

CONFLICT IN UKRAINE AND CASPIAN REGION STATES: THE ROAD AHEAD FOR INDIA

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INTRODUCTION

As the conflict in Ukraine has stretched into 2023, it is uncertain as to how the events on the ground will unfold. The conflict has compelled economies in Europe and Asia to re-evaluate their energy strategies to secure energy supplies. For instance, European countries such as Germany has cancelled its approval of a newly planned Russian gas pipeline and is now preparing to purchase liquefied natural gas from the United States and Qatar. Belgium is rethinking its departure from nuclear power. Italy, the Netherlands, and the United Kingdom are all stepping up their efforts to deploy wind power. Meanwhile, two Asian giants—China and India—have increased their energy imports from Russia. Undeniably, this conflict has elevated the significance of energy security globally.

With Russia halting the supply of natural gas to Europe in response to Western sanctions, Europe has turned its attention to the Caspian Region. In its quest for an alternative source of gas in the

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short term amidst the ongoing conflict, the European Union (EU) has turned to Azerbaijan. For instance, both signed MoU on “Strategic Partnership in the Field of Energy” in 2022 which would double the Southern Gas Corridor’s capacity to provide approximately 20 billion cubic metres of gas to the EU by 2027. While Brussels seeks to improve its position, Russia wants to secure its position in the Caspian. For example, the idea of a “Trilateral Gas Union”, proposed by Russian President Putin last December among the three littoral nations, indicated Russia’s haste in tying littoral countries into some form of an energy consortium led by Moscow.

Against this backdrop, the paper examines Caspian littoral states’ perceptions and responses to the conflict, and forecasts its implications on the region’s geopolitical competition. The littoral states’ position can be better understood by answering the following critical questions: First, how have the Caspian states—Kazakhstan, Azerbaijan, Turkmenistan, and Iran—reacted to the ongoing conflict in Ukraine? Second, how has the present conflict shaped their internal (regional) energy dynamics? Third, what does the current conflict mean for the future of Caspian geopolitics? And, finally, the road ahead for India. Before starting it is important to highlight that this paper focuses only on four littoral states, Kazakhstan, Azerbaijan, Turkmenistan, and Iran. The Caucasus and Central Asian States such as Georgia, Armenia, and Uzbekistan are excluded as they do not share boundaries with the Caspian Sea.

REACTION OF CASPIAN STATES TO THE ONGOING CONFLICT IN UKRAINE

After the Soviet dissolution, the Caspian littoral states—Kazakhstan, Azerbaijan, and Turkmenistan—adopted multi-vector foreign policies which have become a guiding principle of their foreign, security, and economic relations. All littoral countries have adopted their versions of the multi-vector policy, but they aim to balance Moscow’s influence by establishing relations based on national interest. Kazakhstan was the first state to pursue a multi-vector policy. Along similar lines, Turkmenistan adopted strict neutrality and refused to join any sort of alliance. Azerbaijan refrains from joining both Collective Security Treaty Organization (CSTO) and

North Atlantic Treaty Organization (NATO), and engages in many regional cooperation frameworks.¹ In simple terms, multi-vector foreign policy is observed as “developing relations that are based on non-ideological and pragmatic foundations, which are shaped by the interplay of external and domestic dynamics, to foster short or long-term benefits.”² Iran, since 2021 onwards, has prioritised ties with non-Western powers, Russia and China.

Amidst the ongoing conflict, Azerbaijan initially provided humanitarian aid and sent over 100 tons of fuel to ambulances and other emergency service vehicles in Kyiv. In March, Baku abstained from voting in the United Nations General Assembly (UNGA) resolution that condemned Moscow’s invasion and demanded immediate withdrawal.³ Likewise, it abstained from the UNGA resolution to suspend Russia from the United Nations Human Rights Council.⁴ It has not recognised the sovereignty of Donetsk and Luhansk as a result of a joint declaration signed with Kyiv in January 2022.⁵ Baku’s silence on the situation can be viewed as a strategy to avoid upsetting Moscow, while simultaneously pursuing its energy ties with Western powers and the Caspian states.

