

# ROLLING THE DICE OF OIL POLITICS IN ASIA

RAGHAV SHARMA

Under Graduate, B.B.A L.L.B (Hons)

UJJWAL SINGH

Assistant Professor

Law College Dehradun, Uttarakhand University

Dehradun, India

## ABSTRACT

Energy is a power-defining issue in the game of international politics and relations in the 21<sup>st</sup> century, yet it is thought by some scientists that dependence of international community on one another for oil and energy resources is not the answer to the present day's global energy markets. This seems to be the basic and underlying thought behind the United States energy policies and global energy security. Moreover, a number of other middle-eastern countries forbid other foreign oil companies to have a real stand or stake in the production and infrastructural projects related to energy supplies. All these factors have proven to be an obstacle in the investment to be in the energy sector. In this regard the paper also describes the history of Central Asian States with regard to their capabilities in maintaining their oil reserves.

Taking the view of other Asian countries, like those in Central Asia, we get to know that in the last two decades, the Central Asian countries, especially the 5 republics of Soviet Union have emerged as one of the most important regions in the global energy scenario. Thus, the issue of energy demand has generated the concept of geo-politics in the region has been highlighted and made comprehensible through the paper.

Similarly, since India has also its fair share in the energy resources and a sufficient role to play in the Game of Energy Politics amongst the international communities of the world. However, the thorn in the path is the lack of geographical contiguity between Indian and Central Asian routes, which makes it difficult for India to maintain a tie of trade with the world. Therefore, the paper also takes an Indo-Centric view point of energy-relations of India and Asia.

The paper all in all makes an attempt as to how and why, has Asia become an epicentre of the Oil Politics in the international community, keeping in view the role of India and the diplomacy it adopts in the same, plus the role of other Asian countries and their diplomacies in the energy market, the problems of maintaining energy market and trade and also the protectionist policy applied for energy security of the countries.

## INTRODUCTION

Turning the pages of history we get that the contribution of Central Asian States (CAS) were reasonably known since, out of the total Soviet oil reserves of 57 billion tons, the share of the CAS was about 16pc and from the point of view of the Soviet planners, West and East Siberia, Volga, Ural and Azerbaijan were dominant producers of oil and gas. The countries endowed with the resources of oil and gas are- Kazakhstan, Turkmenistan and Uzbekistan amongst the CAS, while Kyrgyz Republic and Tajikistan are not. According to Ariel Cohen of the "Heritage Foundation" of the U.S.A, the possible deposits of the CAS were about 170.5 billion barrels of oil and 15.3 trillion cubic meters of natural gas, out of which, reserves of oil in Kazakhstan, as per the Western Source, were 92 billion barrels and of Turkmenistan 80 billion barrels located primarily in the Caspian Sea, while that of Uzbekistan had a reserve of 2 billion barrel.<sup>1</sup> The reserves of natural gas in the countries of CAS are different. It is estimated that Uzbekistan and Turkmenistan were primarily rich in natural gas. According to the reports of the US Congressional Research Service in 1991, Turkmenistan and Uzbekistan had 14 natural gas fields and 2 giant oil fields.

<sup>1</sup> Professor, R.G Gidadhubi, "Great Game of Oil Politics in Central Asia", published in "World Focus", January, 2015.

According to BP Statistical Review of World Energy published in 2008 there was substantial ascend in the oil and gas production in the CAS. From 1999 to 2007, the oil production in Kazakhstan shot up from 25.8 million tons to 68.7 million tons, similarly an increase in oil production from 5.7 million tons to 9.8 million tons was witnessed in Turkmenistan and from 2.8 million tons to 4.9 million tons in Uzbekistan. Moreover, the Tengiz oil field in Kazakhstan produced 3.25 million barrels of oil per day in 2013. Uzbek official records state that out of 171 discovered fields, 73 are gas reserves. Similarly, Turkmenistan became the 5<sup>th</sup> largest depository of gas in the world, with 8.9 trillion cubic meters of natural gas.

As already mentioned in the abstract, that the role of energy resources has been quite fundamental in defining the power play of politics, but some the scientists, like Gawdar Bhagwat hold an opinion that “independence, not dependence is the cornerstone of today’s global energy market.”<sup>2</sup> This makes it clear as to why countries like the United States adopt a protectionist policy towards their oil and energy reserves, which also underlines as to why any hindrances in the supplies not affect one consumer, but lead to a global price hike. Similarly, applying a protectionist policy, the Middle East, also limits the oil companies from having real stake in production and infrastructure. This, along with the depletion of surplus oil resources in Saudi Arabia, largely affects the oil dynamics of the present world.

