REGIONAL & INTERNATIONAL INTEREST IN OIL & GAS PIPELINES TO GWADAR

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Abstract:

Main thesis of this paper is that it is not the clash of civilizations but the clash of oil & gas that may accelerate the pace of World War IV. And as the oil & gas are located in Central Asian States the war scene may shift to Central Asia & Asia in general. The stage is set for a "new game".

Introduction

The land bordering the Caspian Sea has long been known for holding sizeable energy resources[1]. The Caspian-Caucasus region of Central Asia has the potential to become the largest supplier of oil and gas to Asia and Europe with its estimated reserves of approximately 200 billion barrels, surpassing any region outside Gulf[2]. The extraction and transportation of oil and gas from the region has emerged as a major source of geopolitical rivalry. The physical access to these reserves remains an obstacle due to regions physiography[3]. The use of foreign capital and technology, primarily for exploration and transportation of the Caspian Sea Basin's oil and gas reserves is the cause of infusion of extra regional political and economic influences in the region. Not only the involvement of oil corporations in the regions, oil and gas exploration and development projects, but the Caspian Sea Basin affairs have also acquired importance

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in the foreign policy and a number of extra regional countries. The regions physiography constraints have complicated the transportation of resources from the region. The region has to export by using other countries territory and has no direct access to navigable international waterways. So the regional states are heavily dependent upon other countries routes for trade and transportation of their natural resources. However pipelines, in whatever direction they are built, would be long and carry a high transit fee. The Caspian Sea Basin has thus the problem of routes in transporting its resources to the world markets. The biggest obstacle to the Caspian oil is the distance to the markets i.e. between US$3 and US$4 per barrel just to get the oil to a sea port for export and additional fixed overhead of shipping costs[4].

Iran is another attractive export route. However it is facing difficulties due to the sanctions imposed by US. Iran is also keen and willing to export natural gas to India via Pakistan through a gas pipeline. However, the project got delayed due to subtle Indian security worries despite the fact that the former desperately needs the energy resources to keep its developing industry growing.

The geo-strategic position of Pakistan provides these states the shortest possible route to the warm waters of the Arabian Sea[5]. In addition to serving as entrance for trade with Central Asian States, the Gwadar port will cash itself and would bring economic stability in the province of Balochistan in general and Pakistan's coastal areas in particular. However the question of any pipeline coming to Gwadar is linked to security situation in Afghanistan and Pakistan has already experienced UNOCAL of America pulling out of the pipeline project deal.

Pakistan's economic infrastructure is developing and it requires to explore the avenues of cheap energy sources in order to meet its domestic needs and also cash on the geo-strategic location that the country has.

The aim of this research paper is to analyze the prospects of oil and gas pipeline projects coming to Gwadar from the region and recommend measures that such mega projects go in Pakistan's favor.

Central Asian Republics- Geography Their Energy Potential and Pipeline Routes

Geography: The region referred as Central Asia stretches from the Caspian Sea on the West to the mountains of the east providing a natural border with China's Xingjian region and from its northern border with Russia to its southern border with Afghanistan and Iran. It has a population of 50 million people living on approximately four million square kilometers[6]. Central Asia consists of five states of Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan and Kazakhstan. These states are located at the cross roads, linking Europe and Asia. While four Central Asian Republics (CAR`s) account together for 1.3 million square kilometers, Kazakhstan alone is 2.7 Million kilometers, being twice the size of four combined and as large as India[7].

Energy Potential of CARs: It is estimated that the total area of CAR`s may contain up to 200 billion barrels of oil. The Caspian basin contains about 7% of total world oil reserves. Turkmenistan and Uzbekistan together have 15 billion barrel of proven oil reserves. Central Asia may contain up to 6.6 trillion cubic meters of unexploited natural gas[8]. The Caspian Basin contains about 6-13% of total world gas reserves. The Caspian basin gas reserves are the world's third largest after Middle East and Russia.

