



SPOTLIGHT
ON REGIONAL AFFAIRS

Vol xxxi No. 4

April 2012

IP AND TAPI IN THE ‘NEW GREAT GAME’: CAN PAKISTAN KEEP ITS HOPES HIGH?

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Introduction

“Like most of the 30 years that preceded it, 2012 will be punctuated by statistical evidence of Asia’s growing weight in the world economy and by the West's relative decline,” declares the *Economist*.⁽¹⁾ The world is now moving to a new polycentric world order. This evolving world order is evident by the struggle for energy-fields that extend from Iran to the Pacific Ocean. It is there, as Pepe Escobar terms it “the Liquid War” for the control of Eurasia takes place. “Nothing in Eurasia is without an energy angle and it has all come down to the struggle for blue gold and black gold.”

OPEC’s monopolistic system of devising oil prices and the political/security instability in the Middle East has caused the world powers to look elsewhere to solve their energy needs. Furthermore, due to the economic rise of China and India, and their subsequent rising thirst for oil and gas to run their growing industries, the global politics of energy is messier than ever. The

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Central Asian ‘stans’ are the apparent jackpot winners, currently sitting on top of the biggest untapped reserves of oil and gas that exist in the world. Turkmenistan’s proven gas reserves were estimated to be 8.1 trillion cubic metres in 2009, being the fourth largest gas producer in the world after Russia, Iran and Qatar.⁽²⁾

“The Great Game,” a term coined by Arthur Connally in 1835, referred to the fight for supremacy in Central Asia and Afghanistan between the British Empire and Tsarist Russia in the 19th century.⁽³⁾ The two empires jostled for control of Afghanistan as the strategic base that could be used for invading colonial India or Russian Turkestan. “The New Great Game,” an expression introduced by Pakistani journalist Ahmed Rashid in the 1990s, is centred on the regional energy politics currently at play in Central Asia, encompassing Georgia, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan. Along with the big global powers —the United States and Russia — some new regional players have emerged on the scene, including China, India, Turkey, Iran, and Pakistan. The prize in this game is not just about accessing large reserves of oil and gas but also the economic profits from pipelines, tanker routes, petroleum consortiums and contracts.

Pakistan is directly involved in the New Great Game, as it is a partner in the projects for two important pipelines that will cross the country, the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline and the Iran-Pakistan (IP) gas pipeline. As Pakistan is currently facing one of its worst energy crises and as its indigenous gas reserves are rapidly declining, these pipelines are essential for the country. As Pepe Escobar states “Pakistan is an energy-poor, desperate customer of the grid. Becoming an energy transit country is Pakistan's once-in-a-lifetime chance to transition from a near-failed

state into an “energy corridor” to Asia and, why not, global markets.” Despite the vast potential and importance these pipelines hold, their future however is currently bleak.

The paper begins with an explanation of the New Great Game, its importance in understanding the current international political scenario in the region, the roles being played by the key players and the mega projects that are being undertaken or have been completed. This is followed by a review of Pakistan’s energy needs and the current gas shortages affecting the country. The next section of the paper will discuss in detail Pakistan’s involvement in the New Great Game vis-à-vis TAPI and IP pipelines and will include their history, designs, current status, problems and the role regional politics has played in their existing state of affairs. This discussion would further lead us to an overall analysis and suggestions, followed by the conclusion.

The New Great Game: Energy politics and conflict

The “New Great Game” being played today is defined as a rerun of the “Great Game” of the 19th Century when the British Empire and the Tsarist Russia were fighting an undeclared war of competition and influence against each other in Central Asia and Afghanistan. ⁽⁴⁾

When the Russians expanded their influence in Central Asia (then known as Turkestan) the British Empire saw it as a direct threat to its “jewel in the crown,” the colony of India. Imperial Russia too was apprehensive of the British and feared that they were working with the Muslim tribes of Turkestan against Russian interests. Their proxy war was for the control of Afghanistan, which could be used as a strategic base to invade either colonial India or Turkestan. ⁽⁵⁾ According to Ahmed Rashid, the real battle was fought via communication links, the Russians built railway tracks across Central Asia to their borders with

Afghanistan, Persia and China whereas the British built railway lines across India to their border with Afghanistan.⁽⁶⁾ The Great Game died out after the United Kingdom and the Soviet Union became Allies during World War II.

Today, the phrase New Great Game is used to describe modern geopolitics in Central Eurasia and the competition between various extraregional and regional powers for "influence, power, hegemony and profits in Central Asia and the Transcaucasus."⁽⁷⁾ It is argued that under the Caspian Sea lie the world's biggest reserves of untapped fossil fuels. Different estimates range from 50 to 110 billion barrels of oil, and from 170 to 463 trillion cubic feet of natural gas.⁽⁸⁾ Azerbaijan and Kazakhstan alone, according to Kleveman, could be sitting on more than 130 billion barrels of oil, more than three times the United State's own reserves.⁽⁹⁾

The actors in the new post-colonial game however are quite different. The United States has taken over the role from the British Empire, along with the 'ever present' Russians, while new regional powers such as China, Iran, India, Turkey and even Pakistan have entered the arena. Including the powerful transnational oil companies, with budgets often higher than those of many Central Asian States, the New Great Game is far more complex, convoluted and far-reaching than its 19th century predecessor.⁽¹⁰⁾

According to Ahmed Rashid, the crux of the game centres around Russian attempts to keep a grip on the Central Asian States and control the flow of Caspian Sea oil through various Russian controlled pipelines and USA's efforts to stop this. Thus the USA is "thrusting itself into the region on the back of proposed oil pipelines" which would bypass Russia,⁽¹¹⁾ China and Iran. Bill Richardson, who was the US secretary of energy under president Clinton, is reported to have said, "We're trying to move these newly independent countries

(Central Asian States) toward the West. We would like to see them reliant on Western commercial and political interests rather going another way... it's very important for us that both the pipeline map and the politics come out right.”⁽¹²⁾

Similarly, Iran, Turkey and Pakistan are involved in building their own communication links with the region so that they can become the preferred route of choice for pipelines to the east, west and south. China, the world's second largest economy and consumer of energy and soon to be the largest global consumer of energy, wants to acquire necessary energy supply for its rapid economic growth and expand its political influence in the region.