## YESTERDAY AND TODAY OF OIL POLITICS IN ASIAN COUNTRIES

The history of oil politics began in the first half of 1990 when Russian President Boris Yelstine integrated with the West and ignored the Central Asian and Eastern countries. This was seen as an opportunity by the West who took the decision of creating Central Asia as a substitute of Middle Eastern countries for energy supply in the West. This step laid two foundations-

1. Of making Central Asia of global significance in the energy sector. However, it was argued that Central Asia can act as an “addition”, but not as an “alternative” of the Middle Eastern countries for energy sources.
2. Making Russia realise her mistake and led the Foreign Minister Yevgeni Primakov to bring a shift in their policy as “Look East” which made Russia give due attention to Central Asia.

After gaining independence there has been a qualitative push to develop the energy resources of the CAS and also to reduce their dependence on Russia to assert their sovereignty. Since the CAS were not fully capable financially to exploit their resources, therefore various companies contributed to the energy sector of Asia- Eni, ExxonMobil, Royal Dutch Shell, Chevron, ConocoPhillips, Japan’s Index and China’s CNPC, India, ONGC and GAIL and the like. Apart from these, due to inauguration of private sector certain firms in Turkmenistan and Uzbekistan also contributed to the cause of oil and gas production by setting up joint ventures with foreign firms along with getting a backing from their governments. These companies along with some other European companies contributed to the energy resources development in Central Asia.

It is obvious that a number of countries working in the oil and gas market would or could survive without competition, hence, there also lie certain grains of competition between the CAS, plus the “Shanghai Cooperative Organisation” seems to give China and Russia an advantage over other countries in the West. Similarly, Russia has entered in a joint venture with France in the case of Kurmangazy oil field in Kazakhstan, to retain her authoritative influence in the CAS.

Another most important factor to determine the history and status of oil politics in Central Asia, was the international rise in the price of oil and gas from \$50 per barrel in 1991 to \$ 145 per barrel in 2008. This led to a huge influx of economy in the CAS, which in turn led to high GDP growth of 10-20% per annum in Turkmenistan. This consequentially led China to invest and import from the CAS, even when the prices of oil and gas declined in 2009-2012.

Apart from the aforementioned steps in the history of oil politics, one should know the on- growing conflicts among the CAS, like that of Tajikistan and Uzbekistan on the issue of water and oil exports. The former contends that the

<sup>2</sup> Anil Kamboj (Inspector General, Retd), “Oil Politics West Aisa and It’s Impact on India”, published in “World Focus”, January 2015 edn.

latter is authoritative in determining the prices of oil and gas to be exported to Tajikistan, while the latter contends that the former does not release its waters sufficiently, causing water scarcity and affecting its agriculture. Lastly, there were certain incoherent and futile policies adopted by the energy firms, like that of Kazakhstan to reduce foreign capital in order to increase the share of home firms to develop its own economy by the “Development of Energy Sector, 2015”. Alike steps were taken by Russia, which by and by, led to the rolling of dice in the game of energy politics in the CAS.

## INDIA’S TURN TO ROLL THE DICE

The dice of oil politics in India began a little later than other countries after the establishment of the ONGC in the 1990’s. Since then efforts have been made by the Indian firms like ONGC, GAIL, Indian Oil Corporation which were supported by leaders like Prime Minister Manmohan Singh in 2011 to expand the energy sources coming to India. Moreover, India’s “oil diplomacy” is taken care of by “Ministry of Petroleum and Natural Gas”. It was even suggested to the government to create another cadre of “Oil Diplomats” to advise the government on such critical issues. Similarly, Former Petroleum Minister Aiyar even, created a group for the same purpose. However, the task of maintain oil diplomacy is still vested with the Ministry of Petroleum and Natural Gas.

### India’s Routes for Energy Supply

Even though India and other CAS are now linked, but none of the pipeline projects have been firmly constructed to provide an established route of transporting energy sources from the CAS to India. They include- TAPI (Turkmenistan-Afghanistan-Pakistan-India) which has been approved by the Asian Development Bank and the US, yet is still under consideration for over a decade due to the security issues hovering over India as the pipeline is to pass through Pakistan, plus due to the on-growing tensions in relations between India and Pakistan. Similarly, another project- Iran-Pakistan-India pipeline, though not supported by the USA, faces the obstacle of funding and security of pipeline. Another alternative is the route from Xijiang to Karakoram and Himalayas across the Aksai-Chin into India, but this project cannot also be realized without knowing the mountainous terrain of the Aksai-Chin region.

Hence, better idea would be deals between Kazaghastan to deliver oil to Northern ports of Iran and Iraq who would inturn, deliver oil to Southern ports of India. Similarly, Russia as cordial relations with India and the CAS and can play a crucial role to ensure North-South Corridor to become a reality which will facilitate energy resources supply to India.

