

Geopolitics of Development: A Study of the Impacts of IPI Pipeline on Regional Development

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Abstract

The present paper is an attempt to study the impacts of Iran-Pakistan-India (IPI) pipeline on trilateral cooperation between Iran, Pakistan and India in the context of regional development. The pipeline can work both as a deterrent and a confidence-building measure, in a geopolitical set up where interstate and intrastate forces as well as extra-territorial forces are at work to undermine any attempt for regional cooperation aiming at flourishing of regional development.

The political environment in South Asia is marked by an ambience of hope and anticipation. The most intensive diplomatic engagement has occurred between Pakistan and India. Three wars in 1947-48, 1965, and 1971 and a constant state of military preparedness on both sides of the border have marked six decades of bitter contest between India and Pakistan. Today, both the countries need a peaceful ambience to concentrate on economic development of their nations. The IPI pipeline can provide an opportunity for both the countries to engage in a mutually beneficial economic project and begin a new phase in their bilateral relations on the one hand and enter into a trilateral relation with Iran on the other. Iran has the second largest gas reserves of the world at its disposal and is a major member of the Organization of Petroleum Exporting Countries (OPEC) and hence can be a very effective party to this triangle. The engagement of the three countries in this giant gas project can pave the way for a dynamic regional cooperation.

The data for the present paper has been collected through library research. The garnered data has been analyzed based on descriptive-historical-analytical method. The theoretical framework of the present study is Stephen Jones' Unified Field Theory of Political Geography (Jones, 1955), who maintains that geopolitical fields are just like magnetic

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fields and any change in one field leaves its impacts on other related geopolitical fields.

The hypothesis of this article indicates a direct relation between Obama's foreign policy and preventive action in U.S. strategy. The Obama's foreign policy is the independent variable and preventive strategy is the dependent variable and the theoretical framework is based on Agent-Structure approach.

Keywords: IPI pipeline, Natural gas, Regional cooperation, Energy, Iran, Pakistan, India.

Introduction

Oil and gas are the most strategic sources of energy in the contemporary world. During the two major world wars, oil and gas played an important role for fueling the war machines of the belligerent parties. In the post-war period these two energy sources of energy have gained tremendous importance predominantly because almost all the countries in the world need them for their economic and industrial development. Compared to oil, natural gas has emerged as the most preferred energy source in the world due to its inherent environmentally benign nature, greater efficiency and cost effectiveness. So natural gas is termed as the fuel of choice in the 21st century. Accordingly natural gas consumption follows the fastest trend compared to other sources of energy and hence the share of natural gas in the world's energy basket is growing.

Today, Iran having 15.8% share (EIA, 2008) of the world's proven gas reserves, that is, 974,00 billion cubic feet (EIA, 2008), needs to export its gas for its economic development while the huge Asian markets are just next door with a great appetite for gas. Asia is developing with enormous speed, gasping for more and more energy supply to keep the pace of its economic growth and industrial development. In the field of transportation and transfer of energy, pipeline is the most reasonable means for the transfer of gas to the consumers, due its safety, comparatively low cost, and environmental friendliness. Iran-Pakistan-India pipeline – also called Peace Pipeline – is one of the major gas pipelines which is planned to transfer Iran's gas to Pakistan and India. India and Pakistan have been at loggerhead for about six decades for whatever reasons. If ultimately materialized, the Peace Pipeline can engage both New Delhi and Islamabad in a gigantic economic and strategic project with Iran as the third partner. This trilateral deal is considered to be a vehicle for boosting regional cooperation and consolidating regional security.

In order to properly realize the role of the Peace Pipeline in consolidation of regional cooperation in the geopolitical context of the two regions – West

Asia and South Asia – where the pipeline is run, it is pertinent to provide reasonable answers to a couple of related questions. Proper answer to these questions will shed light on the changing scope and dynamics of regional economic relations. Some of these questions are: What is the role of energy resources in consolidation of regional economic cooperation in the context of regional geopolitics? What are the prospects and implications of regional energy cooperation? Can India and Pakistan, with their legacy of conflict, emerge as potential regional partners along with Iran? Given the various security threats haunting the region and the presence of extra-regional powers complicating the picture, is it possible to devise an efficient producer-consumer energy arrangements?

Method and Theoretical Framework

The data for the present paper has been collected through library research. The garnered data has been analyzed based on descriptive-historical-analytical method. The theoretical framework of the present study is Stephen Jones' Unified Field Theory of Political Geography (Jones, 1955), who maintains that geopolitical fields are just like magnetic fields and any change in one field leaves its due impacts on other related geopolitical fields.

