

INDIA'S ENERGY DIPLOMACY IN CENTRAL ASIA: CHALLENGES AND OPPORTUNITIES

A.L. Kurian

School of International Relations and Politics, Mahatma Gandhi University, P.D Hills, Kottayam, Kerala
liskurian@gmail.com

ABSTRACT

In the present global scenario, economic security is based on the equilibrium of three factors such as energy security, environmental protection and economic growth. The fast growing energy demanded economies of India and China have a crucial role in Central Asian region. India-China joint ventures in the energy sector of Central Asia will be mutually beneficial for both India and China on the pretext that India can use Chinese support as well as its territory for energy pipeline projects and for China, a partnership with India will favour its OBOR initiative without much opposition. At the same time, India should well aware of the difference in both countries strategic cultures and the peculiarities of the aggressive nature of China's strategic culture. The main objective of this paper is to find out the significance of Central Asia to satisfy the skyrocketing energy requirements of India's vast population. In addition this paper looks into the possibilities of India-China energy cooperation in Central Asia for their mutual benefit in the background of OBOR Initiative and energy pipelines. This paper follows the methodology of historical-analytical research based on secondary data sources.

Keywords: energy diplomacy, energy security, Central Asia, India, China

Introduction

Economic development is extremely significant for the maintenance of social as well as political stability of any nation. In the present global scenario, economic security is based on the equilibrium of three factors such as energy security, environmental protection and economic growth. Among these three variables, energy security has developed as a matter of 'high politics' in national security (Pop 2010). Guaranteeing an assured and uninterrupted energy supply is vital for keeping India's economic wheels in motion (Campbell 2013). In recent years, India has started to recognise energy as a crucial tool for connectivity and using energy as a means of diplomacy for bridging its relationship with neighbours (Bagchi 2017). The volatile Middle East region contributes to lion part of India's oil imports. Thus energy security has a cardinal role in national security and foreign policy, as India is more reliant on imported energy. To reduce dependence on the Middle East and materializing alternative sources of energy is crucial now (Campbell 2013) and in this scenario, Central Asia has emerged as an important priority because of its huge economic, security and energy advantages. India's foreign policy towards the nations comprising the core of Central Asia namely

Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan has attained utmost progress in the last few years. The comparatively unknown region of around 62 million people has become increasingly attractive to India mainly due to its energy sources as it is the sixth-largest producer of hydrocarbons and the fourth-largest producer of gas in the globe. It is a region splendid in other resources too like uranium as well as hydropower since their liberation in 1991 (Foshko 2012).

The Central Asian countries largely had been closed to the outside world during the Soviet times, but the opening up of China in the 1980s, the collapse of the Soviet Union in 1991 and the globalization waves enabled global economic connections as independent units (Muzalevsky 2014). India and Central Asian countries share not only history, but also culture and religion going back hundreds of years which remained alive even at Soviet times when India was one of only four countries allowed to have a consulate in the Soviet Central Asia. India is also a host for the second largest populace of Muslims in which voluminous of whom practice a Sufi tradition of Islam that is predominantly practiced in Central Asia (Maurya 2015). But, the nonexistence of direct connectivity between

India and Central Asia as well as China's unrestrained geopolitical presence in Central Asia resulted in remaining this region under low priority of India's foreign policy. The stopovers of Prime Minister Modi in Central Asia (Stobdan 2016) and India's accession to the Shanghai Cooperation Organization (SCO) highlights India's paradigm shift in the India-Central Asia relationship (Vaid 2016). Although India is a laggard in the region, it is not undesirable among Central Asian countries as they are eager to diversify their ties and keen to have an entree to the Indian sub-continent. From the part of India, reconnecting with Central Asia has turned into an urgent imperative to assure long-term upliftment of Afghanistan, reinforce its position comparing to China and stimulate its escalating trade by land *via* Central Asia to European and Middle Eastern markets. Contemporary Chinese investments on a large scale including acquisition of crucial stakes in oil plus gas fields and India's growing interests make greater forays in Central Asia's energy sector. Thus, there is an augmented possibility for Beijing and New Delhi in finding themselves for strategic competition or cooperation with each other on similar energy resources (Mullen et. al. 2014).