Pipeline Routes: The available routes are as under:

a) **Northern Routes:** The northern route is most preferred by the Russian's with its terminal being at Novorossiysk, which is a Russian seaport on the Black Sea. These routes are from Baku to Novorossiysk and from Tengiz oil field in western Kazakhstan to Novorossiysk. The political instability in the Caucasus weakens the Russian position especially Chechnya and to a lesser extent Dagestan which have threatened the security of the Baku-Dagestan- Chechnya- Novorossiysk pipeline routes[9].

b) **Western Routes:** In order to contain Russian and Iranian influence and have dominance in the region United States is the prime supporter of transporting the oil and gas from the region through western routes. This route originates from Baku in Azerbaijan and terminates at the Georgian port of Supsa on the Black Sea, from here the oil can be transported to Europe on tankers through Bosporus. The 920 km Baku-Supsa pipeline passing near the Armenian populated Azerbaijan's unstable and volatile Nagorno- Karabakh region is a source of security concern. The other is Baku-Ceyhan pipeline which is a part of the US East –West pipeline routes. This route is favored by the US as the Main Export Pipelines (MEP). The United States attraction to the Ceyhan route and the Trans Caspian line emanates from its desire to build an East- West axis of influence and commerce in the Eurasian region[10]. The Baku-Ceyhan pipeline route is also strongly supported by Azerbaijan and

Georgia. The US also favors a Trans Caspian Pipeline (TCP) to transport oil and gas from Turkmenistan and Kazakhstan. An alternative to TCP is the Blue Stream option which originates from Russia and would cross the Black Sea before entering into Turkey. These two projects, the TCP and Blue Stream, are seen as an embodiment of the US- Russia competition for influence over the oil and gas resources of the Caspian Sea Basin.

c) **Southern Routes:** The southern routes have to pass through Iran and would terminate on the Persian Gulf. They are supported by Iran, India and various oil companies but firmly opposed by US due to its critical relations with Iran. India is also helping Iran in improving their communication network from north to south along the pipeline route[11].

d) **Eastern Routes:** China shares border with Kazakhstan, Kyrgyzstan and Tajikistan. In order to materialize its energy security, China signed a deal with Kazakhstan in September 1977 to build a 4000-5000 km long and extremely expensive pipeline ($ 3.5 to 5.0 billion) from two fields in Kazakhstan, passing through Xingjian province in Western China. This is reported to be the largest project among the planned pipelines[12]. Another proposed 6700 km long pipeline from Turkmenistan to China would pass through Uzbekistan, Kazakhstan and across China to the markets in Far East.

e) **South Eastern Route:** This is the shortest route from Central Asia to the warm waters of Arabian Sea. Pakistan and Afghanistan both favour this route and seek to build a pipeline in order to transport oil and gas from Turkmenistan through Afghanistan to Pakistan and onward to the world markets. This pipeline project was to be build by a United States Company called UNCOL at the cost of $2 billion however UNCOL pulled out of the project in 1998 due to security situation in Afghanistan.

International and Regional Interests in Pipeline Projects

United States:

United States is the largest consumer of oil in the world. With less than 5% of the total world population, the US accounts for over 25% of the world's consumption. Possessing only 3% of world's known oil reserves she imports 60% of her daily oil consumption[13]. In line with its future energy policy US launched a diplomatic offensive in CARs and many high powered delegations led by prominent US leaders visited CARs including the heads of Central Intelligence Agency and Federal Bureau of Intelligence. Although the Central Asian Presidents were evidently flattered by "such a high-level American Charm offensive, it may not have the desired result"[14]. When the Kazakhstan President Nursultan Nazarbaev, who is walking a tight-rope in trying to establish a political and economic partnership with Russia and also enjoy close relations with the United States, says that "Russia is our God-given neighbor", he is indirectly alluding to an unpalatable fact that Russia matters not because it is the immediate big neighbor but also because a third of oil-rich Kazakhstan's population is Russian. But an important factor which is likely to favour American interests in the region is the determined effort of Kazakhstan, Azerbaijan and Turkmenistan to decrease their dependence on Russia's pipelines for transporting their 'black gold' to international markets. For instance, Mr. Nazarbaev who would like to see as many pipelines built as possible to transport his oil, has reiterated his commitment to a 1,730 km (1,075-mile) oil pipeline to run from Azerbaijan's capital Baku on the Caspian Sea to the Turkish port of Ceyhan on the Mediterranean. This pipeline project enjoys full American support as it seeks to enhance commercial opportunities for the US companies, bolster the energy security of the United States and its allies and to promote the economic independence of the Caspian region by ensuring a free flow of oil and gas to the world market. American Chevron Corporation concluded a multi billion dollar deal with Kazakhstan in the summer of 1992[15].