Objectives: In the light of the abovementioned theory, the main objectives of the present paper are: 1 – To study the impacts of the peace pipeline on the normalization of ties between India and Pakistan. 2 – To study the effects of the peace pipeline on regional security. 3 – To find out the influence of the peace pipeline on the regional peace and development.

Hypotheses: In the light of the objectives of the present paper, the following hypotheses have been formulated: 1 - The construction of the peace pipeline will create a congenial ground for normalization of ties and cooperation between India and Pakistan. 2 – The construction of the peace pipeline will pave the way for the involved parties to maintain and boost the security of the region. 3 – Cooperation of the three countries will lay the foundations for regional peace and development.

Although a universally accepted definition of regional cooperation and regional integration may not be readily available, regional cooperation has often been treated as an appendix or sub-category of regional integration. The reason partly lies in the fact that some of the elements of regional cooperation are derived from the development integration approach. Indeed, cooperation

approach is much more diverse and academically difficult to analyze systematically than, for example, market integration and development integration. However, regional cooperation has drawn more attention – politically and economically – because of the several problems attached to its implementation as well as the requirement of individual nation-states to join the bandwagon of cooperation in order to enhance opportunities for their own development and that of their region (Robson, 1990: 3).

Regional integration can be defined as "a process through which a group of nation-states voluntarily in various degrees share each other's market and establish mechanisms and techniques that minimize conflicts and maximize internal and external economic, political social and cultural advantages of their interaction" (Haas, E.B., 1971, p. 6). Regional cooperation, on the other hand, can be defined as "a process whereby nation-states jointly create improved conditions in order to maximize internal and external economic, political, social and cultural benefits for each participating country" (Mansfield, E. D. & Milner, H. V. 1997, P. 18). In an evaluation of exiting arrangements, it is important to note that the cooperative efforts can take place on a continuum stretching from a systematic framework, aiming at continuously increasing the level of cooperation; to an episodic style, whereby cooperation is limited to scattered projects created more by coincidence than intent. Furthermore, regional cooperation may contain one of the following actions;

1. Implementation of joint ventures: cooperation in technical sector, common running of services and policy harmonization;
2. Launching joint ventures to jointly develop common natural resources;
3. Taking common stands towards the rest of the world;
4. Launching joint ventures to promote production.

However it should be borne in mind that all the elements specified in the definition are not necessarily present in each regional cooperation arrangement or attempt. Although the list probably represents the major relevant forms for regional cooperation, it is non-exhaustive, because other examples exist and new ones can be added.

The exact definition and scope of regional cooperation may vary from region to region and the phenomenon of "regional cooperation", unlike "regional integration", must be separately defined and analyzed for each region through focusing on the unique characteristics of the concerned region.

Bilateral and Trilateral Relations

The political environment in South Asia is marked by an ambience of hope and anticipation. The most intensive diplomatic engagement has occurred between Pakistan and India. Three wars in 1947-48, 1965, and 1971 and a constant state of military preparedness on both sides of the border have marked six decades of bitter contest between India and Pakistan. The bloody and acrimonious nature of the 1947 partition of British India and continuing violence in Kashmir remain major sources of interstate tensions (Malik, Hafeez, 1993, p. 215). Despite the existence of widespread poverty across South Asia, both India and Pakistan have built large defense establishments - including nuclear weapons capability and ballistic missile programs - at the cost of economic and social development. In 2004, New Delhi and Islamabad launched their most recent comprehensive efforts to reduce tension and resolve outstanding disputes (Indian Ministry of External Affairs).

The diplomatic relationship between Iran and these two countries has usually remained stable. Because of political, economic, religious, and energy reasons, political parties in India have encouraged friendly relations with Iran. Most importantly, Iran's growing role as an energy source in the Indian economy has accelerated Iran's prospects as a long-term supplier of gas. However, given the close relationship between India and US, the significant affects of US pressures on Indo-Iranian relationship should not be ignored (Nuri, Maqsd ul Hasan, 2003, p. 49). On the other hand Iran-Pakistan relations have not always been calm; they have fluctuated over the years. For example Pakistan's support of US policies in Afghanistan even while Iran perceived itself being encircled by the US, the presence of US forces in Pakistani territory and the status of Pakistan as a major non-NATO ally (MNNA) of the United States created enough doubts in Iran on the prospects of stable relations with Pakistan. Despite this kind of potential contentious issues, Iran-Pakistan relations remain close. Iran has extended moral, political, diplomatic, and financial support to Pakistan and supported Islamabad whenever it has faced a serious crisis or has been in danger. Both countries have been keen to cooperate. While economy is a major instrument in influencing and strengthening ties between the two countries, it is issues relating to security and politics that dominate their relations.

