Central Asia
The political economy of resource dependency

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A considerable degree of immobility permeated the structure of Central Asia’s economic production after the collapse of the Soviet Union. The progressive entrenchment of authoritarian strategies of economic management has to date prevented the implementation of comprehensive reform agendas across the region: In 2016, the economic activity of post-Soviet Central Asia remained predominantly confined to the extraction and commercialisation of natural resources, just as it did in 1992. It is in the energy sector that Central Asia’s resource dependency has, however, come to the fore more visibly: Kazakhstan and Turkmenistan hold substantive hydrocarbon reserves, while Kyrgyzstan and Tajikistan feature a globally relevant hydroelectricity potential, thanks to their significant water resources. The extraction, transport, and ultimately the export of natural resources hence represent the cornerstone activities of the region’s political economy: It is precisely to the study of these processes that the present chapter will devote its core analytical attention. The chapter, however, will not delve exclusively into energy-related issues but, tellingly, will also put a premium on the identification of the resource dependency patterns that define Central Asia’s agricultural sector. By briefly looking at the region’s agro-industry – and most specifically Uzbekistan’s extreme reliance on cotton crops – this chapter intends to emphasise that production models centred on the exploitation of a single resource have ultimately entrenched a detrimental monoculture praxis across Central Asia.

The negotiation of resource usage pathways has to be seen as a crucial engagement mechanism connecting Central Asia’s resource-rich economies to their resource-poor neighbours. From the relatively easy finalisation of transit deals for oil and gas pipelines to the enormously complex management of the region’s shared hydro-politics, Central Asia’s political economy of resource dependency can be analytically reduced to a compromise between haves and have-nots. As this chapter will argue, the establishment of a viable path to regulate Central Asia’s shared resource usage has been so far obstructed by the progressive entrenchment of authoritarian strategies of resource management across the region.

The political economy of Central Asia’s energy resources

Central Asia’s contribution to the economic activity of the Soviet Union (USSR) was limited to the production of raw materials to be processed in regions of the USSR with a
higher degree of economic complexity (Nove 1977). Hydrocarbons extracted in Kazakhstan and Turkmenistan were exported to the centre of the Union through a slowly expanding pipeline system, while cotton from Uzbekistan and Turkmenistan was sent to manufacturing establishments scattered around the vast Soviet territory. The negative effects of economic over-reliance on natural resources were mitigated by the artificial pricing system in force in the Soviet Union and the overarching logic of intra-Union trade, which ensured relative stability for the essentially unsophisticated economies of Central Asia.

The collapse of the Soviet Union and the achievement of independence thrust the Central Asian republics onto the global economic scene. In terms of production structure, it may be argued that no significant change had since then occurred within the economic activity of the region’s energy-exporting countries. Kazakhstan and Turkmenistan emerged as the big winners of the sudden transfer to market prices that accompanied Central Asia’s access to global economic relations (von Hirschhausen & Engerer 1998): In 1992, the governments in Almaty and Ashgabat began to reap much higher revenues for selling stable amounts of oil and gas.

A second set of domestic political considerations obstructed the development of the non-energy sector within the Turkmen and the Kazakhstani economies. The establishment of non-transparent strategies of revenue management allowed the emerging regimes in Almaty/Astana and Ashgabat to syphon off increasingly substantive amounts of revenues from their state’s official budgets, transforming oil and gas largesse in a driver for corruption, cronyism, and patronage (Pleines & Wöstheinrich 2016). With no incentive to introduce any change in their structure of production, the economies of Kazakhstan and Turkmenistan continued to be dominated by the extraction and the export of hydrocarbons, enhancing in the long run the regimes’ intrinsic dependency on energy resources.

