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## Pipeline project a new Silk Road

By M K Bhadrakumar

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An American diplomatic cable that puts Washington to shame originated from the United States Embassy in Ashgabat last December, portraying Turkmen President Gurbanguli Berdymukhamedov as "vain, suspicious, guarded, strict, very conservative, a practiced liar", a good actor who can be vindictive but isn't a "very bright guy" and is wary of his intellectual superiors.

The WikiLeaks revelation is not likely to please Berdymukhamedov. Yet the irony is that it is this allegedly insecure, mediocre, mercurial politician with a racy private life who is set to make the critical difference between the success and failure of the US strategy in Afghanistan.

The significance of the signing of the inter-governmental agreement over the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas-pipeline project on Saturday in Ashgabat cannot be underestimated. It is a unique Silk Road project that holds the key to resolving many complicated issues in the region.

The project is ostensibly about the transportation of the huge Caspian energy reserves to the world market, but it is also about the stabilization of Afghanistan, fostering of Pakistan-India amity, bonding of Central Asia and South Asia and the overall consolidation of US political, military and economic influence in the strategic high plateau that overlooks Russia, Iran and China.

### Ashgabat tips its hand

TAPI is tiptoeing to center stage in the geopolitics of the region primarily due to the pressing need for Ashgabat to find new markets for its gas exports. With the global financial downturn and the fall in Europe's demand for gas, prices crashed. Russia cannot afford to pay top dollar ("European prices") for the Turkmen gas, nor does it want the 40 bcm (billion cubic meters) of Turkmen gas it previously contracted to purchase.

Ashgabat faces an acute dilemma. Turkmenistan traditionally produces around 70 bcm of gas annually. The volume dropped to 40 bcm this year. Roughly 10 bcm goes to Russia and 12 bcm each to Iran and China. The gas revenue has dramatically fallen and the Turkmen political system is under pressure.

Several large gas fields are coming on line in Russia, which will reduce its need for Turkmen gas. The Yamal Peninsula deposit alone is estimated to hold roughly 16 trillion

cubic meters of gas. Yamal can easily feed both the North Stream (55 bcm at full capacity) and South Stream (63 bcm at full capacity) pipelines and still have a surplus.

Meanwhile, Turkmenistan is sitting on the world's fourth-largest gas reserves and plans to increase its gas production to 230 bcm per year by 2030. It desperately needs to find markets and build new pipelines independent of the Soviet-era pipeline system that binds it to Russia.

The South Yolotan field, 350 kilometers to the southeast of Ashgabat, is potentially one of the world's largest natural-gas deposits, with reserves anywhere between 4 and 14 trillion cubic meters. Ashgabat awarded Chinese, United Arab Emirates and South Korean companies with contracts worth US\$9.7 billion last December to develop the field. Also, Caspian offshore fields contain another estimated 6 trillion cubic meters (and 12 billion tons of oil). Three American majors - Chevron, ConocoPhillips and TXOil - are bidding for two offshore blocks (out of 32 licensed blocks).



Thus, Berdymukhamedov is being driven by a combination of factors to adopt an energy-export diversification policy. In the recent months, he evinced interest in trans-Caspian projects, but it is a problematic idea since Russia and Iran have so far insisted that such projects require the consent of all riparian countries and this requires a settlement over the status of the Caspian Sea. Besides, Turkmenistan has unresolved territorial disputes with Azerbaijan.

In November, a second Turkmen-Iranian pipeline came on stream and there is potential to increase exports up to 20 bcm. But there are limits to expanding energy ties with Iran or to using Iran as a regional gas hub while the US-Iran standoff continues.

All this compelled Berdymukhamedov to robustly push for TAPI. The projected 2,000-kilometer pipeline, at an estimated cost of \$7.6 billion, traverses Afghanistan (735 kilometers) and Pakistan (800 kilometers) to reach India. Its initial capacity will be around 30 bcm but that could be increased to meet higher demand. India and Pakistan have shown interest in buying 70 bcm annually. The pipeline will be fed by the Dauletabad field, which used to supply Russia.

Berdymukhamedov did smart thinking in accelerating TAPI. This is an enterprise whose time has come. Russia cannot easily browbeat him. The US has lined up the Asian Development Bank for the project's funding. An international consortium will undertake the construction of the pipeline.

The pipeline can be easily extended to the Pakistani port of Gwadar and connected with European markets. In short, without appearing to be leaning too far toward the West, Ashgabat is loosening Russia's stranglehold on its gas and oil exports and developing leverage in its dealings with Moscow in future.

### **Russia can't stop it**

Moscow has kept its thoughts to itself, but the geopolitics of the TAPI pipeline are rather obvious. The US is succeeding with a major Silk Road project connecting the Central Asian region with the Western market, while bypassing Russian (and Iranian) territory. The security of the pipeline is going to be a major regional concern. The onus is on each of the transit countries to secure the pipeline. Part of the Afghan stretch will be buried underground as a safeguard against attacks and local communities will be paid to guard it. But then, Kabul will expect the US and North Atlantic Treaty Organization (NATO) to provide security cover, which, in turn, leads to the formalization of the long-term Western military presence in Afghanistan.