Natural Gas in Iran, India and Pakistan

Due to its unique features such as being the most environment-friendly fuel and its suitability in the terms of price, natural gas can play an important role in promoting sustainable economic development. Iran as the world's second largest holder of natural gas owns 27 trillion cubic meters of gas (15.8% of the world's reserves) (Energy Information Agency, 2007). The Iranian government by deciding to increase natural gas production (especially in South Pars Field) is capable of fulfilling the growing domestic demand. On the other hand it can allocate a huge amount of its production to exports either in the form of LNG or via pipeline. There are number potential customers for Iran's natural gas such as Ukraine, Europe, India, Pakistan, Armenia, Georgia, Turkey, etc. (NIGEC Report, 2007).

The Indian economy continues to show impressive growth. The country's real gross domestic product (GDP) grew at an impressive rate of 9.1 percent during the first half of 2006 fiscal year (April–September 2006), ensuing an 8.7 percent growth rate in 2005 fiscal year. Together with the country's impressive growth, India has also become a significant consumer of energy resources. According to International Energy Agency (IEA) estimates, India was the world's fifth largest consumer of oil in 2006.

Since India is the second largest developing country (after china) in the world, its natural gas consumption will rapidly increase in near future. Thereupon, Indian natural gas consumption, currently growing at the rate of 5.1%, will reach 2.8 trillion cubic feet in 2025. So the necessity of importing natural gas to meet India's energy demand is not a hidden fact. (Energy Information Agency, 2007).

Furthermore, Pakistan as a crowded country in the region, having a growth rate of 7.6%, is the third largest user of CNG in the world next to Argentina and Brazil. Since the energy demand in this country is rapidly increasing, the government of Pakistan has considered natural gas the most appropriate energy to meet the domestic demand. Although the current natural gas production in the Pakistan has been capable of fulfilling its domestic demands, due to the rapid growth of natural gas consumption in near future, imports of natural gas will be inevitable (Energy Information Report, Country Analysis, Pakistan, 2007).

IPI Pipeline, Backgrounds and Prospects

The idea of an overland, trans-Pakistan pipeline was first proposed in 1989 by Ali Shams Ardekani, acting Deputy Foreign Minister of Iran, and RK Pachauri, the Director General of the TATA Energy Research Institute (TERI) in New Delhi. Although the idea received a positive reaction in Iran, the initial response from New Delhi was ambivalent, with Indian politicians being concerned about leaving their long-term energy security in the hands of Pakistan especially during a period in which their relations were increasingly deteriorating.

However, the Persian Gulf War underlined India's need to diversify its energy sources. In 1991, Iraq and Kuwait together supplied two-thirds of India's oil; when the war broke out, India's supply was slashed down from 15 million tons to 5 million tons of oil overnight. India realized the need to form new relationships and in 1993, India signed a Memorandum of Understanding with Iran (Temple, D, 2007).

As new technologies sparked interest in natural gas as a clean and cheap substitute for crude oil, India realized that the IPI could provide a large array of potential benefits. Since the Indian economy faced serious difficulties, natural gas provided India with a new source of energy without having to compete with the US, Europe and China for the attention of a small groups of oil suppliers. On the other hand, Iran with the world's second largest proven gas reserves – unlike many of the other hydrocarbon suppliers – did not have its hands full of foreign demand. Iran was interested in finding a profitable market for its gas. With the added advantage of geographic proximity, the Iran option began to appear increasingly attractive to India. Since Iran's enormous supply could meet long-term demands, India could invest heavily in a capital-intensive infrastructure without worrying about any hazard of investments incurring from restricted supplies.

However, even when India began to entertain the notion of a trans-Pakistan pipeline, Pakistan resisted the idea, citing a lack of confidence between itself and India. Benazir Bhutto and Nawaz Sharif's administrations made it clear that the pipeline would not be welcome on Pakistani territory. Pakistan's reluctance, combined with considerable concern in India, led New Delhi to look into several alternative options for laying the pipeline from Iran. Aside from the overland route, India investigated two other options: a deep sea and a shallow water pipeline. When Pakistan realized that its stake in the project was being threatened, it changed its idea. Upon his accession to

power, General Musharraf, who had opposed the pipeline as Army Chief, changed course and decided to treat the IPI project separate from other terms of political dispute. Before 1995, both India and Pakistan seemed determined to link the pipeline to other issues. India tried to tie the pipeline to conditions about transit rights for trade links with Afghanistan and also to demands that Pakistan lift bilateral trade restrictions. Pakistan, on the other hand, sought to see the pipeline as an instrument to settle the Kashmir issue. However, since 2005, all parties have dropped such demands and firmly kept politics and pipeline negotiations separate (Pandian, S: 659-70).