The oil sector does currently account for a quarter of Kazakhstan’s GDP and, most crucially, more than 60 per cent of its total exports (Voloshin 2015a). Kazakhstan’s oil reserves, estimated in 2014 at 30 billion barrels (EIA 2015), are the largest in Central Asia and the eleventh in the world. Kazakhstan is also the second largest oil producer in the former Soviet Union: In 2014, total crude production was estimated at 1.70 million barrels per day (EIA 2015). Throughout the post-Soviet era, the progress of exploration and extraction activities in three giant fields facilitated the substantive growth experienced by Kazakhstan’s production capacity. Two onshore fields situated in the country’s western regions – Tengiz and Karachaganak – currently account for nearly half of its total crude production (Badykova 2015): Future growth is hence essentially linked to the development of the Kashagan offshore field, which is, in turn, located in the Kazakhstani sector of the Caspian Sea. A comprehensive pipeline network has been steadily developed by the government in Astana in order to overcome the export limitations imposed by Kazakhstan’s landlockedness.

In mid-2016, Kazakhstani oil is mainly exported through three pipelines. The Uzen-Atyrau-Samara (UAS) pipeline connects Kazakhstan to the Russian distribution system, facilitating in this sense the eventual export of Kazakhstani crude to non-CIS markets. Initially operated through the Soviet oil transit network, the UAS pipeline has represented the main export route for Kazakhstani crude: In 2014, after extensive renovation works carried out by Kazakhstan’s state oil company – KazMunaiGas (KMG) – the UAS pipeline carried a total volume of 14.6 million tons of crude oil (KazMunaiGas a).

The pipeline system operated by the Caspian Pipeline Consortium (CPC) connects the oil fields located in Western Kazakhstan to the Black Sea port of Novorossiysk (Russian Federation). The CPC entered into line in October 2001, when it came to represent the first significant expansion of the Kazakhstani energy transit network concluded in the post-Soviet
KMG and the Russian government are key CPC stakeholders, with combined shares that account for 43 per cent of the total; a further 15 per cent of the consortium’s shares is, in turn, held by Chevron. The year 2014 saw the CPC system – the total length of which does currently exceed 1,500 kilometres – pumping a record volume of 40 million tons of crude oil (Caspian Pipeline Consortium).

The most recent evolution of the Kazakhstani pipeline system has witnessed the progressive strengthening of Astana’s energy linkages with China. The development of a pipeline network transporting crude from Kazakhstan’s western regions to the Chinese border represented a massive endeavour upon which a consortium involving KMG and the China National Petroleum Corporation (CNPC) embarked from the mid-2000s onwards. The successive openings of two separate pipelines – which have been built through debt financing guaranteed by CNPC – facilitated the commercialisation of Sino-Kazakhstani oil relations: At the end of 2014, total crude volumes delivered by Kazakhstan at the Chinese border amounted to 11.7 million tons (KazMunaiGas b).

The crystallisation of global energy relations predicated on low prices is severely impacting on Kazakhstan’s oil industry, and, more broadly, it appears to have drastically curtailed Kazakhstan’s economic prospects. Beyond a fundamental need for wider economic diversification, the Kazakhstani government is now tasked with significantly expanding its oil production, with the view to offset the decline in energy revenues instigated by low commodities prices. And it is precisely at this juncture that the failure experienced by the operationalisation of the Kashagan oil field comes to hold critical importance for Kazakhstan’s future economic performance.

Discovered in 2000 and named after a Kazakh poet from Mangystau (west Kazakhstan), this giant offshore field has a potential of 38 billion barrels of oil, of which at least 13 billion appear to be fully recoverable (Campaner & Yenikeff 2008). The initial development of the Kashagan field was supported by significant amounts of capital – approximately US$50 billion (Farchy 2014) – injected by a large consortium that includes KMG, ENI, Royal Dutch Shell, Total, and ExxonMobil. On 11 September 2013, after years of delay, the North Caspian Operating Company – which is leading the implementation stage at Kashagan – finally commenced its production activities. Operational success was nevertheless short-lived: In October 2013, the discovery of numerous leaks in the pipes connecting the field with the Kazakhstani shore led to production suspension (TengriNews 2013). Commercial production at the Kashagan field restarted in September 2016.

