Chapter VI: Prospective Geo-Strategic Relevance of Chabahar

This chapter evaluates regional and global powers that are earnestly pursuing interests in Central Asia owing to its geopolitical status and economic promise. And it also investigates the regions enormous mineral reserves, their locations as the gateway for east-west trade, and malleable political preferences of the ruling elites that have elicited the interest of various powers. Virtually every neighbouring power has sought to exercise influence in the region, beginning with Turkey which was primarily the Western conduit to prevent the Central Asian states from slipping into the Iranian sphere of influence. This chapter tries to analyze the current trading policies by interpreting political conflicts; consideration of the role of all applied policies and their strategic effects.
1) Introduction:

Owing to its geographic location, Central Asia has assumed an important strategic role in global politics. It is significantly positioned in the heart of the Eurasian continent. The region serves not only as a historical buffer zone between Asia and Europe but also as a convenient transit route connecting other major regions. Central Asia is collectively known to contain vast reserves of natural gas and oil.

Estimates of proven and possible reserves in the area run to approximately 200 billion barrels of oil out of which 30 billion barrels are known reserves, an estimate which equals the reserves of the North Sea. Though the Caspian oil reserves do not match those of the Middle East, which accounts for 65% (684 billion barrels) of the proven oil reserves in the world, in the coming days the region will undoubtedly play an important role in the world energy supply. ¹

Besides energy reserves, the Central Asian propensity for regional strife among states and with non-state actors. Every Central Asia republic is subject to internal dissent and external pressures. Kazakhstan has a Russian separatist movement for independence, while Uighur militants operate within its border as part of their campaign in neighbouring Xinjiang province of China; Uzbekistan has had skirmishes with Tajikistan, Kyrgyzstan and Kazakhstan besides facing a formidable insurgency waged by the Islamic Movement of Uzbekistan (IMU);

Tajikistan has had a bloody civil war with the United Tajik opposition in 1995 that necessitated Russian military bases, besides conflict over water resources with Tashkent even as the Afghan civil war threatens to spill over to neighbouring Uzbekistan and Tajikistan.2

This chapter tries to analyze the current trading policies by interpreting political conflicts; consideration the role of all applied policies and their strategic effect. After that, analysis and examination of the information will be done.

2) Iran’s interests toward Central Asia:

Iran has territorial and water borders stretching 8731 Kilometres with 15 countries. Links between Iran and greater Central Asia contains territorial border with Afghanistan, Turkmenistan and Kazakhstan (via the Caspian Sea). The Iran-Afghanistan border encompassing 945 kilometres of mountainous regions and unfavourable weather is known to be a drug-trafficking passageway. Iran is concerned over the security of the long border with Afghanistan.3 Iran should be playing a major role in Central Asia and Afghanistan. Geography particularly favours Iran’s relations with the Central Asian states since all these states are landlocked and some of them like Uzbekistan are double landlocked; the shortest and most natural route to the open seas is through Iran.4

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Although already sitting on huge gas reserves, Iran considers imports from Turkmenistan as an advantage. This is mainly because Iran can add value to gas and export it as electricity or other forms of energy to other countries, besides using it to satisfy domestic demand in north eastern provinces. Currently part of the gas imported from Turkmenistan is accounted for as exports to Turkey and the other part is paid for by Iran and used in domestic ventures. Tehran is one of the shortest routes, for transport of Caspian oil to world markets. This is based on the possession of Iran and several well-equipped ports on the coast of the Persian Gulf, the Sea of Oman, well developed shipping terminals, a technically skilled workforce and a widespread pipeline network that can be easily reached from Azerbaijan, Turkmenistan, or Kazakhstan.5

Importantly, routes from Iran do not pass through areas where Russia could bring substantial political or military pressure to bear. Furthermore, there is no major internal conflict in Iran to endanger the pipelines’ security. Therefore, one can argue that, compared to areas like Armenia and Azerbaijan, Iran is much safer option for long-term export of the region’s oil and gas.6 Besides, routing oil through Iran would be more viable economically.7

In fact, as Iranian oil officials have stressed, given its location, its highly-developed oil sector and its existing network of pipelines, Iran could, offer a route for Central Asian oil that is ‘the easiest, the safest and the cheapest. Its cost would


not be more than $300 million. It cannot compare that with the $4 billion for a pipeline going to Turkey'. At a forum in New York, in September 2000, Iran’s Foreign Minister said: ‘We ought to choose the best route, free from any kind of political pressure and fanfare and non-economic parameters...The Iranian route is the shortest route for the transfer of energy resources’.

These advantages and assessments have led many observers to suggest that Iran, by simple geography, may be the best export route for Central Asia and Caspian Sea oil. W. Kang and F. Freidum, for instance, have argued that to gain access to the Persian Gulf, Arabian Sea and ultimately the Asia-Pacific, Central Asia must build its pipelines through Iran. B. Rumer has also noted ‘...one important economic factor that, objectively, makes relations with Tehran very important for the landlocked countries of the region: namely the territory of Iran not only presents the optimal route for linking this region with world markets, but is also the shortest route for other countries to reach Central Asia’.

As for the region, some countries have displayed interest in Iranian routes. Azerbaijan and Turkmenistan, which each share a long border with Iran, have sought to include Iran in some of the key consortium, mentioned earlier, now being established and that trend is expected to increase.