With the three countries agreeing to guarantee the project as a commercial risk in January 2005, the first real progress in the technological, commercial and legal aspects of the pipeline was made during the first six months of that year. The meetings took place bilaterally between Iran and India, and between Iran and Pakistan. This method ensured that political disputes would not overshadow the thrust of the meetings. In December 2005, India agreed to take part in trilateral meetings, the first of which took place in January 2006. Several major players from the gas industry attended the meeting and a variety of international companies made presentations on the relevant technology. Aside from price and a few details of contractual structure, the delegates from the three countries agreed on most of the important aspects of the pipeline, such as pressure, thickness, etc.

Present Status

The environment surrounding negotiations during the past three years provides optimism for the success of negotiations. According to people present at the negotiations, the three countries involved appeared determined to treat the pipeline independent from the vagaries of day-to-day politics. Therefore it can be claimed the three parties determinedly kept political and pipeline negotiations separate from other concerns.

Negotiations on IPI pipeline between Iranian and Pakistani delegations in December 2007 were an opportunity to discuss all articles of the contract in different expert-level sessions in Islamabad and Tehran. The two sides ended their talks in Islamabad with the finalization of a deal to export gas which will be signed by the heads of the two countries. The Iranian delegation was led by Hojjatollah Ghanimifard, special representative of Iran's Petroleum Ministry, whereas the Pakistani delegation was led by Farrakh Qayyum, Secretary of Ministry of Petroleum and Natural Resources. The two sides noted with

satisfaction that each of them had initiated work to a certain level on the project as 40 percent of the construction of the pipeline within Iran had already been completed to provide gas to the eastern provinces of Iran and Pakistan was about to complete the work to appoint a consultant firm which would initiate the feasibility study of the project within Pakistani territory by the first quarter of 2009. Due to some unknown reasons, India decided not to attend three rounds of official talks in Islamabad and Tehran in 2008. Some sources believe that India has taken this stance due to its agreements with the US to receive state-of-the art nuclear technology. However it seems that this is not the main reason for India's refusal to attend the meetings given its considerable demand for energy in the coming years. In spite of the proposed Turkmenistan gas pipeline project and the US nuclear agreement, missing the opportunity to receive 30 million cubic meters gas per day from Iran would not seem to be wise. Certain quarters believe that internal squabbling among Indian parties prompted it to adopt such a stance (Shana, 2008).

The Indian press published reports on corruption in the Oil Ministry which led to the dismissal of the minister, Mani Shankar Aiyar and his colleagues. Rumors about corruption and bribery created a tense situation which made the new team pursue the talks with caution. In addition, this group is trying to reduce the price of the gas to the minimum so as to protect themselves from being accused of corruption. This made Indian officials reveal the details of the peace pipeline negotiations held in Tehran and the ensuing agreement of the three countries over setting gas price (Shana, 2008). According to a report published by Pakistan Times, Iran said the window for Indian participation to join the project might not remain open for an indefinite period on the existing terms and conditions of the project. India needs to hold talks on a contract on the gas pipeline passing through Pakistan. India has not officially announced its decision on the gas deal, but the latest remarks of Indian authorities showed their interest in resuming negotiations. However it is well settled that Iran's gas productions are limited. Consequently, if India delays, it will definitely lose its opportunity.

Potential Contribution of IPI Pipeline to Regional Cooperation

In order to find out whether the IPI pipeline can promote regional cooperation or not, one has to analyze the factors which may contribute to the probable success or failure of the pipeline and its role in consolidation of regional cooperation.