The Central Asian ‘stans’ have their own set of rivalries, political instabilities, preferences and strategies. Looming above this entire spectrum of regional dominance is the fierce competition between the American, European, Russian and Asian oil and gas companies.⁽¹³⁾

Pipelines: The umbilical cords

The rush to lay as many pipelines as each of the powers can to safeguard their interests began in the 1990s. Ahmed Rashid talks in much detail about a gas pipeline proposed by Bidas, an Argentinean oil company, in 1994 from Turkmenistan via Afghanistan to Pakistan and India. This ultimately started a battle between Bidas and Unocal, an American oil company. This gas pipeline is also known as the Turkmenistan-Afghanistan-Pakistan-India pipeline or TAPI and will be discussed in detail ahead.⁽¹⁴⁾

In 1997, against the wishes of the US, Iran constructed a 119-mile-long gas pipeline going from western Turkmenistan to north-eastern Iran. In 1999, Turkmenistan signed an agreement with the consent of the US to build a Turkmenistan-Turkey gas pipeline which was to go under the Caspian Sea to Azerbaijan and avoid Iran.

In 1997 the idea for Central Asia as a 'transportation corridor' was jointly sponsored by United States and Turkey by proposing an oil pipeline, from Baku in Azerbaijan, through Georgia and the Caucasus to Turkey's Ceyhan port on the Mediterranean, called the Baku-Tbilisi-Ceyhan (BTC) pipeline. The BTC finally became operational in 2005, and oil pumped on 10 May 2005 in Baku reached Ceyhan on 28 May 2006. The United States also wanted Turkmenistan to build a gas pipeline which would travel in parallel with BTC eventually and reach Europe. This is now known as the Nabucco Pipeline but its status is still hanging.⁽¹⁵⁾ Through this project US plans to connect to the Baku-Tbilisi-Erzurum gas pipeline (which is already operational) the Nabucco pipeline which will go from Ankara (Turkey) and all the way to Bulgaria, Romania, Hungary and Austria.

Russia and the USA have been in a state of competition in this region, ever since the former Soviet Union split up, and Russia is adamant on keeping the Americans out of its Central Asian backyard. Russia aims to increase European gas dominance on its resources whereas the US wants the European Union (EU) to diversify its energy supply, primarily away from Russian dominance. There are already around three major Russian pipelines that are supplying energy to Europe and Russia has planned two new pipelines. These pipelines that are projected to provide energy supplies to Europe are the Nord Stream and South Stream; both emanating from Russia. Nord stream is already under construction and its projected route is from northwestern Russia through the Baltic Sea to Germany. South stream is projected to originate from Beregovaya (southwestern Russia) across the Black Sea through Bulgaria to Greece and Italy and also to construct one branch to Hungary and Austria.⁽¹⁶⁾ So

primarily it will be Nord stream and South Stream vs. Nabucco gas pipeline, i.e. Russia vs the USA in Europe.

The third “big player” in this New Great Game is China, soon to be the world’s biggest energy consumer, which is already importing gas from Turkmenistan via Kazakhstan and Uzbekistan to its Xinjiang province — known as the Central Asia-China Pipeline — which may tilt the balance towards Asia. Pepe Escobar calls it the opening of the 21st century Silk Road in 2009 when this pipeline became operational.⁽¹⁷⁾ China’s need for energy is projected to increase by 150 per cent which explains why it has signed probably the largest number of deals not just with the Central Asian republics but also with the heavily sanctioned Iran and even Afghanistan. China has planned around five west-east gas pipelines, within China, of which one is operational (domestically from Xinjiang to Shanghai) and others are under construction and will be connected to Central Asian gas reserves.

Another important country is Iran. Iran sits on the second largest gas reserves in the world and has over 93 billion barrels of proven oil reserves with a total of 4.17 million barrels per day in 2009.⁽¹⁸⁾ To the dislike of the United States, Iran is a very active player. The Turkmenistan-Iran gas pipeline, constructed in 1997, was the first new pipeline going out from Central Asia.⁽¹⁹⁾ Furthermore, Iran signed a \$120 billion gas exploration deal, often termed the “deal of the century” with China. This gas deal signed in 2004 entails the annual export of approximately 10 million tons of Iranian liquefied natural gas (LNG) to China for 25 years. It also gives China’s state oil company the right to participate in such projects as exploration and drilling for petrochemical and gas industries in Iran.⁽²⁰⁾ Iran also plans to sell its gas to Europe through its Persian Gas pipeline which can become a rival to the US Nabucco pipeline. More

importantly, it is also the key party in the proposed Iran-Pakistan (IP) pipeline, also formerly known as the “peace pipeline.” Under this pipeline plan, first proposed in 1995, Iran will sell gas from its mega South Pars fields to Pakistan and India. The ramifications in the geo-political situations are huge and will be dwelt upon later.

SCO versus NATO

On a larger canvas, this energy politics being played by the Western bloc and the Asian bloc can be termed the battle between the Shanghai Cooperation Organization (SCO) and NATO. The SCO, largely formed of the two regional giants-China and Russia, aims to promote regional cooperation and forward the interests of the region against the US and European forces. It is seen by Pepe Escobar, as the NATO style, an-attack-on-one-of-us-is-an-attack-on-all-of-us protection. SCO’s position over a number of regional issues such as Iran’s nuclear programme runs counter to American stance. Iran is also an enthusiast when it comes to becoming a part of SCO. Pakistan is also actively showing interest whereas India has started backing out a bit — not to our surprise as the US has welcomed it with open arms. According to Escobar, “Moscow's strategy is to boost the SCO as a solid counterpunch not only to NATO but also to the US' designs on Central Asian energy.”⁽²¹⁾

Having given a brief overview of the New Great Game and a quick glance over the politics being played on this chessboard, the study moves forward to talk in detail about the gas pipelines that Pakistan plans to rely on significantly. The ground for the two pipelines, IP (formerly IPI) and TAPI, was set in the early years of the New Great Game. However, the end result has yet to be achieved.