An even greater degree of resource dependency comes to the surface when our analytical attention shifts onto the Turkmen economic landscape. To all intents and purposes, Turkmenistan features a rentier economy, of which the largest income is represented by externally generated revenues that are managed by a very small segment of the essentially non-democratic Turkmen élite (Beblawi & Luciani 1987, 12). In 2014, the energy sector accounted for 35 per cent of Turkmenistan’s GDP, 90 per cent of total exports, and 80 per cent of fiscal revenues (World Bank 2015). Turkmenistan’s dependency on its natural gas industry, encapsulated with greater precision by the latter proposition, is hence reminiscent of the oil-dominated economies of the Arab Gulf.

As of January 2015, Turkmenistan’s total reserves of natural gas were estimated at 215 trillion cubic feet (EIA 2016). Exploration and production activities are strictly controlled by the authoritarian regime led by Gurbanguly M. Berdymuhamedov: The Turkmen gas sector is in this sense participating directly in the technologies of power devised by the élite in Ashgabat. Throughout the post-Soviet era, the internationally isolated Turkmen state has endeavoured to systematically block the access of international energy companies to its
onshore fields: Successive regimes categorically refused to conclude any production sharing agreement (PSA) with foreign companies. The exception to this norm has been represented by the multibillion PSA signed in 2009 with CNPC to regulate exploration and development activities at the Bagtyýarlyk cluster field (Lebap region, northeast Turkmenistan). Strict policies of impermeability from cooperation with foreign partners led Turkmenistan’s energy industry to be state-centred: Virtually 100 per cent of oil and gas production – with the notable exception of the volumes extracted at Bagtyýarlyk – continues to be dominated by the two state concerns, namely Türkmengaz and its petroleum counterpart Türkmennebit.

While Turkmen oil is mostly used for domestic consumption as well the production of electricity and petrochemicals, the export of natural gas has to be seen as the most vital economic activity performed by post-Soviet Turkmenistan. The majority of accessible reserves are located in the Galkynysh field (Mary region) – the world’s second-largest natural gas field – the Bagtyýarlyk cluster area, and the Turkmen sector of the Caspian Sea. Internal gas transit takes place via the so-called East-West pipeline, which links up the two branches of the old Soviet natural gas pipeline, connecting major gas fields located in the eastern Mary region and the western Balkan velayat (Natural Gas Europe 2015).

When it comes to natural gas exports, geography may be said to have constrained the options available to Turkmenistan. Throughout the post-Soviet years, the Turkmen regime managed to commercialise its gas relations with three key partners: namely, the Russian Federation, the People’s Republic of China, and the Islamic Republic of Iran.

Energy trade with Russia has traditionally been conducted through the Central Asia-Centre (CA-C) gas pipeline, built in Soviet times and incorporated in the Gazprom transit network after the demise of the USSR. For much of the post-Soviet era, the CA-C pipeline continued to pump the bulk of the natural gas exported by Turkmenistan. As the Niyazov regime came to equate its short-term stability with the preservation of a stable inflow of gas revenues, Turkmenistan’s dependency on the old Soviet pipeline led to the consolidation of an essentially monodirectional form of gas commerce. The Turkmen natural gas sector became in this sense an integral component in the transit monopoly that Gazprom enforced over much of Eurasia for the 1990s and, to a lesser extent, the 2000s. A closer look at the commercial framework operating through the CA-C pipeline reveals the many constraints that gas rentierism has to date imposed upon the wider Turkmen economy. The periodic eruption of gas disputes involving the regimes in Ashgabat, their Eurasian customers, and the Gazprom leadership had punishing effects on Turkmenistan’s economy and, at other times, its wider society. In 1997, the Turkmen economic performance experienced a significant contraction as a result of the suspension of gas shipments to Ukraine (Sagers 1999). In 2003, Turkmenistan’s ethnic Russian population became a pawn in the resolution of a pricing dispute between Saparmurat A. Niyazov and Vladimir V. Putin (Torbakov 2003). In 2009–2010, Turkmen GDP shrank by 25 per cent after an explosion in the Uzbek sector of the CA-C pipeline instigated a prolonged interruption of Turkmenistan’s gas deliveries to Russia (Vasánczki 2011). While it guaranteed, on the one hand, a relatively steady revenue inflow, Gazprom’s transit monopoly exerted, on the other, a series of destabilising influences over Turkmenistan. It is precisely to contain such negative repercussions that the leadership in Ashgabat engaged in a protracted, and ultimately successful, policy drive to expand the geographic breadth of Turkmenistan’s gas export routes.