In the transformed strategic situation, India strives to reconnect with Central Asia and to play a constructive role there because in the Indian strategic thinking Central Asia occupied a considerable position as its extended or strategic neighbourhood (Kothari 2014). In 2012, India launched the 'Connect Central Asia' policy to diminish challenges encumbering its reconnection with Central Asia and to magnify its regional presence. It is also a building block for India to form stronger political connections and strengthen strategic as well as security collaboration with Central Asian countries. The 'connect Central Asia' policy has turned into a broad-based approach with the inclusion of political, economic and cultural aspects in the policy of cooperation between India and Central Asia. This policy has facilitated India to improve links with Central Asia *via* Afghanistan as well as to secure a regional strategic presence relative to other powers (Jha 2016). It is a reality that India's amassing energy necessity also needed

the support of energy rich Central Asian countries so the geopolitical salience of the region for India is beyond any suspicion (Kothari 2014). At present, China has outperformed India in Central Asia in every aspect by acquiring the region as a strategic resource base as well as platform for power projection. India's collaboration with external actors in Central Asia unveils competitive and cooperative dynamics (Muzalevsky 2015). Though, the two giants China and India can crack the resource-rich Central Asia as an arena of mutual benefit than rivalry because in 2005, at the time of Premier Wen Jiabao's visit to India the two governments delivered a joint declaration where they decided to unite in energy security plus energy savings endeavours (Pop 2010).

Methodology

This paper is the result of rigorous review of pertinent documents brought forth related to India's energy policies particularly in Central Asia. This includes plans, programmes legal documents, policies, strategies, journal articles, books and other published works. The information drawn from these sources were critically skimmed, sorted and analysed to reach at logical conclusion.

Result and Discussion

The international scenario is witnessing major makeovers in global energy markets with significant ramifications on world economy as well as global politics. Today, energy security is not only an imperative for a nation's economic growth as well as prosperity but also having access plus control of affordable as well as abundant energy resources is regarded as a currency for power. For many decades, developed countries used their access to world energy assets either through international oil companies or through state-owned companies as a weapon to influence global politics. Yet, the last few years has seen drastic transformations in the international energy scenario as energy markets tilted towards emerging economies and gone away from the traditional industrialised countries. These new developments in the fossil fuel market are once again altering energy equations with global political as well as economic effects thus the

Indian government along with international community is imparting great emphasis on energy diplomacy (Dadwal 2015). An emerging economy with global power ambitions, India's fragile energy security is under critical pressure owing to numerous reasons such as mounting reliance on imported energy resources, uncertainty in governance, unintelligible fuel pricing policies, inadequate skilled human resources, outdated and under developed modern infrastructure and on-going dependence on hydrocarbons as the principal source of energy for the adjoining years. Hence, truly cohesive as well as unswerving energy diplomacy is crucial to drive and monitor India's energy sector (Dhanuraj 2015).

India's Energy Diplomacy

The Planning Commission of India has put forward a comprehensive as well as official definition for energy security: *'the country is energy secure when we can supply lifeline energy to all our citizens as well as meet their effective demand for safe and convenient energy to satisfy various needs at affordable costs at all times with a prescribed confidence level considering shocks and disruptions that can be reasonably expected'*. Therefore, the Indian government has taken many energy policy endeavours like much freedom for the public sector enterprises, nearly 30 percent of the private sector participation in refineries, New Exploration Licensing Policies (NELP), the separation of Oil Coordination Committee into two enterprises namely Petrofed and the Petroleum and Natural Gas Authority, formation of Bureau of Energy Efficiency etc. These initiatives are in addition to the various ministries involved and responsible for policymaking in connection with different energy sources such as Department of Atomic Energy, Ministry of Coal, Ministry of Petroleum and Natural Gas that consist of Directorate General of Hydrocarbons (DGH); Oil Industry Development Board (OIDB); Petroleum Planning and Analysis Cell (PPAC), Ministry of Nonconventional Energy Sources, Ministry of Power, NITI Aayog (Power and Energy Division) etc. Besides, the strategy of the Indian NOCs' international ventures includes competition or cooperation bilateral and multilateral actors across the world like