The next section will talk about the present energy crisis, particularly with respect to gas, prevalent in Pakistan. It will shed some light on the present shortage in gas supply which happens to be the most dominating form of energy in Pakistan's energy mix. It will further go on to talk in more detail about the history and present situation of the two gas pipelines being relied on by Pakistan.

Natural gas: Pakistan's drug

Amid an acute shortage of natural gas across the country, triggering public protests in various areas, the Pakistan government decided on 28 December 2011 to massively increase gas tariff for all categories of consumers. ⁽²²⁾

Adding to the public shock, Petroleum Minister Dr Asim Hussain issued a grim warning the next day about nationwide gas emergency that would lead to closure of CNG stations in January 2012.

The two news pieces above highlight the intensity of the critical situation in Pakistan. Pakistan ranks among the acutely energy starved countries of the world. With a population touching 180 million and a GDP of US\$ 202.831 billion, in 2010 Pakistan was amongst the group of countries having the lowest energy consumption per capita. ⁽²³⁾

From the outset, Pakistan has struggled to have a stable energy scenario and is currently facing the worst energy crisis in its history. It has a highly imbalanced energy mix with natural gas forming around 48 per cent of the primary energy supply, crude oil, LPG and POL constituting for 30.5 per cent, nuclear/hydro are 11 per cent and coal forms a small 8 per cent. Pakistan is highly reliant on gas which constitutes 34.3 per cent of the resources used for electricity generation. ⁽²⁴⁾

An observer states that “over the past 15 years, we have been extracting and consuming our endowment of natural gas at an alarming rate” and that it was a “remarkably stupid decision to use it as a vehicular fuel... it was equally stupid to encourage industry to move into captive power generation using cheap gas.”⁽²⁵⁾

This high reliance on gas has created a significant gap between supply and demand. According to another expert, there is a natural gas shortage of 1,000 to 1,500 mmcf/d which is further resulting into an electricity shortage of 5000 to 6000 MW in the current scenario. This has resulted in massive electricity and gas loadshedding which has not just hampered the everyday life of Pakistani citizens but has also severely affected economic growth and political stability.⁽²⁶⁾

The Energy Information Administration of the United States says that in 2007 Pakistan’s natural gas reserves were around 28,000 billion cubic feet and it was said that the reserves could last for twenty years.⁽²⁷⁾ However, with the reliance on gas skyrocketing many experts believe that the country’s reserves will be exhausted much sooner. A new estimate suggests that the indigenous gas reserves are expected to deplete by 2020 and high reliance on imported gas is projected in the near future.⁽²⁸⁾

Energy security in today’s day and age is a matter of national security. Pakistan is facing a critical situation which will take the country into stone ages if the government does not plan prudently and smartly to meet the ever growing energy needs.

TAPI: Pipedream or pipe-plan?

Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline came into public notice when Turkmenistan, Afghanistan and Pakistan signed a pipeline

pact in 2002 and India joined the project in 2006. However the inception of this idea and the political struggle that happened in the backdrop dates back to 1994.

Bridas, the first international oil company to invest in Turkmenistan post cold war, visualised connecting its gas fields in Turkmenistan to Pakistan and India via Afghanistan in 1994-95. It eventually succeeded in convincing Afghan warlords and getting the Pakistani government on board with this initiative. It was sold with the hope that it would help peace ‘break out’ in Afghanistan, resulting in economic growth in the region.⁽²⁹⁾

Due to the magnitude of the project, multiple oil companies had to be involved and thus Bridas started having negotiations with other oil players, particularly Unocal, a US oil company that has since been dissolved and merged with Chevron in 2005. When talks broke down between the two, Unocal came up with a rival pipeline project in 1995. Ahmed Rashid states this as a pivotal moment and labels it the first battle of the New Great Game. Unocal set up a Central Asian Gas (CentGas) Pipeline Consortium in 1997 and proposed two pipelines; one was from the Daulatabad gas field in southern Turkmenistan across south-eastern Afghanistan and southwestern Pakistan to northwestern India to New Delhi. The second was an oil pipeline that was to connect Russia’s Omsk oilfield in Siberia across Kazakhstan and Uzbekistan, connecting Turkmenistan’s Chardzhou oilfield to Pakistan’s coastal city Karachi via Balochistan. The second pipeline was subsequently sidelined. Unocal, backed by the US government and its foreign policy to contain Russia, Iran and China, was moving forward with the gas pipeline and had been busy signing agreements with Turkmen President Saparmurat Niyazov and even the Taliban. However, in 1998 the US fired missiles on al-Qaeda camps in southern Afghanistan, and due to this deterioration in relations Unocal put the project on an “indefinite hold,”

closed offices in Pakistan and Afghanistan and abandoned the CentGas Consortium.⁽³⁰⁾

Bridas saw this as another opportunity to re-enter the game and signed a deal with Niyazov in April 1999. However in July that year US imposed sanctions on the Taliban regime and the project hit another wall. It was again revisited by the Bush administration, favoured particularly by vice president Dick Cheney in mid-2001. But the terrible events of 11 September which changed the dynamics of the world, also changed the fate of this project.

The US launched its War on Terror, ousted the Taliban regime, installed a puppet government in Afghanistan and brought discussions on TAPI back on the drawing board.⁽³¹⁾ Subsequently, as mentioned earlier, agreements were signed between the governments of Turkmenistan, Afghanistan, Pakistan and India on the said pipeline, between 2002 and 2006, with the Asian Development Bank's support as the project's 'development partner'.

The underlying assumption of the United States was that the war in Afghanistan would end in a couple of years, giving the TAPI pipeline legitimacy and security for development and sustainability. However, despite American and NATO presence Afghanistan's security situation is still highly unstable jeopardizing TAPI's foreseeable future.