This policy drive culminated in the opening of the Central Asia-China natural gas pipeline (December 2009). A landmark development in the geopolitics of Eurasian natural gas, this pipeline came to represent the first export route operating beyond the Gazprom transit monopoly. The entry into line of the Central Asia-China pipeline ushered in a new era of
multidirectionality for the gas policy of the Turkmen state but, paradoxically, ended up entrenching even further the regime’s extreme economic reliance on natural gas exports. At the time of writing, over 80 per cent of the gas exported by Turkmenistan is pumped through the Central Asia-China pipeline (BP 2016). In early 2016, Gazprom opted to suspend any future purchase of Turkmen natural gas (RIA Novosti 2016).

The five years that have followed the opening of the pipeline witnessed in this sense the conclusion of a parabolic evolution through which China progressively emerged as the key partner in the Turkmen energy trade system. To understand more profoundly the implications of growing Chinese centrality vis-à-vis Turkmenistan’s economic relations, it might be worth taking a further look at the financing structure that supported the construction of the Central Asia-China natural gas pipeline. CNPC financed the construction of the pipeline and, most significantly, the exploration and extraction activities conducted at Galkynysh, one of the giant fields that produce the volumes of gas currently traded between Turkmenistan and China. The repayment of the debt that Turkmenistan contracted during the pipeline construction is currently executed by sending to China undisclosed volumes of free-of-charge gas. As a consequence, Turkmenistan is reaping less significant revenues for selling a virtually unchanged quantity of natural gas. For an essentially mono-resource economy, this scenario appears to be thoroughly unsustainable.

This short overview of the industrial and commercial frameworks that are regulating the energy sectors in Kazakhstan and Turkmenistan revealed in full the low sustainability of the economic strategies currently pursued by the élites in Astana and Ashgabat. While, on the one hand, Kazakhstan faces a series of apparently unsurmountable problems in its efforts to boost current levels of oil production, on the other hand, Turkmenistan is experiencing an unprecedented export crisis, which has seen a return to essentially monodirectional energy trade relations. As the key short-term effects of resource dependency remain intimately connected to the stabilisation of local authoritarian governance, policymakers in Kazakhstan and Turkmenistan are nevertheless likely to ignore the long-term implications of such pronounced unsustainability.

Economic over-reliance on natural resources is hence expected to continue, in spite of the many problems that are currently affecting the financial and operational structures entrusted to oversee the energy industries in question. Kazakhstan’s Sovereign Wealth Fund – Samruk-Kazyna – has been recently depleted in order to soften the impacts of the crisis affecting the Kazakh economic at large: The assets managed by the fund have fallen by 16 per cent to US$64.2 billion in just 18 months between 2014 and early 2016 (Mooney 2016). Türkmengaz, on the other hand, is experiencing what seems to be a multifaceted crisis: Behind the wall of silence imposed by official media, a combination of significant financial loss, massive layouts, workers’ turmoil, and lack of expertise is currently affecting the capacity of the Turkmen state concern to deliver the ambitious gas agenda designed by Berdymuhamedov and his close associates (Pannier 2016).

The placement of resource dependency at the core of the authoritarian stability of both Kazakhstan and Turkmenistan prevented in this sense the formulation and the implementation of economic development programmes that are divorced from the hydrocarbon sector. The crystallisation of low oil prices revealed in full Kazakhstan’s unpreparedness to face major economic shocks: The slower GDP growth rates experienced in 2014 and 2015 (ADB 2016) forced the government in Astana to redistribute funds allocated to Samruk-Kazyna into several packages of economic stimulus, including the Nurly Zhol programme (Lillis 2014). To this end, the Nazarbayev regime had to abandon its timid economic diversification agenda, which aimed to attract investment in the non-oil sector by strengthening transport
infrastructure in the Kazakhstani periphery while bolstering the state’s central institutional framework (World Bank 2015).

