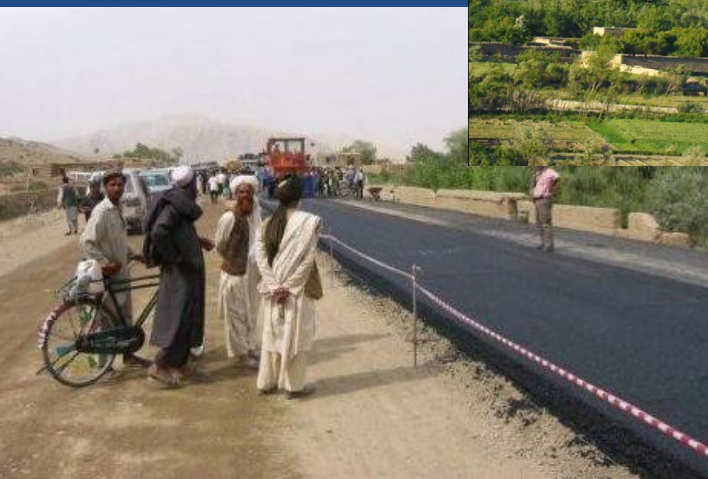
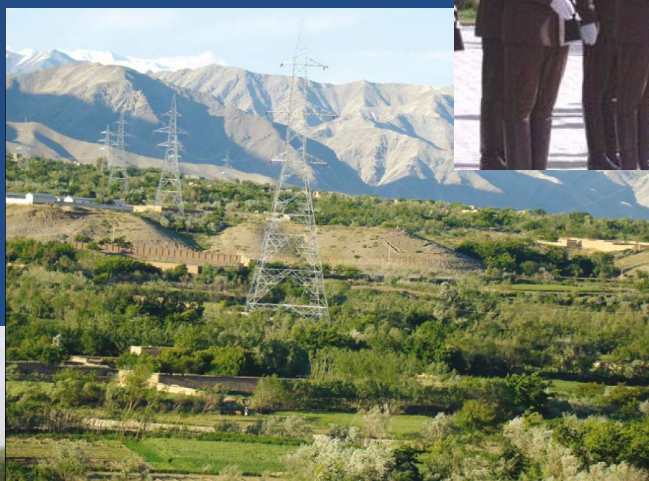


Reconnecting India and Central Asia

Emerging Security and Economic Dimensions



Nirmala Joshi
Editor



Central Asia- Caucasus Institute
Silk Road Studies Program

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Nirmala Joshi, Editor

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Preface

This volume addresses several of the most urgent issues of the day. Its nominal subject is the rapidly developing skein of interrelationships between India and the former Soviet states of Central Asia and also with Afghanistan. Its larger theme is the way we conceive the political, economic, and civilizational map of Eurasia, and especially that heart of the mega-continent that lies between Russia, China, India, and the Caspian Sea. The authors of this study propose—rightly, in my view—that India should be, and is fated to become, no less decisive a presence in this pivotal region than Russia, China, or, for that matter, Europe and the United States.

For the century prior to 1991, India's contacts with Central Asia were largely mediated through Russia, which had absorbed most of the region into its tsarist, and then Soviet, empire. True, during the last Soviet decades India maintained privileged links with Central Asia and especially Uzbekistan. But these, too, were filtered through Moscow and through the 1971 Indo-Soviet Treaty of Peace Friendship and Cooperation, in which India was definitely the junior partner.

Following the collapse of the USSR in 1991, the rising presences in Central Asia have been China, the U.S. and Europe, as well as Japan and Korea, but not India, which seemed far away and indifferent. The “opening to the East” celebrated by the European Union's TRACECA (Transport Corridor Europe-Caucasus-Asia) transport project referred to China, but not India. It is true that India was a rapidly rising power, but Central Asian leaders felt no compelling need to include it in their geopolitical or economic calculus. The Indians returned the compliment.

Against this background, recent events are nothing short of electrifying. First, the Indian government gave the place of honor at its 2009 national day celebrations to President Nursultan Nazerbayev of Kazakhstan, at the same time announcing a series of important political and economic initiatives, in-

cluding the purchase of uranium from Kazakhstan. Then, late in the year, India's President Pratibha Pratil appeared as the honored guest at Tajikistan's national day, at which time she also attended an Indian-Tajik Business Forum and, significantly, visited the shrine of the Sufi saint Mir Sayyid Ali Hamdani, who figured prominently in the spread of Islam in the Kashmir valley. Nothing could be clearer: India is finally moving to establish its presence in Central Asia. The announcement that Indian engineers have completed a transmission line to carry Uzbek electricity deep into Afghanistan (and potentially beyond) underscores the strategic nature of these developments.

It is not a coincidence that at the same time India has mounted a forward policy in Afghanistan as well. Largely unnoticed in the US and Europe, some 1,000 Indo-Tibet Border Police are deployed in Afghanistan, and hundreds of officers of the Afghan National Army are training in India. India ranks as the fifth largest donor to Afghanistan, supporting projects in education, infrastructure, health, and other fields. Afghanistan's President Hamid Karzai, who studied in India, has welcomed India's well-staffed consulates throughout the country. Building on its reputation for having modernized under a democratic system and with a free press, and without resort to the narrow authoritarianism so popular in Asia, India is constructing Afghanistan the new building in which the Afghan Parliament meets.

It is easy to dismiss all this as simply a new front in India's half-century struggle with Pakistan. It is that, of course, but it is far more. For while India is clearly moving to flank Pakistan to the west and north, it is at the same time laying the basis for post-conflict relations between the two countries and, indeed, within the region as a whole. In this effort India is drawing upon the experience of three millennia of relations between the Indian subcontinent and Afghanistan and Central Asia, reviving ties that languished throughout the period of Russian and British colonial rule in the region.

It is frequently pointed out that India has been the object of repeated conquest by Central Asian states from the time of the Kushans in the first centuries A.D. down to Tamerlane (Timur) in the fourteenth century and Babur a century later. More than the Arabs, it was the Turkic armies of Mahmud of Ghazni that brought Islam to what is now Pakistan and northern India in the

eleventh century, and it was Central Asian Sufi saints like Mir Sayyid Ali Hamdani who gave it form and substance there. The Taj Mahal is a lineal descendant of Central Asian prototypes, just as the Moghul dynasty itself, one of the glories of Indian civilization, came to the sub-continent from Afghanistan and, earlier, the Fergana Valley of Uzbekistan.

Less well-known is the enormous cultural influence of India in Central Asia over the millennia. Buddhism sent down deeper roots in Afghanistan and Central Asia than even in India itself. In the wake of the Buddhist monks came the Indian traders, thousands of whom settled permanently in Central Asia. The Roman geographer, mathematician and astronomer, Ptolemy, wrote of a city called “Indikomandana,” or a “city of Indians” located north of the Amu-Darya in present-day Uzbekistan (probably Termez), while large religious and commercial colonies of Indians existed also in what is now Turkmenistan and western Kazakhstan. Thanks to these contacts, Central Asia became the point of transmission of Indian medical and scientific knowledge (including our system of counting, wrongly identified in the West as Arabic) between India, the Middle East, and Europe. It is no accident that even today pharmaceuticals are one of India’s largest exports to Central Asia.

So dense and enduring is the web of political, religious, economic, and intellectual interaction between Central Asia/Afghanistan and the northern regions of the Indian sub-continent that one is quite justified in considering them a single cultural zone. This notion, so strange to our modern sensibilities, would have seemed natural to anyone in either region prior to the last century. Thanks to the collapse of the USSR and the opening of the old southern border of the Soviet Union following the post-9:11 destruction of the Taliban regime, this deeper reality is now able to reassert itself. It is this process, rather than the latest twists and turns in the painful India-Pakistan relationship, that is forcing us to reconfigure the geographical, economic, cultural, and geopolitical concepts on which we base policy.

As of this writing, it is impossible to predict how far India’s new approach to Central Asia will progress. In this context it is usual to raise the question of India’s possible future military footprint in the region. But in spite of several modest military interactions with Tajikistan, it is unlikely that this will be-

come an important focus in the region for New Delhi. This does not preclude selling arms and equipment, training forces, and assisting in military reform, however. Now does it exclude India's role in reorienting many officers in the region towards the English language.

As authoritarian states, both China and Russia have tended to crystallize their policies towards Central Asia in terms of large-scale initiatives and formalized, heavily promoted programs. China's "Develop the West" and "Strike Hard Maximum Pressure" campaigns and Russia's "Collective Security Treaty Organization" (CSTO) and its nascent common market, the four-member "Common Economic Space" (CES), go far towards defining Moscow's presence in the Central Asian heartland. As a democracy, India is unlikely to develop or pursue such centrally-administered schemes. Expect it instead to operate through diverse points of initiative, many of them in the private sector, in pursuit of more limited, more *ad hoc*, and yet possibly more substantial objectives.

In following such a course, India has several important advantages. First, is its proximity to formerly Soviet parts of Central Asia. Beijing is eight hours by air from Astana, and Moscow is five hours from Dushanbe. By contrast, Delhi is a mere two hours by plane from Bishkek. Indian honeymooners already fly from Amritsar to bask on the shores of Issyk-Kul.

Second, Indian policy leads with trade, education, health, technology, and transport, rather than anti-terrorism or large-scale exploitation of Central Asia's natural resources, as is the case with Russia and China. Stated differently, India's expanded presence, while still limited, is in areas that are directly relevant to ordinary people in Central Asia and Afghanistan, and not just to a limited circle of governmental officials.

Third, India poses neither a security threat to the region, as is the case with Russia, nor an economic or demographic threat, as is perceived to be the case with China. Russian media may still dominate the Central Asian airwaves, but Indian films and music are wildly popular there, as is India itself. Surveys indicate that 71% of Afghans hold favorable views of India, with similarly high figures elsewhere in Central Asia.

And, fourth, India's level of knowledge of Central Asia is far superior to that of China, while its cultural literacy concerning the region far outshines that of Russia, Europe, or America. Indian journals issued in Delhi, Calcutta, Srinagar and Chandigarh cover Central Asia more thoroughly than their counterparts in China. Russia still possesses solid knowledge of Central Asia but this is a wasting resource, while India's knowledge base on the region is expanding.

Finally, India's role in Afghanistan is an asset not only there but among Afghanistan's Central Asian neighbors. Last September the commander of the International Security Assistance Force (ISAF), General Stanley McChrystal, affirmed in a leaked assessment that Indian activities in Afghanistan largely benefit the Afghan people. Even if this statement elicits a hostile response from Islamabad, it is acknowledged with approval in all the Central Asian capitals.

In the following pages, Nirmala Joshi and her colleagues offer a careful assessment of India's current activities and future prospects in the region. Together, the authors command a formidable range of concrete knowledge and expertise. Precisely because of this, they are neither enthusiasts nor naysayers, offering instead a restrained and responsible evaluation of the prospects for Indian-Central Asian relations as viewed from New Delhi.

The Central Asia-Caucasus Institute is honored to present the findings of these respected Indian colleagues and friends to a broader audience of analysts and policy-makers. It is hoped that this volume will give rise to more detailed studies focusing on specific sectors and countries, and also on the inevitably complex interplay between India's growing presence in Central Asia and Afghanistan and that of those other countries which have dominated the discussion to now.

S. Frederick Starr
Chairman
Central Asia-Caucasus Institute

Executive Summary

- The geopolitical salience of Central Asia for India was never in doubt in the past and is not in doubt at present. With escalating threats and challenges posed by religious extremism, terrorism and aggressive nationalism to the integrity of the Indian nation, the strategic significance of Central Asia has increased considerably.
- In Indian strategic thinking, Central Asia is considered part of its extended/strategic neighborhood. What is of prime importance for India is the stability and security of the region. Inextricably linked with India's concerns in Central Asia is Afghanistan, for the latter is part of the Central Asian geopolitical construct as it shares boundaries with Tajikistan, Uzbekistan and Turkmenistan.
- Central Asia's rich natural resources, including significant reserves of oil and natural gas, and its location in the center of Eurasia have attracted immense global attention. In the changed strategic scenario, India seeks to reconnect with Central Asia and to play a constructive role there.
- At the global level, two noticeable trends are evident; cooperation and competition. In this evolving pattern of international relations, the broad alignment is that the US and the European Union are on one side, while Russia and China are on the other side. The divide is due to either geopolitical considerations, civilizational differences or a combination of the two. In Eurasia, including Central Asia, both these trends are visible. Since India has a limited presence in the region, Indian policy makers were attracted towards a cooperative strategy with Russia in the past. With increasing Chinese presence in the region, India will also be more willing to cooperate with the US.
- The presence of major powers in Central Asia constrains India as a late-comer to the region. It also shares the Central Asians' own interest that no single power should dominate the region. However, the interests of

the major powers are balanced and Central Asia is not likely to be the arena where these balanced relations turn hostile. Consequently, India may not be required to make the difficult choice of choosing among the competing powers. India has strategic partnerships with the US and Russia. It is evident that India would have to reckon with the Russian factor in the region. Indian and Russian perceptions about the future role of China in Central Asia are likely to coincide. Though India is highly cautious about Chinese aims in Central Asia, its more immediate concerns are the stability and security of Central Asia.

- In the immediate context, Indian concerns are related to the volatile security scenario that is emerging in the neighborhood. The dangers arising from non-traditional threats pose a serious danger not only to the integrity of India and the Central Asian States, but also to the very existence of democracy and open societies. These forces are well entrenched in the common neighborhood, i.e. the Afghan-Pakistan borderlands. The heinous act of killing innocent people at Mumbai (2008) demonstrates the danger and the barbarism of the attackers. India has formalized its security relations by establishing Joint Working Groups on counterterrorism and has signed defense cooperation agreements with some of the Central Asian States. The compatibility of security interests between India and Kazakhstan was evident when the two countries signed a Declaration of Strategic Partnership in 2009. India's policy towards Central Asia is becoming energized and proactive, unlike in the past, when it was reactive.
- Crucial to the security of the region is the issue of peace and stability in Afghanistan. Important issues such as drug trafficking, proliferation of small arms, the fate of Afghan refugees, resolution of the Afghanistan-Pakistan border, the arms culture, and the modest level of economic activity all affect Afghanistan's security and stability.
- Intertwined with Indian concerns is the security of Afghanistan. India has traditionally enjoyed close and friendly ties with Afghanistan. After the Taliban aberration, India is vigorously involved in the reconstruction effort. Reconstruction requires a collective and a collaborative effort. In view of the growing strategic understanding between India and the US,

the possibility of cooperating in various aspects of the reconstruction effort is strong.

- The situation in the Afghan-Pakistan borderlands is highly precarious. A decisive push by NATO forces in the coming months could trigger an influx of refugees and terrorist elements into both India and Central Asia. The rugged mountains in eastern Tajikistan and that area's proximity to the Afghan-Pakistan borderlands makes it a perfect hiding place for extremist and terrorist elements. Such a prospect would only add to the vulnerability of Tajikistan and, by extension, of the Fergana Valley, the heart of Central Asia. It also implies a shift of terrorist and extremist bases from the Afghan-Pakistan borderlands to Central Asia. Ethnic tensions, unsettled borders in the Fergana Valley, illegal migration, and poor economic conditions could erupt into a conflagration, disrupting the aspiration to build a democratic, modern, and secular polity.
- From an Indian perspective, the regional scenario is becoming increasingly unstable and uncontrollable. The horror perpetrated in Mumbai by Pakistan-based militant groups such as Lashkar e Taiba and the International Islamic Front, with active support of Pakistani state entities, has driven Indo-Pakistan relations to an inconceivable low, beyond immediate redemption. Unless tangible proof of sincerity is provided by Pakistan, the situation is not likely to improve.
- The Obama Administration is devising a dual strategy of outwitting the Taliban while ensuring Indo-Pakistan peace by attempting to link Afghanistan, Pakistan and India together in the same security equation. Even if this means that the Pakistan-based masterminds of the Mumbai terrorist strike are brought to minimal justice, this is seen in India as a renewed attempt at Indo-Pak hyphenation. However, this strategy is likely to complicate matters for India, both by reinforcing US dependence on the Pakistani military and by seeking to co-opt the Taliban behind the cover of a US surge.
- The driving force behind India's objective of enhanced engagement with Central Asia is economics. India has the ability to help build Central Asians' capacities in areas such as information technology, science and

technology, knowledge industries and soft power. Conversely, India's increasing need for energy can be addressed by the energy-rich Central Asian countries.

- In the energy sector, there have been missed opportunities in the past, but India can revitalize its interaction, preferably in cooperation with third countries. Areas such as energy, non-conventional sources of energy and agro-based industries are promising spheres for trilateral cooperation. Joint ventures in cotton and agriculture can be established which could benefit the entire region. However, lack of direct connectivity and difficult market conditions in some parts of the region hamper interaction. Still, increasing linkages between India and Kazakhstan, Afghanistan's membership to the SAARC, and its emergence as a potentially important player in facilitating regional economic cooperation is shaping India's "Look West Policy".
- At this juncture, the concept of a "Greater Central Asia" offers opportunities to connect India with Central Asia, particularly in the transport and trade sectors. In a sense, it recreates the past history of the region when robust trading activity was a dominating feature. Afghanistan was the fulcrum on which such activities were carried out in various directions.
- It is expected that by 2015 India's trade with Europe, CIS, Iran, Afghanistan and Pakistan could reach US \$500 to 600 billion annually. Even if twenty per cent of this trade were to pass by overland route through Afghanistan and Central Asia, it would still be worth US \$ 100-120 billion, a phenomenal amount. By denying access through its territory to India, Pakistan may have harmed some Indian economic interest in Central Asia. However, in the process it has lost substantial sums in transit revenues. At the moment, both India and Pakistan are marginal economic players in Central Asia. In cooperation with each other, both can become significant players.
- Some of the northern Indian states, including Jammu and Kashmir, would find it easier to transport goods through Pakistan and Afghanistan. If the transport and trade activities as envisaged by the Greater Central Asia concept are operationalized, the proposed Turkmenistan-

Afghanistan-Pakistan-India pipeline project could also see the light of the day. Indeed, transport and natural gas pipelines could run parallel to one another.

- A Greater Central Asia (GCA) makes economic sense, but it is politically dependent on two major imponderables. First, Afghanistan is not yet stable. Second, acrimonious relations between Afghanistan and Pakistan, on the one hand, and India-Pakistan relations on the other pose a quandary to the GCA concept. At the moment, resumption of the stalled composite dialogue between India and Pakistan seems a distant possibility. However, when the countries of the region realize the overall cost of non-cooperation, the feasibility and relevance of GCA will become apparent. It is hoped that the people of this region realize that the three great fertile valleys of the Ganges (India), Indus (Pakistan) and Amudarya (Central Asia) hold immense agricultural potential that needs to be harnessed for the benefit of all.

From these broader visible trends, it is likely that Indian policy makers will be formulating their responses within the following framework:

- India has endeavored to raise its profile in the region in order to establish mutually beneficial security and economic relationship and to exploit the region's energy reserves. In this context, India would like to seek direct transport access to Central Asia and will consequently be willing to invest in peace and stability both in Pakistan and Afghanistan.
- Integrating South and Central Asia would result in vast economic benefits to all the stakeholders involved, leading to a positive outcome for stability and security in the region. In strategic and contextual terms, both India and the US will continue to subscribe to this concept.
- The success of this concept will turn on the establishment of stability in Afghanistan and particularly in Pakistan. The current situation in Afghanistan and Pakistan suggests that such integration is unlikely to take place, at least in the near future. Until the United States take tangible

steps to convince Pakistan to realise the inefficacy and destabilizing effect of this policy, South Asia will continue to simmer.

- In view of the Strategic Partnership between India and the US, the possibility of trilateral cooperation in Afghanistan's reconstruction effort will be further energised. Such cooperation could also be extended to Central Asia. This will address India's concern about the emergence of a strategic integrated region dominated by forces of religious extremism.
- There is a possibility of India, the US and Russia cooperating in areas such as energy, non-conventional sources of energy, thus containing the dangers of drug trafficking and other negative activities. This will go a long way towards stabilising the region, as well as ensuring the interests of all partners.
- In the coming years Tajikistan, which has a similar topography to the FATA and NWFP of Pakistan, will need greater attention. Mounting discontent and social tensions in Tajikistan will make an ideal hideout for the Taliban and Al Qaeda elements. Tajikistan will also need a more focused Afghanistan-Pakistan Policy.
- India will focus its attention on the youth and the new elite that is gradually emerging in Central Asia and Afghanistan.
- To improve its role in the emerging Asian economic architecture, India should actively participate in all regional economic trade and infrastructural initiatives aimed at linking Central Asian economies with those of India and South Asia. High economic growth in Central and South Asia will push policy makers in both regions to embrace strategies of regional integration.
- Since Afghanistan is crucial for India's linkages with Central Asia, India would be willing to support any initiative by Kabul to improve Afghanistan's capacity to play a meaningful role in regional economic cooperation.
- In the coming years, India will encourage some of Central Asian states to become partners in the South Asian Free Trade Area. With Afghanistan's membership in the SAARC, Tajikistan and Uzbekistan could also be potential members of the organization.

The overall, long-term Indian objective will be to use some of the historical land routes in Central Asia for its continental trade. The shortest route will be via Pakistan and Afghanistan. However, Indian policy makers will not surrender the option of using Iranian ports and its rail-road system either as an alternative or as an addition to the Pakistan-Afghanistan route.

Introduction

Nirmala Joshi

One of the distinct trends that emerged after the end of the Cold War was the strategic shift from Europe to Asia. The significant event that ushered in these radical changes at the global level was the break-up of the Soviet Union in 1991, leading to the emergence of fifteen new independent entities in the post Soviet space. This event fundamentally altered the geopolitical map of Europe and Asia. Coinciding with the breakup of the Soviet Union was the growing significance of natural resources, particularly energy sources. Both the developed and developing countries searched for secure sources of energy and other vital minerals. The Eurasian region, including Central Asia, was a vast storehouse of natural resources. This attracted the attention of the international community and efforts to procure and control followed. Another significant development was the changing nature of security. New sources of threats and challenges were regional/local conflicts. Such conflicts were fuelled by religious extremism, terrorism and aggressive nationalism and were the chief sources of instability. Consequently, the global community was forced to face both traditional as well as non-traditional threats. Non-traditional threats and challenges necessitated collective and collaborative effort. In addition, the potential rise of China, India and the fastest growing economies of South East Asia, Japan's growing economic clout, as well as poverty alleviation and health hazards were some of the issues confronting Asia.

The new world order that arose on the debris of the Cold War had two clear tendencies; cooperation and competition. The framework for understanding and analyzing a country's interest has changed in the globalized politics of today. It is primarily a change from the previous way of thinking to a new attitude of cooperation. A parallel trend that has existed and continues to exist is that of competition among powers for influence and control. In this

context old rivalries, the significance of geopolitics are areas that are part of the competitive politics: cooperation and competition co-exist.

Central Asia's strategic location in the centre of Eurasia is of immense geopolitical significance. It flanks the perceived powers of the future, namely Russia and China. Although the US is not located in the region, its global reach and the pursuance of the concept 'geopolitical pluralism and multiculturalism' by US policy makers indicates its interests in the region and Eurasia as a whole. Adjoining the Persian Gulf and Turkey, Central Asia could assume critical importance if the present interests of the major and regional powers become unbalanced. The entire construct of the Central Asian future has to be seen from the perspective of an evolving regional balance of power.

In the southern direction of Central Asia, three countries, Tajikistan, Uzbekistan and Turkmenistan, border Afghanistan. The war on terror led by the International Security Assistance Force (ISAF) and the North Atlantic Treaty Organization (NATO) has entered its eighth year. There is no doubt that NATO is playing a crucial role in this conflict by defeating the Taliban and preventing their return. The worsening situation in Pakistan often complicates the logistical and supply routes of NATO forces. Central Asia's proximity has assumed importance as it has emerged as an alternate supply route to NATO forces and the US. The escalating insurgency and turbulence in Pakistan and unstable conditions in Afghanistan highlight the significance of Central Asia in the fight against extremism and terrorism.

Central Asia has always held a high strategic value for India and Indian interests call for the two regions to reconnect by reviving its rich legacy of historical and cultural contacts. This past affinity is the bridge to develop a close and a meaningful engagement with Central Asia. Before proceeding further, a brief historical perspective on Indian interaction with Central Asia is in order.

Historical Contacts and Cultural Affinity

For several millennia India has interacted with the Central Asian region; Afghanistan, Central Asia and Xinjiang. Trade was the motivating factor throughout history and with trade came cultural interaction. Central Asia's location at the juncture of two great civilizations – India and China – was a

favourable factor that promoted cultural interaction. Central Asia also played a role in enriching the cultures with which it came in contact. In the words of Academician Babajan Gafurov of Tajikistan “It was not a mechanical transmission of cultural values from one people to another, it was a creative process in which cultural achievements were further refined before they were passed on”.¹

A vigorous interaction ensued between the people of the Indus Valley Civilization and those settled in the region since the Bronze Age. A major development in the life of the people many millennia ago was the horse. “It was the horse”, writes Ahmad Hasan Dani of Pakistan, “brought by the Aryans that changed the whole perspective of life in South Asia including political, social, economic and cultural aspects”.² Subsequently, the horse became an integral part of an Emperor’s fighting force – the cavalry. New research shows that the Indus Valley Civilization had trade and cultural contacts with Altyn Depe, an ancient civilization of Turkmenistan.

A milestone in the development of contacts was the spread of Buddhism from India to Central Asia and thence to China. A Buddhist scholar from Kashmir, Vairochana, was the first missionary to introduce Buddhism into Central Asia. In due course, Central Asia served as a transit route for Buddhism to China. According to Chinese sources, Buddhism came to China around 217 B.C. Indian emperor Ashoka in 203 B.C. and King Kanishka of the Kushan Empire of Central Asian origin whose empire included Kashmir are mainly credited for spreading the Buddhist tenets in the region. Indeed the spread of Buddhism was so wide and deep that it exercised a strong influence in the Central Asian region.

Among his various achievements, Kanishka’s most outstanding contribution was the convening of the Fourth Buddhist Council in Kashmir where open debates and discussion on various schools of thought on Buddhism took place. The open-mindedness of those days was reflected when the Council accepted and acknowledged that the diverse views expressed were all part of

¹ Babajan Gafurov, “Kushan Civilization and World and Culture” in *Central Asia in the Kushan Period* (Nauka, Moscow, 1974), p. 74, in Russian.

² Ahmad Hasan Dani, “Buddhism to Islam: Cultural Links between Central Asia and South Asia” in N.N. Vohra, ed., *Culture, Society and Politics in Central Asia and India* (Delhi, 1999), p. 6.

Buddhism. An outcome of these deliberations was that two major strands in Buddhism appeared; the *Mahayana* which stressed selfless service to the poor, tolerance etc. and *Hinayan* which emphasized only the monastic order. It was the Mahayana strand that had wider acceptability and became immensely popular in Central Asia. Buddhist monks were indefatigable missionaries who traversed the Central Asian region to propagate the ideals. In the process, several *viharas* or monasteries were built prominently along the towns and cities that sprang along the silk route. Buddhist texts were translated into local languages, including the Uyghur language.

Under the cultural impact of Buddhism, the Gandhara School of Art was born. The School excelled in architecture and the numerous *viharas* are a testimony to this fact. Archeological finds across the region reveal the deep influence of Buddhism as well as the fine craftsmanship that existed in the ancient past. A twelve-metre long sleeping statute of Buddha in Tajikistan or the massive statues in Bamiyan in Central Afghanistan (destroyed by the Taliban in 2000) or the various historical sites discovered in the North West Frontier Province of Pakistan (particularly the Swat Valley) are part of the priceless heritage of mankind. Hiuen Tsang, a famous Chinese pilgrim, came to India in 631 A.D. via the Central Asian route and stayed in Kashmir for fifteen years studying the scriptures and other Buddhist texts.

While Buddhism was receding in the subcontinent, possibly due to lack of royal patronage and partly because Lord Buddha was accepted as part of the Hindu pantheon, it continued to flourish in Central Asia until the Arabs introduced Islam. Today Buddhism is practiced with fervor and devotion in Tibet and other areas.

An equally significant development from the perspective of religious interaction was the spread of Sufism in the subcontinent. Sufism is a strand within Islam which emphasizes benevolence and tolerance. Although Islam was introduced in the subcontinent by the Arabs in the seventh century, its large scale spread is due to the Sufi saints who popularized the religion. Many Sufi saints along with their disciples came to India from Bukhara, Samarkand and other cities of Central Asia. In this regard a major contribution was made by Sayyid Ali Hamadani, who came to Kashmir from Kulyab in Tajikistan along with his five hundred disciples in the late fourteenth century. Earlier it

was Buddhism that was introduced in Central Asia by Buddhist monks from India, later it was the Sufi saints who spread the message of Islam. In Central Asia Buddhist and Islamic ideas together produced a new, partly syncretised school of thought which perlocated back to India. The mystics, particularly the Sufis, represent the syncretic thought and ideas of a single cultural space.³ While Sufism has played a significant role in molding a tolerant attitude among the people of Central Asia, it continues to wield influence in north India, particularly Kashmir. Even today the shrines of Hazrat Nizamuddin Auliya in Delhi and Muinuddin Chisti in Ajmer (Rajasthan) attract devotees from South Asia.

The rich cultural interaction of the ancient past impacted in diverse ways. The economic dimension has been a constant feature of this engagement. As mentioned, even during the Harappan age trading actively was important. Takshashila (now in Pakistan) was strategically located on the river Indus and the city of Puruspura (near Peshawar in Pakistan) formed major centers of Indian land routes to Central Asia and beyond. Caravan routes and camel traffic continued to traverse the region even after the silk route became operational. The silk route provided a powerful stimulus to trade. Among the prized commodities in great demand were Chinese silk, Indian ivory, Syrian glass and Roman metal ware. In due course, many branches of the silk route emerged connecting China and India with Europe in diverse ways. The oases of Central Asian Bukhara and Samarkand were, however the centers from which the feeder roads branched out. A southern branch of the silk route passed through northern India, Kashmiri shawls and woolen and silk carpets were in great demand in Central Asia. Indian merchants also traversed long distances via Turkmenistan and the Caspii region (the Caspian region) to reach Kolkheti on the Black Sea (now in Georgia). Due to its enormous length, trade passed through many hands. But for the Central Asian segment, Indians were among the traders, along with Parthians and Soghdians.

Among the prominent items exported from India were sugar, cotton cloth, namda (woolen carpets), shawls and dyes, while the major items of import were horses, sheep, gold, silver, precious stones, metals and fruits, particularly dried fruits. The expansion and diversification of the caravan trade and

³ I.P. Khosla, "An Overview" in *ibid*, p. xvii.

the silk route led to the emergence of a large Indian diaspora in the Central Asian region. Bukhara, a commercial hub on the silk route, had 200 caravan-sarais and Indians were allotted one such sarai for their use. In 1832, Alexander Burnes noted that there are about 300 Hindus living in Bukhara. They are chiefly natives of Shikarpour in Sind (Pakistan) and their number has of late increased (Burnes 1834, p. 286).⁴ Besides trading activity, Indians were also engaged in money lending and exchanging. Apart from Bukhara, Indian settlers were found all along the towns and cities on the silk route. Incidentally, in the ancient period the ruling dynasty of Khotan (China) claimed Indian origin.

A large number of Indians lived in Andijon, Fergana, Namangan as well as in small towns and villages of Central Asia. The “Guide Book of Turkistan” published in 1903 in St. Petersburg mentions the names of ten main trading firms of Andijon – two of which, Ramby Pasha and Ramsu Sufa – were Indian firms engaged in the silk trading. According to archival material, there were six Indians engaged in the bread and fruit business even in a small place like Khodzhent (Tajikistan).⁵ Near Tashkent, there were nearly forty Indians actively engaged in trading activity. In 1901, there were fifty two Indians in Kokand while in Namangan and Osh there were twenty eight and four Indians respectively. Indian settlers also built viharas, and left behind texts, a valuable source of information. Many of the Indians were owners of land, horses, caravans and gardens.⁶ There were masons and artisans from India who were brought by Timur to work in his capital city, Samarkand. India’s trading activity with the region suffered a setback with the opening of sea commerce and the rise of British colonialism in the subcontinent. Nevertheless, it is estimated that in the second half of the nineteenth century, there were approximately eight thousand Indian settlers in the region.

There were also Central Asians also living in the subcontinent, though their exact number is not known. They lived in separate quarters, or *Mahallas*. Many of them arrived during the Mughal period and were men of letters occupying high positions in the royal courts. There were artisans and craftsmen

⁴ Radha Raina, “Pioneering Pilgrims, Artisans and Merchants”, in *ibid.*, p. 76.

⁵ P.N. Rasulzade, *From the History of Central Asia – India Relations: Second Half of Nineteenth and Beginning of Twentieth Century*, in Russian Nauka, Tashkent, 1968, p. 40.

⁶ *Ibid.*

whose most visible contribution lay in architecture. A fine specimen of architectural skill is the Taj Mahal at Agra. It was the Central Asians living in Kashmir who introduced the art of tailoring and embroidery, which changed the economic life of Kashmir. Finely embroidered shawls from Kashmir were in great demand among the Central Asian nobility.

An important period in the historical ties between Medieval India and Central Asia began with the invasion of Mahmud of Ghazni (998-1030) who was in search of Indian riches and led several expeditions to India with this objective. With the beginning of “Delhi Sultanate” phase, the Muslim period of Indian history began. Members of the Khilji dynasty owed their origin to Turkmen tribes and military aristocracy comprised of Central Asian Turks at that time. They created a powerful organization, “Forty”, named so due to the number of its founder.⁷In 1526, Babur, hailing from Fergana, laid the foundation of Mughal Empire in India. It was Bairam Khan from the Turkmen region who helped Humayun (son of Babur) to regain his lost empire. Bairam Khan, however, is known as the tutor and mentor of Akbar and his son Abdurrahim Khan was a first rate soldier. Akbar unified large parts of India. Known for his humanism, sense of fairness and justice, and encouragement to art and literature, Akbar occupies a place of high honor in Indian history. The decline of the Mughal Empire began in the eighteenth century due to the absence of worthy successors to the earlier rulers. The mighty Mughal Empire was crumbling and paving the way for British colonialism in the subcontinent.

Cultural interaction reached new strengths during the period of the Muslim rule. In this regard, mention must be made of Al Beruni and Abdurazzak Samarkandi of Khwarezm (now in Uzbekistan). The latter came to India in the fifteenth century. Their quest for knowledge led the two famous scholars to India. Al Beruni stayed in India for thirteen years, studied Sanskrit and importantly translated valuable treatise on mathematics and astronomy into Arabic. Al Beruni also penned his impressions about India in a book *Tarrik-i-Hind* (India), an outstanding source of information about eleventh century

⁷ Meruert Abuseitova, “Historical and Cultural Relations between Kazakhstan, Central Asia and India from Ancient Times to the Beginning of the Twentieth Century” in J.N. Roy and B.B. Kumar, eds., *India and Central Asia: Classical to Contemporary Periods*, (Delhi, 2007), p. 50.

India for posterity. The Tajik poet Bedil and Turkmen poet Magtymguly Pyragy wrote very endearingly about India. Magtymguly travelled to India and described his impressions of the lengthy journeys as “Here and there, all the ways in Turkmenistan go to my Hindustan”. Poet Bedil’s final resting place was Delhi. Akbar’s court had two poets from Central Asia; Maulana Qasim Kahi and Khwaja Hassan. Mirza Ghalib and Iqbal wrote both in Farsi and Urdu and their poems written in Farsi were extremely popular in Central Asia.

Indian medical studies and research were widely known and admired in Central Asia. Indian texts on medicine by Charak and Susrat were translated into Arabic and local languages. Often travelers to India carried back medicines with them. A famous physician from Herat Abu Mansur Mawafaq confessed having adopted the Indian way of learning as they (the Indians) were more sharp sighted in medical sciences than any other people and were more accurate in their research.⁸

Other areas where cultural interaction was visible was in the field of painting, including miniatures. The Kyrgyz legendary epic *Manas* has made references to elephants. Music and musical instruments of the two regions have a striking similarity. Central Asia exerted influence on the art of gardening in India. When a mosque or a tomb was being constructed during the Mughal period, special care had to be taken to ensure that there was enough space for gardens.

This vigorous and robust interaction waned with the expansion of British rule in the subcontinent and the Russian advance into Central Asia. A view suggests that the British rulers were interested in Central Asia long before the Russians incorporated the region into their empire. In the early nineteenth century the British began collecting information about Central Asia and had even established a monitoring centre at Herat. The Great Game refers to the pursuit for territorial and imperial domination in the Afghan region, played out between the British and Russian empires in the second half of the nineteenth century.

⁸ Mansura Haidar, *Exchanges and Interactions in the Field of Fine Arts, Handicrafts and Technology* in N.N. Vohra, ed., *Culture, Society and Politics in Central Asia and India* (Delhi, 1999), p. 88.

However, the orientation of the two regions underwent radical change with the recognition of Afghan independence, the establishment of the Durand Line between Afghanistan and the British empire and the incorporation of Central Asia in the Tsarist empire.

The Russians began to reorient Central Asia towards the North as Central Asian cotton was essential for the textile factories of Moscow and St. Petersburg. Tashkent became the hub of transport routes going northern. The British in turn constructed the port cities of Bombay, Madras and Calcutta, thus orienting Indian trade by sea routes. The silk route was already on the decline and Central and South Asia had started to drift apart. Adding to this distancing was the changing language education in both the regions. While the British introduced English, the Tsarist Empire promoted education in Russian. In the process Persian, a common language, the root of centuries-old cultural links was marginalized. As a perceptive observer noted “More important was the fundamental change that they managed to mould into the minds of the people as a whole”.⁹

During the Soviet period, India was among the few countries which was able to interact with Central Asian Republics. Indian films and music were extremely popular then and even now. There were exchanges of literary people, artists and people to people contacts.

Contemporary Scenarios

A new opportunity opened up for India when the Central Asian states gained independence in 1991. During the previous decades the geopolitical situation in the two regions had undergone a fundamental change. The British had partitioned the subcontinent into two nation states – India and Pakistan. India and Pakistan have had troubled relations; the trauma of partition and a disputed legacy over the boundary issue has created considerable acrimony.

The two countries have not been able to establish good neighborly relations despite periodic efforts to restore normalcy in their relationship. The deteriorating situation on the borders and support to the insurgency in the Indian State of Jammu and Kashmir has often dampened the peace process. For the

⁹ Dani, *Buddhism to Islam*, (n. 2), p. 6.

present it is inconceivable that the stalled 'composite dialogue' in the aftermath of the Mumbai attacks (November 2008) could be resumed in near future.

Afghanistan has also had a troubled relationship with Pakistan. Afghanistan was the only country to oppose Pakistan's entry into the United Nations. A highly contentious boundary issue or the Durand Line is the crux of Afghanistan-Pakistan estrangement. Tensions between the two countries have further escalated due to Pakistan's support and encouragement to extremist forces and Al Qaeda elements who wish to see an unsettled situation in Afghanistan. On the other hand, India has consistently enjoyed close and cordial ties with Afghanistan much to the annoyance of Pakistan. India and Afghanistan face threats and challenges from extremist forces and Al Qaeda elements originating from a common source. Undoubtedly, India's neighbourhood is not as peaceful as the past.

Similarly, the Central Asian region has also undergone radical changes. The Central Asian states gained independence in a vastly changed regional environment. Domestically, the challenge for the young states was to overcome the Soviet legacy and replace it with a new system. Dismantling the old system and replacing it with a new one in the absence of adequate experience and expertise was a monumental task. Their immediate concern was to prevent an economic collapse and ensure security in an increasingly volatile region. Geopolitics and energy security pushed the Central Asian states into the vortex of international politics. The beginning of the war on terror and the military presence of Western forces led by the US further enhanced their geopolitical significance.

The US, Russia and China have established their presence in Central Asia at the strategic level. A subtle attempt to secure and control the natural resources of Central Asia and enhance ones own influence is already underway. Whether this is the new version of the "Great Game" is a debatable point, but there is no denying that a competition among the powers is already on. The Caspian region adjoins Central Asia (Kazakhstan and Turkmenistan are littoral states) and the strategic value of the Caspian region is perhaps higher than that of Central Asia. The Central Asian states have ensured their security by joining regional groupings such as the Shanghai Cooperation Or-

ganization (SCO) and the Collective Security Treaty Organization (CSTO). These groupings are however, inadequate when viewed against the nature of threats and challenges faced by Central Asia. Steps have yet to be taken to deal with the question of better border management, training of personnel and creation of paramilitary forces in an efficient manner. Mention must be made of the Conference on Interaction and Confidence Building Measures in Asia (CICA), a Kazakh initiative that seeks to broaden the parameters of security in the region by involving other Asian countries. India is a member of CICA but not of the other regional groupings. Non-traditional threats are insidious and all-pervasive in nature and therefore require a collective and a collaborative effort. Challenges such as narcotics-trafficking, proliferation of small arms and organized crimes are activities of non-state actors. These activities sustain religious extremism and terrorism, and also impact negatively at the societal level. It is perhaps necessary to consider a new security architecture for the region that holds high strategic significance for regional and major powers. Such an architecture should offer equal security and be mutually beneficial to all.