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8 P., Escobar. IRAN DIARY, Part 1: Sea of peace or lake of trouble? , Asian Times (online) , (Hong Kong, 23 May, 2002). p. 7.


Although Iran, based on the advantages mentioned, has sought to play a role in determining the future of Central Asia, Washington has viewed the region as a hedge against it. In this connection, some of the ‘Gamers’ believe that Iran should be banned from accessing the political and economic influence in the Caspian region that an export pipeline would bring.\textsuperscript{12} US policy had been to oppose any pipelines through Iran.\textsuperscript{13}

According to Iranian officials, a transit route will be established that will run from Iran through Herat in western Afghanistan and Mazar-e Sharif and Sherkan Bandar in northern Afghanistan to Tajikistan and from there up to China.\textsuperscript{14} In its efforts, Iran has a partial upper hand over neighbouring countries due to its warmer relations with the Central Asian states, particularly with Afghanistan. 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.

3) \textbf{Indian interests in Central Asia:}

The disintegration of the USSR was largely interpreted by Indian policy makers in an alarmist manner. Delhi was worried about the fact that Pakistan would no longer be shut out of the region like it had previously been on account of the virtual lack of relations with the former USSR. India was faced with the


prospect of the emergence of an Islamic bloc created on the basis of religion and an opposition to India. In its view, Afghanistan and the Central Asian Republics together could provide Pakistan with a strategic depth on its western border to be able to counter the eastern threat.

The Central Asian Republics gained independence in 1991 and since then India’s relations with the newly emerged states have come a long way. India’s favoured position in Central Asia can be attributed to the 1971 Friendship Treaty with Moscow by virtue of which it enjoyed close political links with the USSR and its satellites and retained that prestige even after the Central Asian republics gained independence. This is evident from the fact that in August 1991, Tashkent celebrated India’s Independence Day. A week of festivities marked the twentieth anniversary of the Soviet-Indian treaty of Peace. Friendship and Cooperation.\(^{15}\)

The Afghan instability and deteriorating relations with Pakistan complicates India’s relations with the five Central Asian Republics (CARs). The region’s fluid geo-political alignments too hamper Indian prerogatives.\(^{16}\) The variety of interlocking transnational linkages in Central Asia and its own weak economy effectively jostle India out of the possibility of engaging the region in a manner consistent with its great power aspirations.

The region’s intricate geo-politics provide a glimpse into India’s current constraints and possible options for the future. Amidst this packed diplomatic field, India has sought to strengthen bilateral links, among other things, to deny a strategic advantage to Pakistan. On its part, Islamabad has sought to highlight its importance in providing sea access to the CARs and attempting to co-opt the


countries by providing loans ranging from $10 to $30 million by 1994 in addition to help build the $500 million hydropower plant in Tajikistan.\(^{17}\)

Pakistan’s efforts to secure links with Central Asia via nudging the direction of trade southward to the Arabian Sea, that have been frustrated by the Afghan impasse. From the CARs vantage, though, India is a useful source for industrial investment, consumer goods and technical training. To this end, all Central Asian leaders have visited India in the 1990s. President Nazarbayev of Kazakhstan in February 1992 and December 1996; President Akaev of the Kyrgyz Republic in March 1992 and April 1999; Turkmenistan’s President Niyazov in April 1992 and February 1997 while Tajikistan Prime Minister visited New Delhi in February 1993, followed by the Tajik President Rakhmanov in December 1995. During his tenure, Prime Minister Narasimha Rao paid return visits to each country barring Tajikistan due to its civil war.\(^{18}\)

The substance of agreements have to do with the CARs seeking economic assistance in whatever measure available while India, solicits political support to counter Pakistan, plus a presence in the emerging multilateral ventures that seek to strengthen links between South and Central Asia. Even though India is not in a position to dole out huge sums, the CARs are simply not in a position to refuse any bilateral interest.\(^{19}\)

Indian exporters must enable Central Asian entrepreneurs to develop suitable products for the world market and help them export such products to the


rest of the world and if possible introduce these products into the Indian market itself. For example, India can help export Central Asian floricultural products to the rest of the world. Such products can be grown in this region and depend on air transport (overcoming the disadvantage of being landlocked). India could import cotton from these regions and add value to it. As incomes in Central Asia rise as a result of these efforts, purchasing power in this region will rise creating a market where Indian goods may be sold. This is because such activities put money directly in to the hand of economic agents and not the state. The Central Asian market requires patience and ingenuity to crack; short sightedness will not serve India well in this region.20

India seeks to be part of multilateral arrangements that have recently emerged such as the Conference on Interaction and Confidence Building Measures in Asia (CICA), a grouping of 16 nations from Central Asia, South Asia and Middle East, that had its inaugural meeting in Almaty in June 2002. The CICA is a useful forum that facilitates interaction among member states like India, China, Pakistan, Russia, Israel, Iran, Egypt and the Central Asian states. While this affords the prospect of furthering political dialogue and economic links, it lacks definite goals beyond combating terrorism which is its current primary concern. Also, the presence of adversaries such as Israel and Iran or India and Pakistan can serve to undermine collective purposes. For instance, in the inaugural meeting the Indian and Pakistani delegations refused to meet together despite the entreaties of Russian President Vladimir Putin.21


India is also seeking membership in the Chinese initiated six members Shanghai Cooperation Organization (SCO, the erstwhile Shanghai Forum) that includes Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan and Russia. China had conceived of the SCO to consolidate alliances in Central Asia, secure its western frontier and take advantage of waning Russian influence in the region by positing a grouping that also pointedly left out the US even though, Washington, at the time of its creation in June 2001, had acquired a significant interest in the region.