Construction on the Baku-Ceyhan oil pipeline can be economical only if Kazakhstan agrees to commit 20m tones of its oil a year to the project. Recently, there have been reports that Kazakhstan's officials seem to be backing away from any such commitment, either under Russian pressure, particularly after Putin's election, or because they genuinely think Kazakhstan may not be able to produce enough oil, at least in the next 3-4 years.

The first US priority in CARs region is to enhance US economic interests including maximizing commercial opportunities for US firms and its Western Allies. The US policy is also focused on keeping Russia, China and Iran away from this region. It favours oil and gas routes that avoid these countries[16].

European Interest: Europe at the moment is mostly in tune with the American policies however they realize the ever increasing American influence in the Gulf and the energy policies pursued by the government of USA. Europeans are also concentrating on the energy resources of CARs. Turkey is seeking natural gas not only for its own growing consumption demand but also to be a potential transit route to markets in

Western and South Europe. In order to materialize this goal, Turkey struck a deal for supply of gas totalling 61.2 bn cm/y from five different countries-Iran, Russia, Algeria, Nigeria and Turkmenistan[17]. The Blue Stream pipeline originates from Russia and is to be built as an underwater pipeline across the Black Sea to deliver 16 bn cm/y of Russian gas to Turkey. The Blue Stream pipeline project is undertaken by Italian Company, Eni. These two projects, the TCP and Blue Stream are seen as an embodiment of the West and Russia competition for influence over the oil and gas resources of the Caspian Sea Basin. The East- West transit corridor is also supported by Ukraine as an alternative transport route for oil and gas from the Caspian Sea Basin to Europe via the Black sea and Ukraine. However in a way the current Baku-Ceyhan pipeline coming to Turkey is to benefit Europe directly or indirectly[18].

Russian Interest: Russians vary. In case the pipelines start to bring in cash flow into the CARs they might try to distance themselves from Russia and its influence in the region may start to decline. Moscow can no longer dictate developments in this part of the world. But at the same time, though Russia is unwilling, and some might even say unable, to fully withdraw from the region. Russia is not willing to withdraw economically from Central Asia. Policy makers in Moscow continue to assert their right to profit from Soviet investments made in this region, and the Russian energy industry in particular has been especially eager to get "a piece of action" in foreign development plans for the regions plentiful oil and gas deposits. However, both the West and the CARs have common interest in warding off Russian interests[19].

Chinese Interest: China at the moment is the fastest growing economy in the world and is aware of the future energy needs that it would require to run the industries. Driven by burgeoning demand for energy, the Chinese government has made securing access to the largely untapped reserves of oil and natural gas in Central Asia, a corner stone of its economic policy for the next two decades. China has developed strong relations with CARs. The trade between Chinese Xingjian Province and CARs till 1990 used to be almost zero but today it stands at more than $ 2 billion in 2003/2004[20]. China has announced massive oil pipeline development programmes along the borders with CARs as a matter of good will in exchange for a commitment that Kazakhstan and Kyrgyzstan would not support more than 200000 Chinese Muslim Uighurs who fled to these states after Beijing occupied Xingjian in 1949. China which is presently the sixth largest oil producer in the world still needs to import oil to meet its domestic demand which is projected to double in the next fifteen years. China is committed to build a $ 12.5 billion worth of oil pipelines from CARs to China and has also offered to build a strategic 1000km pipeline from Uzen in Kazakhstan to Banadar Abbas on the Persian Gulf from where tankers could ship oil to China coastal cities and westward towards Europe[21]. Chinese are also assisting Pakistan to develop the deep sea port at Gwadar which will be a short route for import of raw material for Chinese industries and a quick outlet for their finished products.

Iranian Interest: Iran views the Central Asian states and Azerbaijan as its potential sphere of influence and its strategic rear. Tehran also perceives Central Asia and the Caucasus as a market for both its goods and ideology. Moreover, Iran is aware that handsome revenue could be earned from the transit fees through the traffic of energy resources exported to the Persian Gulf via Iranian territory. Iran is considered an attractive export route for oil and gas between Central Asia and Europe, and for oil from both Central Asia and Trans-Caucasus to the Persian Gulf. It already has a well developed oil and gas infrastructure and Iranian routes are considered significantly cheaper than other proposed pipelines. However it is confronting difficulties in the face of sanctions imposed by US[22]. Iran is also keen and willing to export natural gas to India via Pakistan through a gas pipeline but the project got delayed due to subtle Indian security worries. The prospects of the project again taking off are bright keeping in view the latest developments in Indo Pak relations and Pakistan's decision to go ahead with the project with or without India joining in.