Despite India's assertion that Central Asia is part of its strategic neighbourhood, its policies were not as robust as they ought to have been. India has perhaps been unable to match their expectations in economic terms, but nonetheless, Central Asian stability is in India's interest. The fledgling Central Asian states were vulnerable to non-traditional threats and challenges. These destabilizing impulses emanated from the common neighbourhood. The current deteriorating situation in Pakistan has grave implications for the Fergana Valley. The risk of militants shifting base to Tajikistan is real and not enough attention is being paid to this in the strategic thinking of the international community. Within the Central Asian region inter-ethnic rivalry, illegal migration arising from poor economic conditions are potential sources of destabilization. At the strategic level, Indian interests are to see that the region is not dominated by one single power.

The turning point in India's engagement with the Central Asian states came at the turn of the century. India's growing national strength – economic development, military and strategic consolidation, its knowledge industries all added to its rising international profile. In foreign policy terms India was

willing to intensify its engagement not only with South Asia, but with Asia as a whole. It implied that India's security parameters had broadened considerably, transcending its traditional South Asia-centric concerns. Its stakes in the extended neighbourhood have risen considerably. This gave India's "Look Central Asia" policy a fresh impetus. As mentioned, the watchword in India's policy was the stability of its extended neighbourhood. Parallel to its proactive role in Central Asia was also the issue of energy security. The need to procure Central Asian energy and also to play a role in their energy strategy became an additional factor in India's strategic thinking. The Central Asian economies are showing positive growth. Indian engagement in trade, investments and the promotion of regional cooperation are all being pursued. With Afghanistan as a member of the South Asian Association for Regional Cooperation (SAARC), the possibility of associating Central Asian States with the grouping would provide an impetus to South and Central Asian cooperation.

India has to depend on bilateral instruments in the pursuit of its objectives. On issues of security and economic development all the Central Asian States, except Turkmenistan, are members of regional groupings such as the SCO, the CSTO, or the EurAsEC. These are the prominent regional groupings in the region. In Afghanistan, India's involvement in its reconstruction effort is vibrant and sustained.

India's engagement with the Central Asian states is on a sound footing. Common commitment to democracy, open societies and secularism, similar perceptions of the nature of threats and challenges facing them, and the rich legacy of past contacts have augured well for India in this energized phase. More importantly, the Central Asian states are responding favorably to India's active policy. Eighteen years the multivector foreign policy of the Central Asian states often comes under strain. Central Asia's search to find the best option of cooperation with Russia, the US and China poses difficult choices at times. The Central Asian states therefore welcome India's heightened involvement in the region. In their perception, given India's rising stature - particularly in its evolving strategic ties with the US, - it (India) could play the role of a balancer in Central Asia. A milestone development was the Declaration of Strategic Partnership signed between India and Kazakhstan in

January 2009. Incidentally, President Nursultan Nazarbayev was the guest of honor at India's Republic Day function. On the energy scene of Central Asia, India has been able to establish a modest presence whilst supporting the Asian Development Bank's Turkmenistan-Afghanistan-Pakistan-India gas pipeline project.

Secondly, India can help with capacity building in the Central Asian states. The Central Asian economies are showing a positive growth rate and some of the states, such as Kazakhstan, favour a quicker diversification of these economies. India could contribute positively to this diversification process. This development has also opened up possibilities of trilateral cooperation. As there is a congruence of interests between India and the US on many issues of international/regional importance in Central Asia, the two countries could cooperate in economic and related areas, including security. The possibility of India, the US and Russia cooperating in Central Asia in the energy sector could be explored.

The issue of peace and stability in Afghanistan is closely intertwined with India's attempts to intensify its interaction with Central Asia. Reaching out to Central Asia is not an easy task, as the Central Asian states are landlocked and do not share a border with India. In this situation Afghanistan is the critical link in connecting India with Central Asia. Before India are two options; one is to follow the ancient transport and trade route that traversed present-day Pakistan and Afghanistan. However, Pakistan's denial of access of its territory to India and the current low in India-Pakistan relations makes this an implausible option. The second option is via Iran-Afghanistan-Uzbekistan/Tajikistan. This gateway needs to be energized, for India 'Look Central Asia' policy to acquire substance and content.

In this context, the concept of Greater Central Asia (henceforth GCA), which aims to bring South and Central Asia closer to each other is noteworthy. For several centuries, the two regions were linked through transport and trade, religion, culture and historical ties. Such ties augured well for the economic prosperity of the two regions. In the past scheme of things, Afghanistan was the crucial link between the two regions. The concept of GCA attempts to recreate the past scenario primarily through transport and trade in which Afghanistan would occupy a central position. As observed by Frede-

rick Starr, the architect of GCA, “the key to development in the region is trade which in turn requires improvements in transport. The economies of Afghanistan and its neighbors will never flourish in isolation; many are still dominated by subsistence agriculture and none has much industry. But their geographical position at the crossroads of the Middle East and eastern Asia, of Europe and Southern Asia would enable them to reap great benefit from increases in trade”.¹⁰ The core idea of GCA, linking South with Central Asia, is in congruence with Indian interests of enhancing economic interaction with Central Asia. At the broader level, the idea of GCA has opened up a remarkable opportunity for continental trade by overland route which would include Central Asia and extend even further to Europe. The GCA strategy, however, hinges on Pakistan’s willingness to allow access to India of its territory and also to ensure its security. Another inter-related issue is India-Pakistan and Afghanistan-Pakistan relations which impinge on the GCA strategy. For the present it seems that this option is inconceivable. India will have to pursue the next best option to reach Central Asia, via Iran. The Central Asian states also need multiple choices in the southward direction. Frederick Starr, a renowned scholar of Eurasian Affairs says “The best way forward is to pursue whatever options make the best market sense under the circumstances. If one channel is blocked let trade flow through others. This process will encourage, even force, those countries to remove political blockages and calculate opportunity costs”.¹¹ Nevertheless, while tumultuous events in the region have cast a shadow over the pursuit of the GCA idea for the present, the efficacy and validity of the idea is not in doubt.

¹⁰ S. Frederick Starr, “A Partnership for Central Asia”, *Foreign Affairs*, July-August 2005.

¹¹ S. Frederick Starr, ed., *The New Silk Roads: Transport and Trade in Greater Central Asia* (Washington D.C.: Central Asia-Caucasus Institute, 2007), p. 31.

Strategic Environment in Central Asia and India

Arun Sahgal & Vinod Anand

Emerging strategic trends in Central Asia are part of an overarching strategic construct that has been evolving since the end of the Cold War. The appearance of sovereign Central Asian republics after the demise of the Soviet Union and the weakness of the Russian state in the immediate aftermath of the Soviet collapse led to a strategic vacuum in the region. Many major and regional powers sought to fill it. Meanwhile, Central Asians endeavored to associate themselves with as many multilateral organizations and foreign powers as possible in order to define their newfound independence and national identity. Movement away from the Russian bear-hug and engagement with the U.S. and the Western countries were considered to be a way to address their concerns about security and economic issues, in addition to emphasizing their newly acquired sovereignty. At the same time it was not easy for the Central Asian Republics to break their umbilical link with Russia. This was due to a number of contextual factors besides the dominant factor of geographical proximity. The policies of the Central Asian nations were further impacted by their internal dynamics and the difficult and turbulent process of nation-building with which they were coping.

The U.S. and European nations sought to absorb the Central Asian states into their orbit of influence through economic engagement and security cooperation (via NATO's Partnership for Peace Program). China, too, embarked on a similar path to enhance its strategic presence in the Central Asian states, after having first solved boundary issues with Russia and its Central Asian neighbors. By the early 1990s, such regional powers as Turkey, Iran and Pakistan were also in the fray in the Central Asian arena. With the end of Boris Yeltsin's decade and emergence of a more assertive Russia under President Putin, the Kremlin, too, began reorienting its policies towards reclaiming what it considered its 'strategic backyard.'

After the collapse of the Soviet Union, the second most significant strategic event to occur in the Central Asian arena, and at the global level as well, was the American response to the 11 September 2001 terrorist attacks, which took the form of Operation Enduring Freedom (OEF). The war against terrorism, launched in October, 2001, brought the U.S. and NATO next door to Central Asia. Central Asian countries such as Uzbekistan and Kyrgyzstan readily granted the use of bases to OEF forces. Other countries provided over-flight and miscellaneous support. This U.S. response was largely welcomed by Russia, China, the Central Asian states and India. Russia and China raised no objections to the U.S. being granted bases and logistics facilities in Central Asia since it suited their short-term strategic interests of containing the rising tide of fundamentalism and terrorism, even though they harbored concerns about the long-term strategic designs of both the U.S. and NATO.

During the heydays of the Taliban regime (1996-2001), Afghanistan had become the epicenter of terrorism, with sanctuaries and training facilities provided to the likes of Al Qaeda, the Islamic Movement of Uzbekistan (IMU), and other radical Islamic groups operating in Central Asia. Even China felt threatened by religious fundamentalist and extremist Muslim elements in Afghanistan because of its vulnerabilities in Xinjiang and its problems with Muslim Uighurs. In a broader strategic framework, U.S. intervention against the Taliban regime coincided with growing Russian and Chinese security concerns.

India was a late-starter on the Central Asian chessboard. India's preoccupation in the first half of the 1990s with its economic difficulties (leading to pledging gold reserves to the Bank of England), ongoing insurgency in J&K, and unstable political milieu prevented it from taking major political initiatives in Central Asia. Notwithstanding this, India recognized Central Asia as an area of strategic importance. The Annual Report of India's Ministry of Defense stressed Central Asia as an area of vital importance to India, not only on account of its geographical proximity and India's historical and cultural links with the region, but also because of the common challenge they all face from extremism and terrorism. Prime Minister Manmohan Singh, addressing the Combined Commanders Conference in October, 2006, observed:

‘When we look at our extended neighborhood we cannot but be struck by the fact that India is the only open pluralistic democratic society and rapidly modernizing market economy between the Mediterranean and the Pacific. This places a special responsibility upon us not only in the defense of our values but also in the search for a peaceful periphery. We have traditionally conceived our security in extending circles of engagement. Today, whether it is West Asia, the Gulf, Central Asia or the Indian Ocean region, there is increasing demand for our political, economic and defense engagement.’¹

The growth of the Indian economy creates an ever-growing demand for energy and natural resources to fuel and maintain the momentum of our growth. The discovery of large reserves of hydrocarbons and other resources needed for sustaining economic growth makes the Central Asian region immensely attractive for forging a mutually beneficial cooperative relationship. Relations that are based on a shared commitment to open and progressive societies, secularism, democracy, and improving the lot of the common people, have been reinforced by a similarity of views in the fight against terrorism, drug trafficking and in many other areas of security. Also, with the intense power play taking place between Russia, China, the U.S. and the Western countries in the strategic arena of Central Asia, India’s emphasis on soft power strikes a positive chord among these nations.

This paper examines the strategic situation in the Central Asian region to including its significance, the role of major players, the responses of Central Asian states, and the implications for India of the evolving strategic scenario. Policy options for India to advance its interests will also be discussed.

The Geostrategic Salience of the Central Asian Region

Central Asia is at the center of the Eurasian land mass and is historically important as a crossroads equally for invaders and traders. It is both a facilitator and inhibitor to external players attempting to realize their strategic ambitions. Its conceptualization has taken many forms but one that perhaps encapsulates the region best in geostrategic terms is as a “Greater Central Asia,” a term that includes the five Central Asian states, Afghanistan, and the Turkic Xinjiang region of China. In its extended geostrategic construct it

¹ Extract of the speech available at <http://pmindia.nic.in/speeches.htm>

also includes northern parts of Pakistan, the Khorasan province of Iran, Tatarstan in Russian and even northern India.

In the beginning of the last century, Sir Hartford Mackinder postulated his 'Heartland Theory' that dwelt upon the geopolitical importance of the Eurasian heartland, bounded by the Volga and Yangtse Rivers and the Himalayas in the south and the Arctic Ocean in the north. His theory has never been fully tested but it highlighted the strategic significance of the Central Asian region. Geostrategist and former United States National Security Adviser, Zbigniew Brzezinski, analysed Central Asia in his 1997 book, *The Grand Chessboard*, terming the post-Soviet region the 'Black Hole' and post-Soviet Central Asia (the Caucasus, former SSRs, and Afghanistan) in particular the 'Eurasian Balkans'. He was of the view that what happens to the distribution of power on the Eurasian continent will be of decisive importance to America's global primacy and to America's historical legacy (p.194). Geopolitical pluralism and multi-culturism have been the two distinct elements of this historical legacy. He also considered Uzbekistan as the linchpin of Central Asia, least vulnerable to Russian pressure, and its independence being critical to the survival of other Central Asian states. Over the last decade and a half resource-rich Kazakhstan has also emerged as one of the leading nations among the Central Asian states.

The geo-strategic salience of Central Asia today has been underscored by two main factors. First, Central Asia has become important because of the discovery of hydrocarbon reserves and second, it has become a major transportation hub for gas and oil pipelines and multi-modal communication corridors connecting China, Russia, Europe, the Caucasus region, the Trans-Caspian region and the Indian Ocean. Furthermore, whether it was Czarist Russia or the Soviet Union or even the present Central Asian regimes, there has always been a strategic ambition in the north to seek access to the warm waters of the Indian Ocean. Thus Afghanistan, which links Central Asia and South Asia, is a strategic bridge of great geopolitical significance. Central Asia and South Asia are intimately connected not only geographically but also strategically. The Central Asian republics of Turkmenistan, Uzbekistan and Tajikistan have borders with Afghanistan, Iran lies to its west and Pakistan to the east and south. Therefore, the geostrategic significance of Afghanistan is

enhanced even though it may not be an oil- or gas-rich country. With the control of Afghanistan comes the control of the land routes between the Indian subcontinent and resource-rich Central Asia, as well as of a potential corridor to Iran and the Middle East. Thus, stability and peace in Afghanistan, and for that matter Pakistan, are a geostrategic imperative.

Central Asia has never been a monolithic area and is undergoing a turbulent transitional process with a diverse range of ethnicities and fragmented societies throughout the region. These societal divisions and lack of political maturity compound the social, economic and political challenges.

Security and economic issues are the two most important components of the Central Asian states' engagement with outside powers. Among the states themselves there are elements of both cooperation and competition. Historical legacies, their geo-strategic locations, and above all their perceived national interests profoundly influence the political choices of Central Asian nations. The weaknesses of the new nations in Central Asia pave the way for outside powers to interfere in their internal affairs.

Central Asian Republics: Internal Dynamics

The five Central Asian nations did not exist as territorial entities before the delineation of the Soviet Union's internal borders in the 1920s. But while demarcating the boundaries, the Communist leadership overlooked many ethnic, tribal, linguistic, geographical and even economic factors. The process has been described as 'borders moving across settlements. For instance, the Ferghana Valley, which is central to the Central Asian region, formerly existed as a single cultural and economic unit dominated by Uzbeks. It was trifurcated between Uzbekistan, Kyrgyzstan and Tajikistan, leaving large ethnic minorities in others territory. In the post-Soviet era this has led to problems of governance, regulation of movement across the borders, heightened security concerns and has also compounded many inter-state disputes. Worse, all transport and communication infrastructure was built according to the requirements of connectivity to the Soviet economy. There has also been a propensity of the states to use the large minorities in the territory of the others as levers, depending upon the circumstances.

Each country has its unique characteristics and strengths that are complementary to each other and can be exploited to achieve a meaningful regional integration. However, Central Asia is far from achieving this goal. Uzbekistan occupies a unique position because of geo-strategic and geo-political factors. It is the only country that has borders with all the other four states. It has the largest population (27.3 million as of July 2008) and is the hub of transit corridors in Central Asia.² It also has one of the largest diasporas in the neighboring countries. The other most important nation is Kazakhstan with the largest land area (86 per cent of India) and with a GDP of U.S.\$ 103 billion³ (est. 2007), which is over 50 per cent of Central Asia's combined GDP. It is expected to become a top oil producer within this decade. The other three nations in Central Asia – Turkmenistan, Kyrgyzstan and Tajikistan – complement the geo-strategic importance of the region. Tajikistan and Kyrgyzstan control 90 per cent of the region's water resources with tremendous possibilities for its exploitation for hydropower. Turkmenistan is rich in natural gas (referred as the Saudi Arabia of Central Asia) while its geo-strategic location on the Caspian Sea adds to the strategic significance of the area.

The Kazakh and Turkmen economies are mostly geared to energy exports but need foreign investment for production and transport. Similarly, Kyrgyzstan and Tajikistan need foreign investments to exploit their hydropower potential. Tajikistan, Turkmenistan, and Uzbekistan are major cotton producers, a legacy of central economic planning during the Soviet period. Uzbekistan's cotton and gold production rank among the highest in the world and a large part is exported. It also has moderate gas reserves but needs investment to upgrade infrastructure. Kyrgyzstan has major gold mines and strategic mineral reserves and is a major wool producer. Tajikistan has one of the world's largest aluminum processing plants. Thus, there is competition among the outside powers to gain influence in the resource-rich Central Asian Republics.

The potential for instability in this area is very high because of the nature of the political regimes, which are often considered to be domineering, oppres-

² The World Fact Book of CIA, Uzbekistan available at <https://www.cia.gov/library/publications/the-world-factbook/geos/uz.html>

³ Ibid.

sive, and devoid of the liberal and democratic practices that exist in the western democracies. Yet, these states survived for eighteen years, without any major changes in their political systems and structures that were inherited after the unraveling of the Soviet Union. One must assume that over time closed systems are more prone to atrophy than open systems.

Another factor that impacts the political decision-making in the Central Asian states, and which is less visible to the public, is the existence of 'informal networks of power' which are clan-based, region-based and interest-based (for instance, the powerful financial elites who have significant impact on political discourse). These informal networks are particularly important in a political environment like Central Asia, where governing institutions and political structures are not yet mature and are undergoing transition. One such category is ethno-based groups, like Turkmen, Kazakhs, Kyrgyz, and Uzbeks, including their sub-divisions, sub-nationalities, or clans.⁴ Another category of networks revolves around the erstwhile traditional Communist elites, who continue to control the levers of power. Therefore, policies followed by the Central Asian states are often the outcome of complex interactions among the elite within the regime and other informal power structures rather than of a centralized or a delineated decision making process.⁵

Influenced by these conditions, the Central Asian states have joined a number of multilateral security and economic structures promoted by the major powers and groups. While the objectives of major powers are to promote their own politico-military security and economic agenda and absorb these nations into their spheres of influence, the key goal of Central Asian states is to strike a delicate balance of power and ensure the best deal for themselves by exploiting the rivalry between the major powers. Further, the Central Asian states consider such multilateral arrangements as the best way to maintain security and stability in the region. Many factors have affected

⁴ S. Frederick Starr, *Clans, Authoritarian Rulers and Parliaments in Central Asia*, Washington: Central Asia-Caucasus Institute *Silk Road Paper*, June 2006, available at http://www.silkroadstudies.org/new/docs/Silkroadpapers/0605Starr_Clans.pdf

⁵ Sergei Mahnovski, Kamil Akramov and Theodore Karasik, *Economic Dimensions of Security in Asia*, Santa Monica: Rand, 2006, available at http://www.rand.org/pubs/monographs/2006/RAND_MG417.sum.pdf

their political reforms, institution building, promotion of national identities and exploitation of their natural resources. Among these are the proximity of major powers like Russia and China; the U.S.-led NATO; the European Union; and the ongoing global war on terrorism at Central Asia's southern borders. Hence, all the five states have been following policies that can be termed multi-faceted or multi-directional. The Central Asian states consider the preservation of equilibrium between the major powers a the best way to advance their interests. Some believe that the political leadership of the five states is looking for regime security rather than national security in its widest sense. This is not a strange concept in many Asian states.⁶ Such an approach has the effect of bringing Central Asian states closer to so-called 'quasi-democratic' powers, such as Russia and China, perhaps at the expense of the U.S. and the West. In recent years, while the influence of the U.S. and the West is showing a downward trend, the Russian and Chinese strategic footprints in the Central Asian Republics are exhibiting an ascending trajectory.

Rise and Fall of the U.S. and EU Influence

After the collapse of the Soviet Union, the U.S. Congress passed a Freedom Support Act (FSA) in 1992 to provide aid to the newly independent nations. In 1999, a 'Silk Road Strategy Act' (later updated and modified in 2006)⁷ and

⁶ Amitav Acharya, 'Human Security and Asian Regionalism; A Strategy of Localization' in Amitav Acharya and Evelyn Gho ed., *Reassessing Security Cooperation in the Asia Pacific: Competition, Congruence and Transformation* (Cambridge, MA: MIT Press, 2007), p.241. He opines, 'Unlike in the West, national security concepts in Asia are strongly influenced by concerns for regime survival. Hence, security policies in Asia are not so much about protection against external military threats, but against internal challenges . . . And a concept of security that challenges the unquestioned primacy of the state and its right to remain free from any form of external interference arouses suspicion and controversy.'

⁷ Full text of U.S. 'Silk Road Strategy Act 2006' available at <http://www.govtrack.us/congress/billtext.xpd?bill=s109-2749>: The Act notes that the United States has come to view democratization of the countries in the region as essential to enhanced security. Besides Central Asian states and Afghanistan it includes Azerbaijan, Armenia and Georgia as part of Central Asia and the South Caucasus. After severe criticism of Uzbekistan regime's reaction to Andijon violence in may 2005 and as a consequence eviction of the U.S. troops from the military base there; the U.S. has recognized the virtues of being more pragmatic in its policies towards the Central Asian states. The modified Act observes: 'While these revolutions (the coloured revolutions) resulted in the ouster

authorized economic aid, development of transportation and communication links and border controls. But this also contained riders to promote democracy and create civil societies in the South Caucasus and Central Asia. Even though these were lofty aims, the underlying desire of the U.S. was to strengthen its influence in the wake of persisting Russian weakness in Central Asia and elsewhere.

The further objectives were to involve the Central Asian states in Euro-Atlantic institutions and to foster their pro-West orientations.⁸ The U.S. encouraged the Central Asians' links with NATO, the European Union, and the Organization for Security and Cooperation in Europe (OSCE). By the mid 1990s, most of the Central Asian nations had joined NATO's Partnership for Peace (PFP) Program (four of them joined in 1994 and Tajikistan did so in 2002) and a number of PFP-style military training exercises were carried out in both the U.S. and in Central Asia.

The Central Asian nations also viewed NATO's greater engagement in the region as an opportunity to modernize their armed forces and upgrade their capacity to respond to the regional challenges of drug trafficking, religious extremism, terrorism and the proliferation of weapons of mass destruction. The development of relations with NATO also constituted a counterweight, or at least a useful alternative, to their relations with Russia.

The strategic influence of the U.S. was at its peak during October 2001 and thereafter, when it was offered bases in Central Asia to fight the Taliban. It went into somewhat of a decline after the U.S. started aggressively promoting western style democracies in Central Asia and in the former Soviet republics. The high point of these policies, with negative repercussions for the U.S., was reached when it responded to the Andijon violence of May 2005 in Uzbekistan by severely criticizing the Uzbek government. In retaliation, the U.S. was asked to vacate its base in Uzbekistan. The Shanghai Cooperation Organization (SCO) in July 2005 urged all foreign forces to set a timeframe

of corrupt and ineffective regimes by largely peaceful protest movements, the long-term interests of security, stability, good governance, and economic growth are better served by evolutionary democratization.'

⁸ Strobe Talbott, 'A Farewell to Flashman: American Policy in the Caucasus and Central Asia,' Presentation at the Central Asia-Caucasus Institute, July 21, 1997, <http://www.state.gov/www/regions/nis/970721talbott.html>

for withdrawal of their bases from the territory of SCO member states.⁹ The so-called colored revolutions, such as the Tulip revolution in Kyrgyzstan, though believed to be supported by the U.S. and the West with a view to promote a pro-Western orientation, have not met with much success. Kyrgyzstan also demanded the vacation of its air base by the U.S. but agreed to extend the lease with a manifold increase in the agreed sum. It was again extended following the U.S.–Russian Summit in July, 2009. While the U.S. rebuked Uzbekistan and raised questions of human rights in light of the Andijon incident, China welcomed President Islam Karimov on his visit to China in May, 2005, and lauded him for his firm handling of the ‘riots’.

The U.S. of late seems to have learnt the virtues of being pragmatic and not assertively nationalistic in its dealings with the Central Asian republics. For instance, it has been circumspect in condemning President Nursultan Nazarbayev of Kazakhstan on his less than democratic policies, due to the fear of losing perhaps the only potential friend in Central Asia and its rich energy and natural resources.

As mentioned earlier, the strategic goals of the U.S. center on building energy and transport corridors that avoid Russia by going either south or west. Despite many engineering and financial challenges involved in the building of the oil pipeline from Baku, Azerbaijan, via Tbilisi Georgia, to Ceyhan in Turkey, it was completed in May, 2006. The BTC pipeline was part of the U.S. policy of reducing Russia’s stranglehold on the Central Asian oil and gas pipeline network by providing an alternative route to Europe. The Kazakh President attended the inauguration of the BTC pipeline but Kazakhstan is yet to join the U.S. and Europe for a Trans-Caspian pipeline. Another U.S. and EU-supported proposal for the *Nabucco* gas pipeline is under examination, with a memorandum of understanding signed on 13 July, 2009. Iran is also reportedly on board to sell gas to Europe. Richard Boucher, then U.S. Assistant Secretary of State, on a visit to Kazakhstan in June, 2007,

⁹ For a detailed treatment of the subject see Fiona Hill, ‘A Not-So-Grand Strategy: U.S. Policy in the Caucasus and Central Asia Since 1991’, *Politique Étrangère*, February 2001, available at http://www.brookings.edu/articles/2001/02foreignpolicy_hill.aspx?rsid=hillf. Also see Murat Laumulin, ‘U.S. Strategy and Policy in Central Asia’, *Central Asia and Caucasus*, No. 4(46), 2007 available at www.ca.org/2007/journal_eng/cac-04/05.html

attempted to drive home the point that it would be more advantageous to deal with the European buyers directly, without interference by Russia.. Boucher also remarked that ‘Kazakhstan appears to be making more progress toward democratizing by enhancing the role of parliament.’¹⁰ Meanwhile, Turkmenistan is actively being courted by all the players, including the U.S. for its gas reserves. Admiral William Fallon, Commander of the U.S. Central Command, and a bevy of American energy officials all visited Turkmenistan following the death of President Niyazov. In September, 2007, both the Turkmen and Kazakh presidents visited the U.S., thus raising prospects for a favorable outcome for the U.S. and the West.

In another move reflecting the Central Asian Republics’ continued desire to engage Euro-Atlantic institutions, President Islam Karimov attended NATO’s summit in Bucharest in April, 2008, and announced that NATO could use Uzbek air space and land routes for logistical support for troops in Afghanistan. Even Turkmen President Gurbanguly Berdimuhamedov attended NATO’s Bucharest summit that year, in a significant departure from Niyazov’s more standoffish policies.

Kazakhstan and Turkmenistan have concluded oil and gas deals with Russia and China, but they continue to hold prospects for a Trans-Caspian pipeline to link up with the Baku-Tbilisi-Ceyhan (BTC) pipeline supplying oil to Europe. The Western-backed Nabucco gas pipeline also depends upon Turkmen gas..The Turkmen president pledged 10 billion cubic meters (bcm) of gas to the EU for 2009 and also offered offshore gas fields to South Korea.¹¹ In July, 2008, Bedrimukhamedov travelled to Bucharest to sign a bilateral agreement and to establish an Inter-governmental Economic Commission. Turkmenistan’s contribution to the Nabucco pipeline was also reported to have been discussed. In October 2008, the Yolton-Osman gas field was certified by in-

¹⁰ CRS Report for Congress, ‘Central Asia: Regional Developments and Implications for U.S. Interests’, August 2008. See overview of U.S. policy concerns on pp 2 to 3 of the Report. Also see National Security Strategy 2006, p.40 where the document says ‘Central Asia is an enduring priority for our foreign policy . . . In the region as a whole, the elements of our larger strategy meet, and we must pursue those elements simultaneously: promoting effective democracies and the expansion of free-market reforms, diversifying global sources of energy, and enhancing security and winning the War on Terror.’ Available at <http://www.whitehouse.gov/nsc/nss/2006/>

¹¹ See N.8, p.4 of the CRS Report of August 2008.

ternational auditors to contain gas reserves four to five times greater than the Dauletabad field. This discovery confirms that Turkmenistan can export gas to all its potential customers..¹² Just before he died in December, 2006, Niyazov claimed that Turkmenistan had sufficient reserves to export 150 billion cubic meters (bcm) of gas for the next 250 years. It turns out that President Niyazov was right.

The focus of the U.S. policies is not only on hydrocarbon and resource-rich states like Kazakhstan and Turkmenistan and strategically important Uzbekistan. Washington has paid equal attention to Kyrgyzstan and Tajikistan. Continuing a stream of high-level visits, U.S. Assistant Secretary of State Richard Boucher visited Bishkek in October, 2008, and discussed energy (hydro-power) and security relations with President Bakiyev. The U.S.-sponsored Manas air base was discussed, with Boucher emphasizing its importance in stabilizing Afghanistan, providing security from terrorist and extremists in the region, and in its value in addressing natural disasters such as the recent earthquake in Kyrgyzstan. A U.S. Government-funded \$36 million bridge over the Panj River between Afghanistan and Tajikistan opened for commercial traffic in October, 2007, causing an immediate three-fold increase in trade..

The construction of the Panj River bridge was but element of Washington's Central Asia strategy. In 2006, the State Department included Central Asia in a revamped Bureau of South and Central Asian Affairs. According to Principal Deputy Assistant Secretary of State Steven Mann, 'institutions such as NATO and the OSCE will continue to draw the nations of Central Asia closer to Europe and the United States,' but the United States also will encourage the states to develop "new ties and synergies with nations to the south,' e.g..Afghanistan, India, and Pakistan.¹³ This policy has been generally referred to as a "Greater Central Asia" concept (dealt with in detail elsewhere in this paper), which treats South and Central Asia as a single unit. Besides their deep cultural and historic ties and their common war on terror-

¹² John CK Daly, 'The Battle for Central Asia', ISN Security Watch, June 11, 2007, also available at <http://www.res.ethz.ch/news/sw/details.cfm?ID=17723&nav1=1&nav2=2&nav3=3>

¹³ See UK Embassy in Kazakhstan website, 'Closing Ceremony of Steppe Eagle- 2008' <http://ukinkz.fco.gov.uk/en/newsroom/?View=Speech&id=6868213>

ism, the countries of the region have many common concerns, such as finding sources and outlets for energy, achieving prosperity through economic cooperation, and enhancing security and stability. However, the primary goal of the U.S. remains did not exploit its initial advantage in the 1990s. weaning the Central Asian countries away from a unilateral dependence on Russia.

As part of its greater engagement with Central Asia, the EU in June 2007 unveiled a new Central Asia Strategy for the period 2007-13, which revolves around promoting political dialogue, trade and economic relations and cooperation in a variety of sectors. The EU program also seeks to promote good governance and democratic norms. Earlier, in February, 2007, the EU Commission advised the EU to increase contacts with Central Asian countries in order to secure energy resources that are of “permanent strategic importance.”¹⁴ The EU intends to spend 750 million euros in the region, a sum that is unlikely to take it far. The level of interest in Central Asia varies from one EU member to another. Moreover, the adoption of the new strategy is an acknowledgment of the failure of its erstwhile policy. The European Commission plans to open offices in all the five Central Asian capitals, but the Central Asian countries remain concerned over the EU’s political agenda, even though there are practical initiatives under the Partnership for Cooperation Agreements (PCAs) between the EU and each Central Asian nation. Observers from the OSCE have criticized the practice of democracy in all the Central Asian states but this did not deter the OSCE’s Ministerial Council from granting the presidency of the organization to Kazakhstan in 2010.¹⁵ The new EU strategy is a recognition of the fact that the EU did not exploit its initial advantage in the 1990s and has been losing influence there ever since

¹⁴ Stephen Mulvey, ‘EU dreams of Central Asian Gas’, *BBC Online*, March 27, 2007 available at <http://news.bbc.co.uk/2/hi/europe/6500943.stm>

¹⁵ See NATO Parliamentary Subcommittee on Democracy and Governance Report ‘Democracy and Security in Central Asia: what policy for NATO and EU?’ March 20, 2008, available at <http://www.nato-pa.int/Default.asp?SHORTCUT=1462>. The report observes: ‘It is undeniable that Kazakhstan has established a stable political system, one which in many regards appears strikingly more open and competitive than those of certain of its neighbors. Thus, the decision of the Ministerial Council of the OSCE to grant the presidency of the organization to Kazakhstan in 2010 recognizes the genuine efforts of the Kazakh authorities.’

The Central Asian nations cannot be said to have fulfilled their expectation of economic gain from the pro-Western policies they pursued after gaining freedom from the Soviet yolk. Meanwhile, an economically ascendant China was making important gains there, as was Russia, underwent a certain resurgence due to its abundant oil and gas reserves, along with its past political and economic linkages. The Central Asian governments, in an effort to extract maximum advantage from this situation, have followed “multi-vector” policies. The strategic environment in Central Asia is further underscored by the fact that Russia has been at pains to regain its strategic space in an area that it considers as its backyard or ‘near abroad’. Both China and Russia have been coordinating their efforts to increase their influence.

Russia’s Reassertion in its ‘Strategic Backyard’

The Boris Yeltsin years led to the decline of Russian power in Central Asia because of internal dynamics and a general withdrawal from the former Soviet republics. Yeltsin’s reign coincided with a decline in Moscow’s economic, military and political strength. There was a time in 1999 when oil reached its lowest price of US\$10 per barrel, adversely affecting Russian revenues. After President Putin appeared on the scene he embarked on the process of internal balancing and of regaining a hold on Central Asia and the former Soviet republics. Besides joining the Chinese-led SCO, Putin developed Russia’s own security structure, the Collective Security Treaty Organization (CSTO), for Central Asia and the former Soviet republics. It needs to be underscored that apart from the historical perspective, Russian ties with the region are driven by military and economic considerations. Central Asia is the central pillar of its Eurasian strategy and constitutes a strategic space that protects its Eastern flank. It can be thus expected to protect its security, energy, and transportation interests. The CSTO is the construct of such thinking. Collective Rapid Reaction Force exercises are carried out to showcase Russia’s resolve to protect the southern belt of the CIS. Similarly, the Russian air defense command carries out regular exercises to defend strategic air space over Central Asia. A counter-intelligence center has been established at Bishkek for sharing intelligence, reviewing threat perceptions, and formulating joint strategy to combat terrorism.

In November, 2005, Russia and Uzbekistan signed a security agreement called the 'Treaty of Allied Relations.' This is tantamount to a military pact since it calls for military help to be rendered in case of aggression against one of the parties by a third state.¹⁶ It also includes the provision of the use of each other's military bases and installations. In addition, a wide range of commercial agreements between the two countries were signed. This reflected the growing disenchantment of Uzbekistan with U.S. policies at the time. Uzbekistan was the first Central Asian nation to opt for a pro-Western orientation and had joined the NATO-sponsored Partnership for Peace Program (PFP) in mid-1994. In 1999, it had withdrawn from the Collective Security Treaty in order to distance itself from the embrace of the Russians. Then, after September 11, it offered bases to the U.S. for operations against the Taliban. Uzbekistan also endorsed the U.S.-led military operations in Iraq, though it did not send any troops.

In September, 2006, Russia and Uzbekistan held joint military exercises with the central theme of combating terrorism. Uzbekistan is also expected to benefit from its military agreements with Russia by receiving armaments at reduced prices.

Earlier in 2007, the SCO's military exercise Peace Mission 2007, built on the foundations of Peace Mission 2005, enlarged the scope of the joint exercises with concomitant implications for the politico-military, security and strategic firmaments, at the regional and international levels. President Putin argued the injustice of a unipolar world in his speech at the 43rd Munich Conference on security in February 2007. He observed that 'the unipolar model is not only unacceptable but also impossible in today's world. The model itself is flawed because it does not, and cannot, provide a moral foundations for a modern civilization.'¹⁷ Meanwhile, the new president, Dmitri Medvedev, also moved to reclaim Russia's former influence over its southern neighbors by reasserting its "privileged interests" in neighboring countries that were once

¹⁶ Erich Marquadt, Yevgeny Bendersky, 'Uzbekistan's New Foreign policy Strategy', *Power and Interest News Report*, November 23, 2005, http://www.pinr.com/report.php?ac=view_report&report_id=404

¹⁷ President Vladimir Putin's speech at 43rd Munich Conference on Security Policy held on February 10, 2007 available at <http://www.securityconference.de/konferenzen/rede.php?sprache=en&id=179>

part of Soviet Union.¹⁸ Russia's armed intervention in Georgia in August, 2008, was a reassertion of this purported right. The response of the Central Asian states to Russia's armed intervention in South Ossetia and Abkhazia manifested their own multi-vectored policies. While individually they may have praised (for instance, Kazakhstan) the Russian intervention and accepted Russia's rationale for doing so, they refused to give diplomatic recognition to the newly-emerged entities recognized by Russia. In a fine act of balancing, they joined China at an SCO summit in August, 2008, in Dushanbe to present a common stance that reflected their shared opposition to altering present territorial borders and to interfering in the internal affairs of others. At the meeting of the CSTO in September, 2008, they maintained the same general stance. Kyrgyzstan, Kazakhstan, Tajikistan, and Uzbekistan praised the "active role of the Russian Federation in working toward peace and cooperation in the Caucasus" but refused to recognize the independence of South Ossetia and Abkhazia.¹⁹ However, following Russia's war against Georgia, the Central Asian Republics would be less ready to defy Russia and more accommodating to Russian concerns.²⁰ Russia remained concerned with the U.S. positioning elements of ballistic missile defense in Poland and the Czech Republic, the non-ratification of the Conventional Forces in Europe Treaty by NATO members, the admission of more former Soviet states to NATO, and Kosovo being granted the status of an independent nation. Both China and Russia remain concerned over the developing situation in Afghanistan. In an interaction at a Chinese think-tank²¹ they emphasized that NATO's presence in Afghanistan serves U.S. interests; it enables the U.S. to extend its influence in the Central Asian states; and both Afghanistan and

¹⁸ In an interview with Euronews TV channel on 03 September 2008, Dmitry Medvedev outlined five principles he would follow in Russia's foreign policy: ' . . . The fifth principle is that Russia, like any other state, has certain regions it will pay particular attention to. These are regions of our privileged interests. We are going to have special, cordial, long-term relations with the states in these regions.'

¹⁹ For detailed analysis see Erica Marat, 'CSTO Summit Disappoints Russia, Unites central Asia', *Eurasia Daily Monitor*, September 12, 2008, Volume 5, Number 175 available at http://www.jamestown.org/edm/article.php?article_id=2373371

²⁰ For instance see Sebastien Peyrouse, 'Sino-Kazakh Relations: A Nascent Strategic Partnership', *China brief*, Volume 7, Issue 21, November 7, 2008 available at http://www.jamestown.org/terrorism/news/uploads/cb_008_21.pdf

²¹ The interaction was with scholars of the China Institute of International Strategic Studies (CIISS) at Beijing in August 2007.

Central Asia are being used as bridges to expand the power of NATO and the U.S. in the Asia-Pacific region.

Moscow's push for closer military ties with the Central Asian countries has also been seen as an effort to safeguard Russian economic interests and its domination of the Central Asian energy sector. It is worth noting that oil flows in BTC temporarily stopped at the time of Russia's 2008 intervention in Georgia. Turkmen gas remains central to Moscow's energy strategy in Central Asia for it helps Russia to control gas supplies to Western Europe. The Turkmen have used China to impose much higher gas prices on Russia. Yet as was noted above, the reserves in the Yoloton-Osman field are much larger than previously thought and Russia succeed in gaining access to this huge new source.

The Growth of China's Influence

China has expanded its footprint in Central Asia through trade, energy deals, transport infrastructure, and the gradual enlargement of the scope of the SCO to include both security and economics. It has a long-term perspective and is willing to cooperate with Russia in order to make gains in Central Asia. However, many Chinese scholars view Russia's Eurasian Economic Community and CSTO as direct competitors of SCO. The main stimulus of Sino-Russian cooperation continues to be the shared objective of offsetting U.S. influence, which neither can accomplish alone. While China still needs Russian arms, technologies, and natural resources, Russia needs China to balance the West.²² In practice, the U.S. and the West's approach to Russia shapes Russia's level of cooperation with China.

China has also to manage its security relationship with Russia in order to protect its vulnerable northern and western flanks. Beijing also sees the U.S. presence in Central Asia as a part of a specific policy designed to constrain China's rising power.

Securing and stabilizing its periphery is central to China's plan for developing its western area. Enhancing its influence in Central Asian Muslim nations also helps China address its security concerns regarding separatist Mus-

²² Also see Michael Mihalka, 'Not Much of a Game: Security Dynamics in Central Asia', *China Eurasia Forum Quarterly*, Volume 5, No. 2 (2007), pp.21-39.

lim movements in Xinjiang. Besides Uyghurs, China's source of concern is the Fergana Valley, the main fountainhead of Islamic fundamentalism in the Central Asian region, which is not far from China's borders. Preventing separatism, extremism and terrorism (which China classifies as the 'three evils') is China's key security concern. Hence, through the Chinese-led SCO it carries out border management training and joint exercises with the Central Asian armies. To promote stability China supports the current political regimes in neighboring Central Asia,²³ which reciprocate by acknowledging China as a regional and international leader seeking a 'harmonious world'.