Pipeline's Inherent Characteristics

Prima facie, it seems obvious that natural gas can play an important role in consolidation of regional cooperation, but it one must not overlook the specific characteristics of natural gas that that can contribute to promotion of regional cooperation, for if these features are not taken into consideration the same may boomerang in practice. Apart from being comparatively a cleaner and cheaper source of energy which increases the importance and advantages of natural gas for all countries in the world, there is a unique feature in the pipeline deal which increases it's potential to consolidate regional cooperation. Since the construction of pipeline requires huge investment and advanced infrastructure, the pipeline deal is usually made for a long-term period. So countries which participate in this kind of joint venture must be careful of the stability of relationship among themselves and keep away from political conflicts and skirmishes. Therefore long-term transfer of natural gas from producer to consumers via pipeline entails the creation of a milieu free from conflict between participating countries and hence such an ambiance would naturally promote regional cooperation. The parties to the joint venture must be mindful of the fact that in the context of a conflictual situation the same pipeline may be misused as an instrument of pressure at the time of turmoil when one of the parties decides to block the transfer of gas in its own territory.

IPI Pipeline as a Deterrent Measure

Transfer of natural gas via pipeline can be analyzed within the framework of regional or international trade. Regional trade in its part contributes to regional cooperation and development for two reasons: first, any scheme for regional commercial cooperation entails regional peace and security. The regional states therefore move towards normalization of their ties as a prelude to any devise for regional commercial cooperation. And, secondly, within the framework of any plan for regional cooperation, the parties rely on each other's relative advantages, which not only facilitate but also boost regional development.

The idea that trade can be an important force for creation and protection of peaceful relations between countries dates back at least to the 18th century, when the question of security turned into the prime problem of the community of nations. International trade might improve security in three related ways:

1. More trade means greater economic interdependence of the countries involved. This increases the stake of each country in the welfare of other parties that in the final analysis makes any war costlier for all the involved states. In other words, in an interdependent region, any untoward development in one country leaves its adverse impacts on all the parties and states. On the other hand regional commercial schemes increase the number of beneficiaries (people) and the economic interests of the nations who would prefer pacific relations to conflict among the countries of the region. This very psyche can work as a strong deterrent against any belligerent mentality on the part of governments or interest groups;

2. More trade naturally means leads to more interaction among the nations and governments of the concerned states, more familiarity with each other's capabilities, goods and services and greater bilateral and multilateral understanding of their cultural, political and social institutions. Proper knowledge of each other automatically boosts mutual trust and paves the way for promotion of regional cooperation;

3. Secure regional commercial relationship reduces the likelihood of conflict between the partners, for security of access to partner's supply of strategic raw materials reduces the threat of trade embargos. This particularly important if we bear in mind that we are living in a world of high trade barriers where access to others' sources is difficult (Duchene, F. 1994, p. 49). Some of the implications of uncertain access to strategic raw materials have been studied by scholars. Arad and Hillman (1979) show how fear of being cut off from foreign strategic sources of energy can cause countries to try to consolidate regional cooperation. Hillman discusses the probability of consolidation of regional cooperation in exploitation of a mineral resource if the alternative foreign supply is uncertain. Obviously in this case a regional cooperation that ensures partner supplies would be both politically and economically advantageous (Arad & Hillman, 1979, pp. 1162-1182).

Polachek studied causal relations between trade and outbreak of conflict and found that an increase in trade between partners causes a reduction in conflict, while reduced conflict does not necessarily increase trade (Arad & Hillman, 1979). Numerous studies have confirmed Polachek's conclusion that trade has a significant but negative impact on outbreak of conflict. However, it does not mean that trade always promotes cooperation or that trade is sufficient for boosting cooperation. Clearly, trade partners do fight, and sometimes over trade issues. On the whole, however, there is persuasive evidence that trade generally tends to foster peaceful and cooperative, if not

friendly, relations between countries.

The above finding can be applied to the present study. In South Asia, trade is gradually becoming an important factor for healthy growth of the economies of both Pakistan and India. The two countries export much more to countries in other regions than to each other. Not only do the people on both sides want peace and steady movement on all counts and peaceful settlement of disputes, but several powerful lobbies and influential regional constituencies and non-state actors have also actively pushed the process forward in the areas of energy, trade and economic relations. The Associated Chambers of Commerce and Industry (Assocham) estimated that trade between India and Pakistan could touch the \$10-billion mark by 2010, provided that the materialization of the IPI pipeline and the execution of the agreement on South Asian Free Trade Area (SAFTA) is not thwarted and the trade basket is diversified (Hindu, January 5, 2005).