Kazakhstan has urged for a peaceful settlement of the conflict and had offered to mediate talks in March 2022. It attributed the failure to implement the Minsk Agreements as the cause for the

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1. Fariz Imaizade, “Azerbaijan’s Foreign Policy Priorities and the Role of the Middle East”, May 12, 2020, at <https://www.mei.edu/publications/azerbajians-foreign-policy-priorities-and-role-middle-east>. Accessed on December 12, 2022.
 2. Çağlar Kurç, “The Puzzle: Multi-vector Foreign Policy and Defense Industrialization in Central Asia”, in Çağlar Kurç, et al. (eds.), *Defence industries in the 21st Century: A Comparative Analysis* (New York: Routledge, 2021).
 3. European Union, “UN General Assembly demands Russian Federation withdraw all Military Forces from the Territory of Ukraine”, March 2, 2022, at https://www.eeas.europa.eu/eeas/un-general-assembly-demands-russian-federation-withdraw-all-military-forces-territory-ukraine_en. Accessed on December 14, 2022.
 4. “UN Suspends Russia from Human Rights Body: How Your Country Voted”, Al Jazeera News, April 8, 2022, at <https://www.aljazeera.com/news/2022/4/8/russia-suspended-from-un-human-rights-body-how-countries-voted>. Accessed on December 14, 2022.
 5. Official website of the President of the Republic of Azerbaijan, “The Presidents of Azerbaijan and Ukraine made Press Statements”, January 14, 2022 at <https://president.az/en/articles/view/55259>. Accessed on December 14, 2022.

military operation.⁶ In an article written by President Tokayev titled, “Turbulence across Eurasia Will Not Slow Kazakhstan’s Progress” where he highlighted Kazakhstan and Russia’s special relations of cooperation, and traditional relations with Ukraine. On the present conflict, he wrote, “... we hope for a swift and just resolution of the conflict in accordance with UN Charter.”⁷ Almaty has been cautious not to condemn Moscow. At the same time, it has upheld the inviolability of international borders and declined to recognise the self-proclaimed independence of Donetsk and Luhansk.

Turkmenistan chose to remain silent as its position is directly aligned with its official stand of “Permanent Neutrality”. Despite its neutrality at the international level, it has been reported that internally at the domestic level, officials are vilifying the West, and whitewashing Moscow’s image.⁸ Finally, given Iran’s history of distrust with the West, the former has been very vocal about the conflict. Supreme Leader Ayatollah Ali Khamenei held the United States and Western powers responsible, as he said, “The root of the crisis in Ukraine are the U.S. policies that create crisis, and Ukraine is one victim of these policies.”⁹ Further, during Putin’s visit to Tehran, Khamenei said, “... if you had not taken the helm, the other side would have done so and initiated a war”, and also referred to NATO as a “dangerous entity”. Similar thoughts were shared by President Raisi when he said, “The expansion of NATO is a serious threat to the stability and security of independent countries in different regions.”¹⁰ Tehran has abstained from voting in the UNGA resolution that condemned

6. Ministry of Foreign Affairs of the Republic of Kazakhstan, “President Tokayev urges Russia and Ukraine to Reach Agreement through Negotiations, says Kazakhstan Ready to Provide Mediation, if Needed”, March 1, 2022, at <https://www.gov.kz/memleket/entities/mfa/press/news/details/334985?lang=en>. Accessed on December 14, 2022.

7. Kassym-Jomart Tokayev, “Turbulence Across Eurasia will not Slow Kazakhstan’s Progress”, *The National Interest*, April 4, 2022, at <https://nationalinterest.org/feature/turbulence-across-eurasia-will-not-slow-kazakhstan%E2%80%99s-progress-201591>. Accessed on December 16, 2022.