China looks to Russia's and Central Asia's energy reserves to fuel its growth. China has built a 988-km-long pipeline from Kazakhstan (Atasu) to Xinjiang designed to carry 10 million tons of oil annually. It also struck a deal with PetroKazakhstan, which granted access to vast reserves of Kazakh oil.²⁴ Plans are also afoot to connect this line to Tengiz on the Caspian coast. In October 2006, China negotiated to acquire another oil field in Kazakhstan.²⁵ Earlier, in April 2006, China signed a deal with Turkmenistan to supply 30 billion cubic meters of gas for a thirty-year period from 2009 onwards via a new 7,000 kilometer pipeline.²⁶ This deal broke Gazprom's monopoly and prompted Russia to conclude its own gas deal with Turkmenistan. It also opened the way for the China National Petroleum Corporation to enter into a production-sharing agreement (PSA) to develop the Turkmen gas fields feeding the pipeline, Turkmenistan's only PS to date..²⁷

Chinese activities in the energy sector in Kazakhstan, Turkmenistan and Uzbekistan have broken Gazprom's domination of Central Asia. The evolu-

²³ Konstantin Syroezhkin, 'China in Central Asia: From Trade to Strategic Partnership', *Central Asia and Caucasus*, No. 2007 available at http://www.ca-c.org/online/2007/journal_eng/cac-03/04.shtml. Also see Ablat Khojaev, 'China's Central Asia Policy' (Based on Chinese Sources) in the same issue of the journal.

²⁴ F. William Engdahl, 'China lays down gauntlet in energy war,' *Asia Times*, December 21 2005, www.atimes.com/atimes/China/GL21A01.html

²⁵ 'CITIC Group to buy Kazakhstan oil assets,' *China Daily*, October 26 2006, www.chinadaily.com.cn/china/2006-10/26/content_717784.htm

²⁶ See MK Bhadrakumar, 'Russia sets the pace in energy race,' *Asia Times*, September 23, 2006, www.atimes.com/atimes/Central_Asia/HI23Ago2.html

²⁷ Chemen Durdiyeova, 'Berdimuhammedov Launches Turkmenistan-China Gas Pipeline project', *Central Asia-Caucasus Analyst*, September 20, 2007 available at <http://www.cacianalyst.org/?q=node/4701>

ing Chinese-Kazakh pipeline structure will be linked with Iran along the Caspian Sea, and the Chinese pipeline from Turkmenistan is also being extended across the border to Iran. This will; not only reduce China's dependence on energy shipped by sea but will advance the development of Xinjiang. China is also in the process of exploiting the rich hydropower potential of Kyrgyzstan and Tajikistan and is looking to Kazakhstan to construct electric power stations and then send China electricity through the power grids.²⁸ China also controls the headwaters of the two main rivers that supply water to Kazakhstan. For now, however, China comes third behind Russia and Iran in its level of investments in Tajik hydropower.²⁹

In its inroads into the Central Asian economy of Central Asia China puts money on the table with important conditions. Under the aegis of SCO it has announced \$900 million worth of loans to Central Asian countries, all of them contingent on buying Chinese goods and services. The Central Asian Republics remain wary of their big neighbor. They would like to benefit from engaging with China but would not like to become too dependent on it. Kazakh leaders worry that their country might become an 'economic protectorate' of China. Even in their military cooperation Kazakhs favor Russia rather than China.³⁰ Despite the overwhelming presence of the Americans and NATO in Afghanistan, China's metallurgical group won a \$3.5 billion bid to develop Afghanistan's Aynak copper field. This contract also includes construction of a \$500 million electrical plant and railways from Tajikistan. Revenues from the project would meet more than half of the current annual state budget. This is part of the Chinese policy of spending more whatever is necessary when its strategic interests are involved – the bids by other competitors were all around \$ 2 billion.³¹ The Pentagon is not favorably disposed to this decision of the Afghan government, even though it may contribute to

²⁸ For details of China's mounting presence in Central Asia's electric power scene see Sebastien Peyrouse, 'The Hydroelectric Sector in Central Asia and the Growing Role of China', *China and Eurasia Forum Quarterly*, Volume 5, No. 2 (2007), pp. 131-148.

²⁹ Ibid.

³⁰ Sebastien Peyrouse, 'Sino-Kazakh relations: A Nascent Strategic Partnership', *China Brief*, Volume 7, Issue 21, November 7, 2008 available at http://www.jamestown.org/terrorism/news/uploads/cb_008_21.pdf

³¹ Nicklas Norling, 'The emerging China-Afghanistan relationship', *Central Asia-Caucasus Analyst*, May 14, 2008 available at <http://www.cacianalyst.org/?q=node/4858>

the stabilization effort.³² The security and stability of Afghanistan remain critical factors in the effort to connect Central Asia with South Asia, along with the obvious economic gains.

Integrating Central and South Asia

As part of their multi-directional policies, the Central Asian states have been developing their linkages to the south. Central Asia has historical and cultural links with the Middle East and also with countries in South Asia. Building on these relationships, the new governments have been endeavoring to improve ties with Turkey, Iran, Afghanistan, Pakistan and India. Improved connectivity between Central Asia and South Asia is a key element of the concept of a “Greater Central Asia,” which in turn is based on the premise that Central and South Asia are, or can become, a single integrated unit committed to economic activity and growth. Besides deep cultural and historic ties and the war on terrorism, the countries of the region have many common concerns, such as finding sources or outlets for energy supplies, achieving prosperity through economic cooperation, and moving towards enhanced security and stability. The concept, propounded by the U.S., puts forth the idea of developing a power grid connecting Central Asia’s underutilized energy resources (hydro-power potential of Tajikistan and Kyrgyzstan and power stations based on Uzbekistan’s gas) with consumers in Afghanistan initially and, in later phases, Pakistan and India. The TAPI gas pipeline from Baluchistan, Pakistan, to India, could be said to be part of this concept of a Greater Central Asia. Even though this concept has found resonance in the Central Asian states, India, and Pakistan, there are many challenges in its realization, the major one being the worsening security environment in Afghanistan. Another complicating factor is the India-Pakistan relationship, which would have to improve substantially before any practical shape can be given to the Greater Central Asia strategy.

The concept calls not only for regional cooperation but also, significantly, for intra-regional cooperation. An example of the latter is provided by Turkmenistan which, with gas revenues in its coffers, has reached out to neighbor, Afghanistan. In July 2008, Ashgabat agreed to explore and develop Afghanis-

³² Ibid.

tan's oil and gas deposits in regions bordering Turkmenistan, along with constructing a rail line, and expanding power lines, transport and communication networks.³³ Uzbekistan and Afghanistan signed an alogous memorandum of cooperation in the field of energy in November, 2006.³⁴ The construction of new power stations is already underway, which will increase the supply of energy to Afghanistan. Indeed, power stations in Uzbekistan are expected to provide energy to the power line being built by India from the Uzbek-Afghan border to Kabul. Tajikistan has also signed an agreement with Afghanistan and Pakistan for the export of hydro-based power.

The potential for expanding the electric grid to India is immense but is constrained by the unstable situation and massive capital requirements. Similarly, Kazakhstan has been supporting developmental projects in Kyrgyzstan and Tajikistan, the least developed nations among the Central Asian states. The weak economies of Kyrgyzstan and Tajikistan require an alliance of several foreign investors to underwrite their costly power projects.³⁵ But the costs would be significantly offset by the economic spin-offs of such developmental projects and by heightened security and stability.

As noted above, the U.S. in 2007 completed a bridge over the Panj River connecting Tajikistan with Afghanistan. At the dedication, the U.S. Commerce Secretary described the bridge as a "physical and symbolic link between Central Asia and South Asia.". Afghan President Hamid Karzai, in his remarks, expanded on the theme and called it a link that "unites Central Asia with Southern and East Asia." China has reconstructed the road from the Panj bridge to Xinjiang and Iran is building the tunnels on the second, northern, route from the bridge. In this instance the U.S., China, Iran, Afghanistan and Tajikistan have all collaborated in a project that benefits every partici-

³³ Turkmenistan News Brief, Issue 29 (2008), July 11-17, 2008: available at http://www.soros.org/initiatives/turkmenistan/articles_publications/publications/newsbrief_20080717. Turkmenistan intends to finance construction of a branch line and expand power network towards Afghanistan by laying power lines. In particular it intends to increase power supply to Herat. Proposals have been prepared for construction of substations and 410 kms of 500 kw power lines from Turkmenistan to Afghan border.

³⁴ 'Uzbekistan, Afghanistan discuss energy cooperation', *Uzbekistan National News Agency*, August 21, 2008 available at <http://uza.uz/en/business/390/>

³⁵ See MK Bhadrakumar, 'Russia sets the pace in energy race,' *Asia Times*, September 23, 2006, www.atimes.com/atimes/Central_Asia/HI23Ago2.html

pant, as well as other countries.³⁶The sustained economic growth of the Central Asian republics would provide the needed foundation for their security and stability. Their natural resources have to be exploited in a harmonious manner that gives mutually beneficial advantages to both producers and consumers while factoring in environmental concerns. But the natural resource wealth of Central Asia has also called forth tensions, if not conflicts, among global powers.. In such a strategic environment, the pursuit of multi-vectored policies that may go against the dictates of *Realpolitik* may not be easy.

India's Strategic Vision for Central Asia

Until large parts of Central Asia were incorporated into the Russian Empire in the mid-nineteenth century, relations between India and Central Asia had been close. During the post-1971 era of close Indian-Soviet relations, cultural exchanges flourished between India and the Central Asian republics. The Central Asian region assumed heightened strategic significance for India following the break-up of the Soviet Union, and the unexpected creation of five independent states: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

India's political contacts with the region thus far had been through its close strategic relationship with the former Soviet Union. Indian officials were used to the special relationship New Delhi enjoyed with Moscow. None had anticipated the break-up and hence were perplexed by the events that followed. No importance was given to the coup of August, 1991, and in fact India hoped that the Soviet Union would weather the tumultuous developments. On a visit to Moscow in 1990, Prime Minister V P Singh did not meet with Boris Yeltsin, then an upcoming Russian leader. Perhaps he was not advised to meet him. At that time there few independent think-tanks which could have better informed India's Russia policy.

This situation has changed today. Several Indian think-tanks are now actively analyzing international developments. After it became clear that Soviet Union was not going to be recreated, Indian leaders and officials shifted their main concern to restoring India's traditionally friendly links with Russia,

³⁶ For detailed analysis see MK Bhadrakumar, 'A Bridge that Exposes Huge Divide', *Asia Times*, September 5, 2007.

particularly its strong defense ties. The Moscow Declaration of 1994 provided a firm basis to the relationship. India endeavored not to ruffle Russian feathers by focusing too much on Central Asia. This is not to suggest that Central Asia had no geopolitical and strategic significance for India, but India still chose to deal with it through Russia. This tendency was promoted when Foreign Minister Andrei Kozyrev declared that Russia had a special interest in the post Soviet space. With the rise of non-traditional threats and challenges in Central Asia, India relied on Russia to protect and safeguard the new states against the tide of extremism, since the fledgling states were seen as being incapable of protecting themselves. Hence, India did not object to the stationing of the Russian-led CIS peacekeeping force on the Tajik-Afghan border, which was seen as in India's interests. India's security concerns focused above all on South Asia and it gladly accepted Russia as the sole guarantor of security and stability in Central Asia.

In the early nineties India had launched its economic reforms. Only by the turn of century was the impact of the reforms visible. India was gradually emerging as a power to be reckoned with. As this happened, the parameters of Indian policy broadened beyond South Asia. Its desire now to play a larger role energized its approach to Central Asia.

The new situation forced the South Block to a major rethinking of India's approach toward the region. Accustomed for decades to see Moscow as the sole arbiter of its Central Asian policy, India was slow to grasp the significance of the strategic, geopolitical, and economic shifts in the former Soviet space. Far from using the Soviet collapse as a springboard for developing new relationships with the states of Central Asia in acknowledgement of new realities and in recognition of the need to develop new priorities, India chose to focus on recasting New Delhi's relationship with the new Russia. India's leaders thus lost an early opportunity to shape the Central Asian agenda in its own terms.³⁷ Preoccupied with managing its relationship with Russia, India initially overlooked the Central Asian states. This was underscored by the fact that while Uzbek President Islam Karimov chose to visit India in

³⁷ Vidya Nadkarni, *India and Central Asia*, paper prepared for presentation at the annual meeting of the International Studies Association, Chicago, February 28 – March 3, 2007.

late 1991 – his first visit to a country outside the Commonwealth of Independent States (CIS) – and Kazakhstan’s President Nursultan Nazarbayev visited New Delhi in February, 1992, followed by President Askar Akayev’s visit in March, 1992, it was not until May, 1993, that India’s Prime Minister visited Central Asia, specifically Uzbekistan. In their visits to India, the Central Asian presidents expressed appreciation for India’s secular political model that eschewed Islamic fundamentalism, and expressed the desire for strong ties with India.

India was slow to capitalize on these serious expressions of friendship from the Central Asian side. Only in the early 2000s did it do so in earnest, with the pace further accelerating after the middle of the present decade. This shift from the earlier regional engagement policy was largely shaped by the need to prevent Pakistan from developing an anti-India coalition with the Central Asian states, and also by the need to persuade them not to provide Pakistan with assistance in its nuclear program. India sought to head off Central Asian support for Pakistan in Kashmir and also for Pakistan’s nuclear preparations.

India’s larger geostrategic rethinking gained more urgency by fresh forays into the region by China and America. Both were drawn in by the promise of energy resources and by concerns over terrorism and religious radicalism. Both countries remain deeply entrenched in Central Asia, as does Russia, thanks to its historical legacy.

As a late entrant to the geo-economic and geopolitical dynamics of Central Asia, India attempted to make up for its earlier missteps. In the words of Tahir Ashgar, an Indian scholar of Central Asia,

“We didn’t miss the bus as we did not go the bus stop in the first place. It is time to make up for lost opportunities. We need to have a more comprehensive policy in Central Asia to extract maximum advantage.”³⁸

Given the renewed importance and and even urgency that New Delhi attaches to the improvement of ties with the region, and also the emerging geostra-

³⁸ “Central Asia, New Forces of India’s Oil Diplomacy”, Indo-Asian News Service, April 6, 2005.

tegric equation, one can foresee that Central Asia is likely to become the scene either of intensive rivalries or unprecedented partnerships. The outcome will hinge on the approaches that major powers adopt towards each other as they shape their respective relationships with countries in Central Asia.

India's strategic approach lies in the development of strong ties with the countries of Central Asia along the energy and security vectors. In this context India is attempting to cast its Central Asian policy into an integrative framework that responds simultaneously to the geographies of energy, religion, and ethnic and tribal divisions, all of which are superimposed on political boundaries that define the new states. India's new Central Asia policy cannot be divorced either from its South Asia policy or from its management of a host of triangular relationships among China-Pakistan-India, China-India-United States, United States-Pakistan India, Russia-China-India, and India-Russia-United States, not to mention the Iranian factor.

The place of Central Asia in India's grand new strategic vision can be gauged from the articulations of Indian political leaders as they seek to catapult the country to the status of a major power in the 21st century. Emerging from its Cold War South Asian insularity, India has boldly attempted to articulate a grand strategic vision that attempts at active and purposeful engagement with the major powers and emerging power centers, as well as with countries in its immediate and extended neighborhood. This vision is articulated in the then India's Foreign Secretary, Shyam Saran, articulated this vision in a speech in November, 2006, at the Shanghai Institute of International Studies in China. Asserting that India's destiny is interlinked with that of Asia, Saran underscored that geography imparts a unique position to India in the geopolitics of the Asian continent, with its footprint reaching well beyond South Asia and its interests straddling different sub-categories of Asia – be it East Asia, West Asia, Central Asia, South Asia or South East Asia. Anyone who is skeptical about this claim should bear in mind that India shares one of the longest borders in the world with China, that Central Asia verges on its northern frontiers, that India has maritime borders with three South East Asian countries, that India's Andaman and Nicobar Islands are just over a hundred kilometers from Indonesia, and that India's exclusive economic

zone spans the waters from the Persian Gulf to the Straits of Malacca.³⁹ How does Central Asia fit into India's Asian vision? Viewing the concept of neighbourhood in terms of widening concentric circles (*Arthshastra mandla's*), leaders in New Delhi see Central Asia as part of India's extended neighborhood. This notion has been repeatedly articulated in the annual reports of India's Defense Ministry and Foreign Ministry. Bluntly, Central Asia is an area in which India's economic and security interests are inextricably linked. Indian External Affairs Minister Pranab Mukherjee has identified the nurturing of a web of cooperative energy security networks in Central Asia as a primary goal of Indian foreign policy. He also noted the close connection between energy security and threats from terrorism, noting at the same time that challenges to Indian security have traditionally come overland from the northwest.⁴⁰ Thus, India has a common interest with Central Asian governments in stopping the spillover of Islamic fundamentalism from Pakistan and Afghanistan into Central Asia and preventing the region from becoming a conduit for radical religious ideologies with the potential to destabilize the border regions of Uzbekistan, Tajikistan, Kyrgyzstan, China, and India. India has often repeated this refrain in multilateral forums. In a statement to the Council of Heads of State of the Shanghai Cooperation Organization (SCO) meeting in Shanghai in June, 2005, the leader of the Indian delegation, Murli Deora, announced India's support for the SCO's efforts against extremism, fundamentalism, and terrorism, and called for cooperative efforts to foster greater intra-SCO trade facilitated by the development of banking and financial services and transportation networks and transit links. He offered to share India's unique development experience and argued that economic growth and prosperity were the sine qua nons of peace and stability in the region. Finally, he called on the SCO, as an organization that brings together major energy producers and consumers, to cooperate in the area of

³⁹ See "Present Dimensions of the Indian Foreign Policy," Address by Foreign Secretary Mr. Shyam Saran at Shanghai Institute of International Studies, Shanghai, November 1, 2006. Available online at the Website of the Indian Ministry of External Affairs (hereinafter MSA) : <http://meaindia.nic.in/speech/2006/01/11ssoi.htm>

⁴⁰ "Indian Foreign Policy: A Road Map for the Decade Ahead." Minister of External Affairs address to 46th NDC Course, November 15, 2006 available at http://pib.nic.in/release/rel_print_page1.asp?relid=22022

energy security.⁴¹ The choice of Murli Deora, India's Minister for Petroleum and Natural Gas, as delegate to the Shanghai meeting of the SCO clearly signaled India's interest in becoming a player in the area of Central Asian energy.

The Indian leadership's basic premise is that a broad-based and integrated Asian security and economic community will best be able to deliver peace, stability and prosperity while accommodating the overlapping global aspirations of India and China. Naturally, this must be assessed against the worldviews of China, Russia and the United States – the other major players in Asia. Of these, India's ambitions potentially clash most directly with those of China.

To a large extent, the same holds true for the United States and Russia, for China's aspirations represent a more direct challenge to Washington and Moscow's global visions than do India's. Chinese leaders are transforming the country into a major global power and as a first step in that direction, seek to make China the preeminent power in Asia. The United States seeks to limit Chinese influence in Asia in order to uphold and maintain U.S. primacy at the global level. Russia meanwhile has sought to work with China against an encroaching American presence in Eurasia and Central Asia, with the reassertion of Russian influence in both regions as its objective. In this complex set of interactions, all major powers have continued to engage each other economically while pursuing their common and competing objectives in Central Asia, resorting only to demonstrative shows of force. Whether common objectives will lead to a cooperative security and economic architecture in Asia is largely dependent on whether China is willing to accommodate Indian ambitions in Central Asia and in the larger Asian region; whether Chinese attempts to limit American influence and to supplant Russia in Central Asia are managed in such a way as to prevent direct challenges from these countries; and whether Russia's policies to reassert its influence in Eurasia and Central Asia leave room for China in Central Asia and the United States in both regions. The ways in which the Central Asian countries posi-

⁴¹ Statement by Shri Murli Deora, Leader of the Indian delegation to the meeting of the Council of Heads of State of the Shanghai Cooperation Organization (SCO), 15 June 2005, Shanghai, China. <http://meanindia.nic.in/speech/2006/06/15ss02.htm>

tion themselves vis-à-vis each of these powers will also play an important role in the unfolding dynamics of Central Asia.

All of these conceptions are to greater or lesser extent based on zero sum thinking. By contrast, Indian ties with the Central Asian countries are based on a grand vision for a cooperative and synergistic economic and security relationship. In shaping its future relationships with the region, India's policy thinkers have developed two schools of thought. One school, common among analysts and diplomats from the Soviet era, remains skeptical of close strategic ties with the U.S. and believes that India's best interests are served by nurturing strategic relations with Russia, which they continue to view as the predominant regional player. They are willing to go along with U.S. Central Asian policies to the extent that the U.S. is serious about exterminating the forces of militancy and terrorism in the region. In this context they welcome the U.S. military presence in Afghanistan and Central Asia. However they are ideologically and politically averse to joining any U.S.-sponsored security arrangements and to collaborating with U.S. regional policy in Central Asia. To them, the United States is at best a transient power with respect to South Asia.

These analysts see a commonality of interests with Russia and China arising from the threat posed by terrorism and religious extremism in Central Asia. They share the Russian and Chinese perspective that there are no "good" or "bad" religious fundamentalists or extremists. They, like Russia and China, perceive India to have a high stake in Central Asia's stability, since it can affect India itself.

The second school is associated with India's security and military community. It sees a U.S.-sponsored Greater Central Asian regional initiative as the only means of breaking the strategic logjam that India finds itself in, particularly in terms of pursuing its own strategic interests. They cite the example of Indian support to the Northern Alliance and strategic initiatives such as the Ayni air base in Tajikistan as examples of how proactive policies can be leveraged to protect India's geo-strategic interests. In their opinion, India needs to support strategic stability in Afghanistan and consequently in Pakistan, as opposed to the Pakistani proposal of "strategic depth," which directly

destabilizes both Indian and Central Asia. Their views are shaped by the following perspectives:

- The victory of extremist or fundamentalist forces will have a deep and enduring impact on Indian security as the ensuing fires will in all probability engulf Pakistan and parts of India as well.
- Such a victory will also have an adverse impact on Central Asia.
- It is in India's interest to engage with the region proactively to ensure that inimical forces are not allowed to win.
- On the energy front, stability in the region is imperative for projects like TAPI to fructify. Thus, India has a major stake in regional stability.
- They also look at friendly ties with Iran as a stabilizing factor and would like the U.S. to improve its relations with Iran so as to hasten the defeat of the Taliban. The nuclear issue needs to be resolved as assuringly as possible and cannot be allowed to escalate by a foolhardy Israeli strike.
- They support initiatives that allow regional players to play a stabilizing role. Hence they support SCO's 27 March 2009 Afghanistan contact groups conference sponsored by Moscow. These initiatives are seen by this group as a means of weaning Pakistan from its policy of "running with hares and hunting with hounds."

Overall, the security-oriented group would like India to play a more proactive role that include counterinsurgency training of the Afghan National Army's deployment of provincial reconstruction teams in Western Afghanistan; the opening of an Indian-built road axis from Chabahar Port in Iran, and, should the situation in Afghanistan deteriorate, an initiative to shape strategic response strategies with Central Asia and other regional players. Lastly, this group would try to induce Pakistan to stop cross-border terrorist activities and improve relations.

India's Place in the Evolving Policies of the Central Asian Republics

A consequence of the multi-vectorized policies of the Central Asian states is their desire to engage India in a mutually beneficial and comprehensive relationship. This inclination on their part is strengthened by their experience of the negative effects of the intense power play that is taking place in Central Asia. India can play a positive role in the Central Asian environment where regional states are hard put to maintain balances between other major players. Further, in the last decade, India's stature in the international order has risen thanks to its economic growth and its movement towards the world of Realpolitik. India has also been pursuing policies to restore its traditional linkages with the region and to re-integrate itself with the immediate and extended neighborhood. This has been reflected in India's 'Look East Policy' of the mid 1990s, followed by its 'Look West Policy', which is directed towards West Asia and Central Asia. Its difficult relationship with Pakistan has strengthened India's resolve to achieve progress on the latter policy.

India's Minister for External Affairs, Pranab Mukherjee, has observed that

"India is not inclined to export ideologies, even ideologies it believes in and follows. India would rather promote democracy in the region by precept and example. Freer traffic between India and Central Asia would be a factor in favor of moderation and democracy there."⁴²

In 1995 then Prime Minister, Narasimha Rao, remarked during a visit to Turkmenistan that "We are an independent partner with no selfish motives. We only desire honest and open friendship and to promote stability and cooperation without causing harm to a third country." This approach of India finds resonance with the Central Asian states, in contrast to the U.S. and the Western nations, which have promoted democratic practices very aggressively. Further, India's historic character, size, population, economic and military strength make it a natural bulwark against fundamentalist extremism and a factor for peace and stability in Asia. Therefore, even though India is described as a second-tier player in the Central Asian arena, it can still play a

⁴² The then Defense Minister who later became External Affairs Minister and now Finance Minister's speech on India's Strategic Perspective delivered at Carnegie Endowment for International Peace, Washington, D.C. on June 27, 2005.

significant role. Political and business leaders in both India and the Central Asian countries have expressed their desire to promote ties in a multidimensional manner, but progress has been very slow. There has been some progress in security ties but trade, commerce, and energy ties have not developed satisfactorily.

The pace of political, diplomatic, and economic engagement, has increased in the last few years. In April, 2008, Vice President Hamid Ansari visited Turkmenistan and Kazakhstan, both of them significant countries from the standpoint of hydrocarbon reserves as well as being important elements in the north-south transportation corridor. Trade and economic issues, bilateral, regional and global issues of mutual concern formed part of the agenda for discussions.⁴³ Ansari became the most senior leader to visit Turkmenistan in a decade. In Kazakhstan, he indirectly pushed for India's style of governance. Describing *Panchayati Raj* as the greatest experiment in democracy globally, he observed that Central Asia's nascent democracies could ensure development through a similar devolution of power.⁴⁴ India's diplomatic thrust in the region got a boost after Prime Minister Manmohan Singh visited Uzbekistan in April, 2006. He signed agreements relating to education, IT, the oil and gas sector, light industry, agriculture, mineral resources, and pharmaceuticals. The two sides expressed satisfaction with the results of the second meeting of the Joint Working Group on Combating International Terrorism.⁴⁵ In July, 2006, the Prime Minister met the President of Kazakhstan and stated that "Kazakhstan is an important economic and political partner of India and is interested in expanding its bilateral cooperation." Joint working groups between India and Uzbekistan and India and Tajikistan meet regular-

⁴³ Energy focus of Ansari's visit to Central Asia', *Thaindian News*, April 04, 2008 available at http://www.thaindian.com/newsportal/uncategorized/energy-focus-of-ansaris-visit-to-central-asia_10034598.html

⁴⁴ Ansari gives pep talk on democracy to Central Asian nations', *The Hindu*, 08, 2008. While addressing the Academy of Public Administration in this capital city of Kazakhstan Ansari said, 'Our structure of local self governance called Panchayati Raj... is the greatest experiment in democracy ever undertaken anywhere in the world or at any time in history,' Text of speech available at http://vicepresidentofindia.nic.in/d-ser.asp?dd=Day&mm=April&yy=2008&content=&search=Search&content_new=

⁴⁵ See 'Joint Statement by Republic of India and Republic of Uzbekistan,' April 26 2006, Tashkent, Uzbekistan available at Ministry of External Affairs, Government of India website Joint Declarations and Statements at <http://meindia.nic.in/jshome.htm>

ly. During a visit to New Delhi by the Tajik president in August, 2006, five documents were signed on energy, trade, security, science, technology and culture.⁴⁶ In order to improve India's footprints in the Central Asian states in general, and in Uzbekistan in particular, Union Minister of State for Commerce, Industry and Power, Jairam Ramesh visited Tashkent and Astana in April, 2007. The goal of his visit was to take the bilateral economic relationship to a new level. He offered to help establish a training institute for gas technology in Tashkent, along the lines of the Jawaharlal Nehru IT Centre in the Uzbek capital that was inaugurated by Prime Minister Dr. Manmohan Singh in 2006. GAIL has identified four specific blocks for gas exploration. So far Russia, China and South Korea have invested in gas exploration in Uzbekistan. Jairam Ramesh conveyed India's interest in exploring for gold in Uzbekistan, as India is the world's largest importer of gold. The Uzbek government has agreed to consider this proposal but would like it to include value-addition investments in Uzbekistan.

Central Asian states and India share the goals of security and stability in the region, and the curtailment of drug trafficking and terrorism. India has been cooperating in these areas both at the bilateral and multilateral levels. It has Joint Working Group (JWG) on Combating International Terrorism with Uzbekistan;⁴⁷ a JWG with Tajikistan on counter-terrorism; and a JWG on international terrorism and other types of crimes with Kyrgyzstan. These JWGs have had regular meetings to address threats arising from instability and fundamentalism in the region. At a multilateral level India, as an observer, has supported the objectives of SCO and is keen to play a constructive and active role in it. India is also a member of the Conference on Interaction and Confidence Building Measures in Asia (CICA) – a Kazakh-sponsored initiative of eighteen Asian nations that includes the Central Asian states (minus Turkmenistan).. Many member states view CICA as a useful venue for pursuing bilateral relations with individual states. For Kazakhstan, CICA has been an expression of its multi-vectored foreign policy and is also a

⁴⁶ For instance see Sudha Ramachandran, 'India's foray into Central Asia,' *Asia Times*, August 12 2006 http://www.atimes.com/atimes/South_Asia/HH12Dfo1.html

⁴⁷ See 'Joint Statement by Republic of India and Republic of Uzbekistan,' April 26 2006, Tashkent, Uzbekistan available at Ministry of External Affairs, Government of India website Joint Declarations and Statements at <http://meaindia.nic.in/jshome.htm>

means of finding an appropriate role for itself in addressing regional conflicts. It is acknowledged that Uzbekistan fiercely contests Kazakhstan's moves to gain a position of leadership among the Central Asian states.

India's multi-faceted relationship with the Central Asian states includes limited engagement in the sphere of defense. The key components of the Indo-Central Asian defense relationship has been in the sharing of intelligence, training and assistance, the servicing and upgrading of military hardware, and India's import of transport aircraft from Uzbekistan. It needs to be remembered that in 2001 India established a hospital in Tajikistan to treat anti-Taliban Northern Alliance fighters. India has also constructed an airfield at Ayni, northwest of Dushanbe, and provided infrastructure assistance to the Military Training College in Dushanbe itself. During a visit to India, Tajik President Rakhmon observed that "We are cooperating well in the field of defense training. We have agreed to institutionalize contact between our armed forces in specialized areas." The Indian army has established a team in Tajikistan to impart English language training to military personnel. India is also in the process of setting up English-cum-IT labs and deployment of army training teams in Kazakhstan and Kyrgyzstan. Further, officers from all the Central Asian states except Turkmenistan have attended military courses at India's premier military institutions.

India has purchased six Uzbek-manufactured IL-78 air-to-air refueling aircraft and entered into a further agreement for Indian transport aircraft to be repaired at Tashkent. Troops from Uzbekistan have also trained in counter-terrorism exercises conducted at India's Counter-Insurgency Warfare School. The Indian navy is acquiring spare parts for thermal and electrical torpedoes from Kazakhstan and Kyrgyzstan and there is a degree of collaboration with Kazakhstan on research and development of underwater naval armaments.

In addition to the above, the efforts of the Central Asian countries to secure multiple outlets for their energy surpluses mesh well with India's growing requirements for energy. India's Petroleum and Natural Gas Minister Murli Deora attended the SCO summit meetings of June, 2006, August, 2007, and August, 2008, which signifies the importance that India attaches to meeting its energy needs. At the same time, India's head of state has not attended any

of the SCO summits since India became an observer, which has been interpreted as a lack of interest in becoming a full member. In fact, this may be due to a number of strategic factors, including India's focus on concluding an Indo-U.S. nuclear deal and on pursuing its strategic partnership with the U.S.

The multilateral platform of the SCO has not been of much help to India so far in promoting its engagement with the Central Asian states. But bilateral engagement with Central Asia has been relatively successful. ONGC has been able to obtain exploration rights for hydrocarbon reserves in Turkmenistan off its Caspian Sea coast and it also has a limited presence in Uzbekistan's oil and gas sector. In 2005 India lost out to China in the bidding for control of Petro-Kazakh of Kazakhstan because of a number of extraneous reasons. Further, a proposal to construct the TAPI pipeline gained some momentum in 2009 when the Asian Development Bank backed the project and all the stakeholders evincing a keen interest to proceed with it. With a manifold increase in Turkmenistan's gas reserves having been certified by international auditors,⁴⁸ uncertainty about Turkmenistan's ability to meet the demands of all its existing and future customers has been removed. The TAPI project is expected to be completed by 2014-15. However, this is contingent upon the security situation improving drastically in Afghanistan and in the borderlands between Afghanistan and Pakistan.

Back in 2003 India launched a 'Focus: CIS Program' to promote economic engagement with the CIS countries, including the Central Asian states, but progress to date has been limited. Economic cooperation with the Central Asian nations remains at a low level and has yet to see significant volumes. India's total trade with the Central Asian states in 2008 was US\$343 million, which is less than 1 per cent of India's total world trade. Similarly, trade with countries such as Turkmenistan and Kyrgyzstan has followed an erratic pattern, with ups and downs instead of a pattern of steady growth. On the other hand it can also be said that total trade with the Central Asian states, which was US\$24 million in 2003, grew almost threefold by the end of 2008. Con-

⁴⁸ Vladimir Socor, 'New Turkmen Gas fields change the strategic gas export picture', *Eurasia Daily Monitor*, October 15, 2008, available at http://www.jamestown.org/edm/article.php?article_id=2373449

trast these figures with comparable data on Kazakh-Russian trade, which reached US\$20 billion by 2009.⁴⁹ The volume of Turkmenistan-China bilateral trade hit US\$380 million in the first half of 2009 and this does not take into account gas sales through the new pipeline, which was just being completed.⁵⁰ Therefore, the significance of developing the north-south corridor through Iran and Turkmenistan and beyond needs no emphasis. This is being supplemented by another transport corridor from the Chahbahar port in Iran to Afghanistan, with eventual linkages to Central Asia. However, the Taliban (with the backing of Pakistan) has carried out attacks on Indian engineers working on the project to discourage its construction. In India's strategic calculus Iran figures as an important gateway to Central Asia, which adds a further reason for maintaining a constructive relationship with that country.

India has also been keen to invest in the hydropower sector in Kyrgyzstan and Tajikistan and transport the surplus energy through a power grid extending via Afghanistan and Pakistan to India. Therefore, the concept of a "Greater Central Asia," i.e., of moving towards an integrated regional economy, coincides with Indian interests. But as mentioned earlier, the daunting challenges of Taliban resurgence combined with obscure policies of Pakistan put a question mark on the future of this concept. However, with a new democratic government having taken power in Pakistan, there is a growing realization among many Pakistani figures that trade and commerce with India, along with fighting terrorism of all kinds, is in the national interests of Pakistan. The new government had initiated steps to liberalize trade with India, but Pakistan has yet to implement the South Asian Free Trade Agreement in letter or spirit. The new government in Islamabad is also attempting to wrest control of Pakistan's policy towards Afghanistan and India from the military and bureaucratic establishment. The "Greater Central Asia" concept can best be realized as a kind of peace dividend resulting from of a "grand reconciliation" or "grand bargain" between India and Pakistan,

⁴⁹ President Nazarbayev's Press Statement Following the Forum of the Border Regions of Russia and Kazakhstan (Aktyubinsk, Kazakhstan, September 22, 2008). He observed: 'In just the first seven months of this year it amounted to 11.6 billion dollars. So we have every opportunity to reach our target, to reach 20 billion dollars a year in trade in 2008'. Available at http://www.geneva.mid.ru/press/e_2008_34.html

⁵⁰ 'China, Turkmenistan reaffirm lasting relations', *China Daily*, August 29, 2008 available at http://www.chinadaily.com.cn/china/2008-08/29/content_6979307.htm

which would be a win-win situation for both countries in particular, and for Central and South Asia in general. In the first flush after gaining power President Asif Ali Zardari and Prime Minister Gilani of Pakistan have made some encouraging statements, but as the new climate that arose following the terrorist attacks in Mumbai has revealed, it may not be easy to make a clean break with the past.

Grand Reconciliation Post-Mumbai and the Evolving U.S. Policies

The Mumbai terror attacks were engineered from Pakistan at a time when the democratic government had become more aggressive in asserting its legitimate role in the affairs of the state. Attempting to wrest control of Pakistan's Inter-Services Intelligence agency from the military was one such act that ended in failure. The Pakistani military was not ready to let go of an institution which it has used for decades to advance its own internal and external policies. Nor were they prepared to abandon their belief that democratic governments are a threat to security, and any accommodation with India is anathema. Further, the situation in the Federally Administered Tribal Areas (FATA) and adjoining areas of the Northwest Frontier Province (NWFP), where the Pakistani military has been fighting an unpopular on-and-off war, created dissonance within the army, as well as with the U.S, specifically, opposition to the latter's drone attacks. An additional factor of timing was the forthcoming transition of power in the U.S. and apprehensions over the policies of the incoming Obama administration with regard to Pakistan and Afghanistan.

It would be worth assessing whether the Pakistani military and jihadis conceived the Mumbai attacks as leading to a win-win situation for their combined force. A clear consequence of the Mumbai attacks was the validation of the domineering influence of the Pakistani military in the affairs of state, undermining the authority of the duly elected democratic government. To address Indian concerns, the ruling civil leadership agreed to fire the director general of the ISI in the immediate aftermath of the Mumbai massacre. But then the military pressured the government to dilute or withdraw its commitment. Further, the civilian government's continuous flip-flops on the identity and nationality of the lone terrorist caught in Mumbai, the sacking

of the national security adviser, and its whipping up war hysteria, all demonstrate that the military establishment had successfully twisted the arm of the newly elected civilian government.

A second intended or unintended consequence of the attacks was to kill all hopes of a grand reconciliation between India and Pakistan, at least in the near future. Before the attacks, some progress had been made through the renewal of the Indo-Pakistani peace process that had been stalled since March, 2007, due to instability in Pakistan caused by then President Pervez Musharraf's policies and civil society's agitation against military rule. Following the February, 2008, elections in Pakistan, there had been indications that India's Prime Minister would visit Pakistan once sufficient momentum had been achieved in the peace process. The scenario prior to November 26 was not unlike the pre-Kargil situation in 1999, when the Prime Ministers of Pakistan and India negotiated for peace while the military-jihadi combine prepared to launch a war against India.

A third possible goal was that the post-Mumbai war hysteria caused by the Pakistani military would enable the withdrawal of forces from its western front in FATA and NWFP and allow them to be redeployed against India. The Pakistani politico-military establishment is using this as a tool against pro-active U.S. policies. Pakistani Taliban groups such as Lashkar-e-Toiba and the one headed by Baitulla Mehsud volunteered to fight alongside the Pakistani military in the event of a war against India. That the Pakistani military establishment continues to harbor an indulgent attitude towards such groups is evident from the interview of the ISI chief, Major General Shuja Pasha, with the German magazine *Der Spiegel* in the wake of the Mumbai attacks: "Shouldn't they be allowed to think and say what they please?. They believe that jihad is their duty. Isn't that freedom of opinion?," he asked, defending extremists who keep sending more and more Koran school students to Afghanistan to fight in the war there. Such groups have been used as valued assets and force multipliers by the Pakistani military to realize their policy objectives in Afghanistan and India. The ISI itself, meanwhile, stands accused of supporting terrorism in Afghanistan and India. Even the U.S. and Afghan intelligence agencies affirmed that the attack on the Indian embassy in Kabul in 2008 was the work of the ISI.

The withdrawal of embattled Pakistani forces from their western front would also have relieved the pressure on the Taliban and other groups, thus enabling them to recoup their strength and assist the Afghan Taliban in the decisive spring, 2009, campaign, which would also test U.S. General David Petraus's Afghan strategy.

The enduring feature of the complex jigsaw puzzle that Pakistan presents is that both the military and jihadis use each other to enhance their strength and pursue their own agendas. However, with jihadis becoming increasingly autonomous, it is not clear as to who is driving whose agenda, the latest example being the imposition of Sharia in Swat. The Pakistani army has ceded control of vast swathes of territory in FATA and the NWFP, which enables these groups to enhance their strength and widen their agenda.

President Obama's Af-Pak strategy, revised in December 2009, has had a dual aim. Apart from focusing on gaining ascendancy on the Afghan Taliban through a strategy of degrade, defeat and destroy, the policy is also focused on forcing Pakistan to undertake a concerted counterinsurgency campaign that would deny the Afghan Taliban trans-border sanctuaries, prevent cross-border movement of insurgent groups, stop attacks on ISAF and the U.S. logistic supply chain by regaining control of territory ceded to the Tehrik-e Taliban Pakistan (TTP). An upshot of this policy is also to contain the spread of Islamic fundamentalism that could destabilize Pakistan itself.