IPI Pipeline as a Confidence-Building Measure

There are not many instances of large-scale cooperation between India and Pakistan. A single example is the often cited 1960 Indus Water Treaty (Khurshid, K. 1998, p. 45). A shared gas pipeline is a strong platform for evolution of cooperation, leading to interdependence between Iran, India and Pakistan. It would also turn out to be an effective confidence-building measure (CBM). There are few arenas as ripe for cooperation as the energy sector. Given the large investments and expenditures for energy and infrastructure in both countries, such cooperation could be a basis for continued cooperation in affiliated (and other) fields. There is precedence for gas pipelines to be built between countries with political differences. The Former Soviet Union began delivery of natural gas to Western Europe in 1968, and the pipeline was constructed during the height of cold war tensions (Davis, J. D., 1984, p. 87).

While a joint pipeline might be a strong CBM, and appears to be economically attractive, many believe that this alone may not be a strong enough driver for consolidation of regional cooperation. They mention that India and Pakistan do not trade enough with each other, annually losing an estimated billion dollar. While part of this can be attributed to the lack of confidence between India and Pakistan, it can be argued that the success of this pipeline might build confidence between the two countries and consequently solve this problem.

Iran in Network of Regional Cooperation

Since the end of the war with Iraq (1988), the Islamic Republic of Iran has accorded regional relations and alliance-building an increasingly important place in its foreign policy. Iran's geographical position, size, economic stature and military muscle give it the potential to play a leading or pivotal role in the Persian Gulf, Greater Central Asia and the Caspian Basin. The collapse of the Soviet Union gave rise to a new geopolitical awareness in Iran regarding the possibilities inherent in the country's strength compared to other regional states and its geographical location at the heart of the Eurasian continent. In search of ways to neutralize Washington's policy of Iran's isolation, Iran looked towards cooperation with nearby and Muslim states and with possible alternative major centers of power (Russia, China, Europe and India). It also sought to boost its cooperation with the regional and international organizations that were not susceptible to Western domination – for example the Non-Aligned Movement, the Organization of Islamic Conference (OIC), the Organization of Petroleum Exporting Countries (OPEC) and the Economic Cooperation Organization (ECO) – for the same purpose. The constant themes of Iranian statemen on regionalism have been self-reliance among regional states and the exclusion of extra regional powers, specifically the United States (Herzig, E., 2004, pp. 513-517).

Iran's tendency towards regionalism can best be understood as a response of an independent state to the external challenges posed by the strong powers, in circumstances when the balancing option was taken out of play by the end of the Cold War. Former presidents Hashemi Rafsanjani and Muhammad Khatami and President Ahmadi Nejad have all placed a strong emphasis on regional relations. Khatami's foreign minister, Kamal Kharrazi, stated in his first address to the UN General Assembly in 1997 that "Iran's highest foreign policy priority...is to strengthen trust, confidence and peace in our immediate neighborhood." The present Foreign Minister of Iran, Manouchehr Mottaki, has announced that the priority of Iran's foreign policy is to strengthen its Asian identity (Herzig, E., 2004, pp. 513-517).

Iran's Eastward Drive

In the post-revolution era, despite following an anti-Western foreign policy, Iran's dependence on the West for trade was predominant. However, following the U.S. imposed economic sanctions in 1996; Tehran's Western options became more and more limited. On the other hand, with the

extraordinary growth of China and India as regional and global economic powers Iran adopted an Eastward policy in order to diminish pressures from the US and other Western countries (Estelami, H., 1999, p. 66). Hence, attempts have been made by Teheran to build closer ties with the South and Central Asian countries.

The attractions of trade relations with countries such as China, India and even Pakistan are numerous. For example, these countries can provide Iran with many of its needs in the case of more stringent sanctions by U.S. and Europe. Also none of these countries is likely to involve themselves in domestic Iranian politics. Moreover, from Iran's perspective, if these countries have vested economic interest in Iran, they would be more likely to support Iran in the international political arena (Mostashari, A., 2007).

Iran has vigorously moved to get associated with the South Asian Association for Regional Cooperation (SAARC). A formal application was submitted on March 3, 2007 by Iran to the SAARC Secretariat for an Observer Status. This formal request underlined Iran's geographical proximity to the SAARC region, being a neighbor of two other members, Pakistan and Afghanistan, and also its economic strength, based largely on its energy resources. Overall these moves and features underlines Iran's advantageous geopolitical status.

Iran's historical and cultural links with the region are long-standing and deep-rooted. No wonder, SAARC Secretary General Lyonp Chekyab Dorji received the application positively, saying Iran's association with SAARC will be mutually beneficial.