No visible move has been made towards the expansion of Turkmenistan’s non-energy sector. In 2014 and 2015, the rapid decline of commodities prices forced the suspension of long-term subsidisation practices, rewriting in this sense the authoritarian energy contract (Balmaceda 2014) between the regime in Ashgabat and the wider Turkmen population. Turkmenistan’s future plans for economic development thus continue to revolve around the maximisation of its natural gas potential via the construction of a series of export routes targeting South Asian markets or, alternatively, potential buyers located in the European Union. Continuous reliance on export pipelines is intended to preserve, for all intents and purposes, the élite’s unchecked access to non-transparent methods of revenue management, entrenching in this sense corruption practices that have to date defined the Turkmen version of economic rentierism.

In post-Soviet Central Asia, the political economy of resource wealth crystallised very exclusionary praxes of endowment management. Energy security, in both Kazakhstan and Turkmenistan, became instrumental – and in some sense equivalent – to regime stability. Similar dynamics, as the next segment intends to demonstrate, also defined the economic development strategies devised in the region’s energy-poor countries.

The political economy of Central Asia’s water resources

The complexity underpinning Central Asia’s patterns of resource dependency – and their correlation with the region’s political economy in particular – emerges most strikingly when analysing the energy balances of Kyrgyzstan and Tajikistan. As net hydrocarbon importers, Central Asia’s least-performing economies are connected with the Eurasian oil and gas markets through an intricate, and generally unstable, web of energy deals.

Domestic crude production is only sufficient to meet 3 per cent of Kyrgyzstan’s total demand (Yuldashev & Sahin 2016): The government in Bishkek, as a consequence, purchases most of its oil from the Russian Federation, and it continues to be dependent on natural gas imports from neighbouring Uzbekistan. This is not, however, to say that the Kyrgyz Republic has generally enjoyed a steady energy supply. In 2014, a prolonged transit dispute with Kazakhstan led to the interruption of oil deliveries from Russia (Eurasianet 2014). Bishkek’s tumultuous gas relationship with Uzbekistan has similarly been defined by frequent disruptions in the natural gas flows directed to Kyrgyzstan (RFE/RL 2014).

Tajikistan’s hydrocarbons imports are essentially limited to natural gas: For much of the post-Soviet era, the Tajik internal demand was met almost entirely through the volumes purchased from Uzbekistan. Tajikistan’s total gas imports decreased rather significantly between 2000 and 2011 (Fields et al. 2013, 37); due to its rather poor economic performance, however, the Tajik state regularly delayed the payment of increasingly smaller gas volumes. The commercialisation of Tajikistan’s gas relations with Uzbekistan has similarly been defined by frequent disruptions in the natural gas flows directed to Kyrgyzstan (RFE/RL 2014).

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Electricity production via renewable sources does hence have to be seen as a very critical component in the energy security paradigms framed by the leaderships in Bishkek and Dushanbe. The impressive hydropower capacity held by Kyrgyzstan and Tajikistan might hold the key to future energy security: In this context, however, the gap between potential and actual production capacity remains quite significant. Official sources have reported that
Tajikistan’s total hydro potential might amount to 527 billion kWh (TAJ Hydro); at the time of writing, however, 95 per cent of this potential remains untapped. Hydroelectricity accounts for 30 per cent of Kyrgyzstan’s total energy primary supply (ADB). It might be, however, noted that current production represents less than 10 per cent of the total hydro potential held by the Kyrgyz Republic.

Unstable supply of hydrocarbons and insufficient hydroelectricity production have frequently plunged Kyrgyzstan and Tajikistan into rather dramatic energy crises. In recent years, the residential energy usages in both countries have been severely restricted and came to regularly experience protracted interruptions. Running large energy deficits posed significant problems at peak usage time, especially during Central Asia’s notoriously rigid winters (Najibullah 2008; Times of Central Asia 2014). The political implications of such recurrent energy crises have been rather significant: In 2010, the energy insecurity of the Kyrgyz population played a key role in igniting the spark that led to the overthrow of the regime headed by Kurmanbek Bakiyev (Wooden 2014).