Consequently the success of US strategy is predicated upon prevailing upon Pakistan, particularly its military, in achieving these objectives. The seriousness of the issue is underscored by the fact that fearing lackadaisical cooperation from the Pakistani army, American commanders in Afghanistan have increased the intensity and depth of cross-border (drone and special forces) strikes against Taliban and Al Qaeda cadres hiding in FATA.

In so far as Pakistani army's counter-insurgency operations in South Waziristan are concerned, despite claims to the contrary they are simply not proving effective. The Afghan Taliban retain their sanctuaries in FATA, and after initial setbacks following the death of Beitullah Mehsud in a drone attack, the TTP has regrouped and hit back by launching a spate of attacks in the Pakistani heartland, Punjab and Sindh. As a result, the TTP remains a cohesive force despite setbacks in Swat, and has close coordination with the Afg-

han Taliban and other groups like those led by Gulbuddin Hekmatyar and Jalaluddin Haqqani.

Despite U.S. pressure, the Pakistani military appears reluctant to undertake concerted operations or upgrading troop deployment, fearing a process of escalation whose control it could find difficult to manage and which could rapidly spread into the Punjabi heartland. Historically, the Pakistani military has never fought Jihadis; force has generally been applied against targeted groups and not the whole organizations, primarily to keep adequate maneuvering space with militant organizations to cater for the expected blowback.

Additionally, apart from the problems of force ratios, terrain and demographic factors underlying this lackadaisical attitude, a major rationale underlying Pakistani reluctance is the perception that the Pakistani military does not perceive the Taliban as an unmanageable threat to the Pakistani state despite the recent spate of attacks in the Pakistani heartland. India, with its conventional military superiority, is seen as a bigger challenge..

Secondly, the Taliban is seen as a strategic asset in a scenario following the withdrawal of U.S. and ISAF forces, based on the perception that the war in Afghanistan is unwinnable and the eventual withdrawal of the U.S. a foregone conclusion. This perception is to an extent coming true, with effort being made at the London Conference in January 2010 to bring about integration, reconciliation, and finally power-sharing with the Taliban in order to maintain the Obama administration's declared timeline of withdrawal by mid-2011.

At the same time, the Pakistani army uses jihadists to advance its own agenda in Afghanistan and India. The preferred method of the Pakistani military establishment appears to be first to create an enhanced threat to U.S. forces in Afghanistan by aiding and abetting the Taliban, only to subsequently mitigate that threat by bargaining for vast amounts of military aid that it then directs to quite different purposes. No other person than former president Pervez Musharraf admitted in September 2009 that the U.S. military aid given to Pakistan during his tenure was used to strengthen defences against India. He further stated that the money was used to arm the troops who moved with their equipment from the western border to the east based on these perceived threats. In earlier years, Pakistan had been rejecting reports on the use

of \$5 billion of weapons systems of U.S. origin to fight India. Musharraf was also bold enough to say that he did not care if this diversion of aid angered the U.S. To quote him,

Whoever wishes to be angry, let them be angry, why should we bother? We have to maintain our security, and the Americans should know, and the whole world should know that we won't compromise our security, and will use the equipment everywhere.⁵¹

In a number of Congressional and Senate Foreign Relations Committees' hearings held in 2009, U.S. Central Command Commander General David Petraeus pointed out how Pakistan ultimately took on the Afghan Taliban and stopped funding and promoting this group as a result of the U.S. showing more commitment to Pakistan. Similarly General Stanley McChrystal, U.S. Commander in Afghanistan, appearing before the Senate Armed Services Committee praised the Pakistani army saying that "their recent actions over the last year or two against their own internal insurgency are really a good indicator of just how serious they are about conducting counter-insurgency operations and reducing instability on their side."⁵² But when asked to reply to questions of Pakistan's dual-track policy he was evasive. In sum, the apparent Pakistani strategy of addressing its security concerns by going after only the Pakistani Taliban and not the Afghan Taliban, which it seems to consider as a strategic asset against India and as a hedge in case the U.S. decides to withdraw, appears to find acceptance with the U.S. government.⁵³ Through its soft approach to the recalcitrant Pakistani military, the U.S. has unwittingly become complicit in an unending drama and ends up furthering the agenda of jihadis and Taliban fraternity.

With the appointment of Richard Holbrooke as President Barack Obama's special representative for Afghanistan and Pakistan, the U.S. administration

⁵¹ "Musharraf Admits Aid was Diverted", BBC News, September 14, 2009 available at <http://news.bbc.co.uk/2/hi/8254360.stm>

⁵² "Transcript: U.S. House Armed Services Committee Hearing on Afghanistan", 8 December 2009, available at <http://www.isaf.nato.int/en/article/transcripts/transcript-u.s.-house-armed-services-committee-hearing-on-afghanistan.html>

⁵³ See commentary "For the Pentagon, Pakistan Army can do no wrong", December 11, 2009, available at <http://news.rediff.com/special/2009/dec/11/for-the-pentagon-the-pakistan-army-can-do-no-wrong.htm>

resisted the temptation formally to link the solution of Afghanistan with that of Kashmir. Otherwise, this did not imply a fundamental change in American perceptions. In his speech after his appointment, Holbrooke avowed to follow an agenda which would hardly remain confined to the Pakistan-Afghanistan matrix. "In Pakistan, the situation is infinitely complex...in putting Afghanistan and Pakistan together under one envoy, we should underscore that we fully respect the fact that Pakistan has its own history, its own traditions, and it is far more than the turbulent, dangerous tribal areas on its western border. And we will respect that as we seek to follow suggestions that have been made by all three of the men and women standing behind me [President Obama, Vice-President Joe Biden and Hillary Clinton] in the last few years on having a more comprehensive policy."⁵⁴ In the post-9/11 era, then President Musharraf was forced to reverse his policies in Afghanistan at the risk of risking being "bombed back to the Stone Age". Musharraf then decided on a tactical retreat to protect its strategic assets (nuclear deterrence) and policies in Kashmir. In the current strategic milieu, Pakistani generals appear to have calculated that the U.S. is no longer in a position to issue such dire threats and that the U.S. needs the Pakistani military more than the Pakistani army needs the U.S.. Yet even now, at a time when the Pakistani economic and financial situation is precarious, the U.S. has more than sufficient leverage to influence Pakistan's policies.

America's over-reliance on the Pakistani military has yielded few positive results over the past eight years of turmoil in Afghanistan. The experts and advisers of the Obama administration who have sought to link Pakistan-Afghanistan and Kashmir in one simple equation have suggested what they call a "regional" approach to the Afghan conflict. However, this remains extremely vague, with too little attention being paid to the many bargains that must be struck before the situation in Afghanistan can be stabilized – a bargain with Iran; a bargain with Russia and the Central Asian countries; and to lift the vice-like grip of the Pakistani GHQ on U.S. policy-making. Such an accommodation, for one, would open up alternative logistics routes most particularly through Iran, Caucasus and Russia and the Central Asian Republics,

⁵⁴ 'Obama Announces New Envoys', available at <http://www.state.gov/secretary/rm/2009a/01/115297.htm>

making the Northern Distribution Network a viable proposition. Secondly, reduced dependency and greater logistical flexibility and concomitant reduction in military and economic aid is likely to have the effect of making the U.S. less dependent on the Pakistani route, thus making the Pakistani Army more sensitive to U.S. needs.

If the Pakistan Army becomes less strategically relevant to the U.S. and a solution involving other regional actors can be found, it would also have impact overtime in making democratic forces more relevant in Pakistan's power structures. Solutions revolving around the salience of the Pakistani Army are unlikely to yield substantial peace dividends as it continues to see the Taliban in the context of strategic depth in Afghanistan, and as a hedge against strong Pashtun nationalism in Pakistan itself.

Thirdly, as mentioned earlier, the U.S. has tried repeatedly to influence the Pakistani army away from its current policies, but with little success. It is unlikely that the new Af-Pak strategy will be different.

Until such bargains are made, the dependence of the U.S. and NATO on Pakistan will continue in place, and alternative routes for logistics will fall short of the need.

Repeated attacks on NATO convoys passing through the territory of Pakistan constitute a message to the U.S. from the military-jihadi combination, reminding it of the limits of its powers and capacities. The U.S. is not ready to adopt a regional approach as yet. It has resisted the attempts of France and Germany to involve the United Nations Security Council along with other nations in the region to resolve the Afghan conflict. The U.S. strategy of 'surge and bribe' or a version of the British colonial policy of 'Divide and Rule,' following the success of a similar strategy in Iraq, is unlikely to yield any result in the coming years unless the core issue of reining in the Pakistani military establishment is addressed. The harsh reality of the matter is that the solution to the conflict in Afghanistan is located in Pakistan and in the Pakistani military establishment. Any kind of strategy not focused on this will likely be ineffective. Propping up the Pakistani military and state repeatedly, asking India to grant concessions to Pakistan on Kashmir, seeking to preserve balance in South Asia through massive military supplies to Pakistan, and asking India to exercise restraint every time a state-sponsored terror

attack takes place, will only wet the appetite of the Pakistani military junta for more of the same.

The 'Grand Bargain,' as propounded by Professor Barnett and Ahmed Rashid, seeks to rescue the situation in Afghanistan by re-establishing the relations of the key South Asian stakeholders on the basis of cooperation and enlightened self-interest with the U.S. as an honest broker.⁵⁵ It has the very ambitious aim of bringing stability to Afghanistan by linking Afghanistan, Pakistan and Kashmir together and then curing all problems at once. This arises from a distorted vision of the underlying problem. As amply outlined in the discussion above, such a formulation is likely to flounder against vastly varying perceptions of the stakeholders and especially against the ossified thought processes and ideology of Pakistan's military establishment. The Grand Bargain is also an adjunct of the U.S. "Greater Central Asia" strategy with a strategic calculus carrying negative connotations for Russia and others. It is too early to say, whether the new administration's approach to Central Asia will involve greater flexibility. One thing is certain, U.S. policy will have to change before the end of first term of Obama's presidency.

The Indian political leadership was perceptibly disappointed with U.S. policies even before the Mumbai attacks but is more in their wake. While India expects the U.S. to apply increased pressure on Pakistan to deliver on the culprits of the Mumbai massacre, Pakistani generals have been remonstrating before the U.S. to give it "equal treatment vis-à-vis India" and apply greater pressure on India to relent on Kashmir. The U.S. interests remain focused on the Durand line, while Pakistan unabashedly exploits the U.S.'s vulnerabilities in Afghanistan by threatening to withdraw troops from the western front. The complex dynamics of the region do not lend themselves to a quick solution through simple formulations, and the evolving Indo-U.S. relationship has its limitations. It can neither be used by the U.S. to tread on the toes of India nor can it be used by India to define the nature of the problem strictly in terms of its own vision. Therefore, one lesson emerging out of Mumbai is that India has to temper its expectations of the U.S. and follow a balanced

⁵⁵ For instance, see Barnett R. Rubin and Ahmed Rashid, 'From Great Game to Grand Bargain: Ending Chaos in Afghanistan and Pakistan', *Foreign Affairs*, November-December 2008.

and more nuanced foreign policy, which in recent years seems to have become more attached with the U.S. worldview. Certainly, the India-U.S.-Pakistan dialectics evolving in the wake of the Mumbai crisis have ramifications for the strategic construct of Central Asia.

Implications of Evolving Strategic Scenario for India

Central Asia's future has to be seen from the perspective of the evolving Asian regional balance of power. A significant emerging trend there involves the consolidation and convergence of democratic forces represented by India, the U.S., Japan and Australia, and by the alternative trilateral form without Australia. This brings a strong Rimland orientation, the main concern of which is the security of sea lines of communications. Second is the geostrategic consolidation of the Asian landmass, encouraged by cooperation between Russia and China and the unleashing of political and economic forces attempting to gain influence through bilateral and regional mechanisms. Added to the above is the perspective of the American "Greater Central Asian" policy; aimed at taking an inclusive view of the region with shifting focus from purely security- and democracy-related dynamics to security, democracy and development. Another dimension of the U.S. policy is the notion of linking South Asia with Central Asia through a kind of reverse osmosis to the traditional invasion routes from Central to South Asia.

Both the United States and India have important interests in Central Asia because of its strategic location and its oil, gas and hydroelectric potential. Both share goals of preventing instability and insecurity in the Central Asian states and the prevention of terrorism. For the United States, access to Afghanistan via Central Asia became crucial following 9/11. However, the United States continues to seek access to the region's energy and to promote the economic and political reforms necessary to insure long-term regional stability. Hence, the U.S. favors multiple transport routes for energy and other exports, including west through Azerbaijan, Georgia, and Turkey, and south through Pakistan to India. Only in this manner can these come efficiently to world markets and only this process can insure the real independence of the countries of the region. India considers Central Asia as its extended neighborhood and attaches high importance to its geopolitical and geo-economic

interests. More specifically, Central Asia's location next to Afghanistan makes it important not only in the India-Pakistan context, for India also needs access to Central Asia's energy resources. Therefore, the Greater Central Asia concept has positive connotations; but then, India would also like to take into account any Russian concerns concerning this concept, if such exist.

Implementation of the TAPI pipeline project is likely to create mutual interdependency and help attenuate the India-Pakistan peace process. The Indian establishment, which is used to viewing its engagement with the Central Asian states through the prism of its former ties with the USSR, will need to become more flexible if it is to master the ever-changing strategic scene.

In the emerging strategic equation in Central Asia, India has been exploring the strategic space between the U.S., the European Union and NATO on the one side, and Russia and China on the other. Russia, despite its recent stand-offs with the U.S. and NATO, while working at the same time to preserve its influence in the former Soviet republics where Western influence may have waned but is still substantial. A segment of Russia's intelligentsia is also of the view that rivalry between the U.S. and Russia in Central Asia may enable China to emerge as a clear winner in the Great Game. At the same time, Russia, China and India have been having triangular meetings at the Foreign Minister level to enhance strategic cooperation. This is viewed by some as an attempt by Russia and China to wean India away from American influence, while others interpret it as India's attempt to move towards its cherished goal of strategic autonomy. There is also a view that while the China-Russia and China-India vectors of the strategic triangle may be growing because of increasing economic engagement, the Indo-Russian vector of the triangle is not gaining in strength. India's trade with Russia amounted to US\$3 billion in 2007-08, less than its trade with South Korea, and barely one per cent of both India and Russia's total foreign trade. Comparing this with China-India trade, estimated at US\$20 billion in 2006 and expected to grow to US\$40 billion by 2010,⁵⁶ the huge differential is obvious. Actual trade has

⁵⁶ 'India China Target U.S. \$40 billion by '10,' *Economic Times*, November 22, 2006, Talks between Prime Minister Manmohan Singh and Chinese President Hu Jintao largely centered on increasing trade and cooperation, leaving the contentious issues aside for the moment being. In a joint declaration released at the end of the talks, the

grown beyond targeted figures only with mainland China; last year India's trade was about \$38 billion. Further, Russia-China trade turnover in 2007 was \$48 billion. Thus, China is emerging as a major trade partner for both Russia and India. While there are exceptions, economic ties often lead to political accommodation, mutual interdependency and diffusion of security issues.

The Indo-U.S. civilian nuclear deal has given a big boost to the strategic relationship between the two nations, and is likely to lead to heightened military and technical cooperation. After the Mumbai massacre it may not always be easy for both countries to satisfy their expectations. India has been keen to diversify its economic, technical and military relations. Therefore, it is quite possible to evolve a U.S.-India strategic equation for a common approach to Central Asia, since the interests of both powers are congruent. On the other hand, if the U.S. government exhibits a more accommodative attitude towards the Russian Federation, U.S.-Russia-India cooperation is also in the realm of possibility. It needs to be noted that India and Russia have recently renewed an existing Military Technical Cooperation Agreement for ten years beyond 2010. Another key actor whose salience in the Afghan imbroglio has become very significant is Iran.⁵⁷ Thus, when regional solutions to Afghanistan are discussed, all the regional actors including the Central Asian states themselves, China, India, Iran and Russia must be taken into account.

China, with its growing economic and military clout, is likely to follow a path of unilateralism in Asia while advocating multilateralism on the global level. China, in all its pronouncements and strategic behavior, considers America as a worthy peer and competitor to be emulated in the long term. Also, China is more likely to use both Russia and India to achieve its strategic designs in Central Asia and elsewhere. The salience of China's economic clout is visible in the current economic downtrend, when the mutual dependence of the two economies has prompted China to take steps to help the U.S. recover from the effects of recession. This has occurred despite the fact that the U.S. remains concerned with China's growing military capabilities.

two countries promised to diversify the trade basket, remove existing impediments, and optimally utilize the present and potential complementarities in their economies.

⁵⁷ For instance, see George Friedman, 'Iran returns to the Global Stage', Stratfor, November 10, 2008 available at http://www.stratfor.com/weekly/20081110_iran_returns_global_stage

Conclusions

Developments in Central Asia in the last several years indicate the direction in which the strategic winds are blowing. U.S. influence has already peaked, and both Russia and China are cementing their political, military and economic relationship with the Central Asian nations. Meanwhile, India has been endeavoring to improve its profile in the region in order to exploit its energy reserves and to establish a mutually beneficial security and economic relationship. The Central Asian states, while exploiting the competition between the different players for their own national interests, have many conflicts among themselves and are still in the process of moving towards regional harmony. Political processes are yet to mature and the threat of terrorism remains real, especially because of the unstable situation in Afghanistan and the resurgence of the Taliban.

There are complex strategic equations evolving at both the global and regional levels, with each nation attempting to pursue its own national objectives. There are calls on India to join one bandwagon or another in an arena where the end game is yet to be defined. Russia is attempting to reassert its influence in Central Asia. China is also fiercely pursuing its interests in the region, and has been gaining ground. Apparently, their bilateral cooperation is a tactical one with a view to offset the American influence. Even though the U.S. and E.U. influence has been on the decline, the Central Asian states continue to be attracted to them because engagement with U.S. and NATO is a defining feature of their sovereignty and independence. India, with its civilizational and cultural links to the region, combined with its approach based on soft power, can play the role of a balancer. Further, integrating South and Central Asia would result in vast economic benefits to all the stakeholders involved, leading to a positive outcome for stability and security in the region. However, looking at the scenario in Afghanistan and Pakistan, such integration is unlikely to take place in the near to medium term.

Responses to Non-Traditional Threats & Challenges

Nirmala Joshi

A distinct trend in international security in the post-Cold War era is the phenomenal rise of non-traditional threats. The most pervasive challenge to international stability is the one posed by extremist non-state armed groups and by terrorism. With the trend towards globalization and an increasingly interconnected world, these threats and challenges go beyond state systems. The devastating events of September 11, 2001, in the United States, followed by equally shocking attacks in London, Madrid and Delhi, and then the more recent carnage in Mumbai, have starkly underscored terrorism's global reach and its capability to infringe upon a state's sovereignty and integrity. These events have also reminded us of the sheer brutality of terrorism and its ability, as a kind of hydra-headed monster, to inflict large-scale suffering on innocent people.

Extremism is not a new phenomenon. However, the objectives of extremists heretofore tended to be limited to drawing attention to specific issues and grievances. Moreover, the means at their disposal were limited. The level and scale of violence was, therefore, comparatively low. A radical shift in the nature of extremism occurred during the Soviet military intervention in Afghanistan in 1979-1989. The extremism and terrorism that arose in the wake of this intervention were of a new magnitude, mainly because it was based on religion. The fight against 'godless Communists' generated religious fervor and, in the process, a strong Afghan resistance. The religious overtone of the struggle was sufficient to generate the Mujahideen movements and incite both Afghans and more faraway Muslims to take up arms against the Soviet forces. The religious fervor of the struggle turned extremism into a dangerous phenomenon with broad reach. The refugee crisis in countries neighboring Afghanistan provided the opportunity for the creation of a madrassah culture that functioned as an incubator of extremism and terrorism. In fact, many believe that the present day 'gun culture' in the region is a product of

this trend. But it remains unclear to this day whether the aims of the extremists are political or religious, or a combination of the two.

Samuel Huntington's thesis of a 'Clash of Civilizations', and more specifically of the inevitable clash between the world's two major religions – Christianity and Islam – may have deeply influenced a substantial number of religious extremists. This thesis, much discussed in the Muslim world, may have predisposed radicals to anticipate an attack that they perceived to be directed at their religion, and hence took it upon themselves to defend their faith by any means. As M. K. Narayanan, India's National Security Adviser since 2005, has observed, "an important driving force in regard to the Al Qaeda is the power of ideas and the rapid spread of images... the Al Qaeda mindset, even more than the Al Qaeda network, provides the most pervasive threat to Asian and international stability."¹

In the post Cold War environment, religious extremists were able to attract recruits from different backgrounds, professions and countries. Global mobility and communication has greatly facilitated their transnational reach and made terrorism a widespread phenomenon. Aside from its Arab core, Al Qaeda has recruited individuals of Pakistani, Sudanese, Afghan, and Central Asian extraction, and has managed to unite them to fight for a goal that nevertheless remains ill-defined and unclear. Foreign recruits may also have been lured into extremism by the offer of money. Certain states have extended support to religious extremists and terrorists, using militants as an instrument for furthering their own agendas. Such support has taken the form of covert financial assistance, the provision of safe sanctuaries, and training and equipment for the terrorists.

Jihadi groups have acquired the capability to absorb high technology and have proven able to make use of the latest communications media. As a consequence, terrorist groups and organizations are no longer constrained by geographical locations. The increasing availability of modern technology and communications has provided these groups with a global reach. One of the terrorists involved in the Mumbai attacks, for example, was a school dropout, yet he was proficient in the use of advanced means of communication.

¹ M.K. Narayanan, "Asia: Building International Stability," Munich Security Conference, February 10, 2008, available at <http://www.securityconference.de/konferenzen>

Given the increase technological savvy of these movements and their ties to state institutions, observers have voiced growing concern that weapons of mass destruction could fall into their hands.

Central Asia, and in particular the Caspian region, is richly endowed with energy resources, and the past two decades has seen growing competition over the control of these vital assets. With the rise of extremism and terrorism has come a widespread fear that terrorists could target energy resources, at a time when energy security has become a serious consideration for both developed and developing countries. Kazakh President Nursultan Nazarbayev, for example, has suggested the formation of a Caspian Anti-Terrorist Center to tackle this threat of terrorism.

To repeat, the rise of extremism and terrorism in India's neighborhood and in Central Asia began with the Soviet military intervention of Afghanistan. Although Central Asia was then part of the Soviet Union, interaction between Central Asians working in Afghanistan and the Afghan resistance had a profound impact on the region. In fact, many of these Soviet citizens left Afghanistan convinced of the righteousness of the Mujahideen cause. The withdrawal of Soviet forces in 1989 signaled the victory of the Mujahideen, but left a legacy of warlordism, a massive refugee population, growing Islamic militancy, and a booming drug economy.²

With the Soviet withdrawal, the security environment of the region underwent a fundamental change, which was to profoundly affect both India and the newly constituted Central Asian states. Pakistan had emerged as a frontline state during the conflict and played a vital role as the primary conduit for massive arms supplies and assistance to the resistance. There was a formidable proliferation of weapons in the region, and the U.S.'s sudden disengagement from Afghanistan left these problems unattended. The overthrow and assassination of the Afghan President Najibullah in 1996 ushered in a new phase for religious extremism, which reached its *nadir* under the Taliban. During Taliban rule Afghanistan became the epicenter of terrorism. The world witnessed a series of terrorist attacks, particularly the attacks on the

² Svante Cornell and Regine Spector, "Central Asia more than Islamic Extremists", *The Washington Quarterly*, Winter 2002.

U.S. embassies in Kenya and Tanzania and the bombing of the USS Cole, which all traced back to Afghanistan.

Pakistan was among only three countries that recognized the Taliban regime. Bordering Afghanistan, its policies followed a strategy initiated by the late Pakistani President Zia ul-Haq, who in one keen observer's terms "passionately worked toward creating a pro-Pakistan Islamic government in Kabul to be followed by the Islamization of Central Asia. In military parlance this was Pakistan's strategy to secure 'strategic depth' in relation to India."³ India witnessed a sharp rise in the number of insurgencies and cross-border terrorism in Jammu and Kashmir. Similarly, the newly independent state of Tajikistan found itself in the throes of civil war and the opposition received support from different mujahideen groups and later from the Taliban. In 2002, Al Qaeda leader Osama bin Laden observed that, "during the previous period, with the grace of Allah, we were successful in cooperating with our brothers in Tajikistan in various fields, including training. We were able to train a good number of [Tajiks], arm them and then deliver them back to Tajikistan."⁴ Importantly, the Fergana Valley – the bastion of Islam in Central Asia – also saw a rapid rise in religious fervor.

The defeat of the Taliban and the ongoing war on terror has not succeeded in destroying the terrorist infrastructure in Afghanistan or in stabilizing the country. In fact, some analysts argue that terrorism has received a new lease on life by quickly adapting to the post-9/11 situation. The hub of terrorist activities gradually shifted to the Federally Administered Tribal Areas (FATA) of Pakistan. It is primarily from bases in FATA that terrorists are carrying out their attacks and spreading the insurgency in Afghanistan. In the past few years, the view that Afghanistan is gradually tilting in favor of the religious extremists has gained adherents. This is an ominous portent for the future. The focus of this chapter is to assess the challenges posed by unconventional threats to the stability and security of the region and the significance of those threats for India as it expands its link with Central Asia.. From

³ Ahmed Rashid, *Descent into Chaos* (London, Allen Lane, 2008), p. 268.

⁴ Quoted by Michael Scheuer, "Central Asia in Al Qaeda's Vision of the Anti-American Jihad, 1979-2006", *China and Eurasia Forum*, vol. 4, no. 2, 2006, p. 8.

this perspective, Afghanistan is the critical link, its stability being vital both for India and the Central Asian states.

Rise of Non-Traditional Threats and Challenges

Both India and the Central Asian states have faced substantial problems with insurgencies and cross-border terrorist activities for over a decade. Presently, the problem is most pronounced in India, while the Central Asian states are affected to a lesser but still notable extent. After the end of the Soviet occupation of Afghanistan in 1989, military supplies to the Mujahideen ended in 1991, and USAID's humanitarian assistance program came to an end in early 1993. But the forces of religious extremism flourished. The Mujahideen overthrew President Mohammed Najibullah and assumed power in Afghanistan in 1992. Several factors provided sustenance to these forces, the most important among them being the proliferation and availability of arms, especially small arms.

The Proliferation of Arms

During the Soviet military intervention, Pakistan was the primary conduit for arms to the Mujahideen. It is estimated that the resistance fighters received arms worth US\$2 billion between 1979 and 1989. This aid was channeled via the Central Intelligence Agency (CIA) to the Pakistani Inter-Services Intelligence Agency (ISI), which coordinated the supply of weapons to the Mujahideen. However, it is known that the ISI appropriated a large portion of the military supplies for its own purposes.⁵ In the process, the region was awash in arms, readily available for the extremists and terrorists who remained in the border areas even after the Soviet forces had withdrawn. An additional source of arms supplies was the huge stockpiles of weapons left behind by the retreating Soviet forces, which fell into the hands of the Mujahideen. A major central locale for the production, sale and proliferation of weaponry is Darra Adam Khel in the North West Frontier Province, commonly known as the 'Main Open Arms Bazaar.' Arms production in Darra was regarded as a cottage industry, but has gradually become a large

⁵ Salma Malik and Mallika Joseph, *Small Arms and the Security Debate in South Asia* (Regional Centre for Strategic Studies, Colombo, 2005), p. 34.

industry, free of government control and taxation.⁶ The arms bazaar of the NWFP is also renowned for the wide range of weaponry that it has on sale.

Moscow also contributed to the proliferation of arms in the region. Apart from the stockpiles left behind in Afghanistan, Russia supplied arms to the pro-government forces in Tajikistan in the civil war that began almost immediately following independence. Tajikistan was flooded with small arms during the early part of the civil war. In May 1992 alone, thousands of small arms including AK-47s and Makarov pistols were distributed, while the opposition received support from the Afghan-based mujahideen groups. Subsequently, the Northern Alliance opposing the Taliban in Afghanistan received additional weaponry from Russia and Uzbekistan.⁷

The beginning of the War on Terror in October, 2001, led to yet another influx of arms in the region. Pakistan became a frontline state once again in this war on terror, with a primary role to ensure the security of the supply route through the NWFP to the NATO-led International Security Assistance Force (ISAF) and to provide other logistical support. While the war on terror is in its eighth year, the forces of religious extremism and terrorism have not been weakened, and the surge in their activity makes the situation in Afghanistan unstable and insecure. Clearly, the availability of arms is a factor that underpins the insurgency; nevertheless, there has not been a strong effort to reduce the supply of small arms. As two scholars conclude, “advocacy on small arms has not been as intense as that on landmines primarily because the small arms campaign aims not at banning the use of weapons, but only in regulating their use, trade and transfer.”⁸

Drug Production and Trafficking

Intertwined with the issue of the proliferation of small arms is the production and trafficking of illicit narcotics, which is a major destabilizing factor and security concern, not only for Afghanistan but for all five Central Asian states. The last decade has seen a tremendous increase in the production and trafficking of drugs in and from Afghanistan. In 2007 Afghanistan produced

⁶ Ibid., p. 30.

⁷ S. Neil MacFarlane and Stina Torjesen, “Awash with Weapons? The Case of Small Arms in Kyrgyzstan”, *Central Asian Survey*, vol. 24, no. 1, March 2005, p. 10.

⁸ Malik and Joseph, *Small Arms*, (n. 5), pp. 61-62.

a record 8,200 metric tons of opium, double the total amount of 2005, and accounting for 93 per cent of the world's entire production of opiates.⁹ Drug profits are a key source of financing that sustains extremism and terrorism. Linked with drug trafficking is the emergence of criminal groups and networks that oversee the safe passage of drugs through Afghanistan and Central Asia to markets in Europe. The link between criminal groups and terrorism is illustrated by the Islamic Movement of Uzbekistan (IMU). The IMU, both a criminal and terrorist organization, appears primarily concerned with financial gain and successfully used terrorism in the early 2000s to maintain and secure routes for transporting narcotics.¹⁰ The Taliban initially considered drug trafficking un-Islamic, but later encouraged its production for financial reasons, particularly after 9/11.

Unfortunately, the number of troops available to NATO's ISAF mission and the fear of antagonizing local warlords that may themselves be involved in drug trafficking led to the mission being prohibited from involvement in the interdiction of drugs.¹¹

Unlike in the past, the processing of opium into heroin is now being carried out in laboratories located inside Afghanistan, but the chemical precursors required for the process are not available in the country. These precursors, primarily acetic anhydride, are provided from Russia via Central Asia. While the production of such substances in the region is known, the United Nations Office on Drugs and Crime (UNODC) reports that "no seizures of acetic anhydride have been reported in Central Asia in recent years".¹²

Several trafficking routes take the drugs from Afghanistan to markets. Among the preferred routes are those through Iran, through the Pakistani port of Karachi, and across Central Asia. The Tajik-Afghan border is porous and poorly guarded but Tajik law enforcement agencies still manage to intercept several tons of opiates each year. Turkmenistan has also emerged as a

⁹ Cyrus Hodes and Mark Sedra, *The Search for Security in Post Taliban Afghanistan*, Adelphi Paper 391, 2007, p. 35.

¹⁰ Tamara Makarenko, "Crime and Terrorism in Central Asia," *Jane's Intelligence Review*, vol. 12, no. 7, July 2000, p. 16.

¹¹ Rashid, *Descent into Chaos*, (n. 3), p. 325.

¹² United Nations Office on Drugs and Crime, *Securing Central Asia's Borders with Afghanistan*, September 2007.

major export route Afghan opiates. From these southern Central Asian states, smuggling routes converge on Kazakhstan, which has no less than four main routes through which the drugs reach Russia and Europe.

Threats and Challenges to India

The security scenario in India's neighborhood gradually deteriorated during the last decade of the twentieth century. Besides the victory of the Mujahideen in Afghanistan, the geopolitical landscape of Eurasia had undergone profound changes. It is now clear that the new situation will be a permanent feature of the region, posing new threats and challenges that affect both India and the Central Asian states.

India's geopolitical horizons widened with the independence of the Central Asian states. Although India does not share a direct boundary with any of them, it considered them as part of its extended neighborhood, with which it faced common threats emanating from a common source. Afghanistan's provinces had long enjoyed a high level of autonomy but the Soviet intervention changed this dramatically, with extremist and terrorist groups thereafter a constant presence. This did not augur well for the unfolding security environment in the region.

The defeat of the Soviet superpower provided a tremendous stimulus to extremism. Many religiously-based terrorist groups had sprung up in the course of the war, and these groups were well-trained, armed and equipped and benefited from a safe haven in the borderlands between Afghanistan and Pakistan, as well as in the Pakistan-administered part of Kashmir. Following the withdrawal of Soviet forces these groups lost their primary target. Some began instead to focus on, or were encouraged to focus on, the situation in Jammu and Kashmir, leading to heightened militancy there.

New Delhi's considers Kashmir an integral part of the Indian Union. The Indian government has always maintained that Kashmir is a bilateral issue to be negotiated in a peaceful manner by India and Pakistan. The Annual Report of the Ministry of Defense for 2006-07, for example, stated that "on the Jammu and Kashmir issue, India is ready to look at options, short of redrawing the boundaries....India has declared its readiness to find a pragmatic solu-

tion to resolve the J&K issue.”¹³ Successive Indian governments have upheld this position. During the tenure of the National Democratic Alliance between 1999 and 2004, Minister of External Affairs Jaswant Singh stated that “let it also be clearly understood that Jammu & Kashmir is not a global foreign policy issue. It is an issue that has been made contentious by repeated and persistent interference in India’s internal affairs by Pakistan. That is why it is and can only be a bilateral matter.”¹⁴ While the Pakistani government has sought to internationalize the issue and has sought third-party mediation, the Indian government has preferred bilateral mechanisms. Suffice it to say that Kashmir is the main issue that has prevented the establishment of normal and good neighborly relations between India and Pakistan since the inception of the two countries.

In the early years of militancy in Jammu and Kashmir, the activities of extremist and terrorist groups went unnoticed. Numerous religious-based groups and organizations sprang up in India as well as in Pakistan. Among those deserving mention are Lashkar-e-Taiba (founded in 1990 in the Kunar province of Afghanistan but based in Pakistan); Jaishe-e-Mohammad (founded 2002 in Karachi); Hizb-ul-Mujahideen (founded in 1989); while the Jammu and Kashmir Liberation Front (JKLF) is a separatist organization with the aim of independence for Kashmir. It has differed with other militant organizations on the question of violence.¹⁵ The declared objective of these groups was jihad against the Indian government and the ‘liberation’ of Kashmir. Qari Abdul Wahid, who now claims to lead Lashkar-e-Taiba’s operations in Jammu and Kashmir, wrote in the December, 1999, issue of *Voice of Islam* that the organization would uphold the flag of freedom and Islam through jihad not only in Kashmir but in the whole world.¹⁶

With the capture of power by the Taliban in Afghanistan, Indian security concerns worsened. As the Indian Ministry of Defense put it, “any fundamentalist regime in Afghanistan such as the Taliban could be an insidious

¹³ *Annual Report, Ministry of Defence, Government of India, 2006-2007*, p. 4.

¹⁴ *Official Statements of the Government of India* (September 11 – January 13, 2002), Ministry of External Affairs.

¹⁵ Praveen Swami, “Terrorism in Jammu and Kashmir in Theory and Practice”, in Sumit Ganguly (ed.), *The Kashmir Question Retrospect and Prospect* (London, Frank Cass and Company Ltd., 2003), p. 58.

¹⁶ *The Hindu*, January 19, 2009.

threat to our secularism, as well as a potentially destabilizing factor in Kashmir.”¹⁷ Adding to India’s strategic apprehensions was the possibility that Pakistan’s search for strategic depth vis-à-vis India could succeed, especially after the Central Asian states unexpectedly gained independence in 1991 and a religious-oriented regime came to power in Afghanistan. Meanwhile, India experienced unabated militancy and cross-border terrorism leading to immense loss of innocent lives, destruction of property, and disruption of normal life.

A large number of foreign militants from Pakistan, Afghanistan, Sudan and several Arab countries have been involved in the militancy in Jammu and Kashmir. However, there is so far no evidence to suggest that Uzbeks belonging to the IMU have been involved in militant activity there. Over the years, the Afghanistan-Pakistan borderlands have become the center not only of Pakistani and Afghan extremists, but of Pakistani pan-Islamic groups that are involved in the Kashmir militancy. A dangerous dimension is that terrorist groups operating in Kashmir are trying to link up with radical Islamist groups in other parts of India, with the objective of destabilizing the whole of the country.

After the fundamental changes that occurred in Afghanistan in 1992, Pakistan hoped that the numerous militant groups that it considered ‘strategic assets’ could be utilized either covertly or overtly for fighting in Kashmir. It referred to these as ‘freedom fighters.’ At stake was the fundamental conflict between a notion of statehood based on religious exclusiveness and one based on secular democratic values.

The extremist and terrorist groups operating from Afghanistan shifted their base to the FATA region after the launching of Operation Enduring Freedom (OEF) in 2001. Media reports suggest that these groups have become strong and resilient. They operate freely, crossing the border with impunity and imposing their writ on the people living in the border areas. Developments in the Swat Valley in 2009 are a case in point, though the extremists’ hold on the region did not last. The confidence, audacity and capability of the ex-

¹⁷ *Annual Report, Ministry of Defense, Government of India, 2000-2001*, p. 11.

tremist groups has come to pose a serious challenge to Pakistani society as a whole and to Pakistan's sovereignty.

Threats and Challenges to the Central Asian States

While India viewed developments in Afghanistan and Central Asia with concern, Pakistan perceived them as an opportunity. Since the people of Central Asia are predominantly Muslims, Pakistan hoped to spread its religious agenda there, and to use this opportunity to strengthen its quest for strategic depth *vis-à-vis* India. In this approach, Pakistan had the support of Saudi Arabia and the United Arab Emirates. Pakistan also hoped to emerge as a bridge between the landlocked states of Central Asia and the rest of the world, in the process creating a strategically integrated region. To operationalize this goal, the Muslim-based Economic Cooperation Organization in 1993 devised a Quetta Plan focusing on transportation.

The leadership in the newly independent Central Asian states were highly circumspect about Pakistan's activities in the region. Being suspicious of political Islam and of Islamabad's religious agenda, they responded negatively to Pakistan's overtures and looked instead to India for enhanced engagement.

When the Central Asian states gained independence, an atmosphere of insecurity and uncertainty prevailed. The fratricidal civil war in Afghanistan that began following the Soviet withdrawal had an ominous impact on the newly emerging states. Historically and culturally, Central Asia had centuries-old ties with Afghanistan, the Indus valley and India. These ties were based on transport, trade, religion, ethnic links and historical conquests. In the changed context of 1991, it seemed that the religious factor might become the force to reconnect Central Asia with Afghanistan. Although there was an upsurge of religious revivalism in Central Asia, it did not become the binding factor that was expected in some quarters. The Constitutions of all the five new states proclaimed that the state-building process would be based on secular, democratic ideals, and the five states have proceeded along these lines, seeing political Islam as a leading threat to their statehood.

Islam has flourished in Central Asia for centuries, and the authority of the unofficial clergy there remained powerful even during the Soviet period. In Tajikistan, clandestine Islamic groups had an important underground exist-

tence. After 1991, existing groups began to surface, while many new ones were formed. Following the collapse of Communism, mosques were constructed in every town of the Uzbek part of the Fergana Valley, while in the Kyrgyz sector their number rose to 1,500. While religious schools sprang up across the region. In the ideological vacuum that emerged, people began to observe religious practices and customs with renewed fervor. The search for a new identity led many to look for values that were rooted in religion. Yet in the main, the form of Islam that began to reappear was benevolent and tolerant. This was due to the influence of Sufism, and also to the spread of modern education and the emancipation of women. Typical organizations in this vein were the *Jamaats* in Uzbekistan, self-help organizations that focus on social welfare, oppose militancy, and see a greater role for Islamic values in society.¹⁸ The international Tablighi Jamaat organization is also active in Central Asia, aiming at strengthening Islamic values.

Extremism was not an integral part of the religious ethos of Central Asia, but it nevertheless emerged thanks mainly to external support, largely due to external support. As Tajik scholar Muzaffar Alimov states,

there was a clear activation in the nineties of foreign religious organizations in the countries of Central Asian region. The period saw a rise in the number of foreign emissaries from Iran, Afghanistan, Turkey, Pakistan and the Gulf countries. They were engaged in propagating different Islamic tenets and Pan-Islamic ideas, which were irrelevant for the people of the region.¹⁹

Pakistan, Saudi Arabia and the UAE made inroads into Central Asia with their religious agendas. Significant financial flows from Saudi Arabia were available to propagate the ultra-conservative Saudi doctrine of Wahhabism. The result of these activities was a government backlash that soon led even some legitimate cultural groups to be banned. In the succeeding sweep many innocent people, particularly in Uzbekistan, were jailed. In order to avoid

¹⁸ Havilah Hoffman, "Islamic Radicals in Central Asia 'Not All that Significant' - Expert", *Eurasianet*, April 25, 2006. <http://www.eurasianet.org/departments/recaps/articles/eavo42506.shtml>

¹⁹ Muzaffar Alimov, "Central Asia after Collapse of USSR and Islamic Radicalism", in J.N. Roy and B.B. Kumar (ed.), *India and Central Asia: Classical to Contemporary Periods* New Delhi: Astha Bharati, 2007, p. 217.

persecution, many religious leaders fled to Afghanistan, where they were warmly welcomed and provided with sanctuary. Importantly, once in Afghanistan, these exiles gained vast experience in political and military struggle and established contacts with other Islamic organizations and movements.