Indian Interest: Indian interests are based on both economic and strategic developments. Fast growing Indian economy in future has to depend on cheaper energy resources. Energy resources of the CARs are therefore a very lucrative option however the big question is how to get them to India in the most economic way. Indians do not have a direct geographic link with the CARs and any pipeline to India coming from the CARs has to pass through Pakistan which increases Indian security concerns regarding the project. Therefore relationship with Pakistan figures out to be the most important facet in case such projects have to materialize. Despite the peace process between India and Pakistan the Indians are still hesitant to get into any deal which may put their economy in peril. India also is trying to get a foothold in Central Asia by exploiting the obsessions of Central Asian Presidents (all ex-communist party leaders) with the rise of Islamic parties and "terrorist" groups in their republics[23]. New Delhi is also playing on the American and Russian sensitivities relating to what they say the spread of Islamic "fundamentalism" in the region. India seems to have gained some ground in Uzbekistan whose President Karimov paid an official visit to New

Delhi and expressed solidarity with India in fighting "terrorism". India and Uzbekistan are also reportedly trying to develop some defense collaboration with each other. Indo-U.S. Ten year deal of Civil Nuclear Technology might have dampened the Indian interests in pipeline project. It is interesting that in her address at Tashkent's University of World Economy and Diplomacy on April 17, former Secretary of State Madeline Albright said that her trip to Central Asia "is more than a fascinating cultural experience; it expresses important interests for United States foreign policy". Continuing her address, Albright significantly remarked:

> "*The Central Asian nations can also have an impact on Afghanistan, and thus on Pakistan and India.... So while you are geographically distant from the United States, you are very closely connected to some of our most vital interests*"[24].

Pakistan's Interest: Pakistan's geographic location in proximity of Arabian Gulf and Central Asian Republics bestow upon it, two most vital export corridors in the world. Pakistan needs to capitalize on them with better diplomatic ties with Arab states and CARs. It is anticipated that oil reserves of Gulf countries may last for next 50-130 years[25]. Thus, the oil reserves and other resources of CAR would gradually become the focus of world attention. Pakistan's interest is to capitalize on the shortest route available to the CARs energy resources. Gwadar is being developed as a modern deep sea port which can earn revenue of approximately $1.5 billion and also meet Pakistan's own energy short falls through the availability of cheap imported energy which can play a significant role in developing its industry[26]. However, in case of exports to and from CARs, a peaceful and stable Afghanistan is a pre-condition for successful flow of exports. Pakistan's geopolitical and geo-economic interests received a serious setback about a year and a half ago when the US energy giant UNOCAL decided to withdraw from a multi-billion dollar gas pipeline from Turkmenistan to Pakistan via Afghanistan. The flimsy reasons cited by UNOCAL for withdrawing from the project were political uncertainties in Afghanistan and low prices of oil and gas. The facts are that Taliban at that time were firmly in control of Afghanistan's 90% percent territory where complete peace prevailed. The real reasons seemed to be Pakistan's support for the Taliban government and the straining of relations between the US and the Taliban on the question of expulsion of Osama bin Laden. With the southern routes to the Indian Ocean through Iran blocked by American political and strategic considerations, a land route for Turkmenistan, oil and gas through Afghanistan and Pakistan was an extremely viable proposition. It could have been extended to India which has already emerged as one of the world's largest markets for natural gas.

The year 2005 begun in a hectic fashion for Pakistan, on home and external fronts, between these are clear linkages at certain levels[27]. The internal security situation in Pakistan is a matter of concern. The most recent attacks by miscreants at the Sui Gas pipelines and the kidnapping of foreign workers in Balochistan are all aimed at keeping the FDI out of the country and to retard economic progress. Pakistan's internal security situation has a direct impact on any pipeline project being put on ground.

