

ISA S Brief

No. 194 – 1 April 2011

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The TAPI Pipeline: A Recipe for Peace or Instability?

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Abstract

Amidst talks of rising instability and violence in Afghanistan, what seems to have eluded the eye is the progress on the Turkmenistan, Afghanistan, Pakistan and India (TAPI) gas pipeline project. The projected gain from the pipeline is seen as an opportunity to create a win-win deal among local and regional stakeholders in Afghanistan by binding the 'warring' factions in an integrative economic framework. By building on Afghanistan's role as an 'energy-bridge' between an energy abundant central Asia and energy deficient South Asia, there exists possibilities of integrating the conflict-ridden country mostly driven by regional power competition into a mutually dependent cooperative framework. The TAPI pipeline is projected to boost economic interdependence among competing regional powers, thus making the costs of conflict too high and benefits of cooperation lucrative. However, there are potential roadblocks, which need to be addressed before the project can take its final shape.

The proposed project of the TAPI gas pipeline appears to have hit the fast track. As per latest reports, the Gas Sales and Purchase Agreement (GSPA) is expected to be signed on 30 April 2011 in New Delhi following a ministerial level meet. Prior to the meeting the Technical Working Group (TWG) will meet in New Delhi between 25 and 27 April 2011, to finalise the GSPA. The contentious issues regarding gas price and gas transit fee would also be discussed during the TWG meeting.

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It has taken a long wait of 15 years for the pipeline to turn into reality. The pipeline from Turkmenistan to Pakistan through Afghanistan was first proposed in the mid-1990s with the now defunct American energy company Unocal-led consortium and the Argentine company Bidas vying for signing a deal with the then Taliban regime in Kabul. However, security considerations combined with international condemnation of the Taliban regimes on women and human rights had led both the companies to pull out, leaving the project in a lurch.² The idea was revived after the Taliban were unseated from Kabul. At the end of 2002, three countries (Afghanistan, Pakistan and Turkmenistan) signed a new agreement. The Asian Development Bank (ADB) conducted a feasibility study and rendered the project possible in 2005. Following an approval by the Indian cabinet, India became the fourth country to join the project in 2008.

The TAPI project is expected to start in 2012 and should come on stream by 2016. It envisages constructing 1,680 km of pipeline with a total gas capacity of 90 million standard cubic metres per day (mscm/d). As per the plan, 38 mscm/d of gas would go to India and Pakistan each, while 14 mscm/d would be bought by Afghanistan. The proposed pipeline would stretch from Turkmenistan's gas fields and travel 1,650 km through Turkmenistan (145 km), Afghanistan (735 km) and Pakistan (800 km), before culminating at the Indian border town of Fazilka in Punjab.³ Annually, the pipeline would carry roughly 33 billion cubic metres of natural gas to consumers. In addition to providing clean energy, it would provide huge revenue and employment opportunities for the people of the regions.

In conflict-ridden Afghanistan, where narrow short-term interests of key stakeholders continue to impinge on the peace-building efforts, the TAPI has seen a convergence of interests, both by the great powers as well as regional players. The United States (US), for example, is propounding the project as 'magic glue' that will bind the warring factions and their regional proxies into an interdependent cooperative framework. The US hopes that TAPI will in all likelihood wean India away from the Iran-Pakistan-India (IPI) gas pipeline from Iran's South Pars gas complex in the Persian Gulf. In addition to further isolating Iran, the resultant interdependence and benefits of cooperation might act as a catalyst for peace between India and Pakistan.

Russia, too, has indicated interest in the project, in spite of the public opposition raised by Turkmenistan. It has, thus far, kept itself out of post-9/11 Afghan issues. However, in January 2011, it entered into an understanding with the Afghan government during President Hamid

² Robert M. Cutler, 'Turkmenistan-Afghanistan-Pakistan-India Gas Pipeline Gets Official Four-Way Go-Ahead', *Central Asia-Caucasus Institute* (19 January 2011), www.cacianalyst.org/?q=node/5479. Accessed on 25 January 2011.

³ Participating countries have held numerous high-level planning meetings during the past eight years with Asian Development Bank (ADB) sponsorship and multilateral support. See, John Foster, 'Afghanistan, the TAPI Pipeline, and Energy Geopolitics', *Journal of Energy Security* (23 March 2010).

Karzai's visit to Moscow. In a joint statement, both countries expressed willingness to cooperate in a range of energy projects including the construction of the TAPI pipeline.

As Russia tries to wrest control of the energy-abundant former Soviet Union states, the new states are assertive in trying to break free from such control. Turkmenistan in particular has been working to create an alternate pipeline network and to lower its dependence on Russia for certain gas exports. In October 2010, Russia had claimed that Turkmenistan had agreed to allow the Russian gas giant, Gazprom, to participate in the TAPI pipeline, only to be rebuffed by Ashgabat. However, Russia's backdoor entry into the TAPI project rides heavily on its ability to delay or derail it. India favours Gazprom's participation as a supplier for the pipeline along with Azerbaijan, Kazakhstan and Uzbekistan.