8. “Turkmenistan Turns up Pro-Russian Propaganda, Warns against Western Media, Agents”, Radio Free Europe/Radio Liberty, December 14, 2022, at <https://www.rferl.org/a/turkmenistan-pro-russian-anti-western/32176574.html>. Accessed on December 17, 2022.

9. Garrett Nada, “Iran Blames US, West for Ukraine War”, *The Iran Primer*, March 3, 2022, and updated on July 19, 2022, at <https://iranprimer.usip.org/blog/2022/mar/03/iran-blames-us-west-ukraine-war>. Accessed on December 17, 2022.

10. *Ibid.*

Moscow's invasion and demanded immediate withdrawal. Similarly, it voted against the UNGA resolution to suspend Russia from the UN Human Rights Council.

The Caspian littoral states are treading carefully to pursue their interests. None of them have condemned Russia, nor supported its military operation in Ukraine. They have either abstained or not voted on the UNGA resolutions. As the littoral states are either members of Moscow-led alliances or have a strong bilateral partnership, it can be inferred that the littoral states would take Russian interests into their foreign policy consideration, henceforth. For instance, Kazakhstan is a member of the CSTO and the Eurasian Economic Union; Turkmenistan and Azerbaijan are members of the CIS; and Moscow and Tehran have strong military cooperation. As they have maintained their neutrality, it is clear that there is "... no prospect for a collective *démarche*"¹¹ from riparian states.

ONGOING CONFLICT AND REGIONAL ENERGY DYNAMICS

For Caspian states, Russia has been and remains their closest partner and ally, and they cannot disregard decades of multilevel cooperation with it when formulating their positions. This is demonstrated by the aforementioned political postures. Compared to political positioning, things are dynamic when it comes to energy.

In recent past, Azerbaijan has decided to double its gas supply to Europe. In July, during her visit to Azerbaijan, the European Commission's President Ursula von der Leyen signed MoU on a "Strategic Partnership in the Energy Field" which would double Baku's gas supply to Europe by 2027. Subsequently, in October, President Aliyev inaugurated the Greece-Bulgaria Interconnector (IGB) gas pipeline that will allow the supply of natural gas from Azerbaijan natural gas from the Caspian Sea to Bulgarian markets.¹²

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11. Yelnur Alimov, "Russia is using the Caspian Sea to Launch Strikes against Ukraine. So why are the Caspian Countries Silent?", December 2, 2022, Radio Free Europe/Radio Liberty, at <https://www.rferl.org/a/caspian-sea-ukraine-war-russia-peace-friendship-convention/32158822.html>. Accessed on December 23, 2022.
 12. Nigar Bayramli, "President Aliyev Inaugurates Greece-Bulgaria Interconnector to Launch Direct Gas Supplies to Bulgaria", *Caspian News*, October 2, 2022, at <https://caspiannews.com/news-detail/president-aliyev-inaugurates-greece-bulgaria-interconnector-to-launch-direct-gas-supplies-to-bulgaria-2022-10-2-0/>. Accessed on December 18, 2022.

When it comes to oil exports, Kazakhstan relies on the Caspian Pipeline Consortium (that passes through Russia) for 53 million tonnes of oil exports out of 68 million tonnes of total oil exports. Last month, Kazakhstan announced to increase trans-Caspian shipments ten-fold to 20 million tonnes in years to come. This is a clear sign of Kazakhstan's move towards diversification as highlighted by Prime Minister Smailov: "we have developed a roadmap to diversify (oil) exports ... work is underway to expand and increase oil export capabilities in all directions."¹³ The reason for diversification is not Russia, but rather a technical one. For instance, in mid-2022 Kazakh oil supplies were disrupted several times due to production suspensions and repairs. The Novorossiysk terminal broke down on different occasions which hindered the transportation of oil. Under sanctions, Russia is currently facing inconvenience related to repairs which in turn have given rise to the need to diversify supply.¹⁴

In terms of natural gas, Turkmenistan is one of the top four countries. Its reserves are estimated to be around 13.6 trillion cubic metres.¹⁵ In October, Turkmenistan announced plans to double gas export to China and increase gas export to 65 billion cubic metres per year after building a fourth gas pipeline between the two states,¹⁶ consequently making China the largest buyer of Turkmen gas. In a recent agreement between Azerbaijan and Turkmenistan, the latter emphasised the Trans-Caspian pipeline bypassing Russian territory.