The eruption of the Tajik Civil War provided an opportunity for foreign groups to further cement their contacts in Tajikistan. The opposition, consisting of both religious and non-religious components, fled to Afghanistan, where they received training, arms, safe havens and financial assistance. Special study camps were set up to impart religious knowledge. It is estimated that nearly 100,000 Tajik opposition members relocated to Afghanistan between 1992 and 1997. Whether or not the Tajik civil war was at bottom a religious affair, the resulting struggle resulted in the loss of 40,000 lives.²⁰

The rise of the Taliban and their ability to hold on to power had a profound impact on Central Asia. The Taliban's rapid advance into northern Afghanistan fuelled apprehensions about a possible 'Greater Afghanistan' that could destabilize, if not break up the newly formed states. Kazakhstan, Kyrgyzstan and Tajikistan sought the help of Russia in meeting this challenge, but both Uzbekistan and Turkmenistan tried to ensure their security by means of a bilateral dialogue with Pakistan.. On a visit to Tashkent in October 1996 President Farooq Leghari of Pakistan assured the Uzbek president that the Taliban had no territorial ambitions beyond Afghanistan's borders, a message which he repeated in Almaty on 28 October, 1996. Nonetheless, Kazakhstan's President Nazarbayev issued a warning that the Afghan conflict must not be allowed to spread beyond its borders.²¹ The Indian government was also deeply concerned at these developments and welcomed the meeting in October, 1996, at which Russia and the Central Asian states planned their strategy for meeting meet this danger.

The Taliban's impact on Central Asia was visible in the rising profile of the IMU, with its declared objective of jihad against the Karimov government in

²⁰ Ibid., p. 218.

²¹ Peter Marsden, *The Taliban: War, Religion and the New Order in Afghanistan* (London, 1998), pp. 131-32.

Uzbekistan.²² The IMU received full support from the Taliban in this objective. The Taliban in turn wanted the IMU to create diversionary activity to draw attention from its own struggle with the Northern Alliance. Martha Brill Olcott, a U.S. specialist on Central Asia, said that "... allegations that the IMU was tied to the Al Qaeda network were well documented by materials seized in their camps in northern Afghanistan in late 2001 and early 2002."²³ The IMU carried out several incursions into Kazakhstan, Kyrgyzstan, and Uzbekistan and even attempted to assassinate President Karimov in 1999. During the War on Terror, the it fought alongside the Taliban, with an IMU faction still based in FATA of Pakistan. Well-known analyst Ahmed Rashid, who visited a madrassah in that region, reported that "... the teachers showed off the special classrooms where hundreds of students from Central Asia were studying Islam with the help of interpreters."²⁴

The Hizb-ut-Tahrir (HuT), long active in the Middle East, has worked across Central Asia to realize its dream of a new Muslim Caliphate that would destroy existing states and abolish other faiths. There also splinter groups such as Al Bayat (large presence in Tajikistan); Islom Lashkarlari; the Islamic Movement of Central Asia (a successor to the IMU); Akromiya; and Hizb-an-Nusra.

Religious extremism and terrorism are not the products of economic hardship but they gain legitimacy in environments facing poverty and unemployment. In the opinion of President Karimov,

... the harsh realities encountered during the transition period, such as the objective differences among members of the population and natural distinctions in level of property ownership, have induced parts of the population to adopt a Soviet like mentality and call for a return to an illusory utopian equality, or to launch a pseudo-struggle against luxury and excessiveness – a return in essence to the artificially leveled stan-

²² "The Call to Jihad by the Islamic Movement of Uzbekistan", in Ahmed Rashid, *Jihad: The Rise of Militant Islam in Central Asia* (New Delhi, 2002), pp. 247-249.

²³ Martha Brill Olcott, "Central Asia: Terrorism, Religious Extremism, Regional Security", Testimony before the U.S. House of Representatives Committee on International Relations, 29 October 2003, available at <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=1387>

²⁴ Rashid, *Jihad*, (n. 22), p. 140.

dards that make society flat, gray and backwardIn these circumstances, ideas such as Islamic Wahhabism have become deceptively popular.²⁵

It cannot be denied that foreign religious extremists have successfully used economic incentives to lure people into their work. In a lecture in April 2005, former Uzbek Ambassador to Iran, Khaydarov, spoke of "... a sense of futility that causes people to turn to religious ideology.' Teachers in Uzbekistan, he said, make US \$12 a month, while religious groups pay new members as much as US \$200, mainly with funding from Saudi Arabia'²⁶ The only solution to this problem is to generate more economic development, which has been underway across Central Asia during the last six years. This same challenge faces all those who would like to see Afghanistan develop along moderate and productive lines.

Once the War on Terror was launched, the scale of terrorist activities in Central Asia dropped, notable exceptions being the series of blasts in Tashkent in 2004 and the assault on Andijan by Akromiya in 2005. Religious extremism will continue to flourish across the region as long as Afghanistan-Pakistan based terrorist groups are not destroyed. Improvement in economic conditions and the spread of open, participatory politics would to an extent mitigate people's hardships, and thereby reduce further the likelihood of extremism and terrorism. This in turn will depend on the emergence of new elites and new leaders across the region. It is likely that the future leadership and new elite would be more focused on economic development and growth than their predecessors. Their agenda should be foster the integration of their national economies with the world economy. Aware of their landlocked status, current leaders are already paying greater attention to the expansion and diversification of transport corridors. Participatory politics in Central Asia is at a nascent stage, but with the passage of time and new leaders at the helm, democratic cultures and institutions could once more begin to evolve. An evolutionary approach would make the process of democratization irreversi-

²⁵ Islam Karimov, *Uzbekistan on the Threshold of the Twenty First Century* (Cambridge Mass. , 1998), p. 24.

²⁶ Amb. Abdusamat Khaydarov, "Rise of Islamic Extremism in Central Asia", 28 April 2005.

ble. A noticeable development that is already contributing to a cultural shift in the region is the growing popularity of the English language. This is already greatly facilitating people-to-people interactions. In the long run, participatory politics, open societies and economic development are likely to do more than anything else to marginalize extremism and terrorism.

A great deal will depend on Central Asia's external environment, especially developments in Afghanistan and in the border lands between Afghanistan and Pakistan. The Obama Administration is focusing on Afghanistan and Pakistan, particularly the border areas, and considers this to be the central point for its struggle against terrorism. However, progress in this region could lead to an exodus of extremists and terrorists to Central Asia., a possibility that President Karimov has recently cautioned against. And as was noted earlier, it is Tajikistan that is most vulnerable to this destabilizing possibility.

Indian and Central Asian States' Response to the Challenge of Non-Traditional Threats

The Indian government has dealt with this challenge of this mounting threat at various levels. At the domestic level, Indian security forces have been guarding the frontiers with Pakistan. Cross-border terrorism has been contained and the destabilization of J&K has been prevented. At the political level, India has attempted to solve the issue within a democratic and secular framework. Regular elections to the State Assembly take place.

The government engages in dialogue with radical Islamist groups operating in J&K, provided that they accept the Indian Constitution. And a composite dialogue with Pakistan has been initiated. Focusing on bilateral mechanism, India has expressed its readiness to find pragmatic solutions to all outstanding issues, "short of redrawing the boundaries."

Every time India-Pakistan relations harden, these bilateral mechanisms come under strain and their value is questioned. In the wake of the Mumbai attacks, all bilateral initiatives have been stalled. However, reports suggest that the composite dialogue between India and Pakistan has in fact made substantive progress. Inevitably, a central point in India's diplomacy is to highlight the threat emanating from religious extremism and cross-border terrorism in

Kashmir. Combating nontraditional threats and challenges, especially those supported by external forces, is India's uppermost security concern. India has therefore been supportive of initiatives in this area launched by the United Nations. It has supported Security Council Resolution 1373, a milestone resolution aimed at combating terrorism, and it has introduced the Comprehensive Convention on International Terrorism, which is currently before the UN's General Assembly. During Prime Minister Dr Manmohan Singh's June, 2009, visit to Yekaterinburg he elicited support for this initiative.

At the regional level, India and the Central Asian states have a common stake in peace and stability in the region. In the early years, the Indian concern was that developments in Afghanistan could cast their shadow on the new countries of Central Asia, which it perceived as fragile entities engaged in the monumental task of systemic transition for which they lacked experience and expertise. At this nascent stage of their consolidation process the potential for Afghan turmoil to spill over into Central Asia appeared strong, not least because the borders were porous and undefined and because of the vast Central Asian diaspora living in northern Afghanistan. From the Indian perspective, the possibility of a destabilized Central Asia seemed very real.

The Indian government was equally concerned over Pakistan's approach to Central Asia. At the core of India's concerns was the apprehension that Pakistan would seek to acquire 'strategic depth' vis-à-vis India by bringing these states within the fold of Islam. The strategy of seeking strategic depth in Afghanistan was initiated by President Zia-ul Haq of Pakistan even before the Soviet Union collapsed. The break-up of the Soviet Union and the overthrow of Afghanistan's President Najibullah by the mujahedin gave a powerful impetus to pursue this strategic project with added vigor. Indeed, Pakistani leaders found the prospect of a vast region coming under the sway of their own Islamic values very appealing. However, they seem to have underestimated the degree to which the values of the Central Asian milieu were liberal and moderate, a balance between modernity and tradition. Yet at the time, the potential that the Pakistani push for "strategic depth" in Afghanistan could strengthen the forces of instability religious extremism in the broader region could certainly not be discounted.

To repeat, Indian apprehensions were not unfounded. Official thinking in New Delhi perceived the beginning of the Tajik civil war and the Taliban's capture of power in Afghanistan as part of Pakistan's larger plan to extend its influence in Central Asia, and to do so under a flag of Islamization. Also lending credence to this conclusion was the widespread talk of a "Greater Afghanistan," much of it emanating from Islamabad. All this, and the obvious fact that the fragile new states of Central Asia were in no position to defend themselves, led India to welcome the Russian military presence in Central Asia as a guarantor of peace and stability. This fully accorded with India's interests. Later, when the Taliban came to power, India supported the anti-Taliban Afghani forces (mainly Tajiks, Uzbeks, and Hazaras from the North) that came together under the Northern Alliance. The Northern Alliance received backing from Russia, Iran, Kazakhstan, Kyrgyzstan and Tajikistan. Uzbekistan and Turkmenistan were also apprehensive of the Taliban but opted for a policy of engagement and negotiations with the Taliban. It was therefore both logical and consistent for India and the Central Asian states to welcome the US-led War on Terror and NATO's military presence in the region.

India's lingering concerns over the future of the new Central Asian states were put to rest in 1991-2 when all the five presidents visited India in quick succession.²⁷ The Central Asians were all keen to develop friendly ties with India and now sought its experience and assistance in their gigantic task of post-Soviet transformation. Such hopes came to them naturally, given their extensive past contacts with the Indian government and institutions and their sense of long-term cultural affinity with India itself. Thus, the congruence of interests on the issue of religious extremism and terrorism and shared perceptions of the threat they posed to pluralistic and secular societies became a cementing factor in India's relations with the new states of Central Asia.

During his visit to India in 1992, President Askar Akayev declared in his banquet speech that "Kyrgyzstan is looking to India as an example as it sets

²⁷ President Saparmurat Niyazov of Turkmenistan – April 1992, President Askar Akayev – March 1992, President Islam Karimov – 1992, President Nursultan Nazarbaev – February 1992, President Karimov – August 1991.

about restructuring its economy and socio-political system.” Further, he announced that “We categorically reject extremism of any kind. Let there be neither extremism of the Communist type nor that of religious fanatics.”²⁸ Echoing this sentiment, Kazakhstan’s president Nursultan Nazarbayev said during his 1992 visit to India that, “It was vital for our country to ensure that there would be no overdose of religious indoctrination and that its policies remain secular.” India, he declared, could play an important role in this context and he went on to underline the importance of economic cooperation and cultural interaction with India.²⁹

Undoubtedly, these statements eased India’s concerns and allowed the commonality of interests thus affirmed to become a valuable component of India’s new ties with the Central Asian states.

On gaining its independence, Turkmenistan opted for a foreign policy based on the principle of “neutrality.” However, there existed between India and Turkmenistan an ancient and rich legacy of contacts and affinities. Acknowledging this, the Turkmen president Saparmurat Niyazov visited India twice. However, the fact that non-traditional threats and challenges figured less prominently in Turkmenistan’s threat perceptions than in the thinking of the other new governments of Central Asia limited India’s interaction with Turkmenistan in this sphere. However, in all other areas the two countries have built and maintained friendly ties.

India built its relations with the Central Asian states on the basis of their aspiration to become more open and progressive societies, as well as their commitment to secularism and to democracy. Beyond this, India and the Central Asian states share common views on the fight against terrorism and drug trafficking. Yet in spite of the many positive factors in its favor, India’s engagement with Central Asia was not as vigorous as it ought to have been.

Several factors hampered a more vibrant engagement with Central Asia in the early years. Obviously, the Indian government had not anticipated the break-up of the Soviet Union, with which it had built up cordial and enduring ties over the years. In the immediate aftermath of the Soviet collapse the

²⁸ Foreign Affairs Record, No. 2, February 1992 (A Government of India Publication), p.114.

²⁹ *Ibid.*, pp. 80-81.

Indian government had two major concerns. First, it wanted to restore its ties with Russia and put them on a new basis. This was essential in view of India's substantial cooperation and interdependence with Russia in the area of defense. Second, India wanted to bring its policy towards the new states of Central Asia into a coherent relation with its all-important policy towards South Asia. Stated differently, India endeavored to embrace ties with these new states in such a way as to reinforce its abiding concerns in South Asia. It was for this reason that India's main focus was on countering Pakistan's attempts to acquire strategic depth in Afghanistan and to do so in such a way as to constrain Pakistan's ongoing militancy in Jammu and Kashmir. In pursuing these goals, India continued to treat diplomatic exchanges as an important policy tool. Also relevant was the fact that India had just launched its own economic reforms, which placed great demands on resources and the government's attention.

All these factors impinged on Indian policy makers as they moved to open and expand their contacts with the new states of Central Asia. As a consequence, it was simply not possible for India to devote to the task the attention it required and which it amply deserved in light of India's deep contacts and affinities there. In sum, while other major powers had already established a strong presence in the region and were deeply involved there, particularly in the areas of extractive industries and transport, India's presence in Central Asia remained minimal and its policy largely reactive,

It was noted above that both India and the Central Asian states welcomed the US and Western military presence in Afghanistan as a means of defeating the Taliban., the existence of which posed a serious threat to the integrity and sovereignty of India and the new states of Central Asia. The Central Asian states believed that the threat of religious extremism and terrorism had grown to unmanageable proportions, necessitating an intervention that only the West, particularly the US, could deliver. An insightful local observer pointed out that:

“The majority of the public regards the American military presence as a gift from Allah. The reasoning behind this attitude is simple – ‘Russia has no money to protect us and people here aren’t used protecting themselves.’”³⁰

Impelled by such reasoning, The Central Asian states offered access to bases on their territories and military facilities. By the turn of the century, the impact of India’s economic reforms were becoming visible and its international profile was rising. The Indian expansion of private entrepreneurship and particularly the growth of information technology, generated the perception that India was a rising power in Asia. This change also led India to broaden the parameters of its foreign policy. For the first time India was willing to look beyond South Asia, and to pay more attention to its entire extended neighborhood; including Central Asia and Afghanistan, as well as South East Asia. There was also a broadening of Indian strategies on security matters and a new desire to play a more proactive role throughout the region.

In this context, New Delhi came to assign a significant role to what it called “strategic defense dialogues” between India and a number of partnership countries in the area. The intent of these dialogues was to generate a stronger spirit of partnership that would lead to the preparation of a globally-coordinated initiative to fight the menace of “terrorism, arms proliferation, drug trafficking, piracy and other nefarious activities by non-state actors.”³¹ This shift in India’s strategic thinking significantly broadened its areas of concern. As the Ministry of Defense put it in its annual report for 2005-2006.

“India’s size, strategic location, trade interests and a security environment that extends from the Persian Gulf in the West to the Straits of Malacca in the East and from Central Asian Republics in the north to near the equator in the south, underpin India’s security response. In view of this strategic spread it is essential for the country to maintain credible land, air, and maritime forces to safeguard its security interests.”³²

³⁰ *Current Digest of Post Soviet Press*, vol. 53, no. 42 (2001), p. 17.

³¹ *Annual Report 2005-2006*, Ministry of Defense, Government of India, p. 6.

³² *Ibid.*, 2002-2003, p. 2.

Together, these shifts substantially energized Indian policy in Central Asia, leaving it pro-active rather than reactive. At the same time, India's involvement in Afghanistan also deepened, and is now very substantial. In the Indian perspective, the security and stability of Afghanistan is linked with that of Central Asia. Indian engagement with Central Asia ranges from security and strategic diplomatic to the economic and cultural spheres. The Central Asian states have welcomed India's enhanced interaction with them. Having consolidated their independence, they are now focusing on efforts to build new polities, a project that has progressed everywhere, albeit at very different paces. In the economic sphere Kazakhstan has made considerable progress, with Kyrgyzstan and Tajikistan proceeding at a slower pace and Uzbekistan and Turkmenistan having recently adopted policies that are intensifying the pace of their development.

Together, the Central Asian states are all now ready to look southwards. The Declaration of Strategic Partnership between India and Kazakhstan encapsulates a qualitative enhancement of their relations, with India now playing a significant role in the execution of Astana's multi-vectored foreign policy. India is increasingly perceived as a 'balancer,' which implies that it can and should play a positive and constructive role in the region, whether it chooses to act independently or in cooperation with the US or Russia, or perhaps with both. More recently, India's strategic partnership with the US has opened up new opportunities that need to be thoroughly explored in the coming period.

By the time India was ready to launch its proactive policy in Central Asia, other major powers had already established their presence there. As a result, the space in the region for India appeared limited. However, it is important to stress that the interests of the major powers in Central Asia are increasingly balanced, and not necessarily inimical to one another. This significant change is due as much to the adroit balancing policies of the Central Asian countries themselves as to the actions of the external powers. This further enhances India's ability to play an active and positive role in the region.

The main challenge facing both India and the Central Asian states has been religious extremism and terrorism, and in all cases this emanates from the same source. In recognition of this reality, India established Joint Working

Groups (JWG) on counter-terrorism with Tajikistan and Uzbekistan in 2003 and with Kazakhstan in 2004. The aim of each JWG was to review and analyze the regional security scenario, coordinate information, and share experience. The JWG frameworks also envision the training of paramilitary personnel. Thus, it is appropriate that Russian border guards sought India's help in combating extremism and terrorism on the strategic southern border of the Commonwealth of Independent States. India had also extended help in training the forces of the Northern Alliance.

A valuable input into Indian policy is the developing defense cooperation between India and Afghanistan's northern neighbors. Military-Technical Cooperation Agreements have been signed with Kazakhstan, Kyrgyzstan and Tajikistan. These agreements provide for the construction of training facilities, the purchase of defense equipment and the regular exchange of high-level military delegations. The possibility of Indian involvement in upgrading and modernizing defense-related industries in Kazakhstan, Kyrgyzstan and Uzbekistan is also to be explored.

While announcing 'infrastructure requirements' of the Military Training College in Dushanbe during a visit to Tajikistan in November, 2003, Indian Prime Minister A.B. Vajpayee, stated that "We are cooperating well in the field of defense training. We have agreed to institutionalize contact between our armed forces in specialized areas."³³ Media reports at the time claimed that India had acquired base facilities at Ayni near Dushanbe, but in the fact the Ayni project was modest in scale. Dispelling reports that India had acquired a strategic toehold in Central Asia, India's Defense Minister A.K. Antony declared that the air base would not be put to any military or strategic use and emphasized that India would only provide training there to Tajik pilots.³⁴ Whether the Ayni base is a minor project for training or an actual military base is a moot point. The challenge of extremism and terrorism was growing in Tajikistan at the time, and Russia was apparently not in a position to provide further security. According to Stephen Blank, a well-known American specialist on Eurasian affairs,

³³ *The Hindu* (Chennai), November 14, 2003.

³⁴ *The Hindustan Times* (New Delhi), July 20, 2007.

“Russian weakness in Central Asia compounds India’s immediate and long-term problems there. In the short term, the chaos in Afghanistan and parts of Central Asia over which Russia might once have exerted a strong restraining influence is now free to spread southwards.”³⁵

For this reason India and the Central Asian states have been rendering support to the war on terror, including the initiative at Ayni.

On issues of regional security, a successful scenario will depend largely on a balance of interests among the US, Russia and China. Through the Partnership for Peace (PFP) program, the US, European Union, and NATO have established a wide-ranging presence in Central Asia. Russia’s great leverage there stems from its strong military presence and dominance of the energy sector there, as well as the large presence of migrant workers from Central Asia in Russia itself. Within careful limits the Central Asian states perceive all these external presences as essential. As one official put it, “We need external powers to maintain stability of the region, but do not want one dominant power, whether it is the US, China, or Russia.”³⁶

The Central Asian states have joined a number of multilateral regional groupings. Earlier, it was the Collective Security Treaty of 1992 that provided them with a security umbrella. In 2001 the Shanghai Five evolved into the Shanghai Cooperation Organization (SCO), the agenda of which includes both security and economic issues. Among its structures, the SCO has established the Regional Anti-Terrorist Structure (RATS) primarily to deal with unconventional challenges. At present RATS is merely a coordinating center for the exchange of information. Cooperation among its members is weak and the SCO lacks forces of its own with which to deal with threats and challenges. India is today an observer in the SCO but all the Central Asian states have strongly backed India’s application for full membership. Another regional security arrangement is the Collective Security Treaty Organization

³⁵ Quoted by Stephen Blank, “India’s Rising Presence in Central Asia”, in Ariel Cohen (ed.), *Eurasia in Balance: The US and Regional Power Shift* (Burlington, USA, 2005), p. 186

³⁶ Foreign Affairs Record, No. 2, February 1992 (A Government of India Publication), p.114.

(CSTO), a Russian initiative aimed primarily at integrating its members' defense sectors. At a Moscow summit in February, 2009, the CSTO formed its own Collective Fast Reaction Force to deal with threats and challenges.

It remains to be seen how effective and efficient these various groupings will be. India is also a member of the Conference on Interaction and Confidence Building Measures in Asia (CICA), a Kazakh initiative. Though CICA is a forum for discussion, in the long term it aims at broadening the parameters of security by involving states outside the Central Asian region.

The existing regional groupings in Central Asia act as a limiting factor on India's efforts to intensify its engagement. While the South Asian Association for Regional Cooperation (SAARC) has not emerged as an effective grouping with respect to security matters, it has nevertheless initiated some people-oriented programs in such areas as the alleviation of poverty, transport connectivity, education, and health care. Now that Afghanistan has become a full member of SAARC, the possibility of redefining the grouping as a series of contiguous states has arisen. This could be an advantageous development. Besides broadening its interests in Central Asia, India has taken a major stake in the development of an independent, democratic and secular Afghanistan. Indian policy in Afghanistan emphasizes institutional and infrastructure development but also includes a strong element of counter-terrorism. It is fair to say that by now Indian policy in both Central Asia and Afghanistan consists of an integrated effort to counter terrorist forces and develop viable economies that can provide people with livelihoods and thereby undercut popular support for extremism.

At the political level, India's secular and democratic credentials have endeared it to the Central Asian states, which feel they have much to gain from India's experience and expertise in building democratic institutions and managing diversity. Visits by heads of state have become a regular feature of this interaction. In January, 2009, India honored President Nazarbayev by naming him guest of honor at its annual Republic Day Parade.

This highlighted the raising of the India-Kazakhstan relationship to a qualitatively higher level through the Declaration on Strategic Partnership between the two governments. Above and beyond such formal relationships, India's influence in the cultural sphere is vast. Its films and music are ex-

tremely popular, which undergirds an attitude of warmth and friendliness towards India among ordinary Central Asians. This prepares the ground for India to further expand its engagement with the countries of Central Asia.

The main economic driver of India's engagement in Central Asia lies in the agrarian sector; including rural development, agro-based industries, and the upgrading of existing infrastructure in these areas. India can take up such projects either independently or in partnership with third countries. In the long run it is certain to be a leading force for developing prosperity in the region as a whole. In order to be effective in this, however, India must have safe and a reliable access to Central Asia. Such connectedness in the field of transport will give the landlocked Central Asian states access to India itself and to all the ports and economic centers of the South Asia region as a whole.

What Are the Best Options By Which India Can Connect With Central Asia?

The best option for India to reach out to Central Asia would be to follow the ancient land transport routes and their modern equivalents directly across Afghanistan. As this happens, one can expect the same volume and range of cross-cultural interaction that occurred in the past to take place once again. The best option lies through Pakistan and Afghanistan and thence via Uzbekistan or Tajikistan to the West and North. The main transport artery of Afghanistan is the "Garland Highway" or "Ring Road" that connects Kabul, Kandahar, Herat, and Mazar-i-Sharif. As discussed elsewhere in this volume, the Ring Road has been considerably rehabilitated with assistance from the US, Japan, and Saudi Arabia. India's Border Road Organization is also involved in the construction of a road linking the Iranian port of Chabahar and the Ring Road. Uzbekistan's existing transport and communication links are extensive, though they need repair and upgrading. A study conducted by the Asian Development Bank (ADB) identifies Uzbekistan as the only country in the region to have even a small proportion of roads that can be classified as 'primary' or class-I highways.³⁷ This positions Uzbekistan well as a future

³⁷ Asian Development Bank, *Central Asia: Increasing Gains from Trade Through Regional Cooperation in Trade Policy, Transport, and Customs Transit*, Manila: Asian Development Bank, 2006, <http://www.adb.org/Documents/Reports/ca-trade-policy/> (accessed on April 8, 2010)

transport hub for the region, including Afghanistan, even though major projects underway in all its neighboring countries will doubtless bring them solidly into the picture as well.

The ADB is also of the opinion that the main southern transport corridor should follow the routes from Pakistan to Afghanistan via the Khyber and Bolan passes through Peshawar and from Gwadar and Quetta to Kandahar. These much-preferred India-Pakistan-Afghanistan-Uzbekistan transport corridors have so far failed to emerge as a workable project, but could do so if the U.S. worked more actively with relevant countries and funders to bring them about.

Several significant imponderables vex this transport corridor, the main one being the continuing troubled relationship between India and Pakistan on the one hand, and acrimonious relations between Pakistan and Afghanistan on the other hand. Terrorist groups based in Pakistan continue to operate with impunity, posing grave challenges to both India and Afghanistan and preventing progress on these all-important transport corridors. The outrage that took place in Mumbai in November, 2008, and the continuing instability in Afghanistan are only the most recent in a series of fresh impediments that have arisen. Indeed, it is by now evident that extremist and terrorist elements also pose a threat to Pakistan itself.

For the time being, Pakistan's approach to this important transport corridor is exclusivist. In promoting its Gwadar port as the center for trade and as an outlet to the sea for the states of Central Asia, Pakistan still seeks to exclude India. Meanwhile, the economic price that Pakistan pays for its failure to operationalize the Gwadar route as a major international corridor mounts daily. In the end, it is Pakistan itself that stands to gain most in terms of transit revenues from this route. And whenever the Gwadar port becomes fully functional, the Central Asian states will gain a critically important alternative as they develop their important new southward orientations.

An equally significant step towards opening Central Asia and Afghanistan to Pakistan, India, and South Asia will be the TAPI gas pipeline from Turkmenistan to India via Afghanistan and Pakistan. Since it will bring significant benefits to all parties involved, and since it is directed against no one, its realization may in the end prove to be less problematic than many think today.

But until the projects for roads and pipelines that bring together Pakistan and India are actually realized, India will have no alternative but to pursue the second option, namely, a sea-cum-surface transport route connecting India with Uzbekistan through Iran and Afghanistan. India has rendered partial assistance in building the Chahbahar port on the Makran coast. The Zaranj-Delaram highway from the Iran-Afghanistan border to Afghanistan's Ring Road is now fully operational, thanks to Indian assistance. This corridor needs to be further developed to create smooth and easy access to Afghanistan and Central Asia via Uzbekistan. The following observation by Frederick Starr, a renowned scholar of Eurasian affairs, is not only apt but places the transport corridor issue in the right perspective:

“... the best way forward is to pursue whatever options make the best sense under the circumstances; if one channel is blocked let trade flow through others. This process will encourage, even force those countries creating the main political blockages to calculate the opportunity cost to themselves of their own perspective.”³⁸

Afghanistan is central to the development of all the main options for improving connectivity between Central and South Asia. If Afghanistan is to play its essential role in this grand development, stability and security must be established there. The progress of peace and stability in Afghanistan will inevitably pave the way for Afghanistan to reemerge as a transport hub. This brings us to the vital question: what are the prospects for stability in Afghanistan?

The Afghan Connection: Peace and Stability

Afghanistan's future stability will hinge on its external environment. One of the greatest destabilizing factors is the continuing insurgency led by the Taliban and Al Qaeda. These forces have certainly been weakened, but they have not been destroyed. Inevitably, the question arises as to whether such a conflict can be resolved through military means? It is clear that non-traditional threats and challenges involving well-armed insurgents call for conventional military methods, such as those being employed by the NATO-

³⁸ S. Frederick Starr, *The New Silk Roads: Transport and Trade in Greater Central Asia* (Washington, D.C., 2007), p. 31.

led ISAF. However, it is by now equally clear that measures that foster economic development must also be taken. This point is now generally accepted by the US and ISAF. What is not understood, and what has not been accepted, is that economic development must be pursued *simultaneously* with conventional warfare and not held off until the conventional campaign of arms has achieved its main goals. This is an extremely challenging task, of course. but any attempt to do the military and economic programs *seriatem*, holding off the latter until what is judged to be sufficient progress has been made in the former area, is doomed to fail.

The fate of the Kejaki dam on the Helmand River provides a laboratory example of how this process can succeed or fail. The Kejaki dam came to symbolize NATO's resistance to the insurgents. The Kejaki dam was designed to provide power to Helmand and neighboring Kandahar and, significantly, water for the pursuit of normal agriculture. It thus posed a frontal choice between legal agriculture and illicit poppy cultivation. The dam has not been completed, the rationale for the delay in its completion being that the security situation must first be taken in hand. This logic is 180 degrees off the mark. The completion of the Kejaki dam, however difficult the process, will provide an impetus to agriculture and create normal livelihoods for hundreds of thousands of people. A strong military presence during the process of construction will go far towards dispelling fear of the insurgents among the local populace, and will encourage the people, particularly the unemployed and youths, to throw in their lot with the reconstruction effort.

The Obama administration has favored for Afghanistan a policy that combines a heightened military presence, an intensified reconstruction effort, and serious pressure on Pakistan to cease its support for the well-entrenched insurgents based in its tribal areas. The US has also named Richard Holbrook as a Special Representative for Afghanistan and Pakistan. These steps differ more by degree than by kind from those of the previous administration in Washington. The success of this approach will depend on Pakistan's ability to control effectively its volatile border regions and to rid the area of extremist elements. Collaborative efforts between the international community and local elements on the ground will need to be expanded. The scenario that must be avoided at all cost is to place the insurgents under sufficient pressure

to drive them into neighboring Tajikistan or the Fergana Valley but not enough pressure to destroy them. The mountainous Badakhshan province of Tajikistan could provide a perfect hide-out for the extremists and terrorists and enable them to continue their war to far into the future..

Meanwhile, drug trafficking shows no sign of abating either as an economic reality or as a destabilizing force in the region. Traffickers undermine already fragile new state institutions, undermining the vitals of the governance system. Closely related is the widespread corruption, the tentacles of which have reached the highest levels of government. The resulting unofficial taxes are massive, and place money in the pockets of warlords, local authorities, and Taliban militants, but not of local farmers, who receive a pittance. Any developmental effort must therefore include a strategy to curtail the drug trafficking that meets 40 to 50 percent of the financial needs of the Taliban alone, not to mention other groups. This issue is intertwined with the urgent need for better border controls and management, especially along Afghanistan's highly porous borders with Tajikistan and Turkmenistan. The US and NATO are already focusing on this issue, but success remains elusive.

Another critical issue that impinges on the peace and stability of Afghanistan is its border with Pakistan, which the Kabul government does not accept and which at many key points remains undefined. Afghanistan has contested the Durand Line since 1947 and it must now be considered defunct. President Zia-ul Haq's vision of a Pakistani-influenced region extending into Central Asia depended on an undefined border with Afghanistan, so that Pakistan's army could justify any future interference in that country and beyond. After 9/11 many Pakistanis maintained that if President Karzai would only recognize the Durand Line he would sufficiently appease Islamabad to enable it to cut off Pakistan's military support for the Taliban.³⁹ The Taliban and other terrorist elements have taken advantage of this undefined border, operating as a criminal organization to move contraband goods, drugs, and small weapons across it.

Politically, Afghanistan is not stable. The democratic institutions established after 9/11 have yet to evolve into durable structures. Many elements in Afg-

³⁹ Rashid, *Descent into Chaos*, (n. 3), pp. 267-68.

hanistan, including the local warlords, are interested in maintaining a weak state. Added to this is the mounting insurgency that poses a direct threat to Afghanistan's sovereignty. Although presidential elections were held in 2004, President Karzai's influence does not extend far beyond Kabul and he is often dismissively referred to as the 'Mayor of Kabul'. With serious doubts being cast about Karzai's ability to govern the country in an effective manner, it is often suggested that a dialogue should be opened with moderate Taliban and other elements that are willing to work within the Constitutional framework and shun violence. Supporters of this approach hold up the "Tajik Model" as a successful application of this approach.

This inevitably gives rise to the question, "Who is a moderate Taliban?" Do there exist elements of the Taliban with which reconciliation is possible? The Tajik model has succeeded because the main opposition group, the Islamic Renaissance Party, was willing to work within the constitutional framework. Would moderate Taliban give up their dream of establishing Sharia rule? In the final analysis, democracy and open societies are the best guarantors of social harmony but these can only be instituted through social consensus, not by fiat. A step that might promote this process would be the return of Afghan refugees from Pakistan and Iran and the return to them of the plots of land they owned before the Soviet invasion. This would widen the basis of democracy as members of this large group who are not committed to jihadism would gain a stake in the new order. In a speech at the Munich Security Conference on 8 February, 2009, President Karzai announced that,

"We will invite all those Taliban who are not part of Al Qaeda, who are not part of terrorist networks, who want to return to their country, who want to live by the constitution of Afghanistan, and who want to live in peace and live a normal life, to come back to their country."⁴⁰

Afghanistan needs investments in the agrarian and industrial sectors, road networks, power transmission, and engineering. The reconstruction effort has addressed some of these issues but an accelerated pace of economic devel-

⁴⁰ *The Hindustan Times* (New Delhi), February 9, 2009.

opment would hasten the process of tackling such other concerns such as poverty, illiteracy, unemployment, and healthcare.

In closing, let us return once more to a theme that has been sounded above. An important step towards improving Afghanistan's economy would be to restore its traditional position as a hub of transport and trade. Afghanistan long served as the crucial link between South and Central Asia. A revival of that status will be a daunting task but not an impossible one, provided there is the requisite political will. The idea of a "Greater Central Asia" connecting South Asia with Central Asia is worth pursuing as a means of creating vast opportunities for lucrative interactions between the two regions. India's easiest access to the region would be via Pakistani routes, but troubled relations between the two countries leave India with no choice but to pursue the Iranian option.

India has assisted Iran in building container terminals at Chahbahar port on the Makran coast and has constructed the highway link between Zaranj on the Iranian border and Delaram on the Afghan Ring Road. The Central Asian states are all keen to intensify their engagement with India and the Indian Ocean region, and Southeast Asia as well. They appreciate the economic importance of the southward direction for their landlocked countries and have grown impatient with the lack of progress on the opening of common routes involving India, Pakistan and Afghanistan. Thwarted in that direction, they are increasingly looking to the Iranian route, which is scarcely what Pakistan expected would be the outcome of its exclusionist policy.

In this context, there is acknowledged to be an acute need for some kind of multilateral grouping that would bring the South and Central Asian states closer together. The concept of a "Greater Central Asia" that includes India could be the basis of such a grouping. Another possibility is that SAARC could be extended to Central Asia. Now that Afghanistan is a member of SAARC, such a possibility has become very real. In the long run, economic prosperity and political stability is bound to alter positively the geopolitics of the region. Enhanced political and economic interaction through transport and trade could replace extremism and terrorism as the link connecting South Asia with Central Asia. There are no easy solutions to the huge complexities that are involved, but one simple step would be to give priority to

long-term economic considerations as opposed to the politics of the short-term.

Concluding Observations

Extremism and terrorism are the prime security concerns of all countries in the region, as well as the major powers. The US and NATO forces are battling the insurgents but will require lots of time and tenacity before the adversary can be eliminated. Drug trafficking, smuggling in small weapons, and organized crime are factors that fuel extremism and terrorism. These have to be tackled simultaneously. In India's view, Afghanistan and Central Asia are interlinked and must be integral components of its approach to regional security. Traditionally, India enjoyed cordial ties with Afghanistan, and maintained multifaceted interests in Central Asia as well. After 9/11, India has focused on restoring those ties by becoming closely involved in the overall reconstruction effort. India's presence and influence in Afghanistan is substantial. Its goal, very simply, is to help Afghanistan become a sovereign and independent country. Today, India has the capacity to play a constructive role in Central Asia, but the presence there of other major powers acts as a limiting factor. A new possibility that has opened up for India is to work in cooperation with either the U.S. or Russia or both in order to secure mutual benefits in the region. The challenge of extremism and terrorism continues to loom over the horizon in Central Asia. Tajikistan in particular is highly vulnerable due to its proximity to Pakistan's FATA region, which should be factored into any future strategy to combat terrorism.

Over time, new elites and leaders will emerge in the Central Asian states. The emerging elites are likely to be more focused than their predecessors on economic development and on integrating their countries into the world economy. As a recognized power in the field of science and technology, India can play a major role in the changing economic landscape of Central Asia. With economic progress, opportunities for employment will expand. This in turn will create conditions more favorable to participatory politics and to open systems of information and governance, and less welcoming to some of the dysfunctional activities that are so common there today. The war on terror is expected to enter a decisive phase during the tenure of the Obama ad-

ministration in Washington. If this combines a determined military presence with a more active promotion of the economy on a regional basis, prospects for both Afghanistan and its Central Asian neighbors will greatly improve..

A big question mark hangs over Pakistan's ability to rein in the numerous extremist and terrorist organizations that flourish on its soil, and also its ability to control the borderlands adjoining Afghanistan. Notwithstanding the many pessimistic predictions, the reemergence of Afghanistan as a center of trade and transport is still possible, especially if Iran is involved in the evolving strategy. The southward direction for the Central Asian states is essential for strengthening their economic prosperity and for integrating them into the world economy. In the long run, such a prospect holds immense potential as a means of reorienting the geopolitics of the entire region.

Regional Economic Linkages

Gulshan Sachdeva

India is making a successful transition from an excessively inward-oriented economy to a more globally integrated one. As a result of new policies in the early 1990s, it has become one of the fastest growing economies of the world. Despite some serious challenges such as energy security, poverty, infrastructure, regional disparities and internal security, there are strong indications that rapid growth will continue. Although major world economies were in recession in 2008, the Indian economy continued on a growth course. But due to increasing global linkages, the growth rate came down from the average 8.8 percent achieved in the five years from 2003 to 2008. Despite adverse global conditions, India was able to achieve 7 percent growth even for the year 2008-09. With exports of \$163 billion, Indian's merchantable trade reached \$414 billion in 2007-08, having grown at an average annual rate of more than 30 percent in the four years from 2004 to 2008. In addition, the service sector, which accounts for about 55 percent of the Indian economy, continues to perform well and contribute to growing exports that reached \$142 billion in 2007-08. Within the service sector, Information Technology and Business Process Outsourcing (IT-BPO) industries have been growing at an average of 31 percent in 2004-08. In 2007-08, this sector alone was responsible for \$40 billion worth of exports of IT and related services.¹

Apart from its expansion, the Indian economy has also diversified significantly during the last decade. India's trade relations with the US and the European Union (EU) have increased in absolute terms. However, as a percentage of India's total trade, trade with the EU and the US has declined in the last decade. In comparison, there has been rapid integration of the Indian economy with Asia, which has been reinforced by India's *Look East* policy that was initiated in the early 1990s. This is clearly evident from the figures

¹ Figures used are taken from various publications of the Ministry of Finance and Ministry of Commerce & Industry, Government of India.

of India-China trade (with an average growth rate of 53 percent per year in 2004-08), as well as trade between India and the ASEAN (Association of South Asian Nations) states. Studies have shown that India's qualitative and quantitative engagement with the Asian economies is far deeper than commonly perceived.² India's economic linkages with the countries of the Middle East have traditionally been quite strong, and more so now due to energy imports, the activities of the 2.5 million-strong Indian diaspora, and good trade relations.

