



India-Kazakhstan: Finding New Synergies

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Kazakhstan has emerged as a dominant actor in the evolving regional political, social and economic scenario in Central Asia by effectively harnessing its natural resources and geographical vantage point. The country is now a regional economic power, a major exporter and has become a trade and cultural connect between rising Asia and Europe. Since independence, Kazakhstan has been prioritising its ties with India, as New Delhi was chosen the first destination outside the Commonwealth of Independent States (CIS) visited by the country's President Nursultan Nazarbayev in 1992. New Delhi and Astana have strengthened their engagements in economic, security and cultural sectors both at the bilateral and regional levels. Over the last two decades, the two countries' engagements have been elevated from close bilateral relations to strategic partnership in 2009. Kazakhstan was the first country in Central Asia with whom India has signed this partnership agreement.

Hydrocarbons are an important component of the bilateral ties between India and Kazakhstan. The national oil companies of the two countries, ONGC Videsh Ltd (OVL) of India and KazMunaiGas of Kazakhstan, are engaged in Kazakhstan's Satpayev oil exploration project. However, the recent decision of Kazakhstan to sell ConocoPhillips' share to China, ignoring India, was a setback to the growing engagement between India and Kazakhstan in the field of energy cooperation. The OVL had aimed to buy American company ConocoPhillips' 8.4 per cent

share valued US\$ 5 billion in the Kashagan oil field and the deal was nearly finalised but the Kazakhstan government made an intervention using its special prerogative to purchase the share from ConocoPhillips and selling it to the China's National Petroleum Corporation during Chinese President Xi Jinping's visit to Kazakhstan in September 2013.

However, it seems that Astana has realised that appeasement of China, at the cost of the Indian relationship, would not augur well for its energy sector. Kazakhstan is trying to compensate the loss by offering the Indian OVL 25 per cent stake in the country's offshore Abai oil block, which was earlier operated by Norwegian Statoil company. The Abai oilfield is 65 km from Kazakhstan coast in the northern Caspian Sea. The estimated reserve is 2.8 billion barrels of oil equivalent. The block is close to OVL's Satpayev exploration block.

The Abai block offer seems to have two objectives for Kazakhstan: first, it tries to 'mollify' India (The Hindu Business Line) and second, to diversify its export destinations and target the big energy hungry South Asian market. Kazakhstan's major oil markets are European countries and China. Astana wants to enter the South Asian market, considering India as a gateway to the region. The increasing mention of a hydrocarbon pipeline from Kazakhstan to India along the north-south axis can also be seen in this context.

Indeed, the Indian sub-continent has a huge appetite for the Central Asian resources to continue its fast economic development. India and Kazakhstan enjoy relatively better trade relations; it is around US\$ 426 million, which is almost half of the total India-Central Asia trade. However, looking at the deep and close political, cultural, historical ties, the two countries have not yet been able to fully optimise their economic potential. The complementarities of the two fast growing economies from South Asia and Central Asia are to a limited extent hampered by the absence of direct connectivity. Kazakhstan is a landlocked country, while India also has no independent access to the region. The available communications to India to establish a surface link with Central Asia via Iran, Afghanistan and Pakistan require huge capital and infrastructure investment and also not feasible in the short term.

Nevertheless, the growing economic relations between India and China offer an alternative route to approach the Central Asian countries. The north-west China borders three Central Asian republics of Kazakhstan, Kyrgyzstan and Tajikistan, and New Delhi can discuss the issue with Beijing to access these countries through its territory. The change of leadership in China and India and their stress on economic development – highlighted with the establishment of BRICS bank – has further enhanced the possibility of an India-China-Central Asia land connectivity corridor.

Kazakhstan plays a key role in connecting and increasing China's trade with Central Asia and Europe. Astana has allowed China to use its territory to access these markets. In reciprocity, Kazakhstan may also urge Beijing to facilitate and cooperate in developing a connectivity and economic corridor between South Asia and Central Asia through its territory. The South Asia-Central Asia trade corridor will boost investments and commercial engagements between the two regions. It would also break the landlocked status of Central Asia, giving it an access to the USD trillion plus South Asian market. This route can emerge as an alternative to India's connectivity to Central Asia via Iranian ports and International North South Transport Corridor (INSTC). It will reduce the hassles of the INSTC i.e. shifting of cargo from ship to rail or road networks. In order to bring the two regions closer, similar to BCIM (Bangladesh-China-India-Myanmar), a KKTIC (Kazakhstan-Kyrgyzstan-Tajikistan-India-China) forum can be considered. If KKTIC is realized the South Asia-Central Asia corridor will also become a reality.

Besides reinforcing their bilateral relations, the two countries have the potential to shape and contribute to the evolving regional and global order as well. The Abai offer to India marks the beginning of a new chapter in India-Kazakhstan bilateral relationship. Kazakhstan has realised the geo-economic significance of India, and considers New Delhi as an important partner in achieving its diversification objectives. Astana has shown keen interests in seeking New Delhi's help in non-oil sectors such as nuclear technology, IT, space, pharmaceuticals, consultancy, human resource development, tourism etc. Being the largest country and biggest regional economy, Kazakhstan, on the other hand, provides a platform to India to increase its footprint in the region, which is also in consonance with India's Connect Central Asia policy. It

is an opportune time for Indian businesses to deepen and expand ties with their Kazakh counterparts, and establish feasible joint ventures in the two countries. The close cooperation would prepare them tap the potentials of the vast Eurasian market with the inauguration of the Eurasian Economic Union in 2015.

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