Decisions in SAARC are taken on the basis of unanimity. Any one negative voice can defeat Iran's aspirations for SAARC. Who from among the SAARC members will try to block Iran's entry remains to be seen. One hopes that Iran has done its homework to ensure that its membership application is not opposed by any. It can be however argued, that the regional cooperation which would be consolidated in the case of materialization of the IPI pipeline may persuade the potential opponents not to block Iran's membership to SAARC.

Challenges

Broadly speaking there are two categories of challenges that may hinder the materialization of the pipeline: first, regional challenges which include the interstate and intrastate challenges; and second, external challenges that

includes the challenges posed by the extra-regional powers. The first category of challenges stems from the geopolitical contour of South Asian countries and the nature of relations of these countries with each other. The second category of challenges comes from the US attempts to sabotage the construction of pipeline.

Regional Challenges

In any survey of present-day regional cooperation, South Asia is liable to be cited as one of the problem cases (Cottey, A. J., 2006, pp. 195-223). The dominant strategic feature of the region is the tension and rivalry between India and Pakistan, two powers that have more than once gone to war or to the verge of war and now have nuclear weapons.

Even this major challenge is only one of the difficulties in the way of a non-zero-sum multilateral security order for the region. The discrepancy of size and power between India, a nation of over one billion people, and all its neighbors leads to natural concerns among the latter about India's dominance in the region and potential interference in their affairs. At different times this has been a significant strand in the policy thinking of states such as Bangladesh, Nepal and Sri Lanka and has led them to seek security assistance first and foremost from outside South Asia when they need it (Afroz, S., 2002, p. 34).

Internal factors of insecurity among South Asian countries are present in the region's largest states: Pakistan has alternated between weak civilian governments and military takeovers, while India has seen significant levels of internal violence connected with religious extremism, local patriotism or local struggles for power. Terrorism also comes into play as part of the internal security challenge (and a complication for any eventual settlement) in the region. Pakistan's north-western borderland with Afghanistan has long been a bridge for terrorist infiltration in both directions, and poses further challenges for the central authorities because of the lawlessness of local tribes (Khan, A. U. 2006). All these features help to explain why military spending by the powers of South Asia has remained relatively high in spite of their relatively low per capita wealth, and why arms build-ups, notably between India and Pakistan, continue to show a distinctly competitive dynamic. Some regions have been driven towards the formation of security communities by threats from an outside power or guided by its encouragement.

To get back to the main discussion, the IPI pipeline must be examined in the light of above mentioned challenges in South Asia. As was mentioned

above the priority of Iran's foreign policy is an Eastward move. This policy may be jeopardized by security problems because the area of the Balouchistan, Punjab border, where the pipeline is supposed to run, is one of Pakistan's poorest areas and home to Balouch tribes hostile to the Pakistani central government. In January 2003, sabotage of a gas pipeline from Sui cut off supply to Punjab and it was followed by a wave of attacks against gas installations in the rest of 2003. The lack of security in this area will leave its impact on India's willingness to invest in the IPI and also on its continuous feasibility as a reliable energy transit route. The success of the IPI therefore heavily relies on the ability of Pakistan to ensure the security of the pipelines and the supply chain passing through their problematic areas. This may be possible if buy-in from local leaders is secured and if some of the profits from the gas pipeline is used for regional development. Of course, that would affect the economic feasibility of the project for Pakistan, but could be seen as an important investment in domestic stability and border security (Bailes K. & Alyson J. 2006, p. 45).

Extra-Regional Challenges

Despite repeated statements by Indian officials that India's "relationship with one country does not depend on that country's relationship with other countries", the budding Indo-US relationship and the nuclear deal between the two countries will undeniably impact India's ability to negotiate the IPI with the Iranians. The confrontational history between Iran and the United States has already manifested itself in Indian opposition to Iran at the IAEA and in Indo-Iranian economic cooperation. Although there is universal agreement in the US that India could provide diplomatic leverage vis-à-vis Iran, US officials have been divided in their approach to assuring Indian cooperation. Certain US politicians have sought to explicitly link US-Indian relations to Iran. Ambassador David Mulford warned India that voting with Iran at the IAEA would "be devastating" to the future of the civil nuclear initiative (The Hindu, Jan 26, 2005). Likewise, US Representative Tom Lantos argued that "India will pay a very hefty price for its total disregard of US concerns vis-à-vis Iran." (Srivastva S., 2005).