However, 9/11 allowed the US to have a strategic foothold in Central Asia and forced China to acquiesce with the security arrangements, like military bases, that are still in place in the region, effectively robbing China of any chance to establish an unhindered sphere of influence in the region.

Although India is closest to the Central Asian supply chain and potentially could be the biggest consumer of Central Asian oil and gas, it currently has no toehold in the region. The United States would prefer a route via Afghanistan, but it would be a long time for peace to return there, making a pipeline viable. How could Central Asian oil and gas reach India? A Turkish route for oil from Central Asia to India via Ceyhan in Turkey, to Israel and by tankers to India is a non-starter. Transit fees and handling costs alone would make this deal expensive. The Iranian route, therefore, may be the easiest and possibly the cheapest gateway for Central Asian oil and gas. It would travel some 1,300 kilometres (over 800 miles) through Iran to its warm water ports of Chabahar in the Arabian Sea. The port of Chabahar is a cargo terminal with connections to Central Asia and Afghanistan. Hence these are ideal trans-shipping points.


An alternative route through the Iranian ports of Chabahar would be much shorter. Tankers could pick up oil at Chabahar and take it to Mumbai or the Gujarat coast. Gas from these sources could join the Iran-India-Pakistan pipeline and continue its journey to India. Still, this solution presupposes that in the next decade the United States and Iran will work out their differences. Another way for India to access Central Asian oil through the Arabian Sea would be by the Iranian port of Neka in the Caspian Sea. Kazakhstan delivers oil to the Neka terminal today to further blend and swap it with Iranian oil. From Neka to Tehran a pipeline already exists and has been delivering oil to a Tehran refinery for a number of years.

India is fully aware of this possibility and is keeping it in mind in developing its relationship with Central Asia. India already has a foothold at the Iranian port of Chabahar, which it is helping to develop into a commercial port with access to both Afghanistan and Central Asia, bypassing Pakistan as a transit point for Indian goods and services. A road to connect Afghanistan to Chabahar has already been completed with Indian help.

4) Pakistan’s interests in Central Asia:

Pakistan initiated its relationship with Central Asia in the early 1990s with great hopes. Pakistan took advantage of the fact that it is the only neighbouring power sharing the Sunni Islamic faith with Central Asia. More importantly, Pakistan portrayed itself, logically, as the natural trade route for Central Asian states to reach world markets and break out of their trade and economic dependence on Russia. The second government of Benazir Bhutto in the early 1990s made the greatest effort to translate this policy into practice, as it mapped the mountain passes on its northern border to identify the most suitable trade routes. Out of this, partially, was born the idea of creating a major trade route
from Central Asia through Herat and Kandahar to Quetta and down to the port of Gwadar in Baluchistan. Pakistan’s main problem in establishing a relationship with Central Asia was geographic: while only several miles away from Tajikistan across the Wakhan corridor, it is separated from the region by Afghanistan. The breakup of the USSR coincided with the breakdown of law and order in Afghanistan and the civil war between rival Mujahideen factions led to a collapse of central government authority in Kabul.24

In fact, one of the main reasons for the Pakistani government’s decision to sponsor the Taliban movement when it emerged in late 1994 was to clear the barriers to building a trade route. The first major raid conducted by the Taliban was aimed at setting free a test convoy that had been tasked to create a land trade route between Pakistan and Central Asia via Kandahar and Herat. The convoy, organised by the then Pakistani Minister of Interior Nasirullah Babar, was held hostage by a local commander, but was soon freed by a Taliban attack.25

Operation Enduring Freedom led to both positive and negative consequences for Pakistan. On the positive side, the collapse of the Taliban regime and the presence of American forces in Afghanistan impeded most problems related with the Taliban government, such as the sheltering of radical sectarian Sunni groups banned in Pakistan. The independence of the Central Asian republics brought to life Pakistan’s dream of strategic depth. For Pakistan’s policy, this meant more than simply military space, attractive as that might be Pakistan hoped to develop political ties with the Central Asians and to serve as a bridge between them and the rest of the world after their seventy years of isolation within


the Soviet Union. Pakistan was quick to establish diplomatic and trade relations and has been eager to show a higher profile than India in this region. It also revived the old RCD\textsuperscript{26}, with Central Asian membership and a new name, the “Economic Cooperation Organization,” in an effort to build a framework for closer economic links.\textsuperscript{27}

Energy is the main economic attraction of Central Asia, where estimated resources run as high as 46% of the world’s gas reserves and 150 billion barrels of oil. A major problem is transporting this energy to the market. Pakistan has been involved in extended negotiations to construct oil and gas pipelines from Turkmenistan through Afghanistan into Pakistan and perhaps beyond. Afghanistan’s chaotic political situation and Pakistan’s own financial difficulties are both major complicating factors. The Central Asians, however, also oppose Pakistan’s involvement with the Afghan Taliban. Afghanistan’s smaller ethnic communities, which have historically shared in governing Afghanistan but are not represented among the Taliban, come from the same ethnic groups as the neighbouring Central Asian countries. Movement of Afghan and Central Asian dissidents across porous borders has exacerbated instability and caused resentment among Central Asian governments. So has Taliban supported drug smuggling. The biggest problems are in Tajikistan, but the Afghan connection troubles Pakistan’s relations across the area.\textsuperscript{28}

A north-south pipeline from the Caspian Basin oil and gas fields through Afghanistan and Baluchistan has been mooted since at least the mid-1990s. The Argentinian Company Bridas was the first to officially propose this route. Soon

\textsuperscript{26}Regional Cooperation for development.