In June, Iran and Azerbaijan signed an agreement to increase the volume of gas swaps between Azerbaijan and Turkmenistan. As per

13. Olzhas Auyezov, "Shocked by Ukraine War, Russian Neighbour Kazakhstan Looks West", Reuters, November 17, 2022, at <https://www.reuters.com/world/asia-pacific/shocked-by-ukraine-war-russian-neighbour-kazakhstan-looks-west-2022-11-17/>. Accessed on December 18, 2022.

14. Aygerim Sarymbetova, "Kazakhstan Temporarily Reduces Oil Export through Russia", Caspian News, August 4, 2022, at <https://caspiannews.com/news-detail/kazakhstan-temporarily-reduces-oil-exports-through-russia-2022-8-4-54/>. Accessed on December 18, 2022.

15. Aygerim Sarymbetova, "Turkmen Leader, Saudi Foreign Minister Discuss Energy and Trade Ties", *Caspian News*, December 22, 2022, at <https://caspiannews.com/news-detail/turkmen-leader-saudi-foreign-minister-discuss-energy-and-trade-ties-2022-12-22-49/>. Accessed on December 23, 2022.

16. Aybulat Musaev, "Turkmenistan to Double Natural Gas Exports to China", *Caspian News*, October 18, 2022, at <https://caspiannews.com/news-detail/turkmenistan-to-double-natural-gas-exports-to-china-2022-10-17-1/>. Accessed on December 23, 2022.

an earlier gas swap agreement signed amongst three littoral states in November 2021, Iran annually delivers 1.5 to 2 billion cubic metres of Turkmen gas to Azerbaijan. From January 2022 onwards, the supply volume rose to 5-6 million cubic metres of gas per day. Iran receives Turkmen gas and further delivers an equal amount to Azerbaijan.¹⁷ Amidst the ongoing conflict, Iran also signed a \$40 billion energy cooperation deal with Russia in July. This rising energy cooperation was endorsed by Kazem Jalali (Iranian Ambassador to Russia), when he said, "Iran welcomes foreign investors, especially from friendly countries such as Russia, to implement relevant projects."¹⁸ Finally, the Caspian states met for the second Caspian Economic Forum on October 5-6 and the key focus was on increasing energy ties. The riparian countries emphasised increasing oil and gas swaps on the shores of the Caspian Sea, settlements based on national currencies; and cooperation in the energy field to counter sanctions.¹⁹

On the energy front, there are possibilities that littoral states will benefit from the increasing attention of Russian and European energy companies as they are looking for new investment avenues. Amidst the Ukrainian conflict, the littoral states are increasing regional cooperation amongst themselves; and endeavouring to access alternative markets for their oil and gas. For instance, Russia is looking toward east and south Asian markets; Azerbaijan, Kazakhstan, and Turkmenistan are looking toward European markets; and Iran is hoping to become a regional hub for energy.

FORECASTING GEOPOLITICAL COMPETITION IN THE CASPIAN SEA REGION

This section is an attempt to forecast Caspian geopolitics in light of emerging realities in Eurasia. As a result of Crimea's incorporation

17. Aygul Ospanova, "Azerbaijan President, Turkmen Official Discuss Energy, Transport Ties", *Caspian News*, November 29, 2022, at <https://caspiannews.com/news-detail/azerbaijani-president-turkmen-official-discuss-energy-transport-ties-2022-11-29-53/>. Accessed on December 23, 2022.