TAPI's current status

The TAPI project, expected to start in 2012, foresees constructing 1,680 km of pipeline, stretching from Turkmenistan's South Yolstan/Osman (revised from the earlier planned Daulatabad gas field) (145 km), to Afghanistan (735 km) and Pakistan (800 km), before ending at the Indian border town of Fazilka in Punjab. It would carry 33 billion cubic metres of natural gas annually to consumers with a total capacity of 90 million standard cubic metres per day

(mscmd). According to the plan, 38 mscmd of gas would go to India and Pakistan each, while 14 mscmd would be bought by Afghanistan. ⁽³²⁾

The pipeline, worth \$7.6 billion, saw some progress in November 2011 when the leaders of Pakistan and Turkmenistan initiated the Gas Sales and Purchase Agreement (GSPA). A total of five agreements and a memorandum of understanding (MoU) were signed which plan to operationalize the multi-nation project by 2016. ⁽³³⁾ In October last year, Pakistan and Turkmenistan also reached an accord to deliver 1.3 billion cubic feet of Turkmen gas to Pakistan at 69 per cent of crude oil parity price. ⁽³⁴⁾

However, the proposed Tapi project faced a setback in March 2012 when Afghanistan pulled out of the venture saying it does not needs gas and is only interested in transit fee. ⁽³⁵⁾ Pakistan Petroleum Secretary Ijaz Chaudhry said after Afghanistan's withdrawal Pakistan and India would share the allocated to Kabul.

International politics and the games

The United States of America

The United States has been TAPI's most vocal supporter and according to some scholars one of the main reasons why the US invaded Afghanistan. The Bush administration made completion of the TAPI a core part of its Afghanistan war strategy. As then assistant secretary of state Richard Boucher said in 2007: "One of our goals is to stabilize Afghanistan, so it can become a conduit and a hub between South and Central Asia so that energy can flow to the south." ⁽³⁶⁾ As stated earlier, after the breakup of the Soviet Union, US became actively engaged in the region, helping the newly created Central Asian states achieve economic liberalisation by supporting in the construction and designing of pipelines across Asia and Europe. A key policy of this 'economic liberalization'

agenda however was that these pipelines must avoid Russian and Iranian territory, helping the United States isolate its main rivals.

Keeping in the context Afghanistan's reconstruction efforts, the US is propounding the project as the 'magic glue' that will bind the warring factions and their regional proxies into an inter-dependent cooperative framework. The US also hopes that the TAPI pipeline will usher in economic interdependence among competing regional powers, thus making the costs of conflict too high and benefits of cooperation lucrative.⁽³⁷⁾

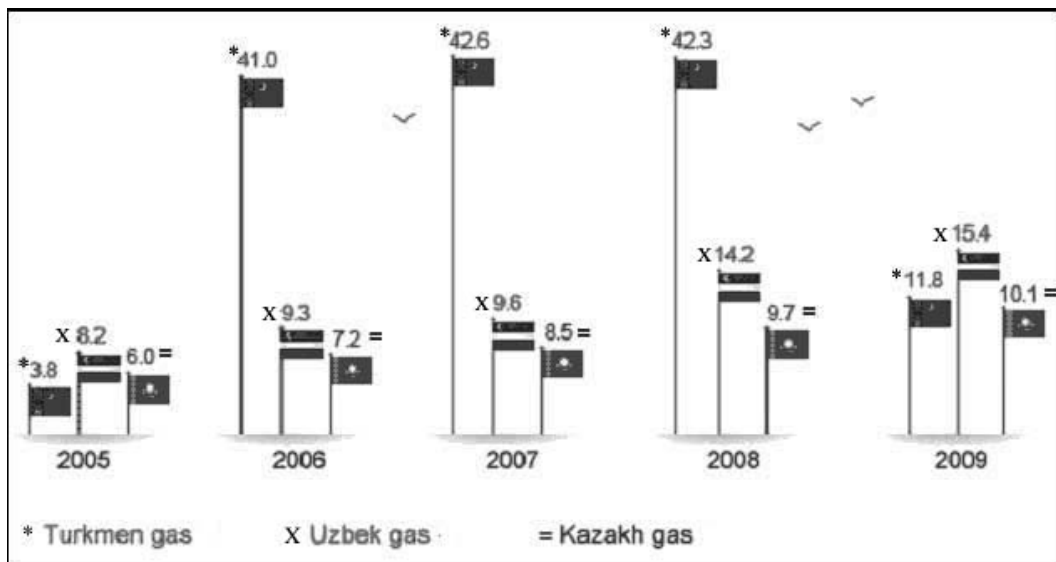
Antonia Juhasz, an oil industry analyst, and Shukria Dellawar, a defence analyst, say that if the pipeline is constructed, its importance to the West will only intensify, as it will desire to keep Afghanistan "open for business."⁽³⁸⁾ Pepe Escobar argues likewise in his article, "Why the US won't leave Afghanistan." He states that it's mind-boggling that 10 years and \$5.4 trillion dollars later, the situation is exactly the same. Washington still badly wants "its" pipeline — which will in fact be a winning game mostly for commodity traders, global finance majors and Western energy giants. Escobar argues that the ideal endgame scenario, for the United States, is "global Robocop NATO — helped by hundreds of thousands of mercenaries — "protecting" TAPI while taking a 24/7 peek on what's going on in neighbours Russia and China."⁽³⁹⁾

Russia and Turkmenistan

Just as the US has been a supporter of TAPI since its conception, Russia has bitterly opposed it. As explained earlier, since the breakup of the Soviet Union and the creation of independent Central Asian states, Russian interests remain in retaining its monopoly on the Caspian states' pipeline routes. Russia relied heavily on Turkmen gas to meet its international contracts and was reaping windfall profits until 2009 when the global economic downfall,

disagreements on price settlement and explosion on the Central Asia — Centre pipeline (the Soviet-era pipeline that connects Turkmen gas to Russia) reduced Russia's demand. (40)

As the table below shows, Turkmen gas accounted for more than 70 per cent of Gazprom imports from Central Asia, between 2006 and 2008. Russia purchased Turkmen gas for about \$130 per 1,000 cubic metres and sold it to Europe at market rates for \$354 per 1,000 cubic metres.