It is becoming clear that India, along with China and Japan, will be playing an important role in the evolving Asian economic architecture. However, India will not be effective if its economic relations with Pakistan and the Greater Central Asian (GCA) region remain marginal. While there are many definitions of Wider or Greater Central Asia,³ for the present purposes GCA includes the five former Soviet Central Asian republics and Afghanistan. In this case, India needs to work for an economic policy framework in which Pakistan, Afghanistan and the Central Asian republics also view the partnership as beneficial. This policy framework will also improve India's energy security as it may finally gain it access to energy resources in Greater Central Asia. It can also fundamentally change India's sea-based continental trade. Simultaneously, it can generate tremendous opportunities of trade and transit for Pakistan, Afghanistan and Central Asia itself. Indians can find significant investment opportunities in GCA, which in turn can transform their small and medium-sized industries, as well as agriculture. The growing realization of these opportunities has influenced policy makers not only in India, but also in Pakistan and Afghanistan.

² See *India's Economic Integration with Asia*, A speech by Mr Jairam Ramesh, the then Minister of State for Commerce and Power, Government of India at seminar series on Regional Economic Integration, Asian Development Bank, Manila, 24 November 2008; Mukul G Asher, *India's Rising Role in Asia*, Discussion Paper No. 121, (New Delhi: RIS, 2007).

³ See William Byrd, Martin Raiser et al., *Economic Cooperation in the Wider Central Asian Region*, World bank Working Paper No. 75 (Washington DC: The World Bank, 2006); S. Frederick Starr, 'A Greater Central Asia Partnership for Afghanistan and Its Neighbors', (Washington, D.C.: Central Asia-Caucasus Institute & Silk Road Studies Program, 2005).

Many developments have provided enough inputs to Indian policy makers to shape their newly emerging 'Look-West' policy. These include Afghanistan's membership in the South Asian Association for Regional Cooperation (SAARC), signing of South Asian Free Trade Area (SAFTA), Regional Economic Cooperation Conferences (RECC) on Afghanistan, the emerging India-Kazakhstan partnership,⁴ and continuous interest in the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline, as well as the Iran-Pakistan-India (IPI) pipeline. Since the inclusion of Central and South Asia under a newly formed bureau in the U.S. State Department, linking these two regions has also been a declared U.S. foreign policy objective.⁵ This fits well with the emerging India-U.S. ties and adds a new dimension to India-Central Asia relations.

Economic Development in the Greater Central Asian Region

In GCA and India, major changes in the economic policy environment have been taking place since the early 1990s. The process of economic liberalization that began in India in 1991 coincided with the start of economic reforms in Central Asia. As a result of these reforms, India's growth rate has increased. The Central Asian economies, however, are still in the process of economic and political transformation, moving forward at varying paces. Despite a very complex legacy that includes central planning, the dissolution of the USSR, distorted economic structures, and ethnic and boundary problems, these countries have made significant progress in market reforms, while progress on democratic reforms has been below expectations. Due to their natural resource, strategic location, political systems, and the backgrounds of the political elite, the regional states used both standard as well as non-conventional strategies of economic transformation.

⁴ For increasing India-Kazakhstan linkages, see P Stobdan, 'India and Kazakhstan Should Share Complementary Objectives', *Strategic Analysis*, Vol. 33, No. 1, 2009.

⁵ US officials have articulated this view very clearly on many occasions. During a testimony on Central Asia to the House Committee on Foreign Affairs, US Assistant Secretary for South & Central Asia Richard Boucher argued that "it is in the interest of the Central Asian states to build linkages to the south that complement their existing ties to the north, east and west. Our goal is to help them revive ancient ties between South and Central Asia and to help create new links in the areas of trade, transport, democracy, energy and communications." See <http://kazakhstan.usembassy.gov/bouchero408o8.html>

In the early years, the breakup of the Soviet Union affected the region unfavorably. Trade and transit were interrupted by new borders, increased transportation costs, and the collapse of traditional markets. Industrial and agricultural production were hurt by a host of factors, including the disruption in access to inputs and markets and the loss of subsidies for budgets, enterprises and households that were received during the Soviet period either directly or indirectly through social payments and below-market prices on transport and energy. Moreover, the collapse of the Soviet administration damaged administrative structures, while the region lost skilled labor when many Russians departed. Access to secure water and energy resources was also curtailed, with substantial implications for agriculture, industry and household requirements. The countries in the region were left with large environmental burdens (including the Aral Sea ecological disaster, as well as industrial, nuclear and biological waste). Above all, there arose ethnic tensions and even, in Tajikistan, civil war.⁶

In the 1990s, the Central Asian regimes tried to discover their national economic models within their complex identities. These models arose from their sense of belonging to Asia, Eurasia, Europe and the third world. Having long been part of a Eurasian power, national elites continued to identify more with Europe than Asia. However, the deficit in market reforms and democratic processes pushed them to search for solutions within their Asian surroundings. Despite their economic linkages with Europe, the regimes tried to learn lessons from the Chinese model of development, as well as from the East and Southeast Asian miracle economies. In the second half of the 1990s, this helped them to avoid many unnecessary costs of transition that many multilateral organizations considered the necessary costs of systemic transformation from a centrally planned economy to a market economy.

After a period of negative growth, the economies started growing fast from 2000 onward (see Table 1). This growth came about due to high commodity prices, rebound in investment activity, growth in domestic consumption and pickup in remittances. The momentum of growth gave the countries' leaders the confidence needed to push for much-needed economic reforms. As a re-

⁶ See Johannes Linn, 'Central Asia: Ten Years of Transition', Talking points for Central Asia Donors' Consultation Meeting, Berlin, Germany, March 1, 2002.

sult of this combination of factors, economic growth in the region has been among the fastest in the world since the late 1990s. Despite security and governance problems, economic growth has been good even in Afghanistan; and according to official statistics, growth in Turkmenistan has also been very high. Both the EBRD and ADB data, which are very similar, reveal high economic growth in the entire region for the period between 2000 and 2008. Moreover, the impact of the global recession on Central Asia has been relatively benign.⁷ As a result, economies in the region are expected to grow significantly in 2009 and 2010. Evaluating different scenarios, an ADB study⁸ has predicted further that economic prosperity will be significantly enhanced if the region embraces policy reforms, regional cooperation and industrial competitiveness.

Table 1: GDP Growth in Greater Central Asia 2000-2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*	2010*
Afghanistan					8.0	16.1	8.2	12.1	3.4	15.7	8.5
Kazakhstan	9.8	13.5	9.8	9.3	9.6	9.7	10.7	8.9	3.3	-1.0	2.5
Kyrgyz Rep.	5.4	5.3	0.0	7.0	7.0	0.2	3.1	8.5	7.6	1.0	2.0
Tajikistan	8.3	10.2	9.1	10.2	10.6	6.7	7.0	7.8	7.9	0.5	2.0
Turkmenistan	18.6	20.4	15.8	17.1	14.7	13.0	11.4	11.6	9.8	8.0	10.0
Uzbekistan	4.0	4.5	4.2	4.4	7.7	7.0	7.2	9.5	9.0	7.0	6.5

*ADB projections

Sources: EBRD Database for the years 2000-2006, Data for the years 2007-2010 are from *Asian Development Outlook 2009 Update* (Manila: ADB, 2009), p. 170.

The success of market-oriented structural and institutional reforms has resulted in mixed progress in the region. According to the different methodologies that major multilateral organizations have developed to measure the progress of reform in transition economies, Kazakhstan and Kyrgyzstan progressed faster in the initial years; Tajikistan and Uzbekistan have also em-

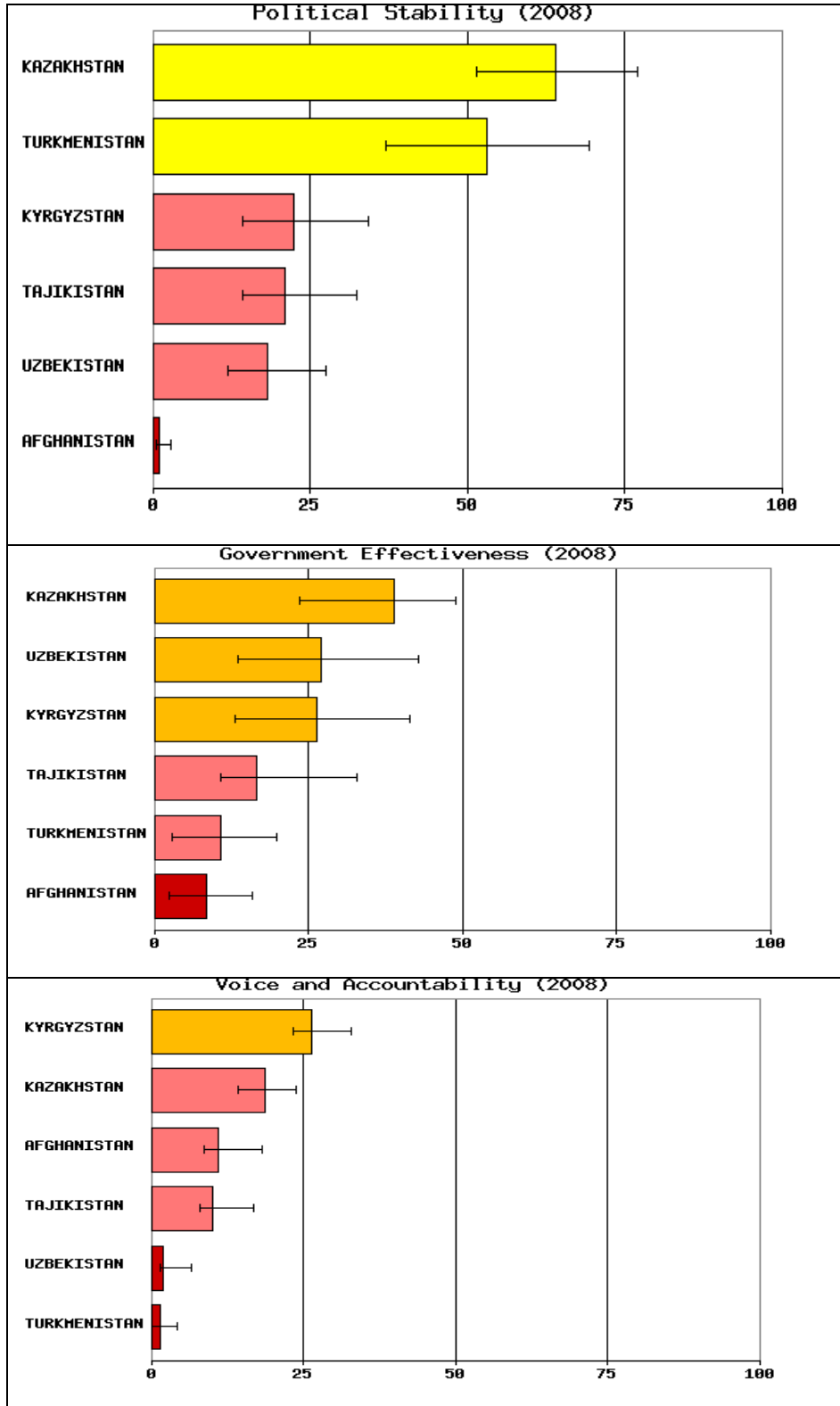
⁷ Richard Pomfret, *Central Asia & Global Economic Crisis*, EUCAM Policy brief No. 7, June 2007, <http://www.eucentralasia.eu/index.php?id=37>

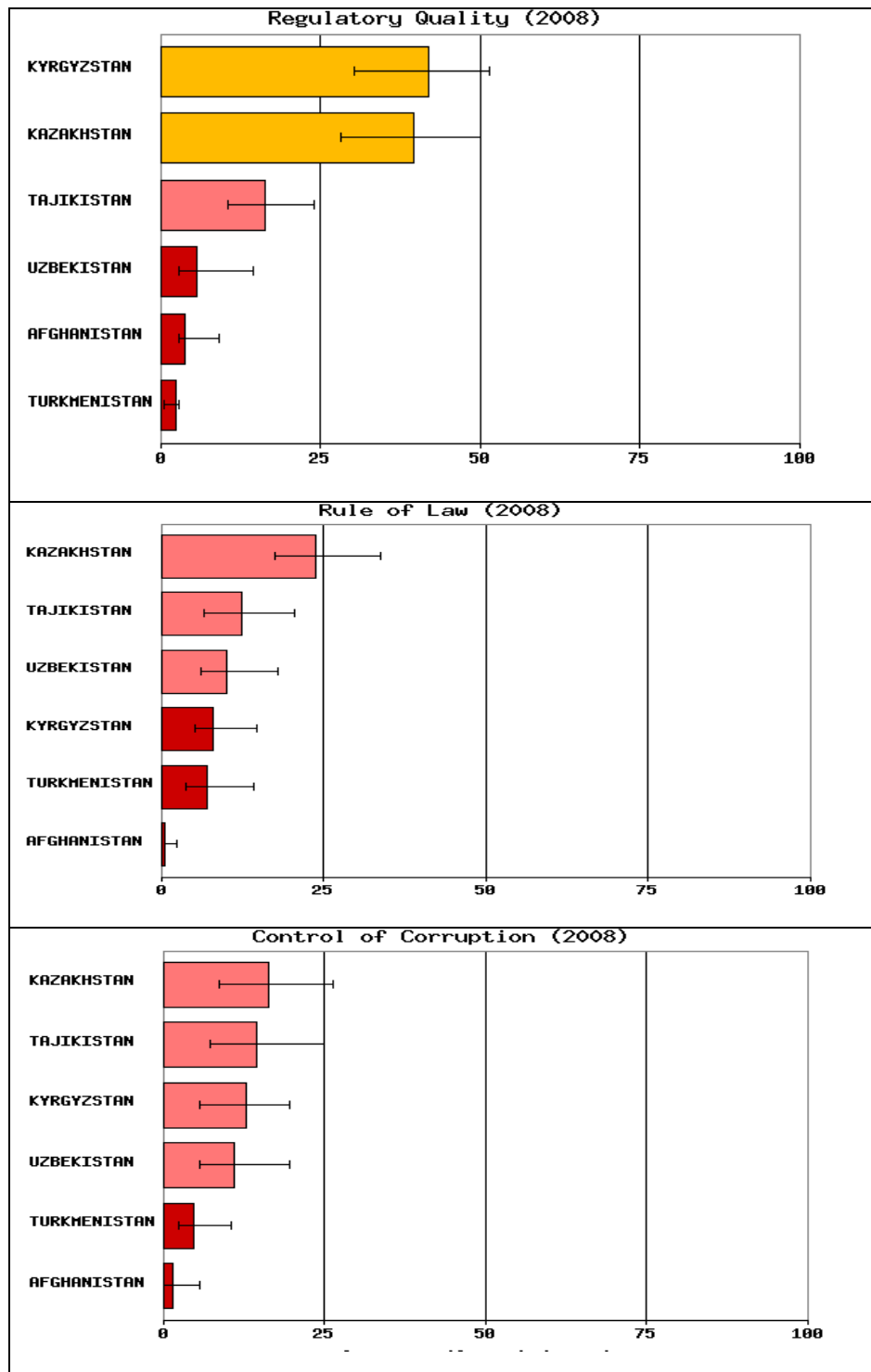
⁸ Malcolm Dawling & Ganeshan Wignraja, *Central Asia: Mapping Future Prospects to 2015*, ERD Working Paper No. 80, (Manila, ADB, 2006).

barked on reforms in recent years; whereas only limited reforms have taken place in post-Niyazov Turkmenistan. According to widely used indicators developed by the European Bank for Reconstruction and Development (EBRD), the level of reforms concerning prices, foreign exchange and external trade, privatization, and the banking sector is high in Kazakhstan and the Kyrgyz Republic. Tajikistan and Uzbekistan have also made significant progress in price reforms, external sector reforms and small-scale privatization. The level of reforms in Turkmenistan is low, particularly in the financial sector.

Kazakhstan, Kyrgyzstan and Tajikistan have full current account convertibility and liberalized interest rates. Except Turkmenistan, where the fixed exchange rate system still prevails, all others have broadly adopted managed float system for fixing exchange rates. Kazakhstan and Uzbekistan have some controls on inward FDI. Tajikistan, Turkmenistan and Uzbekistan still maintain wage controls. Land is tradable, with the exclusion of foreigners, in Kazakhstan and Kyrgyzstan. The business environment and competition have also improved significantly in these two economies (See Tables A2 and A3 in Appendix). The World Bank governance indicators for the region show some improvement over the years. These six dimensions of governance combine data on a large number of enterprises and citizens, and are based also on surveys conducted by institutes, think-tanks and international organizations. The latest 2008 indicators show that in political stability, government effectiveness rule of law and control of corruption, Kazakhstan tops the list in the region. Regulatory quality and accountability is better in Kyrgyzstan. Tajikistan has also done well in controlling corruption. As expected, Afghanistan is at the bottom in most governance indicators (Figure 1).

Fig 1: World Bank Governance Indicators for GCA, 2008, (0 worst and 100 best)





Source: D Kaufmann, A Kraay and M Mastruzzi, Governance Matters VIII, Governance Indicators 1996-2008, The World Bank, 2009.

The Relevance of Central Asian Energy for India

Shortly before the global economy went into recession, the U.S. Energy Information Administration (EIA) projected that global energy consumption will increase by 50 percent from 2005 to 2030. It was evident that emerging economies are going to account for much of this projected growth. Among the emerging economies, the highest demand was expected to occur in Asia, particularly in China and India. Despite slowdowns in 2008, the economic projections remain high in the medium to long run. During this period, fossil fuels (oil, natural gas, and coal) will continue to supply much of the energy, with oil maintaining its importance.

Despite fairly low per capita energy consumption, India is the world's fifth largest energy consumer and is likely to become the third largest by 2030. Primary commercial energy demand grew almost threefold at an annual rate of 6 percent between 1981 and 2001. To catch up with the rest of dynamic Asia and to eradicate poverty, it will be essential for India to continue growing at about 8-10 percent or more over the next 25 years. The energy requirements for such sustained annual growth pose a major challenge. According to the government's integrated energy policy, India needs to increase its primary energy supply by a factor of three or four, its electricity generation capacity/supply by a factor of five to six compared to its 2004 levels. With 2003-04 as the base, India's commercial energy supply would need to grow from 5.2 percent to 6.1 percent per annum while its total primary energy supply would need to grow at 4.3 percent to 5.1 percent annually. By 2030, power generation capacity must increase to nearly 800,000 MW from the current capacity of around 160,000 MW. Similarly, the requirement of coal will need to expand to over 2 billion tons per year.

The importance of oil for India can be seen from the fact that in 2006 oil accounted for 36 per cent of the country's primary energy mix.⁹ Since India is relatively poor in oil and gas resources, it has to depend on imports to meet its energy needs. With already more than 70 per cent of its crude oil requirements met by imports, India's oil import bill was close to US\$90 billion in 2008-09. IEO has shown that even with the reference case projection (5.8 percent annual growth rate), Indian energy consumption between 2005 and 2030

⁹ *The Oil and Gas Sector Overview in India 2009* (KPMG India: 2009).

will grow at an average annual rate of 3 percent (see Table 2). Compared to this projection, the Indian economy has grown at an average of 9 % in the last three years (2005-08).

Table 2: Total Energy Consumption in India, 1990-2030 (Quadrillion Btu)

	History			Projections					Average Annual % Change, 2005-2030
	1990	2004	2005	2010	2015	2020	2025	2030	
Reference case Projections *	7.9	15.5	16.2	19.4	23.2	26.2	29.9	33.2	2.9
High Economic Growth Projections	7.9	15.5	16.2	19.7	24.1	28.2	32.2	36.4	3.3
Low Economic Growth Projections	7.9	15.5	16.2	19.1	22.3	25.2	27.8	30.3	2.5
High Price Projections	7.9	15.5	16.2	19.2	22.5	25.2	28.3	30.9	2.6
Low Price projections	7.9	15.5	16.2	19.3	23.5	27.3	30.6	34.0	3.0

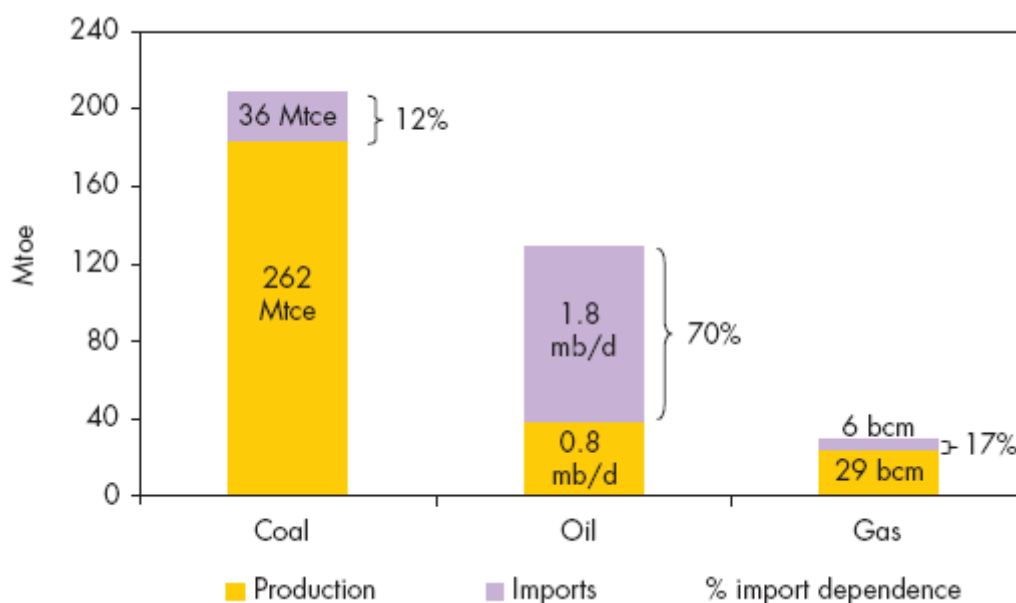
* Average annual change 5.8%

Source: *International Energy Outlook 2008* (Energy Information Administration, US Department of Energy, Washington DC, 2008).

As a result of growing demand, India's energy-import dependence is also growing. In 2005, India imported about 70 percent of its crude oil requirements and consumed about 3 percent of world oil supply. LNG imports started only in 2004 and in 2005 it made up

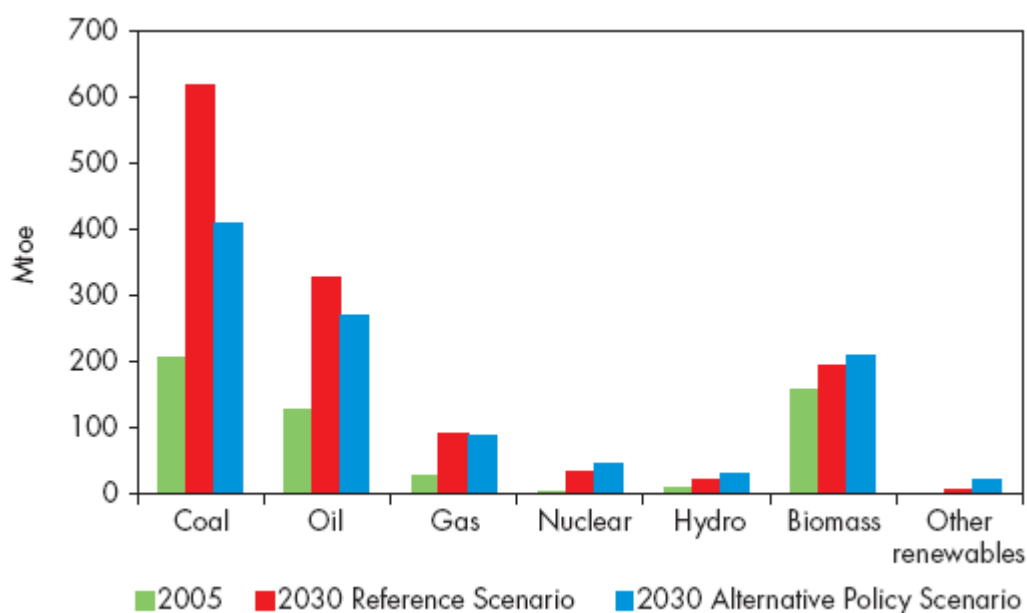
17 percent of total gas supply. India also imported about 12 percent of its coal supply.¹⁰

¹⁰ For details see *Energy Outlook 2007* (Paris, IEA/ OECD, 2007).

Fig 2: India's Fossil Fuel Production and Imports, 2005

Source: *Energy Outlook 2007* (Paris, IEA/ OECD, 2007).

The Indian economy relies heavily on coal, which accounted for 39 percent of the total primary energy demand in 2005. Coal accounts for about 70 percent of electricity generation. After China and the U.S., India is the world's third-largest coal consumer. As a result of the government policy of diversifying the energy mix, the share of natural gas has increased to 5 percent of the total. Other sources such as wind, solar, and nuclear power, still account for very small shares. Although coal will still be a very important source of energy, the government's alternative policy scenario envisions a reduction in demand by 2030. In this alternative scenario, demand for coal will grow much slower and oil demand will also decrease somewhat due to the introduction of compressed natural gas and greater fuel efficiency. Similarly, the role of nuclear power grow more than is indicated in the reference scenario. But even if all these changes are implemented, India's oil import dependence may still go up to 90 percent by 2030. In addition, gas imports will also have to be increased (Figure 3).

Fig 3: India's Energy Demand: Reference and Alternative Scenarios

Source: *Energy Outlook 2007* (Paris, IEA/ OECD, 2007).

Currently, India imports oil from about 25 countries of which nearly two-thirds of imports come from four countries – Saudi Arabia, Nigeria, Kuwait and Iran (Table 3).

Due to this dependence, policy makers are worried about oil price volatility and its impact on inflation, economic growth, and foreign exchange reserves. It is believed that India's energy security can be increased by (a) diversifying both its energy mix and its sources of energy imports; (b) seriously perusing overseas acquisitions of energy assets; and (c) initiating policy reforms to attract foreign investment as well as improving domestic production, distribution and consumption. In the last few years, energy diplomacy has also become one of the main agendas of the country's foreign and security policy. India is seriously pursuing the nuclear energy option, as well as sources beyond the Middle East. The Indo-U.S. nuclear agreement, as well as consistent engagements with the countries of Eurasia, Africa and Latin America, should be seen in this perspective.

Table 3: Sources of India's Oil Imports 2004-2005

Middle East			Other Regions		
Country	Oil Imports (mmt)	% of Total imports	Country	Oil Imports (mmt)	% of Total imports
Iran	9.61	10.03	Angola	2.44	2.55
Iraq	8.33	8.69	Brazil	0.29	0.30
Kuwait	11.46	11.85	Brunei	0.81	0.84
Neutral Zone	0.15	0.15	Cameroon	0.35	0.36
Oman	0.14	0.14	Congo	0.14	0.14
Qatar	1.19	1.24	Egypt	2.12	2.21
Saudi Arabia	23.93	24.96	Equator	0.15	0.16
UAE	6.43	6.71	Equatorial Guinea	1.66	1.73
Yemen	3.51	3.66	Gabon	0.28	0.29
			Libya	1.47	1.53
			Malaysia	3.43	3.58
			Mexico	2.28	2.38
			Nigeria	15.08	15.73
			Russia	0.16	0.16
			Sudan	0.33	0.34
			Thailand	0.27	0.28
Sub Total	64.64	67.43	Sub Total	31.23	32.57

Source: Draft Report of the Energy Committee on Integrated Energy Policy (New Delhi: Planning Commission, 2005), p. 63.

In this scenario, the new energy sources of GCA are going to play an important role in Indian energy strategy in the coming years. In the early 1990s there was frequent discussion about the Central Asian region becoming another Middle East. Since then such scenarios have become relatively more sober. However, the Central Asian republics definitely possess 3 to 4 percent of proven global oil and gas reserves. Similarly, production of oil and gas has increased in the last few years (see Tables 4, 5 & 6).

Table 4: Recent Estimates of Proven Reserves of Oil and Natural Gas in Greater Central Asia

	Oil (Billion Barrels)		Natural Gas (Trillion Cubic Feet)		
	<i>BP Statistical Review</i>	<i>Oil & Gas Journal</i>	<i>BP Statistical Review</i>	<i>CEDIGAZ*</i>	<i>Oil & Gas Journal</i>
Country	Year-End 2007	January 1, 2009	Year-End 2007	January 1, 2008	January 1, 2009
Afghanistan	NSR	NSR	NSR	3532	1750
Kazakhstan	39,828	30,000	67,203	67,099	85,000
Kyrgyzstan	NSR	0.040	NSR	NSR	0200
Tajikistan	NSR	0.012	NSR	NSR	0.200
Turkmenistan	0.600	0.600	94216	94644	94,000
Uzbekistan	0.594	0.594	61603	61978	65000
India	5459	5625	37257	37257	37960
World	1237876	1331698	6257780	6315770	6254364

NSR: Not Separately Reported

* Centre International d'Information sur le Gaz Naturel et tous Hydrocarbures Gazeux.

Source: US Energy Information Administration Database

Table 5: Oil Production in Central Asia 1998-2007

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
KAZ	526,90	604,92	725,63	835,97	967,51	1 061,97	1 245,87	1 337,17	1 387,22	1 444,23
KYR	1,73	1,66	2,03	2,01	1,51	1,36	1,36	1,96	1,96	0,96
TAJ	0,50	0,50	0,39	0,33	0,31	0,35	0,25	0,28	0,30	0,28
TUR	126,18	154,26	156,64	167,88	192,57	200,00	213,94	196,65	177,31	180,39
UZB	161,15	147,46	151,92	156,04	153,26	156,00	142,01	125,33	108,41	99,68

(Thousand barrels per day)

Source: US Energy Information Administration Database

Table 6: Dry Natural Gas Production in Central Asia 1998-2007 (Tcf)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
KAZ	0,194	0,162	0,314	0,356	0,463	0,490	0,724	0,935	0,906	0,985
KYR	0,0005	0,0004	0,0005	0,001	0,0004	0,001	0,001	0,001	0,001	0,001
TAJ	0,002	0,002	0,001	0,002	0,001	0,001	0,001	0,001	0,001	0,001
TUR	0,466	0,788	1,642	1,702	1,889	2,087	2,068	2,225	2,232	2,432
UZB	1,935	1,964	1,992	2,228	2,038	2,030	2,114	2,108	2,216	2,302

Source: US Energy Information Administration Database

Changing the region's energy flows from the existing northern routes towards Russia to western, eastern, and southern routes towards Europe and Asia was initially thought to be integral to the developmental goals of Central Asian states. To reduce the region's dependence on Russia, a few massive projects such as the Baku-Tbilisi-Ceyhan oil pipeline were implemented. Since demand in Asia (particularly in China and India) was expected to grow much faster than in Europe, other options were looked upon as economically lucrative, among them an eastward routes to China, southern routes through Iran, or southwest routes via Afghanistan. What has been discon-

certing for the regional states is that all routes from the region faced serious financial, political and security constraints.

Kazakhstan could play an important role in diversifying Indian imports. Due to a relatively better economic environment, Kazakhstan is seen by India to possess real potential. Major oil production is expected in the coming decades in Kazakhstan (Table 7). Its onshore and offshore proven hydrocarbon reserves have been estimated at 30 to 40 billion barrels of oil equivalent. It produced about 1.45 million barrels a day of oil in 2007 and is expected to reach 1.9 million barrels a day in 2010, with about 2.9 million barrels by 2020.

Table 7: Oil Production Projections in Kazakhstan, 1990-2030

	History				Projections				Average Annual % Change, 2005-2030
	1990	2004	2005	2010	2015	2020	2025	2030	
Reference case Projections *	0.6	1.3	1.4	1.9	2.6	2.9	3.1	3.6	4.0
High Economic Growth Projections	0.6	1.3	1.4	1.9	2.7	3.1	3.5	4.1	4.6
Low Economic Growth Projections	0.6	1.3	1.4	1.9	2.6	2.8	3.0	3.3	3.7
High Price Projections	0.6	1.3	1.4	1.9	2.5	2.6	2.7	3.0	3.2
Low Price projections	0.6	1.3	1.4	1.9	2.7	3.1	3.5	4.1	4.6

(Million barrels oil equivalent per day)

Source: US Energy Information Administration Database

Indian companies are trying hard to get a strong foothold in the region. The Sakhalin-1 investment in Russia and recent purchase of Imperial energy by India's public sector company ONGC (Oil and Natural Gas Corporation), are efforts in this direction. Competition in the region is fierce, as China is pursuing the same strategy. At the same time, the rapidly growing trade and economic relationship between India and China also compel the two to talk

of building partnerships in other areas. Earlier, both declared their intentions of cooperation in oil and gas biddings. India also mooted the idea of Asia-wide regional cooperation in energy, and initiated a dialogue between the principal Asian suppliers (Saudi Arabia, UAE, Kuwait, Iran, Qatar, Oman) and principal Asian buyers (India, China, Japan, Korea). These efforts showed some results when the China National Petroleum Corporation (CNPC) and India's ONGC mounted a successful \$573 million joint bid to acquire Petro-Canada's 37 percent stake in the al-Furat oil and gas fields in Syria. They earlier worked as joint operators in Sudan.

India and China may be cooperating in other areas, but when it comes to Central Asian energy, competition is fierce. This was clearly illustrated in late 2005 when China outbid India to acquire PetroKazakhstan, Kazakhstan's third-largest oil producer, with CNPC raising its bid to \$4.18 billion. Nevertheless, after trying for many years, India may finally be getting into the energy scene in the region. During the visit of Kazakhstan's president to India in January, 2009, India's ONGC Mittal Energy Limited (OMEL) and KazMunaiGaz (KMG), signed a Heads of Agreement for exploration of oil and gas in the Satpayev Block in the Caspian Sea. OMEL is a joint venture between ONGC Videsh Limited (OVL) and Mittal Investments Sarl. The Satpayev block covers an area of 1,582 square kilometers and is at a water depth of 5-10 m. It is situated in a highly prospective region of the North Caspian Sea and is in close proximity to major fields such as Karazhanbas, Kalamkas, Kashagan and Donga, where significant quantities of oil have been discovered. It has estimated reserves of 1.85 billion barrels. The Indian company will have a 25 percent stake, the remaining 75 percent being with KMG.¹¹

As far as gas imports are concerned, both Turkmenistan and Uzbekistan are important. Both have large amounts of proven reserves. In the last fifteen years both have been trying to increase export volumes and diversify export routes. Uzbekistan increased its gas production to 2.3 Tcf/y in 2007 but has concentrated mainly on the domestic sector. The Indian public sector com-

¹¹ "ONGC Mittal Signs Deal to Take 25 Stake in Kazakh Oilfield," *Times of India*, 24 January 2009, available at http://timesofindia.indiatimes.com/Business/India_Business/ONGC-Mittal_signs_deal_to_take_25_stake_in_Kazakh_oilfield/articleshow/4027031.cms

pany Gas Authority of India (GAIL) has signed an MOU with Uzbekistan's Uzbekneftegaz for oil and gas exploration and production. The GAIL is also setting up a few Liquefied Petroleum Gas (LPG) in western Uzbekistan, mainly for Uzbek consumption.¹² After the troubled times of the 1990s, Turkmen gas production reached 2.2 tcf/y in 2006, making it the second largest producer of gas after Russia in the former Soviet space. The country plans to double its gas production by 2010. According to the latest data, it has proven gas reserves of 100 Tcf. With the discovery of new gas field in Yolotan, proven gas reserves may go up significantly.

In the last 12 years, there has been much discussion on the \$7.6 billion TAPI gas pipeline. The project has been marred by uncertainties regarding gas reserves in Turkmenistan, the security situation in Afghanistan, and the strained relations between India and Pakistan. Still, all parties are considering the proposal very seriously. This 1,680 km pipeline would run from the Dauletabad gas field in Turkmenistan to Afghanistan, from where it would run alongside the highway from Herat to Kandahar, and then via Quetta to Multan in Pakistan. The final destination of the pipeline is to be Fazilka in Indian Punjab. India was formally invited to join the project in 2006. They decided to invite India as a full member of the project on 15 February 2006.¹³ Earlier, India participated in the talks as an observer, along with the ADB, Turkmenistan, Afghanistan and Pakistan. The ADB has already proposed various structures of the project for attracting investors, contractors and financial institutions. In 2006, Turkmenistan informed the members that an independent firm, De Golyer & McNaughton, had confirmed reserves of over 2.3 trillion cubic meters (tcm) of gas at the Daulatabad field. Additional reserves of about 1.2 tcm re expected after drilling in the adjacent area. The gas production capacity of the field could be increased to about 125 million cubic meter per day (mmcm/d) from the current 80 mmcm/d. Turkmenistan has committed to provide sovereign guarantees for long-term uninterrupted

¹² Richa Mishra, "GAIL to SET up LPG Plants in Uzbekistan", *BusinessLine*, 2 May 2006, available at <http://www.thehindubusinessline.com/2006/05/02/stories/2006050201860300.htm>

¹³ 'India Invited to Join TAPI Project', *The Hindu*, 17 March 2006.

supplies to Pakistan and India.¹⁴ In May 2006, the Indian government officially approved its participation in the TAPI project and authorized the Ministry of Petroleum & Natural Gas to put up a formal request for joining the project.¹⁵ Afghanistan, India and Pakistan signed a framework agreement to buy gas from Turkmenistan in April 2008.¹⁶ The participating countries then planned to discuss the issues of payments of transit to Afghanistan and Pakistan, taxation structure and consortium issues. Despite many obstacles, an Iran-Pakistan-India gas pipeline is also on the agenda.

Trade Linkages

During Soviet times, Indian economic contacts with the Central Asian republics were all channeled through Moscow. The Soviet Union was India's major trading partner. Since 1953, when the first trade agreement took place, seven long-term agreements were signed between the two countries prior the collapse of the USSR. This bilateral trade was conducted through a specific system of trade and payment, called the Rupee Trade System, based on annual plans. An important feature of the system was payments in non-convertible currencies. In 1990-91 more than 16 percent of Indian exports went to the USSR and about 6 percent of imports came from there. The nature and character of the Indo-Soviet trade and economic relations largely determined India's relations with Central Asia. In the post-USSR period, economic relations with the Central Asian region and other former Soviet republics declined considerably. However, in the last few years there has been an upward trend. Currently, the official two-way annual trade turnover between India and the Greater Central Asia region is about US\$ 700 million (with about US\$ 500 million of exports). Apart from Afghanistan and Kazakhstan, economic relations with other countries are minimal. This trade is also restricted mainly to traditional items. The main commodities being exported from India are pharmaceuticals, tea, readymade garments, leather goods, jute manufactures, cosmetics, cotton yarn, machinery, machine tools,

¹⁴ 'Delhi Invited to Join TAP Project', *Dawn*, 16 March 2006, available at <http://www.dawn.com/2006/03/16/top10.htm>

¹⁵ Union Cabinet decision press release May 18, 2006, <http://pib.nic.in/release/release.asp?relid=17859&kwd=>

¹⁶ 'Basic Accord for Turkmen Gas Project Signed' *The Dawn*, 25 April 2008 <http://www.dawn.com/2008/04/25/top1.htm>

rice, plastic products, machinery and instruments, electronic goods and chemicals. Imports from Greater Central Asia are restricted to fruits and nuts, raw cotton, iron and steel. Uzbekistan and Kazakhstan also export zinc to India. (For details see Tables A1, A4, A5 and A6 in Appendix).

The Export-Import Bank of India has identified potential export items for this region.¹⁷ These include machinery and transport equipments, chemicals, food products, transport vehicles, agricultural machinery and cement etc.¹⁸

At present, India's trade with the Greater Central Asia region is rather insignificant (only 0.17 percent of total Indian trade), hence it does not make any sense to use any model. The 'gravity' models of international trade, in which distance heavily influences the destination of trade, have not worked even in

¹⁷ *CIS Region: A Study of India's Trade and Investment Potential*, Occasional Paper No. 116 (Mumbai: Export Import Bank of India, 2007); *Central Asian Republics, Afghanistan & Pakistan: A Study of India's Trade & Investment Potential*, Working Paper (Mumbai: Export Import Bank of India, 2005).

¹⁸ For Kazakhstan the items include machinery and transport equipment harvesting/construction/ food processing/ telecommunication/ data processing equipments and parts, passenger/public transport vehicles and parts); chemicals and related products; iron & steel products; ores and minerals; petroleum products; food products; tobacco; cement; aluminum; measuring instruments. For Uzbekistan, the potential export items include machinery and equipment (agricultural, horticultural, harvesting machinery and parts/ textile machinery/ insulated wires & cables); transport equipment; iron and steel products; measuring/ checking/ precision instruments; organic & inorganic chemicals; pharmaceuticals; plastics and articles; tea; rice; sugar and sugar confectionary and ceramic products. The list for Turkmenistan would include machinery (piston engines and parts/harvesting, textile weaving/knitting machinery/air, vacuum pumps & compressors); transport equipment (passenger & public transport vehicles/semi-trailer tractors); chemicals and related products; food products and iron & steel products. For Tajikistan, Indian exports could focus on food products (durum wheat/sugar, tea); chemicals and related products (inorganic bases/fluorides/medicaments and antibiotics/soaps and detergents); machinery and transport equipment; iron and steel products; motor car tyres; cotton yarn and fabrics; cement; polished glass and glass articles. Commodities having export potential in the Kyrgyz Republic are chemicals and related products (inorganic acids/medicaments and antibiotics/soaps and detergents/polycarbonates); machinery and equipment (wheeled tractors/construction, mining, mineral working machinery); transport equipment (passenger/public transport vehicles and parts); textiles and garments; wheat; sugar and sugar confectionary; tea. In Afghanistan, the economic situation is changing fast. Nevertheless, the potential export items include machinery and equipment and parts (electrical and non-electrical); transport equipment; iron and steel products; dairy produce; tea; sugar and sugar confectionary; cereal preparations; fruit juices; yarn and fabrics; garments; rubber pneumatic tyres, pharmaceutical products; cement, knitted and crocheted fabrics, etc.

the case of South Asia. In the case of India-Central Asian countries, the application of the gravity model is of little use due to data limitations.¹⁹ Even if there is a manifold increase in the trade in the coming years, it will still constitute less than 1 percent of total Indian trade. If all formalities regarding Afghanistan's membership of SAFTA are completed soon, trade could get a further boost. The earlier India-Afghanistan preferential trade agreement signed in 2003 was quite helpful in boosting bilateral trade. In fact, in 2007-08, India was Afghanistan's number one export market.