For Pakistan, apart from fulfilling its energy requirements expected to reach 177 million toe (tonnes of oil equivalent) by 2020, TAPI will convert the country, for all practical purposes, the US gateway to Central Asia, thus augmenting its strategic invincibility. Alongside this enhanced status, the American commitment to help develop its economy and buttress its security needs in the long-term⁴ is bound to follow.

Afghanistan, for obvious reasons, has much to gain from the project. For an external aid-dependent 'rentier state', the pipeline would provide opportunities for sparking economic growth, generating revenue and employment – a recipe for long-term stability. It is projected that the government in Kabul could earn upwards of US\$1.4 billion in transit fees annually. Moreover, this project allows Afghanistan to reduce its dependence on Iran, from where it sources almost 2,400 tonnes of gasoline per day using the land route. Such dependence has come at a price, at least in the recent past, providing the dominant supplier an instrument even to control Afghanistan's ability to use the purchased product. In early December 2010, Iran had imposed a fuel blockade on Afghanistan on the grounds that the oil it supplies is used by US and NATO forces operating in Afghanistan. The Karzai government insists that the fuel has only been used for civilian purposes.

Notwithstanding security concerns over much of the territory through which the pipelines pass, President Hamid Karzai has promised to 'expedite' the project's completion and provide troops for securing the pipeline. Afghan Minister of Commerce and Industry Wahidullah Shahrani has said that the government would deploy 5,000 to 7,000 security personnel to safeguard the pipeline route.

Not surprisingly, TAPI has ignited fears in Iran of being left out in the new energy export economy and the region's rapidly developing web of natural gas and oil pipelines. Iran itself needs ever-growing supplies of Turkmen natural gas for its winter heating and fuel requirements and to pump gas to pressurise its aging oil fields to keep them productive. If

⁴ M.K. Bhadrakumar, 'U.S. brings Silk Road to India', *The Hindu* (24 December 2010), www.hindu.com/2010/12/24/stories/2010122464031600.htm. Accessed on 25 December 2010.

TAPI is built, Turkmenistan's dependence on Iranian export routes would be considerably reduced. Iran, therefore, would be unable to pressure Turkmenistan to accept energy deals on Tehran's terms.

For several years, India and Pakistan have been negotiating with Iran for another pipeline project to bring Iranian gas to their countries. With an estimated capital cost of US\$7.5 billion, the pipeline would be similar in cost to the TAPI project. Since the April 2008 meeting of Indian and Pakistani petroleum ministers in Islamabad to resolve a pricing issue and clear the way for signing agreements, and Iranian President Mahmoud Ahmadinejad's visit of Islamabad and New Delhi, Iran and Pakistan have gone ahead and signed the initial agreement without India. In February 2010, Iran's Foreign Minister Manouchehr Mottaki, affirmed that China is keen to join the project.⁵

Much to India's consternation, China too appears to have carved out a role in the TAPI project as well, albeit at the behest of the ADB, the lead partner in the project. India has hinted that it would like its own companies to have a significant role in the pipeline's construction and this had been reportedly approved by Turkmenistan's President Gurbanguly Berdimuhamedov.⁶ India concerns stem from the fact that any involvement of Chinese companies would deny opportunities to the Indian companies and could possibly provide China an 'avuncular arbiter of peace role'⁷ between India and Pakistan and a larger role in South Asia. The ADB, however, favours Chinese participation, taking into account the experience of Chinese firms in building such extended pipelines.

The prospects for the pipeline looks rosy at the moment, but there are thorny issues at hand. In spite of the convergence of strategic, political and commercial interests, factors like political instability, issues of pricing, corruption and security considerations will continue to impinge directly on the fate of the project. Since the birth of an independent Central Asia, the region has been plagued by political instability as witnessed by various 'colour revolutions'. Similarly, in Afghanistan, the near absence of an effective police force could turn this project into a lucrative protection-racket or cash cow for insurgents and local warlords. Warding off those challenges would inevitably lead to a dependence on private security armies and contractors, with little being done to build on Afghanistan's national security institutions.

The participating countries and the regional stakeholders alike will have to arrive at an arrangement not just to ensure the building of the pipeline, but also to keep it free from disruption. On-time completion and 'come on stream' of the pipeline will reflect on the ability and commitment of the Afghan government and the international community to

⁵ John Foster, 'Afghanistan, the TAPI Pipeline, and Energy Geopolitics', *Journal of Energy Security* (23 March 2010).

⁶ Robert M. Cutler, 'Turkmenistan-Afghanistan-Pakistan-India Gas Pipeline Gets Official Four-Way Go-Ahead', *Central Asia-Caucasus Institute* (19 January 2011), www.cacianalyst.org/?q=node/5479. Accessed on 25 January 2011.

⁷ Jayanth Jacob, 'TAPI pipeline: India opposes Chinese role', *Hindustan Times* (17 January 2011).

transform this economic opportunity into tangible benefits for the people of the region. It would be another instance of integrating Afghanistan more firmly into the South Asian community and reviving its role as a 'land bridge' between Central and South Asia.

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