18. Nigar Bayramli, "Iran, Russia Sign \$40 billion Energy Cooperation Deal", *Caspian News*, July 19, 2022, at <https://caspiannews.com/news-detail/iran-russia-sign-40-billion-energy-cooperation-deal-2022-7-19-0/>. Accessed on December 23, 2022.

19. SHANA Petro Energy Information Network, "Increased Energy Ties Key Topic in Caspian Talks", October 11, 2022, at <https://en.shana.ir/news/462904/Increased-Energy-Ties-Key-Topic-in-Caspian-Talks>. Accessed on December 23, 2022.

by Russia in 2014, the transit routes between Ukraine and other post-Soviet states were disrupted. The transit blockade of Ukraine by Russia compelled the former to explore new routes for trade. Around the same period, sanction was lifted against Iran as a result of the Joint Comprehensive Plan of Action (JCPOA). It permitted Iran (a Caspian littoral country) and Ukraine to forge ties. Both countries started taking interest in transport corridors, such as the South-West Corridor created by India, Iran, Azerbaijan, Georgia, Ukraine, and Poland; and Ukraine took steps to become a member of the Trans-Caspian International Transport Route (TITR). It involves the development of trade and economic ties between China and the EU by transit through Caspian states such as Kazakhstan and Azerbaijan. However, the event of February 2022 annulled all efforts toward the development of a transit corridor between the Caspian littoral states and Ukraine for the foreseeable future.

The most important question in the context of the ongoing Russian-Ukrainian conflict is the geopolitical future of the Caspian region. At the moment, three events are intertwined in Caspian geopolitics: (a) international sanctions imposed on Russia in reaction to its ongoing military operation in Ukraine; (b) international sanctions imposed on Iran due to its nuclear programme; and (c) Europe's growing interest in the Caspian energy field. With resentment growing against the US and Europe for their roles in the aforementioned incidents, three key regional players, Russia, Iran, and China, are likely to take an assertive attitude in reaction to the West's growing footing in the Caspian region.

Earlier, Russia focused on increasing control over the production and transportation of energy from the region to foreign markets and limiting the influence of external players such as the US and the EU. Russia even saw China's rise in the Caspian as a challenge.²⁰ However, the situation has drastically shifted in the recent past. The visit by US House Speaker Nancy Pelosi to Taiwan has left China fuming. This incident occurred amidst Russia's "special military operation" in Ukraine. As a result of these occurrences, Russia and China have

20. Karen Smith Stegen and Julia Kusznir, "Outcomes and Strategies in the 'New Great Game': China and the Caspian States Emerge as Winners", *Journal of Eurasian Studies*, 2015, vol. 6, issue 2, pp. 91-106.

turned to one another for support. For instance, President Xi Jinping expressed his willingness “to make efforts with Russia to assume the role of great powers”,²¹ and Putin reiterated Moscow’s support for China’s claims over Taiwan.²² Sharing a common anti-West position, China and Russia would not hesitate to confront Western powers in the Caspian region.

The success of the Southern Gas Corridor (SGC) has renewed interest in the Trans-Caspian Gas Pipeline (TCP) project. Increasing EU engagement in the region is likely to fuel the contentious issue of TCP among concerned parties, namely, Russia and Iran. The EU supports the TCP as it aims to diversify energy imports. In the past, the EU and the US have aligned when it comes to introducing the diversity of energy routes. However, both Moscow and Tehran are not in favour. Moscow is wary of attempts to strengthen the energy exports of Caspian countries as it would undermine its role in the region. Russia’s ongoing military operation is one illustration of how Russia will not tolerate outsiders’ involvement in its ‘near abroad’. Any endeavour toward fulfilling the project will push Moscow and Tehran to join hands. Due to their opposition toward the West, both are already getting closer. It can be witnessed in the recent energy MoU worth US\$ 40 billion signed between Russia’s Gazprom and Iran’s National Iranian Oil Company on July 19, 2022.²³ In a statement, the Supreme Leader, Seyed Ayatollah Ali Khamenei noted Iran’s position to end the war in Ukraine but simultaneously tagged the US and its allies as the root cause of the conflict. For instance, he said, “The United States has brought Ukraine to its current state.”²⁴ Undoubtedly, the extensive sanctions imposed on Russia will deepen