Iran-Pakistan-India Gas Pipeline Project: India is fast emerging as a developing economy, however, its energy needs are more than what it actually possesses. India at the moment can produce 533.3 kWh of electricity while its consumption is 497.2 billion kWh which is increasing annually. While it has the capacity to produce oil at the rate of

732400 bbl/day, its consumption touches 2.13 million bbl/day[28]. Thus it depends largely on the oil imports from the Gulf. The other cheap alternative to oil and electricity for a large based industry is natural gas which in India's case is not very encouraging since it produces only 22.75 billion cu m and consumes the same with tremendous short falls[29]. India's gas consumption is likely to rise to 400 million cubic feet a day with current supply of just 100 million cubic feet a day[30]. India has been keen to convert its industry to natural gas which is cheaper but all routes of imports fortunately have to come across its traditional rival Pakistan or through the Arabian sea, the latter being extremely expensive and grossly cost ineffective. Iran possesses 29.2 trillion cubic meters of natural gas and has the capacity to produce 90 billion cubic meters per year with domestic consumption of 59 billion cubic meters, therefore, leaving an additional 31 billion cubic meters which it could export to the outside world to earn handsome revenue. Both India and Iran have been negotiating a gas pipeline since 1996 which could have costed US$ 3 billion but due to latter's security fears with regard to Pakistan could not get the project going[31]. With the recent peace initiative between India and Pakistan there is a likely-hood that this project may materialize. Pakistan and Iran have already decided in principle to bring the gas pipeline to Pakistan for Pakistan's domestic consumption to meet its energy short falls and to also have an outlet for export through Karachi or Gwadar. In case India is willing to join the project it is estimated that the project is going to cost presently US $ 4.16 billion. The pipeline will cover a distance of 2600 km from Iran's southern oil field of Pars in Asaluyeh. As per estimates India can save up to US $300 million per year in energy costs while Pakistan can earn US $ 600-700 million per year as transit fee costs in addition to meeting its own energy needs[32]. In any case it will be a win-win situation for Pakistan. Feasibility study has been completed for a land route from Iran to Khuzdar in Pakistan from where it will branch out towards Karachi/Gwadar while second portion going towards Multan and onwards to Delhi. The other two options are a shallow water route and a deep water route for which studies are in progress. However it is expected that the land route will be the most economical[33]. There is international interest in the project from investment point of view, given the huge demands in the region and growing energy short falls. Major names like BHP Billiton, Malaysian Petronas, NIGC and French TOTAL are said to be interested in such plans[34].

Qatar - Pakistan Gas Pipeline: There is a renewed interest by the Government of Pakistan in the Qatar-Pakistan Gas Pipeline Project worth $2.7 billion, which will deliver Qatar gas through a 1,600-km pipeline to Pakistan. The Project is currently under negotiation between the Government of Pakistan and Crescent Petroleum of UAE. The Project could supply 1.6 billion cubic feet to Pakistan[35].

The Great Game: It is significant that shortly after UNOCALs withdrawal from the Turkmenistan –Afghanistan- Pakistan pipeline project, Washington did not take long in extending its support for the Trans-Caspian Gas Pipeline (TCP) which seeks to provide Turkmenistan other viable option for carrying its gas to Turkey for onward dispatch to Europe. The Americans are so keen in this project that Enron has already delivered the TDA-financed feasibility study to the Turkmen government which is to choose a consortium of companies that will arrange financing and build the gas pipeline from Turkmenistan to Turkey[36]. The new ‘Great Game’ in Central Asia is likely to intensify as the world-wide demand for oil and gas increases in the coming years. Unlike the 19th century great game of acquiring physical or political domination over the region lying between Russia and India, the new game revolves round the routes of gas and oil pipelines which will carry the 'black gold' from Central Asia and the Caucasus to international markets. Besides the Chief rivals, Russia and the USA, the regional players including Turkey, Iran, Afghanistan, Pakistan and India have their own agendas to promote in regard to the routes of the proposed oil and gas pipelines. The war in Chechnya, (through which Russia's main oil pipeline passes), the increasing unrest in parts of the region, the sudden spurt in US concern with the rise in the so-called "Islamic extremism and terrorism", instigated by India, are actually offshoots of the new oil and gas pipeline politics. Amongst the regional players, only Turkey has so far been the net gainer, while Iran, Afghanistan and Pakistan the real losers[37].