The Importance of Greater Central Asia (GCA) in India's Continental Trade

Although India's trade with the GCA region appears quite insignificant, its importance should not be seen only within this limited context. With the appropriate framework and foresighted policies, this region has the potential to alter the nature and character of India's continental trade. Thus far, the majority of Indian trade is conducted through sea routes. Border trade with China was halted after the 1962 India-China war. A limited opening has been made with China through the Nathula Pass. Similarly, very little trade occurs over roads with Pakistan, Bangladesh and Myanmar. In the last decade, some positive developments in the area of border trade have taken place. Nonetheless, the policy initiatives were limited to a few border points with small number of commodities exchanged by local communities living on both sides of the borders. These initiatives were in response to stop the large 'unauthorized trade' that was already taking place through these borders. To give a new thrust to border trade, the Union Cabinet gave approval for the Land Ports Authority Bill in July, 2008. In December, 2008, a bill to this effect was introduced in the Indian Parliament. The new Land Ports Authority will oversee the construction, management and maintenance of integrated check posts on land borders, regulate the functioning of various agencies, and coordinate several concerned ministries and departments. The new border check posts will be sanitized zones with dedicated passenger and cargo terminals and facilities such as waiting rooms, restaurants, container yards and

¹⁹ See presentation by Ram Upendra Das, 'Prospects and Constraints for Trade Cooperation between India and Central Asian Republics: Some Issue', [Online web] www.ris.org.in/ramupendradas_cii.pdf

warehouses.²⁰ These initiatives will go a long way towards promoting India's border trade.

Looking beyond the GCA region, it is clear that India trades a great deal with other CIS countries, Iran, and of course with the European continent. In 2007-08, India's total trade with these countries amounted to about US\$ 110 billion (Table 8). In the last three years, India's total trade has been growing at an average of more than 28 percent per year. By comparison, trade with Iran, Pakistan and Afghanistan has grown at a much higher annual average. On the basis of the last three-year averages, it can be predicted that India-Pakistan trade may reach US\$ 40 billion by 2015. Similarly, trade with Iran has shown unprecedented growth in the last few years. Due to high growth in Russia and other CIS countries, trade with this region may also show substantial gains in the coming few years. Simple calculations on the basis of past trends show that India's trade with Europe, the CIS plus Iran, Afghanistan and Pakistan would be in the range of US\$ 500 to 600 billion in 2014-15 (Table 9). These are quite realistic assessments, as actual trade has in fact surpassed many earlier predictions.²¹ In comparison to the prediction of \$62 billion trade in 2005, actual trade with the region in that year was about \$65 billion. Similarly, for the years 2006-07 and for the year 2008-09, predictions were made for 78 and 98 billion, respectively. Actual trade in these years reached \$85 and \$108 billion (Table 10). One reason was perhaps that the Indian economy in these three years grew above 9 percent per year, one of the highest rates of growth in recent history. Based on this, one could predict trade with this region in the range of about \$600 billion. Even after taking into consideration all the cyclical factors, the earlier prediction of achieving 500 billion by 2015 is very much within reach. If the political economy in the region improves and if as little as 20 percent of this trade is conducted over roads, US\$ 100 to 120 billion of Indian trade will pass through this region by 2015.

²⁰ 'Bill for Land Ports Authority Introduced in Lok Sabha' <http://www.live.mint.com/2008/12/18184310/Bill-for-Land-Port-Authority-o.html>

²¹ Gulshan Sachdeva, 'India' in S. Frederick Starr (Ed), *The New Silk Roads: Transport & Trade in Greater Central Asia* (Washington: Central Asia-Caucasus Institute & Silk Road Studies Program, 2007) pp. 335-82.

Table 8: India's Trade with Greater Central Asian Countries plus Rest of CIS and Europe

	2004-05	2005-06	2006-07	2007-08
EXPORTS				
EU-27	18249	23228	26784	34490
Rest of Europe	1423	1681	2062	2748
5 Central Asian Republics	174	168	191	232
Rest of CIS	920	1079	1285	1505
Afghanistan	165	143	182	249
Iran	1231	1188	1449	1948
Pakistan	521	689	1348	1944
Total Exports	22683	28176	33301	43116
IMPORTS				
EU-27	19302	25998	29809	38413
Rest of Europe	6318	7081	10275	13186
5 Central Asian Republics	62	72	143	112
Rest of CIS	1897	2880	3717	3666
Afghanistan	47	58	34	109
Iran	410	702	7622	10915
Pakistan	95	179	323	288
Total	28131	36970	51923	66689
TRADE				
EU-27	37551	49226	56593	72903
Rest of Europe	7741	8762	12337	15934

5 central Asian Republics	236	240	334	344
Rest of CIS	2817	3959	5002	5171
Afghanistan	212	201	216	358
Iran	1641	1890	9071	12870
Pakistan	616	868	1671	2232
Total Trade	50814	65146	85224	109812
ANNUAL % AGE CHANGE IN TOTAL TRADE				
Total Indian Trade		29.2	23.11	33.11
EU 27		31.09	14.96	28.8
Rest of Europe		13.18	40.80	29.15
5 central Asian Republics		1.81	38.9	2.9
Rest of CIS		31.09	14.96	28.8
Afghanistan		-5.34	7.44	65.74
Iran	38.5	15.18	379.77	41.80
Pakistan	78.77	41.03	92.40	33.53

(Million US\$) Source: Directorate General of Foreign Trade, Ministry of Commerce, Government of India.

Table 9: India's Trade Projections up to 2015 with Greater Central Asian Countries plus Rest of CIS and Europe

Country/ Region	2007	2008	2009	2010	2011	2012	2013	2014
	- 2008 (actual)	- 2009	- 2010	- 2011	- 2012	- 2013	- 2014	- 2015
EU-27	72,903	91055	113728	142046	177415	221591	276767	344,574
Rest of Europe	15,934	20347	25983	33180	42370	54106	69093	88,231
5 CAR	344	394	451	516	591	677	785	888
Rest of CIS	5,171	6381	7874	9716	11989	14794	18255	22,526
Afghanistan	358	439	638	782	959	1175	1441	1,767
Pakistan*	2232	3370	5088	7682	11599	17514	26446	39933
Iran*	12870	16962	22355	29463	38832	51186	67463	88916
Total	109,812	138,948	176,117	223,385	283,755	309,857	460,250	586,885

(Based on current trends, million US dollars) Due to very high increase in trade in 2006-07, growth for 2004-05 is taken for 3-year averages. Source: Author's calculations based on current data and trends from the Ministry of Commerce, Government of India data sources.

Table 10: Comparison of Earlier Projections with Actual Trade

Year	Earlier Projections Made in 2005	Actual Trade
2005-06	61,977	65,146
2006-07	78,091	85,224
2007-08	98,395	109,805
2008-09	123,977	
2009-10	156,212	
2010-11	196,827	
2011-12	248,002	
2012-13	312,482	
2013-14	393,728	
2014-15	496,098	

(Million US\$) Source: Gulshan Sachdeva, 'India' in S. Frederick Starr (Ed), *The New Silk Roads: Transport & Trade in Greater Central Asia* (Washington: Central Asia-Caucasus Institute & Silk Road Studies Program, 2007) p. & Department of Commerce, Ministry of Commerce & Industry, Government of India.

With Indian continental trade moving through the GCA region, the Pakistani economy is also going to benefit in a major way. Many business people in Pakistan fear that with Indian goods moving to Afghanistan and Central Asia, markets for Pakistani products may be eroded. But Pakistani trade figures show that even without Indian competition, it is not able to export much to Central Asia. In the last couple of years, Pakistan exports to Central Asia have been between US\$10 to 15 million per year. It has significant exports only to Afghanistan. A major portion of those exports is unlikely to be affected. In fact, with major infrastructural development and movement of goods and services, both India and Pakistan could become important economic players in Central Asia. However, at the moment the presence of both is insignificant.

Table II: Pakistan's Trade with the Central Asian Region, 2004-05 to 2007-08

Country	2004-2005		2005-2006		2006-2007		2007-2008	
	Exp	Imp	Exp	Imp	Exp	Imp	Ex	Imp
Kazakhstan	9.59	1.05	9.37	1.01	8.03	2.96	8.25	47.60
Kyrgyzstan	1.39	0.40	1.75	0.39	0.76	-	1.73	0.62
Tajikistan	0.79	9.79	1.14	5.05	0.42	2.34	0.17	11.87
Turkmenistan	0.99	13.52	0.90	6.64	1.01	9.88	1.00	22.39
Uzbekistan	2.81	11.23	2.51	10.71	2.05	23.02	2.79	18.01
Total CA	15.57	35.99	15.67	23.80	12.27	38.20	13.94	100.49
Afghanistan	747.72	38.99	1063.46	47.53	753.94	76.23	1143.66	90.42
Grand Total	763.29	74.98	1079.13	71.33	766.21	114.43	1157.60	190.91

(Million US\$) Source: Trade Development Authority of Pakistan

Investment Potential

The countries of this region provide good investment opportunities for Indian businesses. This is clearly shown by London-based Indian steel tycoon Laxmi Mittal. He owns a 5.5 million ton capacity steel plant in Kazakhstan employing more than 50,000 people. From there he supplies the Chinese market. To facilitate trade and investment with this region, Indian policy makers in the last decade have created an institutional framework. The Indian government has set up bilateral Inter-Governmental Commissions for

trade, economic, scientific and technical cooperation with all the Central Asian countries, which have been meeting on a regular basis. These relations are further institutionalized through joint working groups in various fields, such as IT, Science and Technology, hydrocarbons, military-technical cooperation, etc. The Indian government also extends small lines of credit for the countries in the region to enable Indian exporters to export to these markets without repayment risk. In this scheme, around 15 to 20 percent of the contract value is paid as advance by the importers, the balance contract value is disbursed by the Indian EXIM Bank to the exporters upon the shipment of goods. The recovery of credit extended to the overseas buyer is taken care of by the EXIM Bank, without recourse to the Indian exporter. To promote and facilitate trade, Double Taxation Avoidance Agreements have also been signed.

There have also been improvements in the banking sector. The Punjab National Bank has a full-fledged branch in Kabul and many other Indian banks have inter-banking arrangements with countries in the region. Canara Bank has links with Commercial Bank for Foreign Economic Affairs of Tajikistan, the State Bank of India with Turan-Alem Bank of Kazakhstan, the Commercial Bank of Kyrgyzstan, the National Bank of Tajikistan, the State Bank for Foreign Economic Affairs of Turkmenistan and the National Bank for Foreign Economic Activity of Uzbekistan. In 2003, the Indian Ministry of Commerce launched a *Focus CIS* program. The first phase focused on the five Central Asian countries plus Azerbaijan and Ukraine. Other CIS countries have also been included in the program. The program aims to promote business-to-business linkages, support trade fairs and different promotional meetings and seminars.

India has also signed many agreements with these countries for technical economic cooperation under the International Technical and Economic Cooperation (ITEC). Thus far, thousands of candidates from Central Asia have come to India under the program in such disciplines as diplomacy, banking, finance, trade, management and small industry promotion. The highest number of seats allotted to Central Asia is for Uzbekistan, which sends about 120 candidates every year. Thousands of Afghan citizens have been able to participate in various short- and long- term study and training programs in

the last few years. The Federation of Indian Chambers of Commerce and Industry (FICCI) has set up Joint Business Councils with Kazakhstan, Uzbekistan and the Kyrgyz republic. Recently the governor of the West Kazakhstan region invited Indian industry to invest in areas such as extraction of sunflower oil, wheat production, wool, leather, construction of elite housing complexes and five star hotels.²²

Many Indian business organizations and think-tanks have identified such areas of cooperation as energy, food processing, textiles, tourism, information technology, education, consultancy services, petrochemicals and construction.²³ Another area of major interest to Indian businesses would be to participate in the continuing privatization process in the region. Under an Uzbek privatization program, India's Spentex Industries in 2006 acquired Tashkent-To'yetpa Tekstil, a state-owned spinning company, for \$81 million. The transaction comprised the acquisition of two manufacturing facilities at Tashkent and To'yetpa that has an installed capacity of 220,000 spindles and a weaving capacity of 236 air-jet looms. Later, the company also acquired the assets to set up a dyeing facility there. The Vardhaman group is also planning to acquire a textile firm in Uzbekistan. Uzbekistan has announced many incentives in order to attract \$300 million from Indian textile companies over the next three years. Uzbekistan and Kazakhstan are heavily marketing a bounty of fiscal sops to Indian textile firms.²⁴ Some other Indian companies such as Punj Lloyd have also participated in oil pipeline projects in Kazakhstan. With offices in Almaty, Atyrau and Tengiz, Punj Lloyd has completed four engineering and construction projects in Kazakh pipeline building.²⁵

²² <http://www.ficci.com/international/countries/Kazakhstan/kazak.pdf>

²³ Ramgopal Agarwala, *Towards Comprehensive Economic Co-operation between India and Central Asian Republics*, Discussion Paper No. 108 (New Delhi: RIS, 2006) [Online web] http://www.ris.org.in//dpi08_pap.pdf; *Central Asia and Indian Business: Emerging Trends and Opportunities*, Seminar Proceedings, (New Delhi: Confederation of Indian Industry, May 2003).

²⁴ 'Central Asian Countries Woo Indian Textile Cos', *Business Line*, 22 January 2007.

²⁵ For details, see Punj Lloyd company website http://www.punjllloyd.com/subpage.php?opt=&page_cat=2&id=15. The projects included (1) the KAM pipeline project for Petrokazakhstan Kumkol resources at Kyzylorda (construction of 16" X 177 Kms crude oil pipeline from Kumkol to Dhuzaly; (2) Large bore and small bore pipeline at wellhead with metering station for Tengizchevroil / PFD at Tengiz (construction of

If the Central Asian countries are able to reform their land policies, there is a tremendous possibility of investment in the agricultural sector. Investment opportunities can be identified country-wise: for Kazakhstan, it could include oil and gas, power generation and distribution, telecommunication equipments, medical equipment and supplies, agricultural machinery, food processing and packaging, construction and engineering services and mining. In Uzbekistan, the focus could be on energy, IT, mining, food processing and packaging, textile machinery and equipment and tourism infrastructure. For Tajikistan, investment opportunities are identified in mining and related equipment, medical and pharmaceutical supplies, textile machinery, telecommunications, agribusiness and related sectors. In Turkmenistan, potential areas for investment would include the oil and gas industry (exploration, development services and equipment), electrical energy (equipment and services), chemical and mining industry, transportation, communications (equipment and services), environmental technology and services, and the healthcare and medical industry.

Indian Linkages with GCA through Regional Arrangements

In the past, India had adopted a cautious approach to regionalism and was engaged in only a few bilateral/regional initiatives, mainly through Preferential Trade Agreements (PTAs) or through open regionalism. The collapse of the Doha Development Round of WTO negotiations has pushed many countries, including India, to look for alternatives to multilateral negotiations to improve their trade positions. For the last few years, India has put its proposed regional trade agreements on the fast track. It has concluded Comprehensive Economic Cooperation Agreements (CECAs) with many countries. These CECAs cover FTA in goods (zero customs duty regime within a fixed time frame on items covering substantial trade, and a relatively small negative list of sensitive items with none or limited-duty concessions), services, and investment and identified areas of economic cooperation. Such agree-

410 Kms well connecting Flowlines 2" to 24" and Metering Station); (3) SGP Offsites & Utilities for Tengizchevroil / PFD at Tengiz (construction of pipeline fabrication and erection); and (4) Oil & Gas pipeline project - Kashagan Experimental Program for AGIP KCO (engineering, procurement and construction of export oil & gas pipeline 24" 150 kms).

ments include the South Asian Free Trade Area (SAFTA), the India-ASEAN agreement, the framework agreement for India-Bay of Bengal Initiative for Multisectoral Technical & Economic Cooperation (BIMSTEC) FTA, and FTAs with Thailand and Singapore. India already had FTAs with Sri Lanka and Nepal. The India-EU FTA, as well as India-Japan CECA are likely to be concluded soon. A trade and investment deal is also being negotiated with Gulf Cooperation Council (GCC), Southern Common Market (MERCOSUR), South Korea and Chile. Joint study groups have been set up with Israel, Brazil, South Africa and Russia.

Compared to these broader trends, India's links with the GCA region have been relatively weak, despite the fact the most of the Central Asian republics are members of a wide range of regional initiatives. The objective is to integrate themselves with the global economy despite their constraints, such as small domestic markets, their landlocked location, and distance from major world markets. It is argued that regional cooperation in trade could help the region to liberalize trade policies at low costs, reduce the risks of protectionist measures by trading partners, create new trade and improve social welfare.²⁶ In the past, however, a variety of factors has made developing regional cooperation involving all the countries in the region difficult. The two larger states, Kazakhstan and Uzbekistan, have competed for the position of regional leader. Moreover, as a manifestation of its declared policy of neutrality, Turkmenistan resisted participating in regional forums. Due to the political and security situation in the country, Afghanistan was not able to become a serious player. The major regional economic cooperation initiatives in the greater Central Asian region are summarized in Table 12.

Detailed analysis of these regional initiatives²⁷ reveals that these organizations are active in the areas of transport, trade, energy, environment, customs, tourism, water, agriculture, food security, information sharing, and other social and cultural exchanges. In some cases, security issues are also covered. In the beginning of the transition period, mutual trade among Central Asian countries played an important role. Although regional trade has

²⁶ *Central Asia: Increasing Gains from Trade through Regional Cooperation in Trade Policy, Transport, and Custom Transit*, (ADB, 2006).

²⁷ See Gulshan Sachdeva, op.cit.

clearly developed in Central Asia, its growth has been uneven at best. In the beginning, they had roughly similar trade policies, but today trade policy regimes vary from very liberal in the Kyrgyz Republic to relatively restrictive in Uzbekistan and Turkmenistan. Despite their common interest in increasing trade, all the countries in the region had trade-restricting policies and practices. There were barriers of tariffs, public policies, procedures and regulations. Some other policy-related constraints to trade included import quotas, export licensing requirements and transport restrictions. There are slow, difficult border procedures, multiple cargo inspections within a single country and prohibitions that prevent vehicles from transporting goods between countries. Other barriers to trade include transit fees and the costs of dealing with corrupt border officials and local police. Trade is further restricted by such practices as requiring importers to register contracts and currency conversion restrictions.

Table 12: Important Regional Economic Initiatives in GCA and India

	CIS	EAEC	CACO	ECO	OIC	CAREC	SCO	CIS-7	SAARC	SPECA	INSTC	CSATTF	AH	TAR	TRACECA
Afghanistan				X	X	X	P		X	X		X	X		
Kazakhstan	X	X	X	X	X	X	X			X	X	P	X	X	X
Kyrgyzstan	X	X	X	X	X	X	X	X		X	X	P	X	X	X
Tajikistan	X	X	X	X	X	X	X	X		X	X	X	X	X	X
Turkmenistan	A			X	X					X		X	X		
Uzbekistan	X	X	X	X	X	X	X	X		X		X	X	X	X
India							O		X		X	P	X	X	

X - Member A - Associate member O - Observer P - participate in meetings

CIS - Commonwealth of Independent states (with Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia, Ukraine).

EAEC - Eurasian Economic Community, ex Customs Union (with Russia and Belarus + Moldova, Ukraine and Armenia observers)

CACO - Central Asian Cooperation Organization (with Russia since May 2004 + Georgia, Turkey and Ukraine Observers), ex Central Asian Economic Community), merged with EAEC in 2006

ECO - Economic Cooperation Organization (with Iran, Pakistan, Turkey and Azerbaijan)

OIC - Organization of Islamic Conference (total 56 members, established in 1971)

CAREC (ADB) - Central Asia Regional Economic Cooperation (with Azerbaijan, Mongolia and Xinjiang Autonomous Region of China and Russia)

SCO - Shanghai Cooperation Organization (with Russia and China + Iran, Mongolia, Pakistan as other observes)

CIS-7 - An International initiative to promote poverty reduction, growth and debt sustainability in seven low-income CIS countries: Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Uzbekistan, Tajikistan

SAARC - South Asian Association for Regional Cooperation (with Bangladesh, Bhutan, Pakistan, Nepal, Sri Lanka and Maldives).

SPECA - UN Special Program for the Economies of Central Asia

INSTC - International North South Transport Corridor (with Iran, Russia Belarus, Oman, Armenia, Azerbaijan, Syria, Bulgaria, Ukraine and Turkey)

CSATTF - Central and South Asia Transport and Trade Forum (with Pakistan as member and Iran as observer, China, India Kazakhstan and Kyrgyz Republic also participating in meetings)

AH - Asian Highway, a network of 141000 km covering 32 countries in Asia

TAR - Trans Asian Railway, agreed in 2006 this 81000 km trans-continental rail network could connect 28 nations

TRACECA - Transport Corridor Europe Caucasus Asia with 14 members from Europe, Caucasus and Central Asia

Due to the lack of a healthy financial system, a significant portion of trade has been conducted through inefficient cash transfers or barter.²⁸ Overall, as a result of these initiatives, the countries in the region have made some modest gains in regional economic cooperation. However, there has also been a growing realization that trade in Eurasia is shifting more towards the continental level rather than within the region.²⁹

Afghanistan and Regional Economic Cooperation

Interestingly, Afghanistan is emerging as an important player in regional economic cooperation. All international and regional players have appreciated Afghanistan's approach towards regional economic cooperation. This has major implications for India's linkages with Central Asia in the long run. Afghanistan's approach coincides with the fact that regional economic cooperation also is becoming an integral part of the globalization strategies of all

²⁸ See Chapter 3, *Central Asia Human Development Report* (UNDP, 2005).

²⁹ See Nicklas Norling & Niklas Swanström, 'The Virtues and Potential Gains of Continental Trade in Eurasia', *Asian Survey*, Vol. 47 No. 3, 2007.

the neighboring countries of Afghanistan (including Pakistan and the CAR). Policymakers in Afghanistan believe that after decades of war the country now has a unique opportunity to realize its potential as a 'land bridge' between Central Asia, South Asia and the West Asian region. They also advocate that peace and stability in this strategically important country will provide huge economic opportunities, not only to Afghanistan but also to its neighbors. It is increasingly pointed out that with enhanced cooperation, land-locked energy-rich Central Asia could be connected to energy deficient South Asia. Similarly, Afghanistan could also acquire significant revenue through transit fees and improve its economic activities in the process.⁸

Most official declarations indicate that Afghanistan is seriously committed to regional cooperation. It intends to share the benefits of its centrality through regional cooperation with its neighbors and countries beyond the immediate neighborhood. Two major documents, *The Afghanistan Compact* and *Afghanistan National Development Strategy*, clearly show that regional economic cooperation is one of the main priorities of the government. Despite difficult conditions and limited capacities, the Afghan government has been able to market itself as an important player in regional cooperation. This is evident through various international declarations, such as the Good Neighborly Relations Declaration of 2002, the Dubai Declaration of 2003, the Berlin Agreements of 2003, the Bishkek Conference of 2004, the Kabul Conference declaration of 2005 and the Delhi Conference declaration of 2006. Through these initiatives, countries in the region have recognized the centrality of Afghanistan for economic cooperation.

Afghanistan has requested accession to the WTO and in December, 2004, the General Council of the WTO established a working group to examine the request. To the WTO's General Council Afghan Ambassador Assad Omer wrote that Afghanistan "hoped to re-establish itself as the land bridge for trans-continental trade." Apart from the WTO, the country is also simultaneously engaged with many of its neighbors through bilateral and multilateral trade, economic, and investment agreements. Afghanistan is an active member of the Economic Cooperation Organization (ECO.). At the fourteenth SAARC summit that was held in Delhi in April, 2007, Afghanistan became the eighth member of that group. Afghanistan's membership in the

SAARC has the potential to bring new dynamism to economic relations between the South Asian and Central Asian regions. Afghanistan also serves in the Contact Group of the SCO. Through its membership in CAREC, CSATTTF and the UN Special Program for the Economies of Central Asia (SPECA) Afghanistan is also trying to involve itself with various regional projects and activities associated with enhanced regional cooperation. Officially, it is claimed that 'through regional cooperation Afghanistan seeks to (a) improve trading opportunities; (b) integrate itself with the regional rail and road networks; (c) be an important partner in regional energy markets; (d) eliminate the narcotics trade; and (e) achieve Millennium Development Goals.³⁰ The following table highlights the trade and transit agreements signed by Afghanistan in the last few years.

³⁰ For details see regional cooperation section of the Afghanistan Ministry of Foreign Affairs website <http://www.mfa.gov.af/regional-cooperation.asp>

Table 13: Trade & Transit Agreements by Afghanistan Since 2003

Partner Country	Type of Agreement	Year of Signing	Remarks/ signatory from Afghanistan
ECO Trade Agreement (Regional)	Trade	2003	
SAFTA (Regional)	FTA	AFG entered SAARC on April 1, 2007	The government in the process of completing formalities to be part of SAFTA (negative list etc has been submitted)
Tajikistan	Commercial	2004	Minister of Commerce
India	Trade (PTA)	2003	Minister of Commerce
Turkey	Investment	2004	Minister of Commerce
Turkey	Commercial	2004	Minister of Commerce
Iran, Chabahar	Trade , Transit	2004	DG, ACCI
Iran, Chabahar	Trade, Transit	2004	Minister of Commerce
Multilateral (Iran, Tajikistan)	International Transportation	2004	President
Iran	Trade & Economic Coop MOU	2004	Minister of Commerce
Iran	Int'l transportation	2003	Minister of Commerce
Multilateral (Iran, India)	Chabahar Transit, Delaram Zarang issues	2003	Minister of Commerce
Multilateral (Iran, India)	MOU Multilateral Commission	2003	Minister of Commerce
Iran	Commercial	2003	Minister of Commerce
Multilateral (Iran, Uzbekistan)	Int'l transportation	2005	
Kazakhstan	Trade & Eco coop	2005	Minister of Commerce
Uzbekistan	Trade & Eco coop	2003	Minister of Commerce
Uzbekistan	Transport	2003	Minister of Foreign Affairs
Uzbekistan	Transit & Trade	2004	Minister of Foreign Affairs
Turkey	Customs, transport	2005	Minister of Commerce
Turkmenistan	Trade & Economic Cooperation, Transit	2007	Minister of Foreign Affairs

Source: Afghanistan Ministry of Commerce & Industry & Press Reports

To publicize the concept of Afghanistan's centrality and to identify some regional projects, Afghanistan initiated an institutional mechanism called the Regional Economic Cooperation Conference (RECC) in 2005. The first RECC was held in Kabul on December 4-5, 2005. Organized at the initiative of the UK, the G-8 Chair at the time, the Kabul Conference brought together eleven regional countries, namely China, India, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan, the UAE and Uzbekistan and G-8 representatives, along with officials from the World Bank, Asian Development Bank, IMF, ECO, SCO, etc. The focus of the initiative was to promote specific forms of economic cooperation in areas of critical concern to the regional countries. These included specific sectors such as trade, investment and transport facilitation, electricity trade, and energy development. At the end, an ambitious Kabul Declaration was adopted that incorporated decisions on areas that were identified as potential areas of cooperation. These included (a) electricity trade and power development; (b) sharing the benefits of water; (c) counter-narcotics; (d) transport; (e) energy transport; (f) trade facilitation and (e) business climate.

The second RECC was hosted by India in Delhi in November, 2006. This meeting sought to build on the work done in Kabul in 2005 and followed on the themes identified there. Major topics discussed in Delhi included trade and transport facilitation, investment, regional energy trading and the TAPI gas pipeline. Special attention was also given to energy renewal and agriculture, while concurrent business meetings were held in association with the Afghanistan Investment Support Agency (AISA). At the third RECC, which was held in Islamabad in May, 2009, many issues concerning trade, energy, capacity building, agriculture and counter-narcotics were discussed. Among many other things it was agreed that priority will be given to the following items:

- The conclusion of a Trade and Transit agreement between Afghanistan and Pakistan before the end of 2009.
- A pre-feasibility study of railways across Afghanistan linking major destinations within Afghanistan and its neighbors, to be carried out by the European Commission.

- Establishment of a Customs Academy in Kabul.
- Feasibility studies for the development of border economic zones around Afghanistan.
- An Afghan center within the Ministry of Foreign Affairs to follow up on regional economic cooperation issues by the European Commission.

At the conference it was also agreed that the next RECC will take place in Turkey. Thus, not only have Afghanistan and its neighbors signed agreements but there has been significant development in the actual realization of some these of these initiatives.

Infrastructure

Afghanistan has practically no rail or water transport connections. Besides some shipping by air, the country relies mainly on road transport. Until 1980, Afghanistan had 18,000 km of road networks, out of which only 3,000 km was asphalted. As a result of decades of conflict, the road network was completely destroyed. In the last few years the country has started a major program to improve its road network. As per the Road Master Plan, Afghanistan has four types of roads: national highways (3,363 km), regional highways (4,884 km), provincial roads (9,656 km), and rural roads (17,000 km). For regional cooperation, improvement in regional roads is crucially important as they connect Afghanistan with its neighbors. They also connect the neighboring countries with each other. With the help of multilateral agencies and donor countries (mainly USAID, the World Bank, the Asian Development Bank, the European Commission, Japan, Iran, India, and Pakistan) most of these regional roads have been constructed or rehabilitated.

Under this program, the rehabilitation of the ring road has been given priority. This road connects different parts of the country, starting from Kabul and then connecting Mazar-i-Sharif, Faryab, Badghees, Herat, and Kandahar before returning to Kabul. The total length of the road is 2,210 km. By June 2009, it was claimed by the Ministry of Public works that 90 per cent of the ring road project was complete. The remaining 10 per cent was expected to be completed in the next 18 months with additional cost of \$300 million. Second,

the roads that connect Afghanistan with its neighbors and consequently connect countries in the region include those spanning Kabul-Torkham, Herat-Torghundi, Herat-Islamqala, Kandahar-Spin Boldak, Aquina-Andhkhoy, Delaram-Zeranj and Pule Khumri-Sherkhan Bandar Naibabad. The total length of these roads is 1,153 km, of which 597 km has been rehabilitated so far.

The completion of a significant portion of the national ring road has helped lower transit time through Afghanistan. The opening of the Sher Khan Bandar 'Friendship Bridge' connecting Afghanistan and Tajikistan was another major milestone. This US\$ 37 million, 672 meter-long bridge will not only connect two neighboring countries but will also facilitate greater trade and investment flows in the entire region. Plans for connecting Afghanistan with Iran (Herat-Sangan project) and Pakistan (Chaman-Spin Boldak railway) are at different stages of planning and implementation. With the completion of the ring road and further connections with neighbors, Afghanistan can also plan to become a partner in several North-South transport corridors. The improvement of transit facilities through Turkmenistan, Tajikistan and Pakistan and the development of Regional Opportunity Zones (ROZ) on the Afghanistan-Pakistan border have the potential to further integrate the region.

In the area of electricity, Afghanistan is already involved with serious cross-border energy trade. By early 2009, imported power represented about 25–30 percent of Afghanistan's total power supply. Currently, it imports about 100 MW of power from four neighboring countries: Iran, Turkmenistan, Uzbekistan and Tajikistan. Under the North Eastern Power System (NEPS), Afghanistan began in 2009 to import another 300 MW of power from Uzbekistan. Similarly, through the Central Asia-South Asia project (CASA-1000), it is expected to import another 1,300 MW of additional power from Tajikistan and Kyrgyzstan by 2012. Out of this, about 300 MW of power will remain in Afghanistan and the remaining 1,000 MW will be exported to Pakistan. Various bilateral electricity trade deals foresee transmission lines from Hairatan on the Uzbekistan border via Pul-e-Khumri to Kabul and then on to Jalalabad and Gardez (original plan) plus lines from Sherkhanbander on the Tajikistan border to Pul-e-Khumri; and from the Turkmenistan border to

Sheberghan, Mazar-i-Sharif, and Pul-e-Khumri. These, together with evolving new multilateral projects such as CASA-1000, could eventually lead to the creation of an integrated Central Asia-South Asia Regional Electricity Market (CASAREM).

India is actively involved in the reconstruction efforts in Afghanistan. The present level of Indian assistance to the country stands at US\$ 1.3 billion, making India the fifth largest bilateral donor in Afghanistan, after the U.S., the UK, Japan and Germany. This is a substantial amount for a non-traditional donor like India. India has already completed thirty projects and is involved in fifty further reconstruction projects. These projects are being implemented in the areas of hydro-electricity, power transmission lines, road construction, agriculture, industry, telecommunications, information and broadcasting, education, health and capacity building. Some of the major Indian projects in Afghanistan include:³¹

Major Infrastructure Projects

- Construction of 218 km road from Zaranj to Delaram to facilitate movement of goods and services from Afghanistan to the Iranian border and, onward, to the Chahbahar Port (cost US\$150 million. inaugurated in May 2009).
- Construction of 220kV DC transmission line from Pul-e-Khumri to Kabul and a 220/110/20 kV sub-station at Chimtala to bring additional power from the northern grid to Kabul (cost US\$ 120 mn. completed in 2009).
- Construction and commissioning of Salma Dam power project (42 MW) on Hari Rud river in Herat province (cost US\$ 184 million, to be completed by December 2010).
- Construction of the Afghan Parliament (cost US\$178 million, to be completed by 2011).

³¹ Information on Indian projects in Afghanistan is collected from various sources of the Indian Ministry of External Affairs and information gathered from the Indian embassy in Kabul.

- Setting up of additional 220/20 KV sub stations of Charikar and Doshi along with Pule-e-khumri Kabul transmission line (cost US\$23.5 million, completion by 2010-11)
- Emergency restoration of telecommunication infrastructure in 11 provinces (cost US\$ 11.1 million, completed in 2005).
- Expansion of national TV network by providing an uplink from Kabul and downlinks in all 34 provincial capitals (completed).
- Supply of vehicles (400 buses and 200 mini-buses for mass urban transportation, 105 utility vehicles for municipalities), cost US\$20.3 million, completed between 2004-2006.
- Supply of 3 airbus aircrafts and spares to Ariana Afghan Airlines (cost US\$13.7 million, 2003)
- Supply equipment for three sub stations in Faryab province and 125 km transmission line from Andhkhoi to Maimana (cost US\$ 8.2 million, 2005).
- Rehabilitation of Amir Ghazi, quargah Reservoir Dam (cost US\$ 4.3 million, 2006)
- Restoration/revamping of information set up, including setting up of printing press (Azadi press), 100KW-SW Transmitter (at Yakatoot, Kabul), TV satellite uplinking/downlinking facility for 10 TV stations, setting up downlinking facility and TV transmitters in 24 provinces (cost US\$ 6.8 million, 2006)
- Solar Electrification of 100 villages (2007); construction of 5000MT cold storage in Kandahar (2006); Establishment of modern TV studio, a 1000W TV transmitter in Jalalabad, setting up of a mobile TV satellite uplink and five TV relay centres in Nangarhar (2006); Digging 26 tube-wells in 6 north-west provinces (2007); Drilling of 24 deep wells in Heart (2003); Construction of Radio television afgahnsiatn (RTA) building in Jalalabad (2010); and leasing of slot on Indian satellite INSAT3A for RTA telecast since 2004 (Total cost of these project is about US\$ 12.5 million)

Humanitarian Assistance

- Daily supply of 100 grams of fortified, high-protein biscuits to nearly 1.2 million children under a School Feeding Programme administered through the World Food Programme (cost US\$ 460 million, completion date 2012).
- Gift of 250,000 metric tonnes of wheat, announced in January 2009 (to be supplied when transportation arrangement are finalized by Afghanistan)
- Free medical consultation and medicines through 5 Indian Medical Missions (Kabul, Kandahar, Jalalabad, Herat and Mazar-e- Shrif to over 300,000 patients annually (Total cost till 2012 is about US\$ 17.2 million).
- Reconstruction of Indira Gandhi Institute of Child Health in Kabul (cost US\$ 6.7 million, 2006).
- Other supplies like blankets, tents, medicines, vegetable seeds etc (cost 2.7 million, 2002-2004)

Education and Capacity Development

- 675 annual long-term university scholarships sponsored by the Indian Council for Cultural Relations for under-graduate and postgraduate studies for Afghan students in India (cost US\$ 5.08 million per year till 2014)
- 675 annual slots for short term technical training courses in India (cost US\$ 3.4 million annually for 2006-2011.)
- 200 graduate and 100 post graduate/Ph.D fellowships for 5 years in the field of agriculture and related fields (announced at London Conference, 2010).
- Reconstruction of Habibia School, Kabul (cost US\$ 5.1 million, 2005).
- Provision of 8646 educational kits to students of Habibia School , laboratory equipments and sports goods to schools in Nimroz; Books to Kandahar and Khost Universities and teachers training (cost US\$ 5.1 million, 2005)
- Deputation of 30 Indian civil servants as coaches and mentors under Capacity for Afghan Public Administration (CAP) programme supported

by UNDP and the Governments of Afghanistan and India annually (cost US\$ 3.2 million, 2007-09).

- Provision of services of Indian banking experts to Da Afghan Bank and Millie Bank (cost US\$ 1.8 million, 2007); Indian English teachers in 5 cities (cost US\$ 1.5 million); Vocational Training to 1000 Afghan by the Confederation of Indian Industries (cost US\$ 1.4 million, 2008-09); Women's Vocational Training Centre in Baghe- Zanana for training of 1000 Afghan women (cost US\$ 1.8 million, 2008-09); establishment of Hindi and English departments at Nangarhar university (US\$ 1 million, 2009-10); Supply of 20,000 school desks to Ministry of education; Computer training Centers (US\$ 1.4 million, 2004-05).
- Special training courses for Afghan officials: More than 100 officials trained at Foreign Service Institute of India (2002-06); 30 staff of National Assembly at Bureau of Parliamentary Studies and Training (2005); about 300 Afghan police (2002-05); teachers training (about 60); about 60 doctors and paramedics; 60 Ariana Airlines officials; 40 officials from Ministry of mining and industry (2003-04)

Small and Community-based Development Projects

- Around 100 small development projects (agriculture, public health, rural development, education) are under different stages of implementation in 19 provinces of Afghanistan (cost US\$ 20 million, 2007-10)

Other Contributions/Projects

- Contribution to Afghan Government Budget (US\$ 10 million, 2002).
- Annual Contribution to Afghan Reconstruction Trust Fund (US\$ 1.8 million since 2002)
- Contribution to UNDP ELECT Fund (US\$ 1 million, 2009).
- Provision of items to Afghan National Army (150 trucks, 15 ambulances, 120 jeeps, bullet proof jackets, bullet proof helmets, laser aim points, mine detectors, winter clothing, medicines etc.) cost US\$ 13 million, 2005-06
- Setting up of Common Facilities Service Centre and tool Room at Pule-e-Charkhi Industrial Park (cost US\$ 3 million, 2006)

- Restoration of Stor Palace, Ministry of Foreign Affairs, Kabul (cost US\$ 2 million, survey completed)
- Setting up of 5 toilet complexes in Kabul (cost 0.9 million, 2007).
- Multidisciplinary projects in Nangarhar to wean away poppy cultivators (cost US\$ 1.6 million)
- Training of 5000 self help groups in Balkh (cost 0.8 million, 2008-09)
- Assistance in restoration of House of Screens in Murad Khane in old Kabul city (cost 0.2 million)

Indian Design

It is evident from the preceding analysis that most of the regional initiatives in Central Asia are either groping to recreate lost linkages among the former Soviet republics or are initiatives by multilateral organizations to strengthen regional linkages in the areas of trade, energy, water resources, infrastructure and communications. These are largely within the former Soviet space. Other countries such as China, Japan, Iran, Turkey and Pakistan have also been able to create some formal structures for closer interactions, some of which may become useful in the long run. India's involvement through the SCO, CSATTF and SAARC remains limited.