Chinese, Russian and Japanese corporations; governmental backing with diplomatic and economic resourcefulness; bestowing of integrated packages in bids; collaboration with IOCs as well as choosing much costly producing undertakings. In the case of overseas investments, in 2005 Cabinet officials approved an increase of \$ 75 million limit in ONGC's and IOCs investments. Further, to sanction investments over \$ 75 million the government has established an approval process through a single committee of senior bureaucrats which consists of officials from the Ministries of Petroleum and Natural Gas, Finance, External Affairs, NITI Aayog, the Department of Public Enterprises and the Department of Legal Affairs (Pop 2010).

However, India deals with many domestic problems especially connected with rapid economic development plus energy shortages in urban as well as rural regions. In the race to resolve prevailing complications New Delhi attempts to acquire its energy supplies by all the potential means. Over the past few decades India's import of crude oil has showed an upward trend and now India is the fourth-largest buyer of crude oil and petroleum products even though India possesses the domestic strategy of aggregate indigenous production. It is estimated that by 2025 India will surpass Japan as the third-largest importer of fossil fuels in the world. Due to high dependency on Middle Eastern oil as the principal regional provider, its significance has kept growing day after day even in the midst of political uprisings and turbulent situations in the region. It is high time for India in seeking source diversification according to its favourable geographical location thus New Delhi recognized the implications of integrated political approach to overseas fuel strategy and pursues energy diplomacy which entails substantial, pro-active, multifaceted engagements around the world. These initiatives are directed towards achieving the following intentions: Firstly, the substantial augmentation of domestic resources and competencies by fetching in new-fangled foreign technologies and enlarging the national knowledge system. Secondly, the enlargement strategy which embraces acquisition of both

offshore and onshore assets abroad through equity participation in producing fields along with exploration and production (E&P) contracts in various regions of the globe. Thirdly, active involvements in downstream projects like refineries and petrochemicals in producer as well as consumer nations on the basis of criss-cross investments. Fourthly, establishing of transitional gas pipelines although currently India does not have any transnational oil pipelines. Lastly, strives to obtain technologies to promote renewable energy practice including conservation as well as better use of environment-friendly fuels. India is pursuing active bilateral energy diplomacy just like other international actors so as to ensure a steady and secure flow of energy from its supplies by establishing close political relations and inking of economic, defence as well as security pacts (Yilmaz and Daksueva 2014). Thus, the reciprocal support between India and Central Asian republics is promising particularly for India in the energy and transit enlargement sphere in the midst of deficient transit infrastructure between Central and South Asia and India's restricted engagements in the region's energy market (Muzalevsky 2015).

From the 1990s onwards India government has invigorated public as well as private sector companies to compete for external asset procurements and tries to utilize its national NOCs in this drive with the intention of enhancing energy security as part of its national energy diplomacy (Saint-Mézard 2014). In Central Asia, the Indian corporations namely Oil and Natural Gas Corporation (ONGC), Oil India Ltd. (OIL), Bharat Petroleum Corporation Ltd. (BPCL), Hindustan Petroleum Corporation Ltd. (HPCL), GAIL India Ltd. Etc. strives to adapt to the Chinese competition. Oil and Natural Gas Corporation have 15 percent in the oil field of Alibekmola in Kazakhstan and declared an investment of \$ 1.5 billion in the Kurmangazy oil field with Russia and Kazakhstan. In 2005, ONGC Videsh and KazMunayGas have begun negotiations to enlarge oil as well as gas blocks in the Caspian region. In 2006, again Kazakhstan offered ONGC-Mittal Energy Ltd. a 25 percent stake in the Satpaev offshore exploration block and in April 2007, Mittal Investments acquired 50

