

## India's "Look West" Policy: Why Central Asia Matters

*India has had its eye on Central Asia for a long time. Its primary interests there are in energy, minimizing Pakistani influence, and establishing itself as a significant player in the interplay of outside powers that is taking shape. The main difficulties lie in connecting Central Asian resources to the Indian market – a familiar problem for the Central Asians. U.S. and Indian interests overlap, but the U.S. is more focused on sustaining the independence of the Central Asian states.*

**Economic Interests and Geo-strategic Importance:** After the collapse of the Soviet Union in 1991, five new Central Asian republics emerged as new neighbors to India: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan

big challenge that remains unresolved, however, is how to get Central Asian energy resources to the Indian market.

Kazakhstan has the largest oil resources in the region, with three of the world's richest hydrocarbon fields. The international arm of India's public sector energy company, ONGC Videsh (Oil and Natural Gas Corporation), already has a 15 percent ownership stake in Kazakhstan's Alibekmola oil field and has announced a \$1.5 billion investment in the joint Russian-Kazakh Kurmangazy oil field in the Caspian Sea. Authorities in both India and Kazakhstan are as yet unclear about how they are going to transport Kazakh oil to India. Additionally, Kazakhstan has offered India rights to develop the Karzahanbas oil field. ONGC Videsh has also expressed an interest in investing heavily in Uzbekistan's oil and natural gas fields.

The Caucasus and Central Asia



Source: University of Texas Libraries and Uzbekistan. Central Asia's abundant energy resources and India's relentless energy needs, combined with India's aspirations to be a major regional and global player, have been the key driving forces behind India's growing presence in the region. Central Asia is also important as an avenue for access to Afghanistan, where India wants to be a significant player and to blunt Pakistani influence. India's involvement in Central Asia includes energy ties, trade and investment, and the beginnings of a military relationship.

**Energy first:** Diversifying and expanding its international sources of energy has been a major Indian policy thrust for the past decade, so it is no surprise that energy co-operation is at the heart of India's engagement of Central Asia. Kazakhstan has substantial oil; Turkmenistan has gas; Uzbekistan has more modest hydrocarbon resources; and Kyrgyzstan and Tajikistan have surplus hydro power. The

India is also actively looking into importing gas from Turkmenistan via a potential Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline. This is a more uncertain venture, however, because

Turkmenistan is sending most of its already-discovered gas out via pipelines through Russia, and has been unwilling thus far to provide the



long-term supply commitments needed to finance a new pipeline. In any event, a pipeline from Turkmenistan to India would need to go through Afghanistan and Pakistan, with all the political and security complications that implies.

Export of electricity to India has also been under discussion. Tajikistan and Kyrgyzstan have developed only a relatively low percentage of their potential hydro generating capacity.

Source: EurasiaNet.org

Their period of surplus production is in the summer, typically a time of unmet demand in northern India. Moving electricity to India would require a substantial investment in new dams and generating plants, as well as new transmission lines going through Afghanistan and Pakistan, with the same security problems as for the Turkmenistan pipeline. It would also involve complicated price negotiations. Pricing has been the downfall of previous efforts to set up electricity trade between India and Pakistan.

**Infrastructure needed:** Outside the energy area, transportation infrastructure is a major focus, since poor transport links are a major impediment to expanded economic ties. India has made substantial contributions to the trans-Afghan roadway and railroad. India is also interested in the proposed North-South



*Source: EurasiaNet.org*

trade corridor, which if it is completed would build road linkages from the Iranian port of Chabahar through Afghanistan into Tajikistan. It has also signed a deal to fund an Iran-Turkmenistan-India roadway.

**Modest trade and investment:** India's trade with Central Asia is to the tune of approximately US \$200 million, a negligible portion of India's overall international trade. India is also trying to foster bilateral economic relations with several Central Asian states; it has extended lines of credit to Tajikistan, Uzbekistan and has supplied 30 percent of Kazakhstan's pharmaceutical needs.

**Military cooperation:** India's principal military cooperation has been with Tajikistan, which is India's closest neighbor in Central Asia. Like India, Tajikistan has had important ties to the Northern Alliance in Afghanistan, the group whose imminent arrival in Kabul in 2001 led to the fall of the Taliban government. India rebuilt and refurbished an air base at Ayni, outside the Tajik capital of Dushanbe. Reports that India has a "base" there seem to be exaggerated, and have been denied by Delhi. India is interested in deepening defense cooperation, and has offered to train military personnel in Tajikistan. India has conducted several joint military exercises in both Tajikistan and Uzbekistan.

India's security interests also include counter-terrorism. It has developed working groups on this subject with Kazakhstan and Tajikistan. India has also been carefully watching the region's religious fundamentalist groups, primarily the Islamic Movement of Uzbekistan. This is a

subject of concern to all the governments in Central Asia, who worry about the impact of instability in Afghanistan.