21. “Taiwan Warns Russia, China Ties ‘Harm’ International Peace”, *The Hindu*, September 16, 2022, at <https://www.thehindu.com/news/international/taiwan-warns-russia-china-ties-harm-international-peace/article65898043.ece>. Accessed on December 23, 2022.

22. *Ibid.*

23. “A Coalition of the Sanctioned: On Russia and Iran”, *The Hindu*, July 23, 2022, at <https://www.thehindu.com/opinion/editorial/a-coalition-of-the-sanctioned-the-hindu-editorial-on-russia-and-iran/article65666244.ece>. Accessed on December 23, 2022.

24. Silvia Boltuc, “Caspian Sea Summit Geopolitical Background”, *Geopolitical Report*, September 27, 2022, at <https://www.specialeurasia.com/2022/09/27/caspian-sea-summit-geopolitics-2/>. Accessed on December 23, 2022.

relations between Moscow and Tehran in the Caspian region. In the last three decades, regional and external players wove a tangled web in the region. In days to come, the Caspian region will witness polarised geopolitical competition; and Russia, China, and Iran will enter into an entente.

THE ROAD AHEAD FOR INDIA

Since the beginning of the conflict, all Caspian states are moving towards strengthening ties with each other through various bilateral and multilateral partnerships. At the multilateral level, Caspian riparian countries at the 6th Caspian Summit focused on the region's prospect of becoming a transit hub for the East-West and North-South Corridors. At the summit, Russian President Putin emphasised the need to improve the region's transport and logistic architecture and specifically highlighted the International North-South Transport Corridor (INSTC). Moscow sees the following significant reasons to support the region's infrastructure: access to new energy deficit markets of South Asia and South-East Asia; restraining the West from gaining access to Caspian energy sources; and undermining Western countries in their efforts to isolate Moscow.

From April 2022 onwards, India's import of Russian crude oil has increased. As TAPI's future is uncertain, the INSTC project holds a promising future for cooperation with Caspian countries for India. Earlier, in 2015, Indian Prime Minister Modi, underlining INSTC, said, "As we look forward, we would lend our support to improving transportation and communication networks in the region. We can create a vast network of physical and digital connectivity that extends from Eurasia's northern corner to Asia's southern shores. The International North-South Transportation Corridor is a step in that direction."²⁵ As an energy deficit country, one of the main objectives for India should be to envision the INSTC project as a prospective energy corridor for Caspian energy imports. For the INSTC to be successful as an energy transit corridor, the participating countries

25. Ajay Kaul, "India to become Full-time Member of Shanghai Cooperation Organization", *Livemint*, July 10, 2015, at <https://www.livemint.com/Politics/JlvJQba3SJHIoHcgFx3bRO/India-to-become-fulltime-member-of-Shanghai-Cooperation-Org.html>. Accessed on January 1, 2023.

need to come up with a uniform regional agreement on energy transit. Here, regional political cooperation amongst the Caspian states is the key to unlocking Caspian energy for India.

Second, the possibility of deep-sea routes has been debated earlier. For instance, the Middle East to India Deepwater Pipeline (MEIDP) project under South Asia Gas Enterprise Ltd. aims to transport natural gas from Gulf region to Gujarat/Maharashtra. Therefore, the possibility to merge the MEIDP energy corridor with that of INSTC route needs to be explored. It would be beneficial for both India and Caspian states to work on a multilateral regional energy framework in the region. It will provide Caspian states access to the world's third-largest energy-consuming economy, and provide India access to one of the important sources of global energy.