Source: <http://www.gazprom.com/production/central-asia/>

Natural gas purchased by Gazprom Group in Central Asia from 2005 through 2009, billion cubic metres

Nikita Mendkovich, an economist at the Centre for Modern Afghanistan Studies in Moscow, argues that the situation in 2009 was dire for Turkmenistan. As European demand fell, Russia gave Turkmenistan a choice between cutting supplies or lowering their price. Ashgabat chose to reduce supplies, which cut gas production in half, from 70.5 billion cubic metres in 2008 to 38 billion in

2009, cost them about a \$ 1 billion a month and resulted in a 25 per cent drop in GDP. (41)

Turkmenistan has thus been desperately seeking opportunities for independent trade since the late 1990s to diversify its gas buyers and reduce dependence on Russia. This new projected volume would total over half of the 2010 gas consumption of China. With its capacity of up to 30 billion cubic metres per year and access to the Indian gas market, which is hit by a shortage of several types of fuel, TAPI would allow Turkmenistan to significantly expand its gas export opportunities and further decrease its dependence on Russia.

In late 2010, however, Russia took a complete U-turn on its TAPI policy and publicly started advocating it being a part of the project. The Russians engaged with the leaders of all four participating countries and in early 2011 secured support from Afghan President Hamid Karzai. This has resulted in a joint Russian-Afghan intergovernmental commission, co-headed by Russian Energy Minister Sergei Shmatko. India, Russia's main partner in Asia, has nothing against Gazprom participating in the project, say highly-placed sources. President Asif Zardari of Pakistan also supports the idea. (He visited Moscow in early May last year. It may be pertinent to mention here that he is the first Pakistani president in more than 30 years to visit that capital.) Only Turkmenistan, due to its bitter experiences with Russian, is strongly opposed to Gazprom's participation in TAPI. (42)

Gazprom, which also wanted to join the project with Unocal in 1990s but was ultimately denied by the Taliban, could take part in development, become the project designer, and invest in the project's equity, as well as produce natural gas at Turkmenistan's inland deposits and sell it to other participating

countries. Turkmenistan, which is striving to enter the European and Asian markets bypassing Russia, has blocked Moscow's initiative.

Experts believe that Russian intervention in TAPI can result in multiple Great Game victories for Kremlin. Firstly, if Gazprom is part of the project, it will possibly kill Turkmenistan's involvement in the much coveted chimera Nabucco. Secondly, as Pepe Escobar argues, Russia's involvement would necessitate withdrawal of NATO forces from Afghanistan for TAPI's protection, and replace it with the Chinese and Russian supported Shanghai Cooperation Organisation (SCO). To strengthen SCO, Russia is pushing for inclusion of Afghanistan, Pakistan and India as full members of the SCO from their current observer status. Lastly, it could be a potential means of getting Russian gas to South Asian markets, which would be needed in the event of problems in Europe. Security experts state that Gazprom will most likely fund construction of the trans-Caspian pipeline, which will make South Stream potentially bidirectional—both to Europe, through the Black Sea route, and to Asian countries through the TAPI infrastructure and the Central Asian gas pipelines to China.⁽⁴³⁾ Turkmenistan however has resisted being a member of SCO and is opposing Russian involvement in TAPI.

TAPI: A mere pipedream?

The route, logically speaking, seems feasible: connecting Turkmenistan to southeastern Afghanistan to southwestern Pakistan province, Balochistan, the pipeline is proposed to integrate with Pakistan's extensive gas distribution network.⁽⁴⁴⁾ Even then this pipeline might not be a pipe-plan rather a pipedream.

Afghanistan and the unsolvable puzzle

Even though Afghanistan has much to gain from TAPI, it is the biggest loophole in this apparently feasible pipeline. With the announcement of the

withdrawal of the NATO forces, including US soldiers, by 2014 the endgame has “supposedly” begun. However, according to Rahimullah Yousufzai, a Pakistani journalist who is an expert on Afghanistan affairs, there is no endgame nor will there ever be one in Afghanistan. Afghanistan is a difficult and complex country not just due to the unfriendly topography but also its volatile ethnic mix and ethics of war. He argues that Afghanistan is most notably known as the “Graveyard of Empires” and its history with the British Empire and Soviet Union proves this. Defeating the Taliban, and installing the Karzai government was thought of as an end to the instability and volatility in the country and be its final sustainable solution. However, it has turned out to be quite the opposite.

War is business in Afghanistan and this business is more of a lifeline than the proposed pipeline can be. Apart from the war ideology in Afghanistan, there is the treacherous topography that has to be tackled as well. The only plausible route for the pipeline is the southern-eastern border of Afghanistan with Turkmenistan through to the southern-western border with Balochistan. The southern region of Afghanistan, through which the pipeline is planned to pass, is dominated by rival warlords: Uzbeks, Tajiks, Pashtuns and Hazaras; and it would be a challenging task to not only reconcile them but also ensure future safety of the pipeline.



Source: <http://www.brussellstribunal.org/Meyer/Pakistan0609.htm>

The concerns in Afghanistan are not close to being over yet. As the map above shows, the proposed route is not only dominated by rival warlords but it is also embedded with land mines and most of the area the pipeline will go through falls under UN declared extreme risk zone.

Furthermore, Shanthie Mariet D'Souza, an associate fellow at the Institute of Defence Studies and Analyses, New Delhi, points out that the absence of an effective police force that provides security for the pipeline could

turn this project into a lucrative “protection-racket” for insurgents, local warlords and/or increased dependence on private security armies and contractors, with little being done to build on Afghanistan national security institutions. The success of TAPI would depend on the ability and commitment of the Afghan government and the international community to transform this economic opportunity into tangible benefits for the people of the region. Otherwise, it would only lead to further entrenchment of vested interests and an unending cycle of conflict.

Afghan Minister of Commerce & Industry Wahidullah Shahrani has said that the government would deploy 5,000-7,000 security forces to safeguard the pipeline route. The government in Kabul could earn upwards of \$1.4 billion in transit fees annually through successful operations of TAPI.⁽⁴⁵⁾ However, with the current instability in the country and the government which cannot exercise its rule beyond certain areas of Kabul, the realization of TAPI seems like a pipedream.