Lacking direct access to the GCA region and with its difficult relations with Pakistan, India's major initiative has been cooperation in building a North-South trade corridor. Russia, Iran and India are founding members of the International North South Transport Corridor (INSTC). Many other countries, including Belarus, Kazakhstan, Tajikistan, Oman, Armenia, Azerbaijan, Syria, Bulgaria, Ukraine, Turkey, and Kyrgyzstan, have joined the project. This corridor establishes a transit link for the European countries and Russia to the Indian Ocean, Persian Gulf and Southeast Asian states. This is a trade connection for goods in transit between European countries and northern Europe, the Scandinavian region and Russia through the ports of Amsterdam, Hamburg, Copenhagen, Stockholm and Helsinki in Europe to St. Petersburg and Moscow in Russia. It can also extend to the southern ports of the Caspian Sea (Anzali and Amirabad) and to Central Asia through Russian ports on the north of the Caspian Sea and can continue to Iran, the Per-

sian Gulf, and Indian Ocean countries to Southeast Asia. There is also a land connection through Azerbaijan between Russia and Iran. Compared to the long and costly existing sea transport routes, this route with its important section passing through Iranian territory is faster and cheaper than the other routes, such as the Suez Canal. The route links the Indian Ocean (Mumbai port) with Bandar Abbas in southern Iran through maritime transport. Goods will be shipped from Bandar Abbas to northern Iranian ports on Caspian Sea (Bandar Anzali and Bandar Amirabad) through roads and railway and then will be dispatched to Astrakhan and Lagan ports in Russia.³²

The main transport projects being undertaken under this program with Indian involvement in the GCA region is the development of new port complexes at Chahbahar on the Iranian coast, from where a road leads north to the border with Afghanistan. India has also completed the construction a 235 km link from Zaranj on the Iran-Afghan border to Delaram, which in turn connects with all major cities in Afghanistan and, further north, the Central Asian republics. India is also building the Afghan portion of the 22 km Zaranj- Milak road. Another road transport project involves the linking of the Chahbahar port to the Iranian rail network, which is connected to Central Asia and Europe (Figure 5).³³ When materialized, this initiative will speed the flow of goods, especially energy, from Greater Central Asia to Iran to India. The Iranian government is also planning to declare the Chahbahar port as a free trade zone and improve its logistical infrastructure.³⁴

As discussed above, continental trade is more important for India than trade with only the GCA region. For this reason, any plan to link India with Europe through the GCA region will be more valuable than any regional or sub-regional initiative. In this context, the plans of a Trans-Asian highway are very valuable to India. All the GCA countries, along with India and Pakistan, are members of the Asian highway project. This initiative, which is being implemented under the auspices of ESCAP, is a network of 141,000 kilo-

³² For details about the INSTC see www.instc.org

³³ For details, see *Report on the Economic Impact of Central-South Asian Road Corridors* (ADB, 2005); C. Raja Mohan, 'India, Iran Unveil Road Diplomacy', *The Hindu*, 26 January 2003; Sudha Ramachandran, 'India, Iran, Russia Map out Trade Route', *The Asia Times*, 29 June 2002, and Stephan Blank, 'The India-Iranian Connection and its Importance for Central Asia', Eurasianet.org, 3/12/03

³⁴ <http://www.iran-daily.com/1387/3339/html/economy.htm#s363078>

meters of roads crisscrossing 32 Asian nations with linkages to Europe. The idea was conceived in 1959 and was revitalized in 1992, but the current project was enforced only in July, 2005. In the project, India, Pakistan and Afghanistan cover 11,432 km, 5,377 km and 4,247 km respectively. Similarly, 13,189 km of roads falls in Kazakhstan and 2,966 km in Uzbekistan. Turkmenistan, Tajikistan and Kyrgyzstan cover 2,204 km, 1,925 km and 1,059 km respectively. Afghanistan, Pakistan and Kazakhstan have more kilometers of roads below Asian Highway standards (800-3,250 km) and are therefore priority countries for the project.

Similarly, the countries of the region are involved in another UNESCAP project called the Trans-Asian Railway. Most countries in the region are linked through different corridors of the project. The first plans of this project were discussed in the 1960s, but political and technical problems repeatedly prevented the linking of railway networks. Under the auspices of the UNESCAP in 2006, 17 nations agreed on this 81,000 km trans-continental network to link Europe and Asia. This network initially was to provide connectivity to 28 nations, with a few more joining later. The Transport Corridor Europe-Caucasus-Asia (TRACECA) is another program in which all the Central Asian republics are involved. The European Commission, along with the governments in the region, formulated this 14-nation program in 1993. The corridor starts in Eastern Europe and crosses Turkey. Through Central Asia, it reaches China and Afghanistan. In the past few years, new roads and railways have been built along the corridor.

It is now understood that the plethora of regional organizations may actually become a problem for the GCA as limited official capacities in the region are being tied up in order to participate in this plethora of activities. *The World Development Report 2008* argues that this “illustrates the problems that can arise from a disjointed regional approach.” It warns that “regional initiatives in Central Asia can foster integration but add duplication and complexity to reform.” It further maintains that the ongoing ‘WTO accession for many of these countries could help, because the WTO has clear rules on regional trade agreements. Also needed are trade and transport facilitation initiatives and behind-the-border reforms to improve the countries’ attractiveness to

FDI and bolster their global integration.³⁵ Thus, internal reforms in the region and the merging of some of the existing organizations would go far towards paving the way for meaningful integration of the Central and South Asian regions.

Past experience in both the Central and South Asian regions also shows that these regions will not be able to realize the huge economic potentials from economic cooperation unless all the regional and extra-regional players begin to cooperate. What is needed for meaningful economic cooperation between Central and South Asia? A regional economic initiative consisting of all the countries of Greater Central Asia, as well as well as China, India, Iran, Japan, Russia, Pakistan, Turkey and the United States. This is somewhat similar to Frederick Starr's concept of a "Greater Central Asia Partnership for Cooperation and Development"³⁶ with some additional countries included. It is only through such a joint endeavor by all of these countries that regional economic cooperation is going to be truly successful. Pakistan and India, for example, have a common interest in unlocking the energy resources of the region to their advantage.

Unless the GCA countries open up politically and economically and ultimately become members of the WTO, there is going to be very limited regional economic cooperation in the short to medium term. In the meanwhile, India will concentrate more on Afghanistan and Kazakhstan for energy and trade cooperation. From an Indian perspective, an extension of SAFTA to Central Asia would be useful. Afghanistan is already a member, and Iran and China have been given observer status in the organization. Tajikistan, Uzbekistan and Kazakhstan should also be encouraged to become associated in the grouping.

For India, these all remain separate pieces of a much larger picture, which is basically the development of new India-Europe linkages through Greater Central Asia. In fact, the SAARC multi-model transport linkages, the CA-REC action plans, CSATTF and INSTC are already-existing bits and pieces

³⁵ World Development Report 2008.

³⁶ S. Frederick Starr, 'A Partnership for Central Asia', *Foreign Affairs*, Vol. 84, No.4, 2005 and S. Frederick Starr, 'A Greater Central Asia Partnership for Afghanistan and Its Neighbors', (Washington, D.C: Central Asia-Caucasus Institute & Silk Road Studies Program, 2005).

of the Trans-Asian highway and Trans-Asian railway plan (see Figures 4 to 7 in Appendix). If India-Pakistan relations improve, it could be linked through Pakistan and Afghanistan, which will be useful, particularly for the north Indian states. Some parts of India will be linked with the plan through the Mumbai port and INSTC, which is already becoming an important component of the Trans-Asian railway network. Further synergies through SAARC, CAREC and CSATTF will improve its effectiveness and scope. If, however, relations between India and Pakistan and between Pakistan and Afghanistan do not improve, then important parts of South Asia will miss out on the stunning economic opportunities that these grand initiatives can create.

Linking India and GCA through an Air Corridor

Air connections between GCA countries and India provide vivid testimony to the business opportunities that arise when South Asian markets are linked to Europe through Central Asia. Air transportation is going to play an extremely important role for greater regional integration in the coming years. Since the development of road and rail corridors are going to take time (due to heavy investments and other political/security problems), reliable air services at reasonable rates could bring significant benefit to the GCA region. Since air traffic in and out of Central Asia may not be sufficient to sustain daily reliable services at economical rates, the region has to be linked into the main traffic routes. There are already more than 29 direct weekly flights from India to all the important destinations in Greater Central Asia (see Table 20). These flights are operated as low-cost carriers mostly by Central Asian airlines to and from Delhi and Amritsar to Europe via such Central Asian cities as Tashkent and Ashgabat. Once airlines from Afghanistan are able to establish their European connections, they will also follow the same route. In this way, Delhi could become a center of air corridors for the entire region. This is quite possible since major modernization programs at Indian airports are already underway. Indeed, by 2011 the Indian government will have modernized four metropolitan and thirty-five non-metropolitan airports. Delhi and Mumbai airports will become world-class airports by the end of 2010.

Table 14: India-Greater Central Asia Direct Air Connections

Airlines	Route	Flights Per Week
Uzbekistan Airways	Delhi-Tashkent	Two
Uzbekistan Airways	Amritsar-Tashkent	Four
Turkmenistan Airlines	Delhi-Ashgabat	Two
Turkmenistan Airlines	Amritsar-Ashgabat	Six
Indian Airlines	Delhi-Kabul	Six
Ariana Airways	Delhi-Kabul	Two
Kam Air	Delhi- Kabul	Three
Air Astana	Delhi-Almaty	Three
Kyrgyzstan Airlines	Delhi- Bishkek	One
Total		Twenty-nine

Source: Compiled with information from airline websites and from travel agents.

Conclusions and Policy Recommendations

Due to economic policies initiated in the 1990s, India's excessively inward-oriented economy has become one of the fastest growing economies in the world. As this occurred, its links with other Asian economies have greatly strengthened. Although Asian economies have shown great dynamism in recent decades, a full-fledged Asian economic architecture is still in the process of evolving. India has formalized its economic relations with South and Southeast Asian countries through the establishment of SAFTA, BIMSTEC, India-ASEAN agreement and through bilateral agreement with Sri Lanka, Singapore, Thailand, Afghanistan, Bhutan, Nepal, etc. The same trend is likely to be followed with Japan and later perhaps with China, which has already become India's largest trading partner. These arrangements indicate that in the coming years India will be playing an important role in the evolving Asian economic architecture. India's role in these evolving structures will be further strengthened if its economic relations with its immediate neighbor, Pakistan, and extended neighbors in Central Asia become more dynamic. Given this, it will be important for India to develop an economic strategy that will engage Pakistan, Afghanistan and the Central Asian republics in a way that enables them all to become partners and to benefit from what they understand to be an economic opportunity. The U.S.'s strategic goals of stability in Afghanistan and helping linkages between Central

and South Asia mesh with India's involvement in Afghanistan and are fully harmonious with India's desire to improve its presence in Central Asia.

Despite having a very complex legacy, the GCA region has made significant progress in market reforms. In contrast to the earlier period of decline, the economies in this region are now growing briskly. High commodity prices (including gas and oil) and reasonable infrastructure and human capital have helped these economies to push for high growth rates. The momentum of recent growth has also made regional leaders more confident in the possibility of success if they push to advance much-needed economic reforms. As a result of this combination of factors, the regional growth performance has been among the fastest in the world since the late 1990s. Even in Afghanistan, economic growth has been quite remarkable. Yet despite these successes, in some countries the reforms have not been consolidated and the region as a whole is still vulnerable to external shocks.

High economic growth in both Central and South Asia is pushing policy makers to promote strategies of integration. Afghanistan's membership in the SAARC, the implementation of SAFTA, increasing linkages between India and Kazakhstan, and Afghanistan's emergence as an important player in facilitating regional economic cooperation are all giving substance to India's newly emerging 'Look-West' policy. This will be further strengthened with the signing of India-GCC FTA and positive developments on TAPI and/or IPI. With a \$1.2 billion commitment, India is already playing a very constructive role in the reconstruction efforts of Afghanistan. With some positive political developments in the region, there is a vast scope for an expanded Indian role in Afghanistan. Yet a serious caution is in order. The new U.S. administration has downsized its goals and expectations in Afghanistan, leaving the length and character of its commitment in question. Washington's new reductionist strategy in Afghanistan may frustrate some of the efforts for establishing Greater Central Asia as a major economic zone with Afghanistan at its heart.

India's current trade with the Central Asian region is very small and likely to remain modest in the coming years. However, the importance of the GCA region for Indian trade should not be seen only in the context of the modest regional trade. By 2015, India's trade with Europe, the CIS plus Iran, Afgha-

nistan and Pakistan would be in the range of US\$ 500 to \$ 600 billion annually. Even if 20 % of this trade were conducted through road, US\$ 100-120 billion of Indian trade would be passing through the GCA region. By denying access to its territory to India, Pakistan might have thought that it will become a significant player in Central Asia and will have harmed Indian trading interests. However, Pakistan's exports to Central Asia are only \$10 to 15 million every year. In the processes, it is losing tens of billions of transit trade, which might have transformed its infrastructure, created thousands of jobs and benefits in forward and backward linkages. At the moment, both India and Pakistan are marginal economic players in Central Asia. In cooperation with each other, both can become significant, if not dominant players in the region. Recent developments indicate that India is finally entering the region in the areas of oil and gas, textiles and nuclear trade, all of which are key areas for Central Asia. Indeed, if Mittal Steel is considered 'Indian,' then India has already become a dominant player in iron and steel.

The GCA region is involved in a number of regional initiatives. Many of them remain only on paper and the uncontrolled proliferation of regional organizations could actually become a problem in the coming years through duplication and poor coordination among them. However, it appears that SAARC, SCO and CAREC will continue to be important in the coming years. Past experience in both the Central and the South Asian regions also shows that these regions will not be able to realize the huge economic potentials from economic cooperation unless all the regional and extra-regional players start collaborating. For a meaningful cooperation between both the regions, a regional economic initiative is needed consisting of all GCA countries, China, India, Iran, Japan, Russia, Pakistan, Turkey and the United States. It is only by the joint endeavor of all these countries that regional economic cooperation can be truly successful. Unless all these players are accommodated, suspicions and tensions will continue. All the important players in the region have good relations with India. It has 'strategic partnership' agreements with the US, Russia and China and has good relations with the GCA countries and Iran. In cooperation with all these countries, India could work seriously for an 'informal network' of all these players. Ideally, the nucleus of this new network could be Afghanistan, through which Central Asia,

South Asia, China and Iran meet. It could be created through the existing institution of the RECC on Afghanistan.

Compared to the existing modest levels of trade between South and Central Asia, continental trade is going to be much more important for India. As a result, plans for linking India with Europe through the GCA region will be much more valuable rather than thinking in a regional or sub-regional context. UNESCAP plans of an Asian highway fit well within the Indian framework. Different infrastructural plans such as the SAARC multi-model transport linkages, CAREC action plans, CSATTF and INSTC are all different pieces of this grand design. Ultimately, Indian trade volumes will reach Europe through these different schemes. INTEC is already becoming an important component of the Trans-Asian railway network. Further synergies through SAARC, CAREC and CSATTF will improve its effectiveness and scope. With improvement in India-Pakistan relations, an important portion of Indian trade (particularly from the landlocked northern states, including Jammu & Kashmir) will move through Pakistan and Afghanistan. With the possibility of this trade passing through GCA, most of the infrastructural projects in the region will become economically viable. The development of this infrastructure will create further incentives for regional and sub-regional cooperation. These linkages will also transform small and medium industries and agriculture in Central Asia, thanks to Indian and Pakistani expertise in these fields. Once that happens, SAFTA could be extended to Central Asia as well as to Iran.

Overall, India can look at the Greater Central Asia region afresh within the following framework:

- At this point in history, both the Central and South Asian regions are two of the fastest growing regions of the world.
- India's role in an evolving Asian economic architecture will be further strengthened when its economic relations with its immediate neighbor, Pakistan, and with its extended neighbors in Central Asia become more dynamic.
- The importance of the GCA region for Indian trade should not be seen only in the context of very small regional trade.

- By 2015, India's trade with Europe, the CIS plus Iran, Afghanistan and Pakistan would be in the range of US\$ 500 to 600 billion annually.
- Even if 20 percent of this trade is conducted through road, US\$ 100-120 billion of Indian trade would pass through the GCA region.
- Compared to modest regional trade in GCA, continental trade will be much more important for India. Therefore, plans for linking India with Europe through GCA will be much more valuable than schemes mounted on a regional or sub-regional context.
- Asian highway projects fit India's framework well. Since different infrastructural plans by SAARC, CAREC, CSATTTF, and INSTC are all parts of this bigger design, their individual success is also crucial.
- If one part of the bigger design does not work, it can be compensated with another scheme. Due to difficulties in India-Pakistan relations, this was the thinking behind INSTC. It can increase the short-term costs but longer-term targets could still be achieved.
- Pakistan's denial of access of its territory to Indian goods might have harmed Indian trading interests in Central Asia. Nonetheless, Pakistan has not been able to send any significant exports to the region either. Therefore, Indian goods in Central Asia cannot be imported at the expense of Pakistani products.
- With improvement in India-Pakistan relations, an important portion of Indian continental trade (particularly from its northern territories) will move through Pakistan and Afghanistan. This will improve the economic viability of many infrastructural projects in GCA and Pakistan. Many backward and forward linkages will also be created.
- An Indian-Pakistan partnership will also transform small and medium industries and agriculture in the entire GCA region, including Afghanistan.
- With these developments, SAFTA's extension to Central Asia and Iran could also become a reality.

Overall, the cost of the poor relations between India and Pakistan is far greater for both countries than is indicated by the usual estimates based solely on foregone bilateral trade.

Appendix

Table A1: Commodity Composition of Indian Trade with Greater Central Asia 2006-07 & 2007-08 (In US\$ millions, only those commodities are listed where trade is more than 0.5 million in any particular year)

Exports to Afghanistan	2006-7	2007-08
Aluminum and articles thereof.	9.32	1.58
Articles of apparel and clothing accessories, knitted or crocheted.	0.90	2.66
Articles of apparel and clothing accessories, not knitted or crocheted.	19.60	11.52
Articles of iron or steel	10.99	5.37
Cotton.	4.04	3.55
Dairy produce; birds' eggs; natural honey; edible prod. of animal origin	2.68	16.03
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	6.63	16.69
Essential oils and resinoids; perfumery, cosmetic or toilet preparations.	1.10	1.27
Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishing; lamps and lighting fittings	0.57	0.05
Headgear and parts thereof.	4.09	0.65
Iron and steel products	6.79	7.84
Lac; gums, resins and other vegetable saps and extracts.	0.49	0.51
Machinery and mechanical appliances (central heating boilers, pumps, sewing machines, farm machinery etc.)	5.75	5.07
Man-made filaments.	22.53	66.91
Man-made staple fibres.	6.31	6.65
Meat and edible meat offal.	4.87	5.35
Miscellaneous edible preparations.	0.23	0.89
Miscellaneous goods.	0.16	0.91
Natural or cultured pearls, precious or semiprecious stones, imitation jewelry etc	1.45	1.34
Optical, photographic cinematographic measuring, checking precision, medical or surgical inst. And apparatus parts and accessories thereof;	0.92	0.63
Organic chemicals	0.71	2.10
Other made up textile articles; furnishing items, blankets etc	1.09	1.62

Pharmaceutical products	42.81	41.73
Plastic and articles thereof.	0.92	0.52
Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans.	2.00	1.36
Rubber and articles thereof.	2.73	4.69
Sugars and sugar confectionery.	1.52	18.80
Tea	1.94	3.87
Tobacco and manufactured tobacco substitutes.	9.66	10.27
Tools implements, cutlery, spoons and forks, of base metal; parts thereof of base metal.	2.11	1.69
Vehicles (tractors, public transport vehicles, etc) and parts and accessories thereof.	3.30	3.87
Total	181.58	248.86
Imports from Afghanistan	2006-07	2007-08
Asafetida	15.02	26.62
Edible fruits (fresh & dried grapes, melons, apricots, pomegranates. etc): and nuts (almonds, pistachios, figs etc)	15.44	78.91
Seeds of anise, badian, fennel, coriander, cumin, caraway or juniper	3.26	2.29
Total	34.48	109.23
Exports to Kazakhstan		
Tea	8.95	13.31
Miscellaneous edible preparations.	0.45	0.52
Tobacco and manufactured tobacco substitutes.	0.47	0.53
Organic chemicals	1.01	0.91
Pharmaceutical products	25.40	27.48
Miscellaneous chemical products.	0.55	0.48
Plastic and articles thereof.	0.57	0.26
Rubber and articles thereof.	1.10	2.62
Articles of leather, saddlery and harness, travel goods, handbags and similar cont. articles of animal gut(other than silk-warm)gut.	6.08	3.47
Articles of apparel and clothing accessories, knitted or corcheted.	6.50	14.62
Articles of apparel and clothing accessories, not knitted or crocheted.	1.96	2.71
Other made up textile articles including furnishing articles	0.48	1.36
Articles of stone, plaster, cement, asbestos, mica or similar materials.	0.17	0.79

Ceramic products.	2.72	2.09
Iron and steel (Flat rolled products)	2.93	1.32
Articles of iron or steel	1.55	0.75
Aluminum and articles thereof.	2.41	23.55
Machinery and mechanical appliances (metal rolling mills, laboratory equipment etc.) and parts thereof.	10.56	5.82
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	6.29	3.99
Vehicles and parts and accessories thereof.	0.67	0.33
Total	83.27	111.86

Imports from Kazakhstan	2006-07	2007-08
Cereals (wheat and meslin)	7.42	
Inorganic chemicals(chromium oxides and hydroxides, alkali etc.)	0.23	0.95
Iron and steel (Ferro Alloys, flat rolled products etc)	15.95	17.21
Unwrought lead, lead waste and scrap		3.08
Raw hides and skins (other than fur skins) and leather	0.51	0.57
Asbestos and sulphur;	11.90	10.05
Unwrought zinc	51.23	43.49
Total	88.13	76.79

Exports to Kyrgyzstan	2006-07	2007-08
Articles of apparel and clothing accessories, knitted or corched.	17.93	15.95
Articles of apparel and clothing accessories, not knitted or crocheted.	9.47	5.64
Coffee, tea, mate and spices.	0.49	0.56
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	2.11	0.35
Machinery and mechanical appliances (printing machinery, automatic data processing machines etc); parts thereof.	1.04	0.63
Pharmaceutical products	3.79	2.88
Leather articles (suit cases, traveling bags etc)	0.32	3.33
Total	37.21	31.56

Note: No Import From Kyrgyzstan Was More Than 0.5 mn these years

Exports to Tajikistan	2006-07	2007-08
Articles of apparel and clothing accessories, knitted or corched.	1.87	0.87
Bird eggs, in shell, fresh PRSVD or CKD	0.03	0.60
Iron and steel		0.90
Meat of bovine animals frozen	1.39	4.53
Pharmaceutical products	2.09	3.76
Total	7.45	12.41
Imports from Tajikistan	2006-07	2007-08
Unwrought aluminum	4.11	8.41
Cotton (not carded or combed)	3.93	1.23
Total	8.05	9.69
Exports to Turkmenistan	2006-07	2007-08
Articles of apparel and clothing accessories, not knitted or crocheted.	6.99	5.77
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	13.97	10.61
Meat of bovine animals frozen	2.45	1.47
Machinery and mechanical appliances (pumps, refrigeration and air conditioning machinery etc); parts thereof.	4.01	6.23
Pharmaceutical products	3.74	6.95
Rubber and articles thereof.	0.43	0.75
Sugars and sugar confectionery.	0.00	1.20
Tobacco and manufactured tobacco substitutes.	0.14	0.58
Total	33.81	36.06
Imports from Turkmenistan	2006-07	2007-08
Cotton (not carded and combed, yarn)	7.48	4.83
Inorganic chemicals (fluorine chlorine Bromine & Iodine, Carbon etc.)	4.02	3.58
Total	12.05	8.58
Exports to Uzbekistan	2006-07	2007-08
Meat of bovine animals frozen	1.38	0.84
Sugars and sugar confectionery.	0.52	0.55
Organic chemicals	0.90	1.01
Pharmaceutical products	12.70	21.86

Plastic and articles thereof.	0.50	0.76
Paper and paperboard; articles of paper pulp, of paper or of paperboard.	2.94	1.44
Articles of iron or steel	0.34	0.57
Miscellaneous articles of base metal.	0.93	0.97
Boilers, machinery and mechanical appliances (printing machinery, roller bearings etc); parts thereof.	4.54	7.22
Vehicles (Bicycles etc) and parts and accessories thereof.	0.88	0.80
Optical, photographic cinematographic measuring, checking precision, medical or surgical inst. And apparatus parts and accessories thereof;	0.92	1.44
Total	29.66	40.30
Import from Uzbekistan	2006-07	2007-08
Cotton, not carded or combed	0.37	0.67
Dried leguminous veg shld W/N skinned split	1.86	0.35
Synthetic filament tow and synthetic staple fibers	0.55	
Petroleum oils and oil obtained from bituminous substances; mineral waxes.	0.25	0.61
Raw silk (not thrown)	1.69	0.28
Unwrought Zinc	28.77	13.70
Total	33.85	16.07

Source: Department of Commerce, Ministry of Commerce & Industry, Government of India

Table A2 : EBRD Transition Indicators for Central Asian Republics 1992-2008 (Scale 1 to 4)

	1992	1995	2000	2005	2008	1992	1995	2000	2005	2008	1992	1995	2000	2005	2008	1992	1995	2000	2005	2008	1992	1995	2000	2005	2008	
KAZAKHSTAN	1.00	2.00	3.00	4.00	3.00	1.00	2.00	3.00	4.00	3.00	2.67	4.00	4.00	4.00	4.00	1.00	1.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00
	2.00	3.00	4.00	4.00	3.00	1.00	1.00	2.00	2.00	2.00	2.67	4.00	4.00	4.00	4.00	1.00	1.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00
	3.00	4.00	4.00	4.00	3.00	2.00	2.00	2.00	2.00	2.00	3.67	4.00	4.00	4.00	4.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	3.00	4.00	4.00	4.00	3.00	2.00	2.00	2.00	2.00	2.00	3.67	4.00	4.00	4.00	4.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	3.00	4.00	4.00	4.00	3.00	2.00	2.00	2.00	2.00	2.00	3.67	4.00	4.00	4.00	4.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
KYRGYZ REPUBLIC	2.00	2.00	3.00	4.00	3.00	1.00	2.00	2.00	2.00	2.00	2.33	4.00	4.00	4.00	4.00	1.00	1.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00
	3.00	4.00	4.00	4.00	3.00	2.00	2.00	2.00	2.00	2.00	4.33	4.00	4.00	4.00	4.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	3.00	4.00	4.00	4.00	3.00	2.00	2.00	2.00	2.00	2.00	4.33	4.00	4.00	4.00	4.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	3.67	4.00	4.00	4.00	3.00	2.00	2.00	2.00	2.00	2.00	4.33	4.00	4.00	4.00	4.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	3.67	4.00	4.00	4.00	3.00	2.00	2.00	2.00	2.00	2.00	4.33	4.00	4.00	4.00	4.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
TAJKISTAN	1.00	2.00	2.00	3.00	2.00	1.00	1.00	1.00	1.00	1.00	2.67	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	2.00	2.00	2.00	3.00	2.00	1.00	1.00	1.00	1.00	1.00	3.33	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	2.33	3.33	4.00	4.00	3.00	1.67	1.67	1.67	1.67	1.67	3.67	1.67	1.67	1.67	1.67	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	2.33	3.33	4.00	4.00	3.00	1.67	1.67	1.67	1.67	1.67	3.67	1.67	1.67	1.67	1.67	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	2.33	3.33	4.00	4.00	3.00	1.67	1.67	1.67	1.67	1.67	3.67	1.67	1.67	1.67	1.67	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
TURKMENISTAN	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
UZBEKISTAN	2.67	3.00	3.00	3.00	2.67	1.67	1.67	1.67	1.67	1.67	2.67	2.00	2.00	2.00	2.00	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67
	2.67	3.00	3.00	3.00	2.67	1.67	1.67	1.67	1.67	1.67	2.67	2.00	2.00	2.00	2.00	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67
	2.67	3.00	3.00	3.00	2.67	1.67	1.67	1.67	1.67	1.67	2.67	2.00	2.00	2.00	2.00	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67
	2.67	3.00	3.00	3.00	2.67	1.67	1.67	1.67	1.67	1.67	2.67	2.00	2.00	2.00	2.00	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67
	2.67	3.00	3.00	3.00	2.67	1.67	1.67	1.67	1.67	1.67	2.67	2.00	2.00	2.00	2.00	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67	1.67

* Banking Reform & Interest Rate Liberalization, ** Security markets & non bank financial institutions
Source: EBRD Database

Table A3. Selected Indicators of Economic and Social Reforms in Central Asia, 2008

	LIBERALIZATION AND PRIVATIZATION							BUSINESS ENVIRONMENT AND COMPETITION				
	Current account convertibility	Controls on inward direct investment	Interest rate liberalization	Exchange rate regime	Wage regulation	Tradability of land	Competition office	Quality of insolvency law	Secured transactions law	Quality of corporate governance law		
Kazakhstan	full	yes	full	managed float	no	full except foreigners	Yes	medium	some defects	high		
Kyrgyz Rep.	full	no	full	managed float	no	full except foreigners	Yes	medium	some defects	medium		
Tajikistan	full	no	full	managed floating	yes	limited de jure	Yes	low	inefficient	very low		
Turkmenistan	limited	no	limited de jure	fixed	yes	limited de jure	no	low	malfunctioning	low		
Uzbekistan	limited	yes	limited de jure	managed float	yes	limited de jure	Yes	low	malfunctioning	medium		
SOCIAL SECTOR												
	% of population living below poverty		Government expenditure on health (% of GDP)		Government expenditure on education (% of GDP)		Household expenditure on power & water					
Kazakhstan	16 % (2004)		2.3 % (2005)		2.3 % (2004)		3.7 %					
Kyrgyz Republic	21.3 % (2003)		2.3 % (2004)		4.4 % (2005)		4.4 %					
Tajikistan	42.8 % (2003)		1.4 % (2006)		4.2 % (2006)		6.0 %					
Turkmenistan	44 % (1998)		2.1 % (2005)		5.4 % (2005)		0.3 %					
Uzbekistan	26 % (2003)		2.4 % (2000)		6.2 % (2006)		5.2 %					

Source: EBRD Database

Table A4: India GCA trade 1996-97 to 2007-08

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Afghanistan	25.79	31.95	40.93	54.26	52.45	41.89	79.23	185.98	212.44	202.09	216.06	358.09
Kazakhstan	16.96	51.16	50.43	40.65	64.12	53.09	59.61	84.07	96.81	117.16	171.41	188.65
Kyrgyzstan	0.98	10.8	8.81	15.61	22.02	11.52	15.13	38.74	50.19	29.57	37.98	32.47
Tajikistan	1.53	1.12	3.04	4.72	4.10	2.56	8.73	8.42	10.68	12.13	15.50	22.10
Turkmenistan	1.65	1.70	2.03	6.03	3.83	6.30	15.70	28.55	26.12	31.18	45.86	45.64
Uzbekistan	10.74	20.3	14.50	22.91	19.98	23.80	25.62	42.84	52.81	50.57	63.51	56.37
Total GCA	57.65	117.03	119.74	144.18	166.50	139.16	204.02	388.60	488.75	442.70	550.32	703.32
Total Indian Trade	72602	76490	75608	86493	95096	95240	114131	141992	195053	252256	311866	414546
% of Total Indian Trade	0.079	0.153	0.158	0.166	0.175	0.146	0.178	0.273	0.250	0.175	0.176	0.169

(US\$ Million) Source: Department of Commerce, Ministry of Commerce & Industry, Government of India

Table A5: Indian Exports to Greater Central Asia, 1996-97 to 2007-08

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Afghanistan	22.74	21.25	12.81	33.20	25.86	24.37	60.77	145.87	165.44	142.67	181.58	248.86
Kazakhstan	4.39	15.13	38.0	27.19	50.08	45.70	46.88	74.81	81.42	90.86	83.27	111.86
Kyrgyzstan	0.98	10.79	8.70	13.80	17.59	10.95	14.67	38.20	49.57	28.09	37.21	31.56
Tajikistan	0.73	1.12	0.51	2.38	3.55	1.22	8.65	4.47	6.59	6.24	7.45	12.41
Turkmenistan	1.38	1.68	1.93	5.64	2.71	4.35	10.29	19.21	15.26	18.83	33.81	36.06
Uzbekistan	8.14	17.59	12.83	9.94	9.39	6.53	5.08	15.14	21.35	24.44	29.66	40.30
Total GCA	38.36	67.56	74.78	91.60	109.19	93.12	146.34	297.70	339.63	311.13	372.98	481.05

(US \$ million) Source: Department of Commerce, Ministry of Commerce & Industry, Government of India

Table A6: Indian Imports from Greater Central Asia, 1996-97 to 2007-08

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Afghanistan	3.05	10.70	28.14	21.06	26.59	17.52	18.46	40.51	47.01	58.42	34.48	109.23
Kazakhstan	12.57	36.03	12.43	13.45	14.04	7.39	12.73	9.26	15.39	26.31	88.13	76.79
Kyrgyzstan	--	0.01	0.10	1.82	4.43	0.56	0.47	0.54	0.63	1.47	0.77	0.91
Tajikistan	0.80	--	2.53	2.33	0.54	1.34	0.08	3.95	4.09	5.89	8.05	9.69
Turkmenistan	0.27	0.02	0.11	0.38	1.12	1.95	5.40	9.34	10.87	12.35	12.05	9.58
Uzbekistan	2.60	2.71	1.67	12.97	10.58	17.27	20.54	27.70	31.46	26.13	33.85	16.07
Total GCA	19.29	49.47	44.95	52.02	56.91	46.02	57.68	91.30	109.45	130.75	177.33	222.27

(US\$ Million) Source: Department of Commerce, Ministry of Commerce & Industry, Government of India

Fig 4: Asian Highway

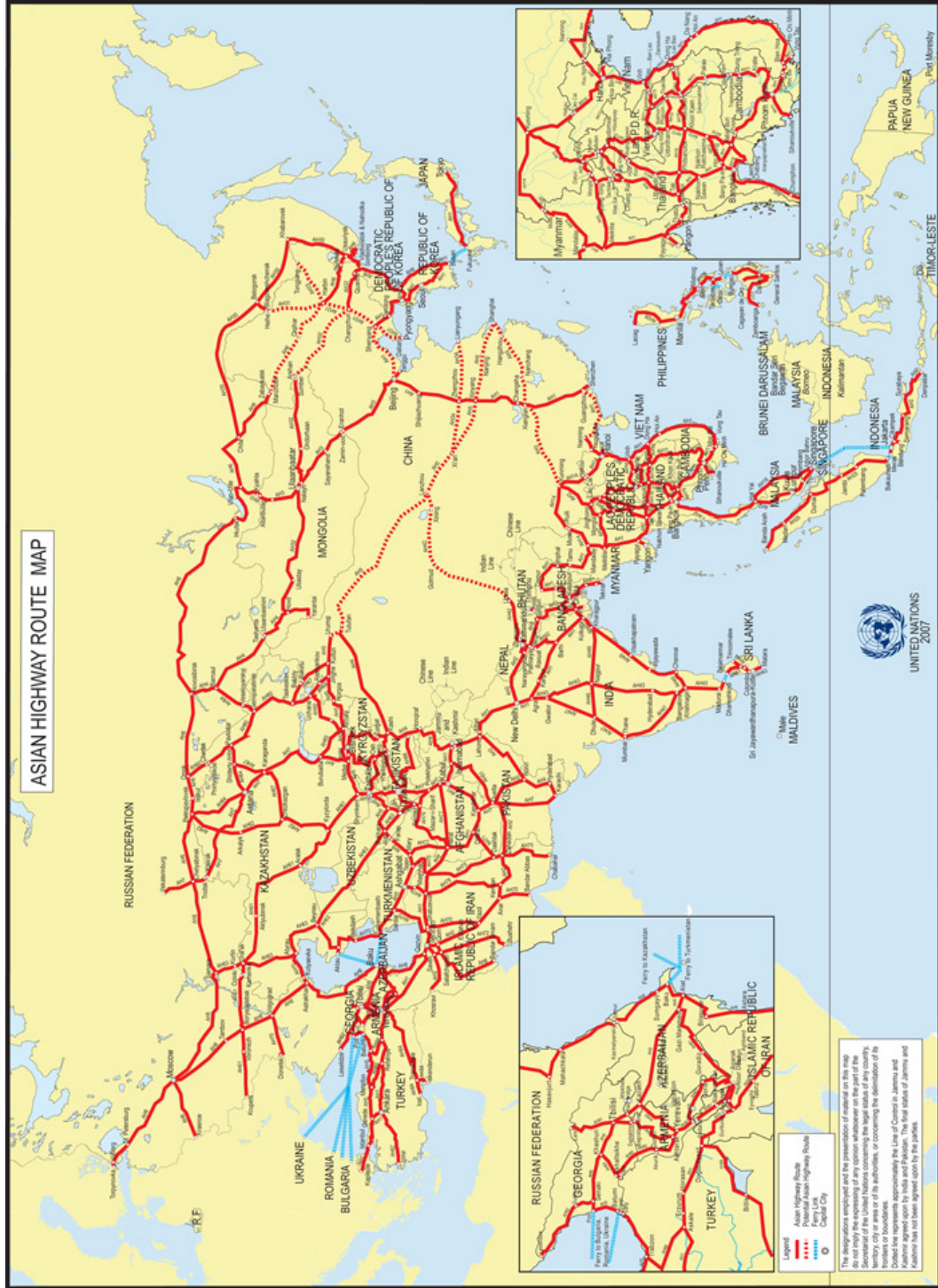
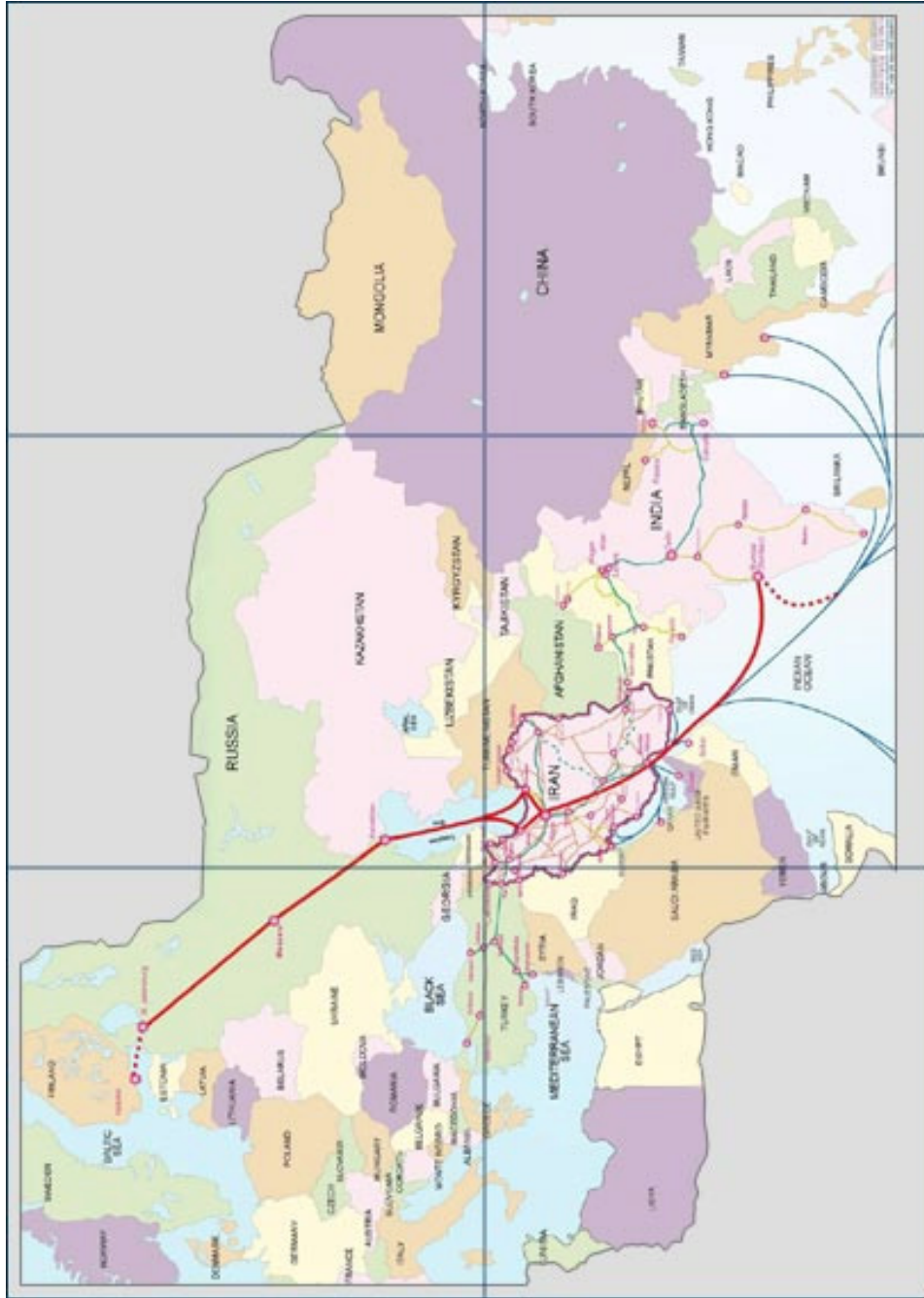


Figure 5: International North-South Transport



Source: International North South Transport Corridor Secretariat website www.instc.org

Fig 7: Asian Highway Route Maps of India and Pakistan



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