

India joins the scramble for oil

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“None of us in Asia should fall victim to the strategies of outsiders. The only way to counter the geopolitics of others is to have our own geopolitics”

—Manishankar Aiyer, petroleum and natural gas minister of India

India has recently joined the global scramble for oil and natural gas alongside other Asian states, including China, South Korea and Japan. Through diplomatic manoeuvres aimed at securing transnational pipeline routes and overseas crude oil and natural gas production deals, India is seeking to lay claim to a larger share of the world’s energy resources. It is also carrying out a major restructuring of the national energy industry. (See: “Indian government to merge state-run oil firms”).

Though India’s thirst for oil is rooted in economic imperatives, the emergence of India as a major player in foreign energy ventures will have a profound impact on world geopolitics. It takes place under conditions in which oil is already the object of the most intense competition between the US, the European Union, China, Japan and Russia.

The country’s international oil policy is becoming a growing point of friction with the United States. In particular, the US is determined to scuttle Indian negotiations with Iran over a pipeline to India via Pakistan. The development of closer ties between India, China and Russia, as well as India’s courting of oil-rich Venezuela, are also potential threats to American interests.

Energy needs and control over energy supplies are central to the strategic calculations of all the major powers. They are no less important for the Indian bourgeoisie, which, having abandoned its post-independence national development strategy in 1991, is seeking to transform India into a platform for global manufacturing, office processing and research production, and use its increasing weight in the world capitalist economy and its nuclear, space and military capacities to lay claim to great power status.

In terms of global oil consumption, India is still a relatively small player. Although India is home to more than 15 percent of the world’s population, it accounts for only 3 percent of world oil consumption. China, by contrast, consumes 7.6 percent of the world’s oil. India’s energy needs are rising sharply, however. Last year alone, India’s crude oil consumption increased by 10 percent. Moreover, India is highly dependent on oil imports. Some seventy percent of India’s oil is imported and oil imports account for one third of the total value of all India’s imports. By 2020 India is expected to have to import 80 percent of its energy needs.

India has the world’s fastest-growing car market, which is driving oil consumption and imports. Economic growth, rising oil prices and recent disruptions in oil supplies due to the US military interventions in Iraq and Afghanistan are propelling the Indian government to join the hunt for cheap and secure sources of oil and natural gas.

Much of the urgency behind India’s current drive to secure and diversify its sources of oil and natural gas is due to fear of falling behind other countries, especially China. The chairman of the partly privatised Oil and Natural Gas Corp. (ONGC), Subir Reha, said in a recent interview with Bloomberg.com that India was concerned that it had lost oil bids in Sudan and Indonesia to China. During “the three to four years” China had

a “lead” on India in aggressively seeking foreign energy resources, the Chinese “got lots of oil and gas projects” when crude oil prices “had fallen to single digits,” complained Reha. “When we came to the international market, crude reached record levels and no one was selling properties.”

But the US drive to control world oil supplies is an even bigger concern. New Delhi well recognises that the US, by projecting its military power into the Middle East and Central Asia through the invasions of Afghanistan and Iraq, is seeking to gain a stranglehold over the world’s oil supplies, and that this constitutes a potentially grave threat to the interests of the Indian bourgeoisie.

Since the end of the Cold War and the abandonment of national economic regulation, the Indian government has developed a new relationship with Washington, an Indian-US strategic partnership. The United States is currently India’s largest trading partner and, due to bilateral defence agreements made in the aftermath of the September 11th attacks, the Indian and US militaries have mounted joint exercises in the Indian Ocean and South China Sea.

In spite of these ties, India’s urgent need to secure energy resources is contributing to the development of major fault lines in Indo-US relations and lending further urgency to the moves New Delhi took in the wake of the US invasions of Afghanistan and Iraq to improve relations with other Asian states, including China, Russia and Iran, in the hopes of constraining US power.

The economic and geo-strategic conflicts between India and China run deep. However, in keeping with the steps initiated by the previous Bharatiya Janata Party-led government, the present Congress-led United Progressive Alliance government is seeking to mend fences with China. India is wary of Washington’s aims to make India a frontline state in any future confrontation between the US and China. It is also increasingly eager to avoid direct confrontation with China over energy resources. The two countries have pursued joint ventures for oil extraction, including in Russia, Iran and Sudan, and China has proposed even closer cooperation.

Reflecting these recent shifts, Indian Prime Minister Manmohan Singh recently declared, “Diplomacy has changed and today it is about economics, trade and petroleum.” These words were echoed by China’s deputy foreign minister, Zhou Wenzhong, who said, “Business is business. We try to separate politics from business.”

There has been some talk of an unofficial Indo-Chinese-Russian alliance aimed at curbing US penetration in Asia. On April 11, India and China announced the formation of a “strategic partnership,” with Singh declaring, “India and China can together reshape the world order.” The deal includes pledges to boost bilateral trade, improve diplomatic relations and work together to address “global challenges and threats.”

Last year, during Russian president Putin’s visit to India, the two countries signed a memorandum of understanding for joint exploration and distribution of natural gas in the Caspian Basin, as well as for building underground gas storage facilities in India and technology transfers to India from Russia.

While visiting Moscow last October, India’s Petroleum and Natural Gas Minister Manishankar Aiyer stated, “In the half-century of Indian

independence, Russia has guaranteed our territorial integrity, and in the second half it may be able to guarantee our energy security. What I am talking about is the strategic alliance with Russia in energy security, which is becoming for India at least as important as national security.”