Without a doubt, the project leads to an overall strengthening of US influence in South Asia. The US put heavy pressure on Pakistan and India to spurn the Iran-Pakistan-India (IPI) project. Delhi unabashedly buckled under the US pressure. Pakistan showed some degree of defiance and is still keeping its options open.

There have been occasional threatening noises that Pakistan will turn IPI into an IPC (Iran-Pakistan-China) pipeline. However, the US is offering TAPI as an alternative bone for Pakistan to chew so that it won't be left with much zest to press ahead with the IPC pipeline in any tearing hurry. In sum, Moscow should realize that short of playing a spoiler's role, TAPI might go through.

Pakistan has strong reasons to pitch for TAPI. It is in critical need of staving off an energy crisis. The TAPI pipeline can be operational as early as 2013-14. During 2008-2009, Pakistan's demand for natural gas began outstripping its production by a shortfall of 203 mmcf (million cubic feet per day). Pakistan's share from TAPI is pegged at 1325 mmcf (the same as India's).

Pakistan also hopes to get a hefty amount from India as transit fee. Then, there are the downstream economic benefits such as industrial expansion, job creation, etc. Most important, Pakistan sees that TAPI heavily involves the US and its comfort level is high whenever Washington becomes a stakeholder in fostering the normalization of its troubled relationship with India.

As Susan Elliot, the US Deputy Assistant Secretary of State on South and Central Asian Affairs, put it: "The pipeline's route may serve as a stabilizing corridor, linking neighbors together in economic growth and prosperity. The road ahead is long for this project but the benefits could be tremendous and are certainly worthy of the diligence demonstrated by those four countries so far."

The TAPI pipeline is in actuality a Silk Road connecting Central Asia to the West via the Pakistani port of Gwadar. It makes Pakistan the US gateway to Central Asia. Pakistan rightly estimates that alongside this enhanced status in US regional strategy comes a US commitment to help the Pakistani economy develop and to buttress Pakistan's security needs in the long term.

### **US beckons, India follows**

India's "diligence" in TAPI also rests on multiple factors. Almost all the reservations that Indian government officials mouthed from time to time as reasons for lack of interest in IPI hold good for TAPI - security of the pipeline, uncertainties in India-Pakistan relations,

cost of the imported gas, self-sufficiency of India's indigenous gas production, etc. But the Indian leadership is visibly ecstatic about TAPI.

First and foremost, powerful Indian business interests in the petrochemical industry are involved. An interesting feature of the project is that the four governments have agreed to "outsource" execution and management of the \$7.6 billion project. That is a lot of pork.

India's energy-pricing policies are opaque and Delhi heavily subsidizes its private industry, which develops indigenous gas production. Now, Delhi will be negotiating its gas price separately with Ashgabat. That is certain to be the mother of all negotiations, involving two partners who are notoriously placed at the very bottom of the world ranking by Transparency International.

Indian Petroleum Minister Murlu Deora is already grandstanding. At Saturday's ceremony in Ashgabat, he said: "Without doubt, pricing of gas is one of the most important issues. It needs to be appreciated that Turkmen gas would have to compete with other forms of gas in the markets of the buyer countries, including indigenous gas. Being at the tail-end of the project, India will incur the maximum risk with regard to safety of supply."

In strategic terms, India realizes that TAPI is a US-sponsored regional enterprise and, unsurprisingly, it is eager to participate in it. India would also weigh the advantages of a long-term US involvement in Afghanistan and Pakistan.

Any project that makes Pakistan a stakeholder in regional security and stability would interest India. To quote Deora, TAPI is the "new Silk Route between Central Asia and South Asia" and Indian Prime Minister Manmohan Singh has described it as a "peace pipeline" in the region.

Again, TAPI signifies a step forward for the Indian quest for access to Afghanistan and Central Asia via Pakistan. India will factor in that TAPI forms part of the US regional policy focusing on the stabilization of Afghanistan, and the realization of the project may incrementally persuade Pakistan to do course correction on its support to militant groups. The project certainly offers India useful avenues of bilateral interaction with Pakistan, which can lead to bigger dialogue processes.

Indeed, the doomsday predictions are that the security situation in Afghanistan does not give any scope for the realization of the pipeline. But this is also a chicken-and-egg situation. TAPI can as well be viewed as the missing link that fosters an India-Pakistan consensus over settlement in Afghanistan. But then, in order to grasp the complicated thought, we must also take note of other subtle shades in the big picture.

India-Pakistan back channels on Kashmir are being quietly revived under US watch, and with Pakistan holding off from stirring up the uprising in the Indian state of Jammu and Kashmir, calm has been restored. The Indian interior minister has been emboldened to speak about a "Kashmir solution" in the coming few months. There is talk in the air about the next round of talks between the Indian and Pakistani foreign ministers.

In sum, Berdymukhamedov is leading TAPI into the limelight against the backdrop of new stirrings. Who says he isn't a "very bright guy"? The calendar for the pipeline's completion coincides exactly with the 2014 timeline for the end of the US combat mission in Afghanistan.