percent from Lukoil's stakes in the Caspian Investments Resources in Kazakhstan with \$ 980 million. Moreover, India have agreements with Tajikistan and Uzbekistan in the energy sector which endowed exploration rights to Indian companies without expecting an equal share of revenue in return from any unearthing. GAIL India agreed a memorandum of understanding with Uzbekneftegas for joint exploration plus production of oil as well as natural gas. Frequently, the Indian corporations encountered setback in competition with the Chinese corporations in energy acquisitions across the world nevertheless the Indian proposal for joint bids was accepted by Beijing in 2006 and it was combined in five memoranda on energy cooperation. Furthermore, a joint bilateral working group is monitoring progress of cooperation mainly they concentrated on four expanses: the Caspian Sea region, Central Asia, Africa and Latin America. CNPC and ONGC respectively Sinopec, CNOOC, Beijing Gas and GAIL has engaged in contracts covering exploration as well as production (Pop 2010).

India-China involvement in Central Asia

Energy security aspirations of the emerging powers made Central Asia as an altered destination and playground for them. By being Asian powers with fast growing energy demanded economies India and China have a crucial role in Central Asian region. Regardless of their apprehensive and competitive relations, India and China took measures to improve their connexions over the last many years with an upsurge in bilateral trade that may yet convert into much cordial dealings in other sectors. This can interpret in the opinion of Chinese Premier Wen Jibao that India and China have skirmishes only briefly in the 2,000 year history of exchanges and the mutual relations have been 99.9 percent pleasant. Also, Kaplan elucidates 'India's contention with China is not like the one with Pakistan at all; it is more abstract, less emotional, far more significantly less volatile and it is a rivalry with no real history behind it'. Today, as an imperative for their unrestrained emergence as great powers, India and China shows interest in the normalization of their ties and stability in the wider expanse (Muzalevsky 2015). At present,

the potential arenas of cooperation between India and China are intense and Central Asia provides such an opportunity in the backdrop of energy security challenges of both nations. India's geographical inaccessibility from the energy locations of Central Asia expounds India's failure in source diversification through effective pipeline diplomacy in addition to the absence of effective as well as meaningful bilateral plus multilateral mechanisms of collaboration (Yilmaz and Daksueva 2014). In the case of China, it has not built up a cohesive foreign policy towards Central Asia in the 1990s but from 2000 onwards the economic growth and the domestic energy demand-supply gap has augmented the significance of energy imports. China has been developing rapidly the economic relations with the Central Asian republics mainly in the energy field as part of its determination to diversify its energy supplies and due to the shocks received from the Angarsk struggle plus the Iraq War (Pop 2010).

Beijing is of the opinion that investments in Central Asia are pivotal for source variegation which is safe too with far reaching reverberations, as the energy supply from Central Asia to China can be secured and assured. It should be noted that China is using an amalgamation of instruments like acquisition of equity stakes in oil and gas fields, projects and corporations; diversification of oil and gas suppliers and transport routes, bilateral pacts, investments in hydroelectricity, minerals and transport infrastructure, domestic reforms in Xinjiang, etc. The plethora of investments backed by the Chinese Government in the Central-Asian energy sites are perfect example of aggressive Chinese diplomacy (Pop 2010). Recognizing and working with bilateral and multilateral actors in forging its presence in Central Asia is a strategic imperative for India if it interested in establishing a protuberant manifestation in the area just like other great powers (Muzalevsky 2015). In this theatre China can be considered as an ally on two reasons: one, India pragmatically identifies that China can contribute to the stability of Central Asia; two, its inclusion in Asia-Pacific economic dynamics assures financial affluence in the

whole region. Besides erecting new gas as well as oil pipelines including electricity transmission lines between Central Asia and China is part of China's single-minded pursuit of infrastructural development project, now embodied in the Belt and Road Initiative which is reputed for fast delivering results and methodical strategy of acquisitions (Dave 2016; Singh 2016 and Trembeczki 2018).

