

India on the front line in Energy War

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While the United States has been stealthily finessing a pretext for launching a military attack on Iran, it has also been prevailing on its close allies and friends to stay clear of bilateral political exchanges with Tehran. Isolation and containment of Iran and a “regime change” in that country have become the leitmotif of US foreign policy in the remaining two years of the presidency of George W Bush.

But Washington either made an exception for India, or India after all didn’t belong in the gallery of Washington’s close or “natural” allies. At any rate, New Delhi acted in its best interests when Indian Foreign Minister Pranab Mukherjee paid a two-day visit to Tehran on February 6-7.

The timing of the visit was indeed sensitive. It was only five days earlier, in testimony before the US Senate Foreign Relations Committee, that former US national security adviser Zbigniew Brzezinski made an astounding statement accusing the Bush administration of plotting situations to justify war against Iran.

Someone of the stature of Brzezinski, who has close connections with the US intelligence community and security establishment, wouldn’t have made an irresponsible allegation. Yet Mukherjee went ahead with the visit. He also made it unequivocally clear in his media comments that India is opposed to any use of force against Iran.

Most importantly, apart from underlining that expansion of relations with Iran is important for India, Mukherjee described Iran as a factor for stability in the region. That is to say, India disregards Washington’s propaganda that Iran is aiding and abetting terrorism and is threatening regimes in neighboring countries.

Equally, Mukherjee called for the Iran nuclear file to be sent back to the International Atomic Energy Agency (IAEA) as the competent forum to handle the issue. “A solution based on talks and a peaceful approach can be realized through close cooperation between Iran and the IAEA. Besides, both sides should be flexible,” he said. In sum, Mukherjee made out with great poise and resoluteness that New Delhi has its own independent foreign policy toward the Iran nuclear issue.

The main purpose of Mukherjee’s visit was to set a political climate in India’s bilateral relations with Iran that will be conducive to the advancement of energy cooperation between the two countries. Coming weeks and months should testify whether the proposals for a gas pipeline from Iran to India via Pakistan and a 25-year deal on liquefied natural gas (LNG) will gather pace or not. Difficulties still lie ahead. Principally, Washington can be expected to do all that is possible to ensure that New Delhi is arrested on its current path. Subtle pressure tactics seem to have already begun.

Speaking in Washington last week, the powerful new chairman of the House Foreign Affairs Committee, Tom Lantos, who is well known for his pro-Israel political stance and has consistently warned India publicly in the past against cozying up to Iran, fired a public salvo to the effect that New Delhi must “fulfill its promises”. He said Delhi must keep its side of the bargain, “which India is not doing”, over the nuclear deal with the US and that it is imperative that “we have to work on that issue”. Lantos said even a “small country like Finland, for example, is sticking to whatever promises it has made”, and, naturally, it behooved a “great country like India” to deliver on its promises.

The pro-Israel think-tank Heritage Foundation also chipped in by calling for a robust intervention by the Bush administration in the Kashmir issue and India-Pakistan peace process in general, as otherwise, “the US-India civil nuclear deal has the potential to contribute to deepening tensions in the region”. The think-tank called on the US administration to take up with New Delhi the issues of human rights, economic development and good governance in Jammu and Kashmir.

Curiously, the author of the Heritage report, Lisa Curtis, is a former foreign-policy aide to Senator Richard Lugar, the erstwhile Republican chairman of the Senate Foreign Relations Committee, and she previously worked as a political analyst on South Asia in the Central Intelligence Agency, apart from serving in the US embassies in New Delhi and Islamabad in the 1990s.

In addition, unnamed US officials have begun sounding impatient about the lack of progress in the negotiation of the so-called 123 Agreement between India and the United States – the final lap of the Indo-US nuclear deal. There seem to be fears in Washington that India may be dragging its feet and, in the process, Russia may steal a march over US companies in supplying nuclear plants to India. It is estimated that the nuclear deal will generate US\$80 billion in downstream business.

How these tricky undercurrents play out will have a bearing on the incipient Iran-India energy cooperation, assuming that New Delhi will be plucky enough to press ahead regardless of concerted US opposition. Indeed, there are larger dimensions. In fact, India-Iran energy cooperation forms a crucial vector of emergent Asian security.

This became apparent during the visit of Russian President Vladimir Putin to New Delhi on January 25-26, where the focus was on all-around cooperation between the two countries in the field of energy. Indian Prime Minister Manmohan Singh characterized energy security as “the most important of the emerging dimensions” of the Indo-Russian strategic partnership.

He said, “Russia’s position as a global leader on energy issues is widely recognized. We look forward to long-term partnership with Russia in this vital field.” Two working groups were constituted to examine both upstream cooperation (access for Indian participation in the funding, exploration and development of oil and gas fields in Russia) and downstream cooperation (participation by Russian companies in marketing oil products and LNG in India).

Moscow has repeatedly shown interest in taking part in the financing and construction of the Iran-India gas pipeline. Russian Deputy Prime Minister and Defense Minister Sergei Ivanov, who accompanied Putin to New Delhi, stated, “We are pegging big hopes on the Gazprom-GAIL [Russian and Indian gas companies] strategic partnership, including joint efforts in building the Iran-Pakistan-India gas pipeline.”

