked by the continuing economic


\textsuperscript{82} By the end of 2000 Uzbekistan had an external debt of US$ 4.15 billion ~48 per cent of GDP at the official exchange rate. The European Union, External Relations: The EU and Uzbekistan, July 2001, Available at: http://europa.eu.int/comm/external_relations/uzbekistan/intro/
decline. In 2003 Afghanistan, Iran and Uzbekistan established a trans-Afghan trade corridor linking Uzbekistan with Chabahar and Bandar Abbas. Uzbekistan's border procedures have slowed commerce along the route, with Iran's transit routes in particular. Bandar Abbas and Chabahar ports are of significant importance for the transit of Uzbekistan's goods.

Figure 19: Uzbekistan in Central Asia

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85 Source: [www.eurasianet.org](http://www.eurasianet.org)
Afghanistan has so far been highly dependent on Pakistani ports for its trade, but access to Chabahar will give it more options to govern its overseas trade and diminish Pakistan’s political influence on it. These partnering nations have also discussed the possibility of finding road access to Tajikistan and Uzbekistan in Central Asia, in order to ensure Iran’s ability to link the Chabahar-Dilaram road to Afghanistan’s proposed garland road system.