However, other US officials appear to believe that explicit measures to curb Indo-Iranian cooperation are unnecessary and counterproductive. While the House of Representatives bill on nuclear cooperation with India made it US policy to "secure India's full and active participation in United States efforts to

dissuade, isolate, and, if necessary, sanction Iran for its efforts to acquire weapons of mass destruction”, the legislation passed by the Senate Foreign Relations Committee contains no such wording. Moreover, an amendment to make the House stipulation on Iran binding was rejected, as were moves to delay the vote on the bill by officials who thought that India had been adequately cooperative vis-à-vis Iran. In fact, one House Resolution, introduced in July 2005 actually expressed support for the pipeline as “an instrument of harmonizing the relations between India and Pakistan” (House of Representatives, July 1, 2005). Both former President George W. Bush and Secretary of State Condoleezza Rice, who invested significant political capital in heightened Indo-US relations, sought to persuade India to join the project with the help of Iran without explicitly linking Indo-US cooperation to the Iran issue. In a testimony before Congress, Rice downplayed the Iran issue, only saying that “the United States has made it very clear to India that we have concerns about their relationship with Iran” (Senate Foreign Relations Committee, April 5, 2006). Meanwhile, Bush noted that “our beef with Iran is not the pipeline” and argued that he “understands” South Asia’s need for gas. In fact, no US official has directly stated that the IPI would be considered a violation of ILSA. With the election of Democrats to the Oval Office, White House, in 2009, there have been many gestures from Washington to normalize ties with Iran. Iranian and American delegations for the first time in the post-revolution era held direct talks to discuss bilateral ties in Geneva in the first week of October 2009 (Tehran Emruz, October 7, 2009). The Secretary of State Hillary Clinton said that the results were positive (Tehran Emruz, October 7, 2009). At the same time the US realizes the fact that India has to keep the pace of its economic growth and development. Gas is a vital strategic source of energy for India. At the same, China and other growing economies hunger for gas. Iran has made it clear that it will not wait for ever for a specific customer. There are others who may replace India if New Delhi procrastinates in its decision.

Conclusion

The geopolitical contour of the two regions, where the IPI pipeline has to run – that is, South Asia and West Asia – has already prepared the necessary grounds for materialization of a dynamic regional cooperation. Asian countries, especially rapidly growing economies of the region, need secure long-term energy supplies to keep the pace of their economic growth and all-out development. Energy producing countries are

concerned about the security of demand. This is where regional interdependence may best serve the interests of all the parties. Regional countries need to strive to establish a structure on the basis of reciprocity in the region.

With the emergence of giant Asian energy consumers, the continent is set to become the gravity centre of the world's energy consumption. A regional energy market could be formed through sustained dialogue. If South Asian countries don't get sufficient energy and fail to expand and diversify of their regional cooperation, they will not be able to achieve the required rate of economic growth.

It goes without saying that in the near future, economies will be identified region-wise and not country-wise. Asia needs to prepare for the future challenges and should promote regional trade and energy cooperation. Accordingly, the regional countries need to develop and institutionalize regional energy pipeline associations that should be dedicated to ensure a strong and viable transmission pipeline industry in the region with emphasis on public safety and pipeline integrity, social and environmental stewardship, and cost competitiveness for the entire region.

The dream of regional cooperation can gain a new boost once IPI pipeline project materializes. The potential for economic and developmental gain from natural gas will help the countries to reassess their roles and policies. There is an undeniable international trend towards the formation of regional and trans-regional groupings for the realization of peace and development. The speedy and smooth export of natural gas from West Asia (Iran) to South Asia (India and Pakistan) can be a venture that may change the face of regional politics and economics. Economic collaboration possesses the power to engender as well as transform social and political discourses. It facilitates conflict resolution. The IPI pipeline can also be a source of strength for expanding regional economies of Asia and will help normalize the hostile relationship between Pakistan and India. This project heralds an approach for inclusion, unity and reconciliation. It can be a formidable piece of political and economic reconstruction. The IPI pipeline can contribute to real and meaningful regional cooperation.

There are of course certain challenges both from within and without the region that are not however insurmountable. A major challenge comes from the political fabric of South Asia itself which includes both interstate and intrastate challenges. The very construction of the pipeline will to a

great extent overcome these challenges if certain mechanisms are stipulated to seriously engage the concerned parties in the advantages of the pipeline. So far as the extraterritorial challenges, particularly those of the US challenge, are concerned, the harsh realities will finally convince the gas consumers to join the IPI project regardless of US pressures.

Given the existence of considerable costumers for Iran's natural gas such as Ukraine, Armenia, Azerbaijan, Georgia, UAE, Kuwait and South East Asia countries, Iran shall endeavor to become an axis of regional energy transfer network.

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