The establishment of Shanghai Cooperation Organization (SCO) and India's membership paves the way for crucial and bigger role for India in securing greater energy cooperation between energy producers and consumers by linking Central Asia and South Asia. Moreover, this will open new avenues for Delhi to articulate its competitive relationship with China on more conjunctive terms. The SCO has mooted an SCO Energy Club in 2006 to have strong energy cooperation among the member states (Vaid 2016). India faces an array of connectivity restraints confining its presence in Central Asia like India's dearth of a contiguous border with Central Asia, important geographical obstacles, India's unsettled political strains with Pakistan and China, interstate conflicts within Central and South Asia and political insurgencies and turmoil in Afghanistan and Pakistan etc. (Muzalevsky 2015). China has several concerns about its energy supply from Central Asia: firstly, the internal instability in Xinjiang has caused frequent disturbances therefore, China adopted the Great Western Development Drive in 2000 focusing on five priorities such as quest for equality, foreign investments, infrastructure investments, sustainable development and tackling the nationality issues (Pop 2010). A connectivity infrastructure between India and China and extension of oil and gas pipelines to India through Xinjiang, Aksai Chin and Tibet could remove the threats of terrorism, separatism and extremism both in Central Asia and in Xinjiang. As a multilateral forum the Shanghai Cooperation Organisation also provides the same opportunities to cooperate in this arena for their mutual benefit.

The Asian national oil companies especially of India and China are looking for and procuring assets in Central Asia in race with international oil companies (IOCs) and with each other. So,

energy cooperation between India and China as Asian powers will open up a wide network of energy collaboration activities across the Central Asian region for the governments as well as national oil companies (Sachdeva 2006) which will assure the energy security of India and China. The bilateral cooperation in the energy sector has the potential of spill over to other sectors too. At the same time it will help them to overcome their sporadic tensions over the border and the status of Tibet, Sino-Pak cooperation, respectively regarding the Chinese military presence in the Indian Ocean.

Till this time India could not raise into the position of a strong competitor for China in Central Asia and their cooperation will bring new avenues for collaboration in the energy sector of the region. China has promoted and built its oil and natural gas pipelines from Central Asia faster than other actors. Indian collaboration will enrich the fastness of all these endeavours. Likewise, together India and China can develop through bilateral relations with the host countries as part of their energy diplomacy. Then the possibility of China's influence and activities in the region will be perceived more positively (Mullen et. al. 2014). The instability of the Middle East coupled with American presence, the passage of lion part of China's oil imports through Malacca Strait, with its security problems geared the reorientation of China's foreign energy policy towards Central Asia. Here China has the possibility to secure its energy imports from extraction to terminal, through continental pipelines (Pop 2010). Again, while cooperating in Central Asia, India can support China in Indian Ocean region on its network of energy relationships that seeks to leverage India's position as a big source of petroleum products, sharing of technology and building inter-dependencies as well as in the BRI project (Bagchi 2017) and China can support India in South China Sea region on the basis of mutual understanding. In the midst of great power

competition the growing number of Asian NOCs and also the IOCs, or the Russian and American military presences contributes new challenges for India's and China's stakes in Central Asia. Diplomacy, more concerted coordination and substantial financial resources are the critical components for balancing these issues (Pop 2010). Such a scenario provides ample opportunity for both countries to cooperate each other as an Asian emerging economies with huge energy quest even though China has marked an upper hand in the Central Asian energy industry. Besides, China does not perceive India as a strong competitor in Central Asia, providing room for enhanced cooperation between the two countries in the broader region in the short term (Muzalevsky 2015).

Conclusion

India as an emerging economic power in Asia as well as in the international scenario in addition to its search for global power status *at par* with China makes energy as an essential commodity in its race. Besides, India's climate change mitigation as well as adaptation efforts and energy security needs forced India to find out new avenues to satisfy energy requirements of its vast population along with minimizing GHG emissions to achieve national plus international mitigation targets. India-China joint ventures in the energy sector of Central Asia will be mutually beneficial for both India and China on the pretext that India can use Chinese support as well as its territory for energy pipeline projects and for China, a partnership with India will favour its OBOR initiative without much opposition. At the same time, India should well aware of the difference in both countries strategic cultures and the peculiarities of the aggressive nature of China's strategic culture. It is certain that an alliance between India and China in Central Asia will contribute to respond successfully against new security challenges like international terrorism, climate change, human security etc. for them and also for Central Asia.