Balochistan instability

Another major concern for the success of TAPI is Balochistan and the separatist insurgency engulfing the province. The Baloch nationalists, who feel marginalized at the hands of the Pakistani establishment, both civil and military, have continually raised their voice against the Pakistani state and are fighting for independence. This sense of victimization and second-class-citizen treatment is also fuelled by the Pakistani military and intelligence agencies’ not-so-covert operations in the province where hundreds of people have gone missing. This separatist insurgency and the Pakistani military action in the area has been referred to as ‘Pakistan’s other war’⁽⁴⁶⁾ and even been compared to the Kashmiris struggle against India. On the other hand, the elected governments,

both at the provincial and federal levels, seem to be lacking the political will to push ahead with the Aghaz-e-Huqooq-e-Balochistan (the beginning of the rights of Balochistan) programme more forcefully. Apart from allocations under the National Finance Commission (NFC) award and devolution of powers to the provinces under the 18th constitutional amendment, there is an urgent need that the democratic government play a more proactive role to remove the sense of victimisation. This Baloch nationalist movement has been violent in nature and in revenge attacks many people, mostly from Punjab, have been targeted. It is also argued by some international security experts that the top of Taliban hierarchy are based in Quetta, Balochistan's capital, also known as the 'Quetta Shura', from where they plan and fund attacks in Afghanistan. Besides, given the geostrategic location and mineral wealth of Balochistan, involvement of a number of foreign powers cannot be ruled out. Put simply, without peace and stability in Balochistan there remains an imminent threat on the TAPI pipeline.

From IPI to IP pipeline

Though the idea of supplying Iranian gas to South Asia was first floated in 1989, the Iran-Pakistan-India (IPI) pipeline agreement was formally reached in 2008.⁽⁴⁷⁾ Initially, in 1995, it was only Pakistan and Iran which signed a preliminary agreement for the construction of a natural gas pipeline linking Karachi with Iran's South Pars natural gas field. Iran later proposed an extension of the pipeline into India and in 1999 signed a preliminary agreement with them. Pakistan was also on board with the extension plan as it would benefit not only from the supply of gas but also from the transit fees for usage of its territory. Upon the final agreement in 2008, IPI was also referred to as the "Peace Pipeline" between Pakistan and India.⁽⁴⁸⁾ It was argued that sharing Iranian gas would reduce tensions between the two archrivals since the resultant

interdependence and mutual benefits of energy cooperation would reduce confrontation and act as a catalyst for peace.

In the 2008 pipeline plan agreed by the three countries, IPI was proposed to start from Asaluyeh, South Pars, stretching over 1,100 km in Iran itself before entering Pakistan and travelling through Khuzdar, with one section of it going on to Karachi on the Arabian Sea coast, and the main section travelling on to Multan. From Multan, the pipeline was to travel to Delhi where it would end. IPI was to initially have a capacity to deliver roughly 22 billion cubic metres per year which was to evolve to a maximum of 55 billion cubic metres.⁽⁴⁹⁾

However, in March 2010 when the Iranian and Pakistani authorities met to sign a final agreement in Ankara, India backed out, presumably under US pressure and also its own distrust of Pakistan.⁽⁵⁰⁾ Hence from IPI it has ultimately become Iran-Pakistan (IP) pipeline. Furthermore, the cost for the pipeline, initially calculated at \$ 4 billion in 1995, is now estimated to be around \$ 7.6 billion.⁽⁵¹⁾

IP's current status

After 14 years of talks and delays, the IP finally appears to be heading towards a reality. Faced with chronic gas shortages, Pakistan has had to initiate work on the pipeline to serve its growing demand for gas. Subsequent to the final agreement between Tehran and Islamabad in 2010, in July 2011 Pakistan's Minister for Petroleum and Natural Resources Asim Hussain stated that the 1,092 kilometres of the pipeline on the Iranian side was complete and in place.⁽⁵²⁾ On the Pakistani side, a German-based company-ILF, in cooperation with the National Engineering Services of Pakistan (Nespak) has completed a route survey for the \$ 1.25 billion Pakistani portion of the pipeline and has provided the final report to the government of Pakistan. Under the agreement,

the pipeline should be operational in 2014 and Pakistan would be required to pay a penalty equal to the cost of 750 mmcf of gas if it fails to receive gas by the agreed date.⁽⁵³⁾ In December 2011, Pakistan's Economic Coordination Committee's (ECC) Steering Committee on the Iran-Pakistan (IP) pipeline and Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline projects approved to hire a consortium of Pakistani and Chinese banks, including Habib Bank and the Industrial and Commercial Bank of China Limited, as financial consultant to generate \$1.2 billion for IP gas pipeline project. However this was after the country's largest bank, the National Bank of Pakistan, and the country's largest exploration company, the Oil and Gas Development Company Limited, refused to finance the project due to threat of possible sanctions by the US.⁽⁵⁴⁾ Coupled with this are press reports that China's Industrial and Commercial Bank has backed off owing to what Pakistan Petroleum Ministry described as "probably" the "changing geopolitical situation in the region."⁽⁵⁵⁾

Coming on the heels of this development are media reports that say Russia's Gazprom has shown interest in financing the project on condition that it is awarded the construction contract without international bidding and with procurement rules relaxed. Government-level talks between Pakistan and Russia on the matter were scheduled to open in early April.⁽⁵⁶⁾