For Pakistan's part, President General Pervez Musharraf was recently in Tehran, where he met with Iranian President Mahmud Ahmadinejad, and according to media statements, the gas-pipeline project was discussed. "Now that the pricing mechanism has been worked out between Iran and Pakistan, the two countries will discuss early implementation of the pipeline project," Ahmadinejad said.

Russian companies are evidently conscious of the huge volume of business generated through the transportation of Iranian gas to the rapidly growing South Asian market, apart from the highly lucrative distribution and retailing of the gas in India and Pakistan. By a rough assessment, for receiving the gas coming through the \$7 billion pipeline, infrastructure development within India alone will generate business close to \$40 billion in immediate terms.

But energy cooperation among Russia, Iran and India has a much wider backdrop than business opportunities. Energy security, inevitably, is a subject where politics mixes with economics. India is keenly watching the tectonic shifts in the Eurasian gas market. Iran has proven gas reserves of about 28 trillion cubic meters, while its gas output increases by 10% annually. At present, Iran uses almost its entire gas production in its domestic market. About 100 billion cubic meters (bcm) is supplied to domestic consumers, including 35bcm for power plants, while 40bcm is pumped into the country's oil beds for maintaining the well flow rate. In other words, Iran's export capacity is poised to grow dramatically in the near term.

New Delhi is aware that many of Europe's plans to diversify its gas supply involve Iran. In other words, a competitive struggle for Iranian gas between the European market and the Asian market is becoming inevitable in the near future as Europe faces an acute gas shortage by 2015, even if Russia keeps up its supplies and the Northern Gas Pipeline becomes operational.

India has been watching with interest Ahmadinejad's proposal to Putin on the sidelines of a Shanghai Cooperation Organization (SCO) summit last June that Iran is prepared to determine gas prices jointly with Russia and the main routes of gas pipelines. The Russian-Iranian energy dialogue has significantly advanced since then, culminating in the proposal by Iranian Supreme Leader Ali Khamenei to Putin on January 28 that the two countries must cooperate along the lines of the Organization of Petroleum Exporting Nations. To be sure, New Delhi has taken careful note that the prospects for the merging of Russian and Iranian gas-transportation networks have distinctly brightened.

Taking matters further, the Iranian Supreme Leader's adviser on international affairs, Ali Akbar Velayati, visited Moscow last week and held discussions with Putin. Velayati said on his return from Moscow that Tehran sees the present juncture as a "turning point" in Iran's strategic cooperation with Russia. He alleged that Washington is trying its utmost to disrupt the emerging Russian-Iranian strategic cooperation in the transit of energy, as it will impact phenomenally on the correlation of forces internationally.

With Russia controlling 27% of the world's gas reserves and Iran 15%, cooperation between these countries is bound to have huge potential in terms of global gas distribution. It is only natural for a major potential gas consumer like India optimally to exploit the opportunities arising out of the matrix of energy cooperation between these two countries with which it has traditionally enjoyed close and friendly relations.

From the Indian perspective, Russia's resurgence as an assertive player on the global scene and Iran's preference to foster energy cooperation with the Asian market open up the prospects of a unified Asian market for gas, involving the Central Asian countries as well.

China, which has a gas deal with Turkmenistan for the supply of 30bcm of gas annually with effect from 2009, is already anticipating the enormous implications of these developments for its energy security. Last June, coinciding with the SCO summit, the Beijing Morning Post gave a detailed description of China's prospective plan for developing its domestic gas-pipeline network during the next 20 years in anticipation of gas supplies from Russia and Central Asian countries. According to the report, China's 24,000-kilometer gas-pipeline grid will be expanded to 36,000km by 2010.

New Delhi has no alternative but to partake of the emerging Asian market for gas if it is to get anywhere near seriously addressing its energy-security problems. In comparison, the Indo-US nuclear deal will have a very long gestation period before it makes any real impact on India's energy map. Nuclear energy will remain a marginal player in the Indian economy in the foreseeable future.

In the geo-economic context of energy security, Indian and US interests are far apart at the moment. Whereas the US favors European projects for diversifying gas supplies that will reduce the West's dependency on Russian supplies, India has a definite interest in Tehran's preference to direct the bulk of its gas resources to Asia. India cannot attach credibility to the US counsel to trust the market instead of trying to "lock in" energy supply when Washington is actively promoting various oil- and gas-pipeline projects heading toward the European market from the Caspian and Central Asian regions.

Without doubt, Russia will be actively supportive of the warming of Indo-Iranian ties, which went through a rough patch after India's vote against Iran at the IAEA in October 2005. Curiously, a meeting of the foreign ministers of India, Russia and China in New Delhi set for February 24 closely follows Mukherjee's visit to Iran. A Chinese Foreign Ministry spokesperson said in Beijing that the three foreign ministers will discuss cooperation in the economic field and that their meeting will "help the three countries to expand common ground and push forward trilateral mutually beneficial cooperation".

India and Russia share deep apprehension over Washington's aggressive stance against Iran. Any US military attack against Iran will threaten to have adverse consequences for India's energy supplies. Again, while Washington can be expected single-mindedly to try to scuttle Indo-Iranian energy cooperation, Moscow will encourage such cooperation and offer to be party to it.

Finally, while Washington may have plans for inveigling India as a counterweight to China, Moscow hopes to foster greater Sino-Indian understanding within which an Asian market of energy producers and energy consumers could flourish.

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