**The biggest neighbors: Russia and China:** Russia remains the major outside power in Central Asia, and wants to stay that way, looking with a jaundiced eye on U.S. and Chinese influence in the area. High oil prices and an assertive leadership in Moscow are likely to strengthen Russia's determination to remain "number 1." The "hub and spokes" economic ties that prevailed in the Soviet period left a powerful legacy. Most economic ties are still with or through Russia, and trade with other countries is correspondingly less important. Most foreign direct investment continues to come from Russia. Moscow is perceived by the secular Central Asian leadership as a reliable ally against terrorist Islamic groups, and has been working actively on this issue with them. A regional anti-terrorism centre was established in Tashkent, in cooperation with Russia.



Russia is the nucleus of organizations linking the former Soviet republics, including the Commonwealth of Independent States Collective Security Treaty (CST), which conducts joint military exercises. Military ties with Russia remain important. The pull of Soviet-era relationships is strong; there are still many Central Asians who go to university in Russia, all the Central Asian languages are written in the Cyrillic script, and Russian is still widely spoken and taught in schools.

China has a substantial presence in Central Asia. It would like to challenge Russia's influence and minimize that of the United States. Like India, it has a major interest in energy. China's largest state-owned oil company, SINOPEC, has recently announced plans to acquire one of Kazakhstan's major energy producers, PetroKazakhstan, has signed agreements to share natural gas products with Turkmenistan, and has been discussing gas pipelines with Uzbekistan. Non-energy trade is relatively modest. China has military cooperation agreements with Tajikistan, although the details of what these agreements will entail are yet to be discussed. China also has active cooperation on anti-terrorism, and tracks the Uighur populations in the Central Asian countries with particular interest because of the problems with its own Uighurs.



China is the principal sponsor and financial backer of the Shanghai Cooperation Organization, which has evolved

from a border management organization including Russia and the other countries bordering China into a broader forum for regional cooperation, with economic, political, and now military dimensions. They have cooperated on anti-terrorism, and have anti-money laundering programs. Both India and Pakistan have been admitted as observers, but not as full members. The same is true of Iran. Turkey has not yet been granted observer status. Although Turkey maintains a lively interest in the region and has linguistic ties to specific Central Asian Republics, its membership in NATO makes its SCO membership controversial.

**The India-Pakistan “Great Game”:** India and Pakistan are players in this competition for outside influence. Both are interested in energy. Pakistan wants to capitalize on its Islamic ties. It probably does not think of Central Asia as an area for “strategic depth” in a military sense – that concept flourished in the 1990s but Pakistan’s military leaders seem to have concluded that it is unrealistic. But Pakistan clearly wants to limit India’s influence – and vice versa.

A major factor for both countries is the region’s presence on Afghanistan’s western border. Until the time of the Taliban, Afghan governments had close relations with India, and Pakistan looked on Afghanistan as an extension of the Indian threat. The replacement of the Taliban by a government centered on the Northern Alliance, with strong Tajik connections, revived Pakistan’s fears of excessive Indian influence in Afghanistan. India urgently seeks a strong strategic position in Afghanistan, and has made a substantial investment in aid, trade, and diplomatic presence. Its relationships with the Central Asia, while they do not involve the same intensity or resource commitment, are in part intended to reinforce this.

So far, India has been more successful. It has the resources to establish a larger trade and investment presence. Its secular tradition is attractive to the Central Asian leaders. Its perspective on Afghanistan is probably more congenial. Its traditional ties to the Soviet Union probably make India’s presence a non-threatening one in Russian eyes for the present, though the dynamics of Indo-U.S. ties and the Indian drive for energy resources could complicate this picture. However, Pakistan’s position between India and Central Asia has permitted it to block direct overland trade, complicating India’s effort to establish a major trade relationship. This in turn has increased India’s interest in developing an alternative overland route to Afghanistan and Central Asia through Iran.

**Washington’s interests:** The U.S. wants to sustain the viability of the independent Central Asian states. Its other interests center on energy and security, including maintaining access to Afghanistan from the north and west.

The U.S. base in Uzbekistan was closed in 2005 after a joint declaration by all SCO member states asked that the U.S. withdraw its troops and dismantles military bases in Central Asia. However, an important air facility remains in Kyrgyzstan, along with refueling arrangements and over-flight privileges in Turkmenistan and Uzbekistan.

Growing Indian economic and political relationships are compatible with these interests. Stronger economic ties with India would help reduce these countries’ dependence on Moscow. The U.S. would also like to see expanding cultural and educational ties between Central Asia and India. In addition, the U.S. also prefers to see India develop its energy supplies through Central Asia rather than through Iran. The U.S. shares India’s interest in a stable Afghanistan. In Central Asia, this shared interest brings their policies closer together, but in Afghanistan itself, the U.S. has given priority to Pakistan’s concerns, and has discouraged a significant Indian role outside the area of economic reconstruction.

**The Road Ahead:** The potential is there for an expanded Indian role in Central Asia that would increase the economic and political options for Central Asians without coming into direct conflict with the interests of Russia or China. The obstacles center on financing and geography – the fact that Pakistan, the primary opponent of Indian influence in the region, lies between India and Central Asia. U.S. interests would benefit by moving ahead.

—*Teresita C. Schaffer & Vibhuti Haté*

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