References

- 1) Bagchi, I. (2017). Away from OBOR, India pushing for 'energy diplomacy' in neighbourhood. The Economic Times, retrieved from <https://economictimes.indiatimes.com/industry/energy/away-from-obor-india-pushing-for-energy-diplomacy-in-neighbourhood/articleshow/586780>. Accessed on 07-02-2019.

- 2) Campbell, I. (2013). *India's role and interests in Central Asia*, London: Saferworld.
- 3) Dadwal, S.R. (2015). *Strategic Dimensions of Energy Security*. In: CPPR -Centre for Strategic Studies (ed.), *Energy Security Challenges: Non Traditional Security Planning in India*, Kochi: Centre for Public Policy Research.
- 4) Dave, B. (2016). *Resetting India's Engagement in Central Asia: From Symbols to Substance*, Policy Report, Nanyang Technological University, Singapore.
- 5) Dhanuraj, D. (2015). *Introductory Remarks*. In: CPPR -Centre for Strategic Studies (ed.), *Energy Security Challenges: Non Traditional Security Planning in India*, Kochi: Centre for Public Policy Research.
- 6) Foshko, K. (2012). *India in Central Asia: Time for a New Strategy*, Gateway House, Indian Council on Global Relations, Mumbai.
- 7) Jha, M. (2016). *India's Connect Central Asia Policy: A look back at India-Central Asia relations in the Post-Soviet era*. *The Diplomat*, retrieved from <https://thediplomat.com/2016/12/indias-connect-central-asia-policy-2/>. Accessed on 07-02-2019.
- 8) Kothari, R.K. (2014). *India's 'Connect Central Asia Policy': Emerging Economic and Security Dimensions*. *Sociology and Anthropology*, 2(6):239-245.
- 9) Maurya, D. K. (2015). *India-Central Asian States Relations in the 21st Century*. *European Academic Research*, II(11):14578-14594.
- 10) Mullen, R.D, Shivakumar, H., Taraporevala, P. and Prasad, K.K. (2014). *India-Central Asia Backgrounder*, Centre for Policy Research, www.cprindia.org.
- 11) Muzalevsky, R. (2014). *Central Asia's Shrinking Connectivity Gap: Implications for U.S. Strategy*, Carlisle: U.S. Army War College Press.
- 12) Muzalevsky, R. (2015). *Unlocking India's Strategic Potential in Central Asia*, Carlisle: U.S. Army War College Press.
- 13) Pop, I.I. (2010). *China's Energy Strategy in Central Asia: Interactions with Russia, India and Japan*. UNISCI Discussion Papers, No 24, UNISCI.
- 14) Sachdeva, G. (2006). *India's Attitude towards China's Growing Influence in Central Asia*. *China and Eurasia Forum Quarterly*, 4(3):23-34.
- 15) Saint-Mézard, I. (2014). *The International Dimensions of India's Energy Security*, Asia Centre, Paris.
- 16) Singh, B. (2016). *India's Central Asia Policy: An Overview of the Challenges and Options*. *Journal of Eurasian Affairs*, 4(1):38-51.
- 17) Stobdan, P. (2016). *India and Central Asia: Untying the Energy Knot*. *Journal Strategic Analysis*, 40(1):14-25.
- 18) Trembeczki, Z. (2018). *India and the Belt and Road Initiative: A Geo-economic Project through a Systemic Prism*, Submitted for the degree of Master of Arts in International Relations, Faculty of Humanities, Leiden University.
- 19) Vaid, M. (2016). *India's energy diplomacy in Central Asia could challenge China's monopoly*. Retrieved from <https://www.orfonline.org/research/india-energy-diplomacy-central-asia-challenge-china-monopoly/>, accessed on 07-02-2019.
- 20) Yilmaz, S. and Daksueva, O. (2014). *China-India Energy Policy in the Middle East: A Comparative Analysis*. *Global Review Winter*. December 2014.