\textsuperscript{28}Ibid.
after, Central Asia Gas (CentGas), a multinational consortium led by the Californian-based oil company Unocal, announced that it too would build a pipeline from Turkmenistan through Afghanistan into Baluchistan. Unocal withdrew from their commitment in 1998 amid controversy about the company’s relationship with the Taliban, but the governments of Pakistan, Afghanistan and Turkmenistan have since signed a treaty to expedite construction of a pipeline to the coast as soon as the Afghan conflict ceases. Vested interests in India and Iran are also keen to thread pipelines across Baluchistan and transit agreements have already been negotiated with the Pakistan government, although Washington is pressuring the governments of both India and Pakistan to abandon any proposals which could benefit Iran.

Meanwhile Russia’s President has announced that the Russian state oil giant Gazprom is ready to invest millions in a pipeline between Iran and India and to possibly extend it into China’s Yunnan province. To add to the geopolitical complexity of the region, India is investing in a modern deep water port at Chabahar in Iran’s eastern province of Sistan & Baluchistan which would directly compete for trade with Gwadar; and the Indian Border Roads Organisation (BRO) has opened a shorter land route to Chabahar through western Afghanistan to funnel Central Asian trade away from Pakistan. And then, of course, there is the Pakistan Government’s secret Special Weapons Facility in tribal lands in the mountains of northwestern Baluchistan, close to the borders with Afghanistan and Iran.29

Moreover, while Chinese officials have publicly stated their interest in turning Gwadar port into a transit terminal for crude oil imports from Iran and Africa to China’s Xinjiang region, separatist violence in Xinjiang continues to

threaten this process. The displacement of Uighers from Urumqi, Xinjiang’s capital, is drawing fire, as they accuse the Chinese government of “hanification” of Xinjiang. As one form of protest against Beijing, the Uighurs have threatened to target Chinese workers at Gwadar.30

Thus, the realization of the economic and strategic objectives of the agreements signed between China and Pakistan and the successful completion and operation of the Gwadar port could be hampered or stalled by violence in Baluchistan and Xinjiang. These internal challenges are further flanked by external challenges where, for example, to counter Sino-Pak collaboration, India has brought Afghanistan and Iran into an economic and strategic alliance. Iranians are already working on the Chabahar port in Sistian &Baluchistan which will be accessible for Indian imports and exports, with road links to Afghanistan and Central Asia, whereby it can use this access road to the port for its imports and exports to and from Central Asia.31

China is not the only regional power with an interest in the Gwadar port. Yet unlike China, India and Iran have a reason to see the project fail, or at least be temporarily delayed. Iran is currently developing, with Indian support, its own deep water port in the city of Chabahar. Much like Pakistan’s designs for Gwadar, Iran hopes that Chabahar will serve as Central Asia’s conduit to warm water ports and they view the development of the Pakistani port as a threat to their economic interests. The common opposition to Gwadar by Iran, India and the local Baluch

30 Sudha, Ramachandran. China’s pearl in Pakistan’s waters, *Asia Times Online*, (Hong Kong, 4 March, 2005), p. 03.

creates much concern for Pakistan’s ruling elite and fuels the never ending speculation that India is supporting the ongoing Baluch insurgency.32

5) Russian policy towards Central Asia:

It is necessary for Russia’s economic modernization to create and maintain a framework for economic integration in the Central Asian region. Russia will also need to retain a big enough market to sell its own goods, as well as to accommodate stable flows of imports of a wide range of agricultural products from Central Asia, especially barley, cotton and wheat. Russia’s long-term priorities also include increasing its involvement in decisions on the use of hydro-energy and raw materials in the region.33

Russia’s economic influence in Central Asia has been greatly limited by its own sluggish economy in the 1990s. The domestic economic crisis forced the Russian Government to cut funds allocated to major economic development projects in Central Asia. Poor infrastructure and the unstable situation in the region also restricted the scale of trade between Russia and neighbouring states. Cross-border trade has remained the main focus of Russia’s economic integration efforts, but some Central Asian states, such as Tajikistan and Uzbekistan, are themselves less interested in cooperation with Russia’s border regions. Russia’s private companies have shown little interest in Central Asia, in contrast to their interest in more lucrative projects in other areas. Only after 2000, when the Russian economy started to recover and President Putin started to emphasize the


promotion of Russia’s economic interests, did Russia’s policy makers and private actors start seriously to explore economic opportunities in Central Asia.\textsuperscript{34}

At the same time, Russia has been intensifying its control over oil and gas transit in Central Asia. In June 2003, Russia signed a wide-ranging set of agreements with Kazakhstan, ensuring a near Russian monopoly on the transit of oil from Kazakhstan in the long term. The Russian Government and Russian companies have secured the largest share of the Caspian Pipeline Consortium (CPC), totaling 43 per cent, which gives Russia control of the pipeline connecting the Teniz oilfield in Kazakhstan to the Russian Black Sea port of Novorossiysk.