India already holds a 20 percent stake in Russia’s energy-rich Sakhalin-1block. ONGC Videsh Ltd. (OVL), the overseas arm of India’s Oil and Natural Gas Corp. Ltd. (ONGC), has made an investment of \$1.7 billion, which is expected to go up to \$3.5 billion later this year.

Reportedly, India is to consider investing a further \$1.5 billion in the Sakhalin-3 gas field and another \$1.5 billion in the joint Russian-Kazakh Kurmangazy oilfield, both in the Caspian Sea. The Russian invitation to India to join the Sakhalin-3 project is especially noteworthy, since it occurred shortly after Moscow removed a major US oil company from the same project.

As one of the planned Indo-Sino joint ventures, Indian and Chinese oil firms lined up together as Asian customers for the possible purchase of the some of the assets of the Russian Yukos Oil Co., confiscated by the Putin regime in Russia.

These moves are clearly aimed at establishing some sort of counterweight to American dominance over energy production. On February 14, inaugurating the third Asian gas buyers summit in New Delhi, the Indian petroleum minister Manishankar Aiyer proclaimed that Asian natural gas players should come together to form an Asian gas grid. The aim of such a grid would be to enable the countries in the region to take full advantage of oil profits and thereby end the “wretched western dominance” that has prevented energy security and economic growth in Asia.

The suggestion by Iran to the previous BJP-led Indian government about the construction of a pipeline to supply oil and gas from Iran to India is once again on the table. Iran is scurrying to secure diplomatic ties with Asian powers via energy deals in order to counteract US threats of economic sanctions and military invasion. A \$40 billion deal was drafted on the 7th of January with the National Iranian Oil. Co. (NIOC). The deal would allow India to import natural gas over a period of 25 years, starting in 2009. NIOC would also develop two Iranian oil fields and a gas field.

The Indian government had reconfirmed that it will not stop its dealings with Iran because of US objections, including those voiced by US Secretary of State Condoleezza Rice during her recent trip to India. Talking to reporters on the sidelines of the Confederation of the Indian Industries, Aiyar said, “We have noted what US concerns are, and I think US is well aware of what our energy requirements are.... We need 100 million standard cubic meters per day of natural gas by 2025. Can America supply us that? I am only looking at securing energy security for the country.” (See: “US Secretary of State presses India and Pakistan to abandon Iranian gas pipeline”).

Iran is the second largest crude oil producer among the Organisation of the Petroleum Exporting Countries (OPEC). It owns 10 percent of the world’s proven oil reserves and also has the world’s second largest natural gas reserves. India perceives Iran as a viable corridor to access the natural resources and economic opportunities of Central Asia and the Middle East. During the third gas buyer’s summit in February, officials of the National Iranian Gas Exports Company (NIGE Co.) began their preliminary discussions on the delivery of Iran gas via a pipeline at the India-Pakistan border, expected to be signed in Teheran by June.

The development of an Indo-Pakistani-Iranian pipeline is seen by New Delhi as a means of both helping to meet its energy needs and fostering a closer economic relationship with Pakistan. The Indian political elite calculates that this will cut across Pakistan’s ability to pursue a policy of geopolitical confrontation with India and enable Indian business to dominate the Pakistani market.

However, to bypass a direct agreement with Pakistan, India has proposed two separate agreements—one between India and Iran on

purchasing the gas and another between Iran and Pakistan for the pipeline. During the summit the initial construction plan was revised to include plans to extend the pipeline to Southern China.

Dropping the earlier policy of isolationism practiced by New Delhi in relation to the military junta in Rangoon, Burma, the Indian government hosted a week-long visit from the Burmese military general Than Shwe last October. The visit aimed to accelerate closer diplomatic ties with Myanmar and also neighbouring Bangladesh, in part to pave the way for a pipeline to bring Burma’s natural gas to India via Bangladesh.

The Burmese pipeline agreement has been hailed in India as a major step toward regional cooperation. It is particularly seen as a landmark in India-Bangladesh relations. According to the Indian petroleum minister, it is the first time in over 30 years that Bangladesh has agreed to its territory being used for transport of any commodity to the Indian market.

India’s recent initiative for a leading position in closer regional collaboration among the Association of South-East Asian Nations (ASEAN) and the Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation (BIMSTEC) states is part of New Delhi’s attempt to penetrate regions to its east traditionally dominated by China and Japan.

To the west, India has secured energy deals in Africa, including in Libya, Sudan and in the Ivory Coast. Even further off, India is looking to establish long-standing relationships with a number of South American states. Among these countries, Venezuela has become prominent. “Venezuela is our arrowhead in Latin America,” assured the Indian petroleum minister, saying that India would use Venezuela to enter other South American countries’ energy markets.

Closer relations between India and Venezuela run directly counter to US attempts to isolate the regime of Hugo Chavez. During his four-day visit to India this month, Venezuela’s President Hugo Chavez and Prime Minister Manmohan Singh signed six energy and cooperation agreements. The ONGC Ltd and GAIL Ltd., is to take a 49 percent stake in the Venezuelan oil field of San Cristobal and PDVSA. Venezuela’s state-run oil company is to invest in India’s Mangalore Refinery in the state of Karnataka.

Venezuela, the world’s fifth-largest oil exporter, is currently seeking to diversify its markets as a means to reduce its dependence on the United States, which currently buys over 60 percent of Venezuelan oil. Venezuela has recently deepened cooperation and signed a number of agreements in the petroleum sector with Russia, China, Brazil and Argentina.



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