IP in the New Great Game

United States of America

Richard Rousseau, professor of International Relations at Azerbaijan Diplomatic Academy in Baku, argues that the delay in the pipeline has been caused by the bilateral and trilateral relations of the individual countries. As with TAPI, once again the major factor that has altered the dynamics of this game is the interest of the United States. As mentioned earlier, the post-USSR

strategy of the United States has been to contain Russia, China and Iran. Iranian domination of the Persian Gulf and a pipeline running from ‘evil’ Iran to Pakistan and India would be a major node in the New Great Game and will have major geopolitical repercussions for US’s policy to isolate Tehran.⁽⁵⁷⁾ The Heritage Foundation, a US-based research and educational institution, published a report in 2008, “The Proposed Iran-Pakistan-India Gas Pipeline: An Unacceptable Risk to Regional Security” and argues that the IPI pipeline would be “contrary to US strategic interests, would destabilize the Persian Gulf, and would strengthen Russia's grip over Central Asia, decreasing both regional and global energy security.” Having India and Pakistan depending on Iranian gas is a thought that deeply worries the United States; the US has also stated the construction of the said pipeline would violate international sanctions against Iran.⁽⁵⁸⁾

Other than heavily endorsing TAPI as a substitute for IPI, the United States 2008 signed a civilian nuclear deal with India and in 2010 offered Pakistan to provide technical and monetary assistance for a liquefied natural gas terminal and also promised to aid the import of electricity from Tajikistan through Afghanistan’s Wakhan Corridor, if Pakistan were to leave the project.⁽⁵⁹⁾ However, Pakistan has been adamant on this deal. In late 2011, the US stepped up its pursuit to ‘contain’ Iran by passing its most stringent sanctions to date and is pressing the international community to do the same; aligned with it is the EU (imposed oil embargo) and Japan and South Korea.⁽⁶⁰⁾

India’s reluctance

The US has been in close talks with India, undermining the benefits of IPI and highlighting the uncertainties and high cost in engaging with Iran. It has been very difficult for New Delhi to negotiate and engage in discussions about

IPI with Iran when it is developing a, US-assisted civil nuclear programme. Furthermore, India and Iran have not agreed on the gas pricing formula and India is also sceptical about the proposed pipeline's route through Balochistan in Pakistan. Balochistan, as stated above, is a hub of separatist sentiments and instability in Pakistan. India also fears that due to the uncertainty in relationship with Pakistan, a pipeline through Pakistan might give it leverage against India in future tensions and even over the Kashmir dispute by disrupting or threatening to disrupt the gas flow. Similarly, India and Pakistan had yet to negotiate on the transit fee/tax Pakistan plans to impose as well.⁽⁶¹⁾ Despite these reservations, and 'seeming' uninterested in the project, in 2011 India expressed a willingness to return to the project and reengage with Iran on IPI.⁽⁶²⁾ However, as India might be getting cold feet, Iran and Pakistan are interested in getting the much eager China on board — Checkmate!

Inviting China

China, despite persistent US efforts to isolate Iran, has close diplomatic relations with Iran and the relations are expected to swell as Iran sits on some major natural resource reserves that China is in desperate need of. As stated in earlier sections, China has made several natural resource deals with Iran. However, many international relations experts believe that this relationship may not be as stable as it was just a few years ago. Chinese Prime Minister Wen Jiabao's visit to other oil-producing Persian Gulf states, Saudi Arabia, Qatar and the United Arab Emirates (the first Saudi trip by a Chinese premier in two decades, and the first ever to the other two states) in early 2012, is widely seen as an attempt to diversify Chinese oil imports.⁽⁶³⁾

Pepe Escobar however, in his apt titled article, "The myth of 'isolated' Iran," debunks the growing US pressure and claims that despite Washington's

claims of international confinement, officials from Tehran are welcomed across the global South. Referring to China, Escobar states “most important of all, ‘isolated’ Iran happens to be a supreme matter of national security for China, which has already rejected the latest Washington sanctions without a blink” and that “China may be the true winner from Washington's new sanctions, because it is likely to get its oil and gas at a lower price, as the Iranians grow ever more dependent on the China market.”⁽⁶⁴⁾

China has also shown interest in the construction of IP on the Pakistani side and further expanding it to China. This means that starting at Gwadar, Beijing plans to build another pipeline, crossing Balochistan and then following the Karakoram Highway northwards all the way to Xinjiang, China's Far West. China is also most likely to get the construction contract for this pipeline. As stated above, Chinese firms are part of the consortium awarded the contract for the financial consultancy for the project.⁽⁶⁵⁾ Closer participation in the Asian energy projects would also help China increase its influence in the region for its objective of creating the “string of pearls” across the region — which has often scared India as an encirclement strategy by the Chinese government.

Iran: the desperate one

Iran, crippled by the sanctions in place and fearing further sanctions in mid-2012, is desperate for the IP pipeline to be completed. As Iranian oil exports are expected to decrease across the globe it is looking at the IP as an economic lifeline to sustain its economic survival. During India's involvement it had even suggested that the pipeline be extended up to Bangladesh and has been inviting China into the project since 2008.⁽⁶⁶⁾ Iranian officials also believe that Chinese participation in IP, increased Chinese investment in Iran and Iranian membership in the SCO (Iran wants to be a member since 2008 but it hasn't

been accepted because it is under Western-pushed UN sanctions), would ‘protect’ Iran from potential war with Israel and/or the United States.⁽⁶⁷⁾

Pakistan: the energy-starved one

Pakistan’s primary benefit from the Iran-Pakistan pipeline is to utilize gas it very desperately needs for domestic and industrial use and power generation. Pakistan and Iran have signed a price accord which stated that Pakistan would receive 750 million cubic feet per day (mcf) of Iranian gas at 78 per cent of crude oil price. However, after the gas price accord with Turkmenistan at 68 per cent of crude oil price, Pakistan aims to re-negotiate these terms of agreement and is estimated to save up to \$6 billion from expected price reduction.⁽⁶⁸⁾

Other than the economic benefits Pakistan can acquire from IP, the most significant benefits however can be achieved if the IP becomes IPC — the Iran-Pakistan-China pipeline. Pepe Escobar states “Pakistan can become a key transit corridor for Iranian gas” and win “especially with increasing Chinese investment; Or with further Chinese military “aid.” That’s why the Pakistani army’s “suspension” by Washington is not bound to rattle too many nerves in Islamabad.”⁽⁶⁹⁾

Pakistan however does face certain problems that it needs to address. Firstly are the threats from Washington for involvement in the IP. As stated earlier, the US has already threatened Pakistan with sanctions, which was also evident by some Pakistani firms not engaging to be part of the financial consultancy for the project. Secondly, and equally important, is the current unrest in Balochistan. There already exists Baloch animosity over any Pakistani mega project which doesn’t involve the province and in addition there is also the threat from Jundullah, an anti-Iranian organization present in Balochistan.⁽⁷⁰⁾

Iran-Pakistan pipeline has the potential to become a reality even though the sole superpower is opposing it as much as it can. But in today's multi-polar world the opposition of one state does not bring the game to a halt. China is the 'icon' in this game that is playing around IP and both Iran and Pakistan are interested in getting it on board — which might raise many eyebrows but the game to capture the 'blue gold' goes on.