Therefore, India and Iran come to connect Russia to sea in south (Persian Gulf and Oman Sea). So India has agreed to help Iran in constructing a crucial rail link that is also a part of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)’s Trans-Asian Railway (TAR) project. “We will be cooperating with the Iranian authorities in developing the 600-Km long Chabahar port and Fahraj rail line that will provide India a multi-modal transport corridor to Russia via Iran.” said Railway Board Chairman K.C. Jena.\textsuperscript{35} The Railway Board Chairman said the rail line was vital for the proposed North-South international corridor linking India, Iran, Azerbaijan, Central Asia and Russia.


\footnotesize{\textsuperscript{35} Regine A. Spector. \textit{The North-South Corridor}. (03 July 2002).Retrieved from Central Asia-Caucus Institute Analyst: \url{http://www.cacianalyst.org/view_article.php?articleid=61}&SMSESSION=N}
6) Turkey’s policy toward Central Asia:

Turkey’s policy towards Central Asia has gone through several phases since the fall of the Soviet Union. Immediately following the collapse of the USSR, at a time when Turkey felt rejected by Europe, it was suggested that Turkey should take advantage of the creation of five new Turkic states in the Caucasus and Central Asia and seek to at least forge closer ties with these countries. However, it did not take Turkey long to realise that this policy had a slim chances of success. Russia had not abandoned its ambitions in these regions and thwarted Turkish ambitions, especially in the Nagorno-Karabakh conflict.

Moreover, Turkey’s economy was heavily oriented towards Europe and it was not in a position to take on the task of supporting the process of economic reform in the former Soviet states. Turkey’s internal troubles, especially the PKK\textsuperscript{36} rebellion, also cast doubts on its ability to exert influence so far away. In addition, pronouncements of a Turkic 21st century scared Russia and Iran, while the Central Asian states were put off by some Turkish representatives’ big brotherly behaviour. By the late 1990s, Turkey had developed a more pragmatic policy, focusing security relations on the South Caucasus, specifically Azerbaijan and Georgia, while entertaining economic, political and cultural interactions with Central Asian states. Hence, Turkey gradually downscaled its ambitions in the region. It allowed its private sector to take the lead, with state support, in forging closer ties with Central Asia. Much like Iran, Turkey had not, during the 1990s,

\begin{footnotesize}
\textsuperscript{36} The Kurdistan Workers Party (or PKK, also called KADEK, Kongra-Gel, and KCK) is an armed militant group founded in the 1970s and led, until his capture in 1999, by Abdullah Öcalan.
\end{footnotesize}
managed to achieve a position as a major player in the political scene of Central Asia.37

September 11 allowed Turkey the opportunity to capitalise on its role as a secular, American-allied Muslim country. Immediately after September 11, Turkey took part in the International Security Force in Afghanistan (ISAF) which it also headed for more than six months. Turkish commandos also took part in OEF38, supporting American forces especially in the Uzbek-populated north of Afghanistan. Turkey also upgraded its security relations with Uzbekistan and launched anti-terrorism training programmes in that country.39

As Turkey makes progress on the EU road, its relations with other regions gain depth and influence. While moving towards the West, it is generating a sphere of influence in the East. With its new geographical aspiration, it has started following a foreign policy that validates regional and international legitimacy and aims to reconcile ethical principals with strategic interests. Within the context of this new strategy, the Central Asian region and the Caspian Basin stand out as a potential sphere of influence, in which Turkey seeks an active role.40 In a sense, Central Asia expanded the borders of the Middle East northward, introduced a new sense of depth for southern Asia and connected the peoples of both West Asia and East Asia to the Eurasian region.


38 Operation Enduring Freedom (OEF) is the official name used by the U.S. government for its military response to the 11 September, 2001 attacks on the United States.


7) China’s policy toward Central Asia:

The disintegration of the Soviet Union in 1991 and the subsequent emergence of the five independent Central Asian Republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan have led to fundamental changes in the geopolitical landscape of Eurasia. China, like other states bordering the Central Asian region (Russia, Iran and Afghanistan), also faces a changed geopolitical situation on its borders. The Chinese Xinjiang Uyghur Autonomous Region (XUAR) shares a long and common border with Kazakhstan, Kyrgyzstan and Tajikistan.41

In the early 1990’s maintaining stability in Xinjiang and resolving the border dispute with Russia and the Central Asian Republics was at the top of the Chinese agenda. Subsequently, energy issues, reviving ‘Silk Route’ trade and dealing with threats from international terrorism, religious extremism and drug trafficking became important factors in China’s strategic calculations. Over the last 15 years, China has been able to develop close and friendly ties with the Central Asian Republics and overcome past uncertainties over border disputes, threats from terrorism, ethnic nationalism and religious extremism. In the 19th century, Central Asia was the arena of the “Great Game” in which Tsarist Russia and the British Empire competed for strategic primacy.42

There is a major emphasis given to the periphery in Chinese strategic thinking. Its peripheral security has the following two goals:

- To maintain stability within its territory adjoining it boundary and to ensure the security and economic welfare of its people; and


To ensure peace and stability on the border by promoting a belt of good neighbourliness and friendship.  