Situation in Afghanistan: Afghanistan, being totally land locked state had been in turmoil for the last two decades. Its economy is still in shambles. However, government has set the country on the path of stability and is trying to boost its economy. Economy of Afghanistan is directly attached with its stability and the stability of Afghanistan is attached directly with the viability of Gwadar port. It is important to understand that Afghanistan has the world's largest deposits of copper and large deposits of high-grade iron ore[38]. Besides this, country also possesses vast resources of coal and precious stones. With the stability in Afghanistan, a formidable trade activity is expected to hit the road. This activity would be requiring an outlet that can be provided by Pakistan in the shape of Gwadar port. Gwadar port provides the best viable route to these companies as compared to other choices, which run through Georgia to Turkey's Mediterranean coasts. As per estimate, Gwadar would cost them only half the amount of other routes. In addition, Pakistan is also planning to build a liquid gas plant at the Gwadar port for export purposes.

All these positive developments if and when brought to fruition may ultimately help the CARs to actively participate as ECO members and help open channels through Pakistan by minimizing the Russian routes. For Afghanistan, a landlocked country and desperately needing export outlet, the construction of Gwadar port complex will help in boosting economic rehabilitation and activity. Any movement of goods to and fro from Balochistan will benefit Afghan transit trade as well as the farmer's export of minerals and dry fruit. Besides, the port facilities could provide Afghanistan and the CARs warehousing facilities along with transit and possibilities of import of goods. Therefore, we can say that Gwadar port would become the hub of international trade in the region.

Abandoning of UNOCAL Project: In the mid-1990s, when the UNOCAL project arose, Turkmenistan was desperate to find new export markets for its gas. Russia, which had traditionally bought almost all Turkmen gas, was in a prolonged post-communist recession, and its purchases had plummeted from 88 billion cubic meters in 1992 to about 15 billion cubic meters in 1996. Furthermore, Moscow was refusing to allow Turkmenistan to use its vast pipeline network to send gas to non-Russian customers-despite the fact that Pakistan and India faced gas shortages and were eager to buy from Turkmenistan. Hence there was at least a commercial logic to the UNOCAL proposal. Today the situation has completely changed. In 2000 the Russian economy emerged from its deep slump, prompting the country to sign a special arrangement with Turkmenistan for gas imports. Since then, Turkmen exports to Russia have climbed steadily and now stand at around 31 billion cubic meters.

As part of the deal the Russians have become more generous in allowing Turkmen exporters to utilize their pipeline system. At the same time, the customers that UNOCAL had foreseen for Turkmen gas have disappeared. Turkey has lined up sufficient future supplies from Russia and Azerbaijan, while Pakistan has reasonable domestic supply and is in negotiation to get gas from Iran.

Prospects of UNOCAL Project Revival: The leaders of Afghanistan, Pakistan and Turkmenistan decided in late May to revive the old UNOCAL pipeline project[39]. Yet no major energy firm has expressed any interest in working with the three countries. Even UNOCAL has stated forthrightly that it has abandoned its old project and that its priorities have shifted outside Central Asia. "The fact that Afghanistan, Turkmenistan and Pakistan have agreed to build a pipeline is meaningless, none of them have the money or skills to build the thing and no international firm will be involved in giving the availability of already-built pipelines and alternative routes”[40].

All the new opportunities for Turkmen and other Central Asian gas to move north--to and through Russia--have removed pressure that could have pushed the gas to South Asian markets via Afghanistan. A revival of the old UNOCAL project is unlikely for at least a decade, and then it could become only one of many alternatives[41]. The Trans-Afghan oil route of the mid-1990s is also dead in the water, for virtually identical reasons. At the time, Kazakhstan had problems getting its oil to market. But in the past three years, Moscow has allowed Kazakh exporters to quadruple the flow of oil through Russia's existing pipelines to about 300,000 barrels per day. Last year, Chevron, Exxon, Mobil and others began operating the Caspian Pipeline Consortium, which links the giant Tengiz Field in western Kazakhstan to a new Russian port on the Black

Sea. The consortium won't reach its initial capacity of 600,000 barrels per day until about 2005, at which point it can more than double its capacity if necessary. In other words, just as Turkmenistan has surplus export capacity for gas, Kazakhstan has surplus capacity to export oil. (That could change if the country's undeveloped Kashagan Field turns out to be a blockbuster, but that development, if it occurs, is at least a decade away.) Meanwhile, several other Caspian oil pipeline projects are moving forward--most notably the old Baku-Ceyhan route favored by the United States--and they all bypass Afghanistan.