### Challenges Before India

The foremost challenge in path of India is to have such quantity and quality of energy resources which can suffice the GDP growth of 8-10% that too in an economy suffering with inflation. About 85% of India’s oil is imported, which makes her to be the *fourth-largest oil consumer*, buying around 190 million tons of crude oil a year, costing the economy \$ 145 billion a year! India’s oil demand had out-grown that of China’s well in 2015. The World Energy Outlook published by the International Energy Agency in 2004, stated that India’s oil import dependence will rise upto 91.6% by the year 2020.

Apart from the demand-supply and prices hike issues of oil import, another foremost impediment in the path of India is her conflicting interests with China. Though Indian and Chinese companies have bid together for oil exploration rights in certain regions of Africa and Siberia, but the same companies have bid against each other in Venezuela and Myanmar. Plus, the fact that Myanmar gave her oil rights to China instead India raised questions about India’s capability to close the deal with regard to securing rights. Another issue between India and China as pointed by the Economic Times was, that China has outrightly made it clear that it would not support India-Vietnam Agreement signed by then President Pranab Mukharjee, which would enable ONGC to explore two more oil wells, if the said wells fall in the disputed region of South China Sea.

Another important challenge for India, apart from China issue is the ongoing saga of tensed relations between India and Pakistan. As stated before, India’s ability to procure natural gas is restricted due to the fact that the pipelines have to pass through Pakistan (Iran-Pakistan-India or the TAPI pipeline project). These are the reasons as to why India is thinking of a Deep Sea Pipeline from Oman bypassing Pakistan.

Thus, owing to such issues and challenges that surround India with regards to oil and gas import, therefore a “Chanakya-like” policy needs to be determined for serving the purpose.

## CONCLUDING THE GAME OF ENERGY POLITICS

It is clear from the above paper that major countries of the World have jumped into the game of Energy politics since 1990s. hence, understanding their game can offer a conclusive analysis to this paper. Taking the players one by one-

### Player1- Russia

Russia has become an alpha participant in this game by having close and well-connected ties with the CAS and has been rigorously pursuing her policy of resource nationalism to emerge as an energy supplier, supplementing resources of Central Asia, in future. Plus the “Look East” policy and the said “EEU” Eurasian Economic Union (which is said to be formed jointly with Kazakhstan and Belarus with expected participation of Tajikistan and Kyrgyz Republic) will enhance the priority given to Russia and her role in this power play.

### Player 2 –China

Coming onto another alpha participant of this Game of Energy, China, with its enormous investment, active participation and development of infrastructure to link China with Central Asia, has also a major role to play in this politics. Being a member of SCO, Russia and China have a decisive say in policy decisions of the CAS, with a similar motive of declining the influence of West (esp USA) in the CAS. In order to make this a reality, China has very tactfully strengthened its relations with Tehran and Riyadh, being the capitals of two of the most important exporters – Iran and Saudi Arabia. As every magic has a price to pay, China had no trouble in paying the price of various anti-ships cruise missiles, such as the Silkworm (HY-2), the C-801 and the C-802. Moreover, certain tactical guided missiles- JJ/TL-6b and 10A, the KJ/TL-10B- new variant of C-107 anti-ship missile, specifically for Iran. Also, Beijing has contributed substantially to Iran’s nuclear and chemical weapons programme, and has also supplied uranium conversion facility and nuclear power reactors to Iran, despite its assurances to Washington that it has ceased any such works. The *consensus-ad-idem* between Saudi and China lie in the fact of decreasing US interference in global affairs, for which China supplies similar arms and provide a diplomatic support to Saudi Arabia. By having such strong ties with the Middle East, Beijing can undermine the Washington’s influence in the region.

### Player 3- US and the West Europe-

After the Soviet Union break-up in 1991, the US and the Western European countries had an objective to decline the Russian influence in the Central Asia and to gain access to energy resources of Central Asia. Hence, apart from making investments in explorations of resources, the USA and West Europe undertook the task of “Multiple Pipeline Policy” linking the Central Asian States with West European energy markets, this led USA and the Western European countries to establish their control in the CAS by supplying huge amount of petrodollars for about two decades, which not only benefitted the economies of CAS but also proved to divert the focus of the CAS in favour of West.

Hence, it can be understood that energy is an integral part in determining the power play of nations. The might is right, in this case stands with that one nation which has strong ties with nations supplying energy resources or, the one who has sufficient amount of resources for its own development.

Thus, India needs to increase her influence in the CAS and develop such foreign policies that can help India overcome the challenges she faces as aforementioned. Plus, seeking other options like renewable sources of energy, nuclear energies, etc will also help India to surmount her obstacles. Just like the Green Revolution of 1965s, India is in need of Energy Revolution to regulate her diplomatic ties with energy supplying nations, to regulate her imports of energy and to find new pathways, to develop technologies for the said purpose and pipelines to link her territory with the CAS.