The North Atlantic Treaty Organization’s (NATO) “eastward enlargement” is another factor which has influenced Beijing’s policy initiatives in Central Asia. It was expected that NATO would cease to exist after the end of the Cold War. However, Washington, along with its allies, decided to enlarge it by including new members from Eastern Europe. This enlargement is aimed at promoting democracy, human rights and civil society in the former Soviet political arena. New democratic systems are projected as capable of addressing problems created by instability, transition and rising expectations.

A series of “Color Revolutions” – the “Rose Revolution” in Georgia in 2003, the “Orange Revolution” in Ukraine in 2004 and the “Tulip Revolution” in the Kyrgyz Republic in March 2005 – in the wake of rigged parliamentary and presidential elections created uneasiness in Beijing. These developments increased China’s concerns about the Uyghur restlessness getting externally exploited.

The quest for energy security is also transforming China’s engagement in Central Asia. China’s demand for imported oil is projected to rise from the present requirement of 60 million tonnes to 250-300 million tonnes annually by 2020, and China wants to reduce its dependency on West Asian (Middle Eastern) oil. China’s energy security comprises the following elements: bullet to diversify the sources of energy imports and increase the share of oil and gas imports from

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Russia and Central Asia; increase overseas investments by state oil companies; broaden ways of trade to avoid transactions risk; enhance the investments in oil and gas infrastructure and open more channels to imports; establish government controlled strategic petroleum reserves; adjust the energy consumption and the production structure and reduce dependence on oil through coal gasification; liquefaction and development of nuclear power; and actively participate in the formation of a regional community and establish a regional energy system.  

China is also involved in developing infrastructure facilities in the region. Beijing signed a deal on June 14, 2006 for the construction of a highway in Tajikistan and officials also announced financial plans to build a hydropower station in Kazakhstan. On June 16, 2006, Beijing allocated $50 million for a loan to improve Uzbekistan’s irrigation system. Chinese officials have also offered to link all six SCO member states via a fibre-optic network by 2010 to boost communications. China has signed Treaties of Good Neighbourliness and Friendship with Kazakhstan and Kyrgyzstan and Beijing upgraded its political ties with Kazakhstan to the level of Strategic Partnership in 2005. Thus, we see strong politico-economic initiatives from China in the Central Asian region. China and Kyrgyzstan have also held joint anti-terrorism exercises near the Irkeshtam crossing on the Kyrgyz-Chinese border involving the armed forces of both countries.

China’s most substantial success in Central Asia, however, lies in the sphere of economy and trade. To date, more than $500 million have been invested and China has become a major trading partner and investor especially in Kyrgyzstan and Kazakhstan. Cross border trade has also boomed and low-cost Chinese goods have flooded into the region. Beijing has announced plans to

increase trade by a factor of 50 in the next ten years. Although this may be utopian, it is clear that the Chinese government sees trade as its chief vehicle of gaining influence in Central Asia. In terms of energy, China has taken an especially strong interest in Kazakhstan, recently pledging to invest the equivalent of $4 billion in the energy sector of that country.47

September 11 did alleviate some of Beijing’s fears that Afghanistan would serve as a safe haven for Uighur militants but it worsened China’s economic and political standing in the region. Economically, the increase of western and American aid and investments in Central Asia put China at a disadvantage. More importantly, America’s military presence in the region was accepted only grudgingly by Beijing in the framework of the war against Al Qaeda and the Taliban. While China understood the deployment of US military in Uzbekistan on Afghanistan’s border, the choice of Kyrgyzstan, a country not bordering Afghanistan but bordering China, for the location of the largest American base in Central Asia did not go down well. In fact, China seems to view American involvement in Central Asia in the context of American presence in South Korea and its support for Taiwan – i.e. in terms of a fear of encirclement by the US. Thus, China has lost its influence considerably.48

China’s military tie with Pakistan has always been a thorny issue in Sino-Indian relations.49 China’s naval port in Gwadar, Pakistan, further fuels India’s sense of insecurity and fear of Chinese strategic encirclement of India. Gwadar is a


key pearl within the “String of Pearls” and China’s first strategic foothold in the Arabian Sea. Along with Beijing’s onshore and offshore assets in Burma, Gwadar is enlarging Chinese footprint on both Oceanic flanks of the India peninsula.\(^{50}\)

Located just 72 Km from the Iranian border and 400 Km east of Strait of Hormuz, a major conduit of global oil supplies, China’s massive involvement in the Gwadar project has provided Beijing with a listening post from where it can monitor U.S. naval activity in the Persian Gulf, Indian activity in the Arabian Sea and future U.S.-Indian maritime cooperation in the Indian Ocean. This project in turn eases Pakistan’s insecurity regarding the Indian blockade of Karachi port, which handles 90% of Pakistan’s sea-born trade, due to its proximity to India.