Unattractive Trans Afghan Pipeline: Market factors aside, an Afghan pipeline route remains highly unattractive for a number of reasons. Few people would bet on a long-term settlement to the fighting there, and if peace does take hold it won't be for a long time. Throwing a pipeline into the mix will only make matters worse. Contrary to the views of many conspiracy theorists, the Taliban regime never posed a threat to America's position in the Caspian. The region’s oil reserves are mostly distant from Afghanistan, located in countries such as Azerbaijan and Kazakhstan, where the threat of radical Islam is quite negligible. (The governments there sometimes claim otherwise as a means of justifying their oppressive rule). In some ways, the fall of the Taliban has been bad for American business interests. To aid the reconstruction effort, the United States, Japan, Russia, Britain and other donors have pledged US $1.3 billion.

But the war in Afghanistan is unlikely to bring on a wave of corporate profiteering by American firms. Much of the international aid will go toward the repatriation and resettlement of refugees, counter narcotics efforts and the rehabilitation of the agricultural sector, and the country is simply too poor, undeveloped and chaotic to become an attractive site for private investment. Thus the Overseas Private Investment Corporation has issued a paltry $50 million line of credit to support American investment in Afghanistan. There are remote chances of any major corporation making a significant investment in Afghanistan. It's just not the kind of risk anyone is prepared to take right now[42]. However Asian Development Bank has shown interest in financing for revival of the project[43].

Conclusions

- Seven percent of worlds oil reservoirs and 6-13% of natural gas reservoirs are located in the Central Asia making them the third largest after Middle East and Russia.
- There are 13 proposed or potential oil and 6 natural gas pipeline routes. While 6 routes are available as Bosporus Bypass (for oil transiting to Black Sea). The longest and most expensive oil route is from Kazakhistan to China covering 2800 km and costing US $ 3.5 billion. Similarly the longest and most expensive gas route is also from Kazakhstan to Xingjian China covering 6657 kms and costing US $ 10 billion. This shows the length and expenses Chinese are ready to meet in order to tap the energy resources.
- The Turkmenistan- Afghanistan – Pakistan route for oil is 1664 kms and costs US $ 2.5 billion while the pipeline carrying gas has to traverse 1392 kms at the cost of US $ 2 billion.
- The Central Asian Pipeline Project to Gwadar has the potential to carry 1 million bbl/d.
- The major stake holders other than the CAR`s in the pipeline projects are USA, Russia, Iran, Turkey, Afghanistan, Pakistan,

China and India.

- Russians prefer pipeline routes going north in order to keep CAR`s under influence.
- USA has the urge to dominate and directly control the rich sources of energy to serve its long term strategic interests, whereby besides keeping the oil prices low it can keep any other rising power in check[44]. USA is investing in western routes to undermine the Russian and Iranian interest.
- Keeping in view future energy needs China is ready to invest in the longest and most expensive routes.
- Iran is investing in developing the infra structure with the help of Russian and Indian assistance in order to give the CAR`s energy an outlet through its Chabahar and Bander Abbas ports.
- India is eager to buy natural gas for both domestic and industrial use from Iran that could save her US $ 300 million per year in addition to bringing down the production costs of its goods. However it is not very confident about the security of the pipeline passing through Pakistan.
- Pakistan and Iran have finalized the pipeline deal with or without India to meet Pakistan's domestic needs and in case India at some stage decides to join in Pakistan will earn US $ 700 million per year as transit fees.
- Afghanistan's internal situation remains far from stable and this keeps out potential investors from any mega project.
- Turkmenistan, Afghanistan and Pakistan all lack necessary money and requisite skills to build the thing and no international firm will be involved in the availability of already-built pipelines and alternative routes.

- The internal security situation and attacks on existing gas pipelines including kidnapping of foreign workers are undertaken by elements having vested interests to dissuade FDI and retard economic progress of Pakistan.
- Asian development Bank has shown interest in revival of the project.

End Notes

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