The way forward: Will Pakistan be a winner or a loser?

The geo-political and geo-economic impact of IP and TAPI, the integration of Central Asia and South Asia energy resources, the US 'non-Iran, non-Russia and non-China' strategy, and the role Iran, China and Russia eventually are going to play in this emerging great game are burning issues in today's energy politics. And interestingly all these factors and how they would play out — who would be dominating the energy supply chain — are dependent on the construction of the pipelines; impacts of which are yet to be fully understood. Be it TAPI or IP, Pakistan wins both ways but both the pipelines create a whole new dimension in the highly complex game being played around energy supplies.

Robert Ebel stated, "The players in the game should remind themselves that peace can bring a pipeline, but a pipeline cannot bring peace."⁽⁷¹⁾ Therefore, this study has argued that TAPI is a more of a pipedream and would not be a reality at least in the near future (i.e. at least a decade) no matter what exit strategy US plans and no matter what kind of puppet government is put in place in Afghanistan. However, the new great game is an evolving paradigm and the stakes and the moves by different regional powers keep changing. Russia, though initially opposing TAPI, now wants to be in on the project with the condition that Gazprom gets a significant part of the deal. Though these

negotiations and power plays, do not make TAPI any more realistic in the near future as the issue still is stability in Afghanistan, they do, however, judge the potential manoeuvring power different players have. Also Pakistan is not a key decision-maker and only the third one in line when it comes to TAPI and the international politics around it. But Pakistan should still not let go the idea of TAPI completely; with increasing Russian interest in the US 'loved' pipeline the new great game is becoming more and more interesting.

Therefore Pakistan should stay in TAPI and show as much concern as it wills with the realization that it will not be helping it solve its energy crisis anytime soon. Pakistan should be in it for the energy politics and strategies and the manipulation that will and is going around and should utilise this position to its advantage.

On the other hand, and more importantly, the Iran-Pakistan pipeline is an important chance — and a more realistic one — for Pakistan and also potentially for China to change the dynamics of the New Great Game which the US aims to hijack. The IP pipeline is a very important project for Pakistan and serious efforts should be made by the Government of Pakistan to see it through to completion. The Iran-Pakistan pipeline will not only address the critical energy situation in Pakistan — it has the capacity to supply up to 40-55 billion cubic metres per year — but it is also a geo-political game changer. A blessing in disguise is the current tension between Pakistan and the United States, post the Raymond Davis case, Memogate scandal and the Salala incident where a NATO plane killed 24 Pakistani soldiers. According to some government officials, who wished not to be named, this is the time Pakistan should take the stand and get through to the end with this project.

Also in a time when Iran is being bombarded with more sanctions and oil embargos, Pakistan can persuade Iran to lower its gas price and try to negotiate on these lines. Pakistan should also try and convince to turn the IP into IPC — Iran-Pakistan-China. With China on board with this initiative, there might emerge an interesting turn in the New Great Game.

With increasing interest from China, Pakistan has the potential and the opportunity to become a transit corridor of energy for China through the deep-water seaport, Gwadar. The port of Gwadar, in southwestern Balochistan, built by the Chinese, proposed to be connected to a pipeline that would go up north through the Karakoram Highway (KKH) to China's Uighur autonomous region of Xinjiang. Even before the pipeline is constructed the transportation network from Gwadar to KKH is established enough to transport energy supplies to Xinjiang. Gwadar is also a way for China to reduce its dependence on the Malacca Straits, which it terms as becoming increasingly dangerous.

But for all this to take place Pakistan needs to put its house in order, i.e. address the instability in Balochistan. The more important question for Pakistan is , as Pepe Escobar puts it, “how will Islamabad deal with ultra-strategic Balochistan — east of Iran, south of Afghanistan, and boasting three Arabian Sea ports, including Gwadar, practically at the mouth of the Strait of Hormuz?”⁽⁷²⁾

Balochistan is becoming a boiling pot for the Pakistani establishment and there is serious need of addressing the concerns of the separatists in the province. Both the pipelines are proposed to pass through Balochistan and the security of the pipelines is often argued to be at stake. Pakistani government needs to get the Baloch leaders on board with the major projects being initiated in the region and a percentage of transit fee should be paid to them as they are

the most deprived citizens of Pakistan. The changing energy context in Balochistan can be both a means and incentive to bring the insurgency to a swift, negotiated and plausible end.⁽⁷³⁾ It is time that Islamabad realized that it only serves Pakistan, as Robert Wirsing puts it, to “make the Baloch partners to energy development, not antagonists of it.”⁽⁷⁴⁾

The New Great Game in Eurasia has put Pakistan as a pivotal player and as stated in the beginning, this energy-starved country has the chance to become an energy corridor not just to Asia but to the global markets as well. The energy politics have been fierce, aggressive and dynamic with the energy giants altering the rules of the game often. Today the energy grid is a lot more complex and Pakistan needs to be a fast and diligent player to get the maximum out of it. While keeping one eye towards the Afghanistan situation as it unfolds, Pakistan should focus on bringing its house in order. As Afghanistan’s instability is making TAPI impossible, instability in Balochistan also has the potential to sabotage the energy initiatives. For the moment, Iran, Pakistan, China and Russia are the winners. But as Escobar puts it, “Islamabad still has all it takes to royally mess up what it has accomplished (so far) through approving IP.”⁽⁷⁵⁾

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