Indeed, a blockade occurred during the India-Pakistan War of 1971 and was threatened by India again during the Kargil conflict in 1999.\(^{51}\) However, these pearls have instilled sufficient insecurity for India that they have riposted by devising a new naval doctrine. Gwadar would enable Pakistan to take control over the world energy jugular and the interdiction of Indian tankers. To counter the Gwadar port that is also called the Chinese Gibraltar by Washington, India has parried back with ties to Iran and Afghanistan by building Chabahar port in the Sistan & Baluchistan province of Iran—just adjacent to Gwadar.

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\(^{51}\) Sudha, Ramachandran. China’s Pearl in Pakistan’s Water. *Asia Times Online*, (Hong Kong, 17 March, 2005). p. 03.
8) U.S. Interests toward Central Asia:

U.S. interests in Central Asia primarily are strategic. They derive first from the proximity of this area to Russia, Iran and China. Russia and China view any U.S. presence in Central Asia as a standing challenge, if not a threat, to their vital interests which inherently are imperial in nature and entail a diminution of the effective sovereignty of Central Asian states.

Therefore, it is not surprising that the paramount U.S. objective under both the Clinton and Bush administrations has been to uphold the integrity, independence, sovereignty and security of these countries against Russian and Chinese efforts to dominate them and circumscribe their freedom. In other words, energy access, though important, is not and should not be the primary driver of U.S. policy here. Rather, it is a means to an end. Opening up Central Asian states’ access to markets and energy companies’ reciprocal access to them enables Central Asian governments to diversify their customer base and gain access to global markets where they can sell their products at global market prices. In this sense, the driving force behind U.S. policy is anti-monopoly, while the driving force behind Moscow and Beijing’s policies is quintessentially monopolistic in nature.

This American policy of defending the independence, integrity and security of these states extends the long-established vital geostrategic interest of the United States in forestalling the rise of any Eurasian empire in either continent that could challenge it. And there should be little doubt that imperial success in Central Asia

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would only encourage the rulers in Moscow and Beijing to extend further their hegemonic aspirations. Certainly they have long known that a great power rivalry or competition for influence in Central Asia is rising and regard any alternative method of building organized structures of relationships there as a threat to their vital interests. Since September 11, 2001 (9/11), a second vital interest for the United States has appeared, namely defence of the United States and of Europe from Islamic terrorism personified by Osama Bin Laden and carried out by the Taliban and their allies. Not surprisingly, the leitmotif of U.S. energy policy has been to foster the development of multiple pipelines and multiple links to outside consumers and providers of energy, including, more recently, electricity, with regard to India. The Central Asian energy-producing states recognize that their security and prosperity lies in diversification of pipelines so U.S. and Central Asian interests are in harmony in this area. Washington has sought to prevent a Russian pipeline or overall energy monopoly from forming in the oil market with considerable success, while it has had much less success with regard to natural gas.

Simultaneously, America has sought to isolate Iran from Central Asian energy by urging states to build pipelines that bypass Iran and enforcing sanctions upon those states and firms who are trading with Iran. Examples of pipelines bypassing Iran and Russia are the Baku-Tbilisi-Ceyhan (BTC) pipeline where the United States long has urged Kazakhstan to join it and to participate in the construction of a pipeline under the Caspian Sea; a projected Turkmenistan-Afghanistan-Pakistan (TAP) line, which may or may not be extended to India, or

alternatively a potential pipeline using newly discovered sizable Afghan energy resources to the Indian Subcontinent.⁵⁵

Indeed, U.S. and Western firms have been relatively successful in gaining access to Kazakhstan’s oil fields in terms of contracts for exploration or refinery and marketing. Today all these interests are under attack and, the U.S. policy in Central Asia is embattled and under siege. Moscow and Beijing, as well as to a lesser degree Tehran, view America’s political and strategic presence in Central Asia with unfeigned alarm. Indeed, Russia and China suspect America’s desire for bases there.

Thus the degree to which Central Asian energy markets are open or closed is an issue of great and increasing importance to European states’ energy security and explains why European interest in Central Asia, even if it still is relatively small, is growing. This fact heightens the already important and obvious consequences of any such cartel. A Russian-led cartel and worse yet the possibility of a joint Iran-Russian cartel which may be implicit in Putin’s latest proposal to the SCO and in Iranian soundings about a gas and oil arc with Russia, would prevent Central Asian states from selling natural gas on the open market through diversified pipelines and to the customers of their choice, thus perpetuating their backwardness, dependence upon Russia and slowing their economic growth.⁵⁶

Russia also has waged a stubborn campaign to prevent Central Asian states from affiliating either with the U.S. or Western militaries. It seeks to gain exclusive control of the entire Caspian Sea and be the sole or supreme military

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power there, while states like Kazakhstan and Azerbaijan rely upon Western and especially U.S., assistance to help them develop forces to protect their coastlines, exploration rigs and territories from terrorism, proliferation operations and contraband of all sorts.

Indeed, it fairly may be said that Washington apparently still does not have any effective or discernible public information policy in Central Asia to advance its case and neither did it even take the idea of rebutting these charges seriously. Consequently, the United States is paying the price for its complacency and neglect. Thus U.S. policies in regard to security, energy access and democratization are under attack in Central Asia from the local dictators, Russia, China and to a lesser degree, Iran. As a result of these attacks against the U.S. position in Central Asia, America has lost the base at Karshi Khanabad, faces constant pressure in Kyrgyzstan—where its hold on Manas remains precarious—and elsewhere and it and its NATO allies are fighting a revived and strengthened Taliban under conditions that are in many ways less favourable than in 2001. 57

Worse yet, a situation where only Russia and possibly China can engage Uzbekistan decisively during a crisis, while Washington is wholly excluded from doing so, is a strategic loss for America. Indeed, Professor Alexander Cooley of Barnard College wrote that “This eviction represented the worst of all possible outcomes for the United States. The United States did not receive credit for standing on political principle and voluntarily leaving Karshi-Khanabad (K2), nor did it manage to secure operational use of the base.” 58


9) Afghanistan interest in Central Asia:

Afghanistan once occupied a coveted place at the centre of the world’s richest pathways to prosperity and civilization. This historic and geopolitical role was well established over two thousand years ago. Afghanistan was then at the centre of the global exchange of ideas, art and culture and of long distance trade, as it was located between China and India in the East and a fast growing Europe in the West. The flow of trade, artisans, techniques, tools and innovations along the legendary Silk Road, allowed the flourishing of ideas and the growth of the great ancient cities of Central Asia, enabling them to spread their influence far beyond the region. Since the ousting of the Taliban, Afghanistan, with the help of the international community, has made significant progress on many fronts including enacting a constitution, holding elections, building its institutions and reviving education and health services. Since the fall of the Taliban in 2001, there has been keen interest in developing Afghanistan as a potential regional partner for trade and security in Central Asia.

International donors and their Afghan partners have produced strategies to improve old transit routes and to create new roads connecting Afghanistan to its neighbours. This will allow Central Asian countries to connect with Pakistan and India and China to connect with Iran and beyond, all with Afghanistan as the central land bridge between them. These strategies have the potential of creating significant economic growth and at the same time contributing greatly to the establishment of peace and security throughout the region.

The countries in the Greater Central Asia region share many common economic characteristics such as difficult topography and lack of direct access to the seas. They are also characterized by underdeveloped transport infrastructure and commodity-oriented economies. However, many of the countries also share
significant cultural, social and ethnic bonds which make the further development of ties quite natural. Despite many common characteristics, trade among countries of Greater Central Asia constitutes only a fraction of the region’s total trade. Moreover, Central Asian countries are under-trading with Western Europe and South and East Asia compared to their potential. Economists use the so-called “gravity model” to assess trade potential.\(^{59}\) This estimates potential bilateral trade using a simple model that takes into account two countries’ relative economic size and the distance between them. The results of such estimates can then be compared to actual trade flows to provide estimates of lost trade.

Central Asian countries could benefit greatly from closer cooperation at the regional and continental levels. As mentioned, empirical studies indicate that landlocked countries are at a great natural disadvantage in achieving growth, which makes a liberal trading process and effective regional cooperation all the more important. Over the period 1960-92 landlocked developing countries grew at an average of 1.5 percent per year slower than countries that were not landlocked.\(^{60}\) Over a span of decades this weak growth adds up to a significant loss of opportunity for these developing and impoverished countries.

Trade engenders and deepens specialization and specialization in turn assures economies of scale, especially for those countries with relatively modest domestic economies. Through increased economic integration with the world beyond their regional borders, trading economies can acquire and diffuse new technologies from more advanced countries and help reduce poverty. Estimated at $203 billion annually for developing countries, or 3.2 percent of GDP. Note that


global concessional assistance going from industrialized countries to developing countries is about $50 billion annually. Interestingly, the total welfare gains of $203 billion produced from global free trade would amount to about four times the size of the concessional assistance figure.

Exploiting Afghanistan’s position as a land bridge between Central and South Asia and the other neighbouring economies can be a significant source of regional economic growth. The Asian Development Bank (ADB) and other recent studies point to substantial economic benefits over the next five to ten years from the development of road corridors connecting Central Asia and South Asia. A study by Ojala estimates that improved road corridors can increase export and import prices in Central Asia between 7% and 10%.61

Studying the potential benefits of North-South corridors, the ADB found that overall trade can increase by as much as 15%, or $12 billion, for the Greater Central Asia region as a whole if transportation and trade facilitation are improved.62

The related ADB study identified 52 potential road corridors through Afghanistan connecting Tajikistan, Uzbekistan and Turkmenistan with five seaports in Pakistan and Iran. Thirty-one of these roads would link to Pakistan ports and the other twenty-one to ports in Iran. The total distance of the combined corridors is about 13,586 kilometers or 8,444 miles. It is assumed that the corridors are to originate in Dushanbe for Tajikistan, Tashkent for Uzbekistan and Ashgabat for Turkmenistan and then enter Afghanistan from Tajikistan at Shirkhan Bandar (or Hairatan), from Uzbekistan at Hairatan and from


62 Ibid.
Turkmenistan at Aqina (or Torghandi). The corridors exit Afghanistan from Nangargar province to Pakistan’s ports at Torkham (leading to Karachi/Port Qasim) or via Afghanistan’s Kandahar province at Spin Boldak (leading to Karachi or Gwadar). In addition, the corridors would lead to Iranian ports via the Afghanistan exit points at Zaranj going towards Chabahar (or Bandar e-Abbas) and via the exit point of Islam Qala going towards Bandar Abbas.

It is important to note that these corridors not only link Central Asia to sea ports in the South but also open up routes to Kazakhstan, Kyrgyzstan and, importantly, China.