The endemic energy instability affecting Kyrgyzstan and Tajikistan has to be regarded as a visible indicator of the wider distribution breakdown that defined the political economy of Central Asia’s natural resources in the post-Soviet years. Minimal interstate cooperation to establish mechanisms of collective management for shared water resources emerged as the key factor that, while placing hydro-politics at the epicentre of Central Asia’s energy security dynamics (Perelet 2008), brought a peculiarly twisted logic of resource dependency at the core of the policymaking milieux of Kyrgyzstan and Tajikistan.

To date, the five Central Asian republics have failed to reach any consensus on the most effective option for the collective use of regional water resources, debating ad infinitum whether Central Asian water is best used for summer irrigation or to produce electricity for heating in the winter. This specific failure hit most severely the upstream states in the Syr Darya and Amu Darya fluvial basins, curtailing Kyrgyzstan’s and Tajikistan’s capacity to maximise their respective electricity generation capacity at times of peak usage. Kyrgyzstan and Tajikistan have also been penalised by the reportedly over-inflated prices that the leaderships of Central Asia’s downstream (and hydrocarbon-rich) states usually impose on fuel exports (Pannier 2009). As several intra-regional agreements regulating hydro-energy cooperation continue to be violated quite regularly (Mirimanova 2009), Central Asia’s uneasy water-energy-agriculture nexus is the most visible manifestation of the fundamental breakdown characterising the regional resource distribution network (Gleason 2001). A cursory look at the Central Asia’s electricity grid might lend further weight to the latter proposition.

The Central Asia Power System (CAPS) – the region’s integrated power grid – has seen the successive withdrawals of Turkmenistan (2003), Kazakhstan and Uzbekistan (2009). A shaky combination of bilateral agreements and state-based power grids is therefore regulating Central Asia’s electricity transmission, leaving the region’s key producers with very little room to export electricity within their immediate neighbourhood. For the leaderships in Bishkek and Dushanbe, extra-regional trade might then offer some incentive to increase current hydroelectricity production capability: The very low viability of distribution networks aimed at integrating Central Asian producers with South Asian buyers – including the most controversial CASA-1000 scheme – does nevertheless cast more than a shadow on Kyrgyzstan’s and Tajikistan’s future options for electricity export.

A multifaceted range of exogenous influences limited the capacity of both Kyrgyzstan and Tajikistan to identify viable options to develop and commercialise their natural resources, and water more in particular. At the same time, the idiosyncratic forms of governance consolidated in Bishkek and Dushanbe posed equally significant hurdles to the endowment
management praxis that crystallised across the two economic landscapes examined here. Further light on this particular proposition might be shed by focusing on two specific resource-related projects.

The Rogun Dam project has come to incarnate many of Tajikistan’s energy dreams, becoming a central element in key nation-building narratives associated to the development of the national hydroelectricity sector (Menga 2015). While its implementation has been discussed for at least four decades, the Rogun project – a giant dam with a prospected annual capacity of 3.6 billion kWh (Muzalevsky 2010) – emerged as the cornerstone of the development policies framed by the authoritarian regime led by Emomali Rahmon. An infinite series of issues have so far slowed down progress at the Rogun site: Tajikistan’s endemic corruption and, to a lesser extent, its problematic relations with neighbouring (Uzbekistan) and more distant (Russia) partners have to be regarded as the most serious obstacles impeding the construction of the dam (Marat 2010).

The open-pit gold mine located in Kumtor represented a major contributor to Kyrgyzstan’s post-Soviet economy: In 2014, the mine produced approximately 7.4 per cent of the Kyrgyz GDP, while its output amounted to almost a quarter of the total industrial production in the Kyrgyz Republic (Kumtor-CenterraGold 2014). A long-term controversy surrounded Kumtor’s ownership structure, which has seen Canadian company Centerra holding 100 per cent of the mine shares for much of the post-Soviet era. Successive contract renegotiations increased to almost 33 per cent the quota of shares held by KyrgyzAltyn – a company fully controlled by the Kyrgyz government (Dzyubenko & Rocha 2015). Several observers highlighted the negative counter-effects of the production activities conducted at the mine, which are nevertheless expected to cease in 2026. On the one hand, extraction at Kumtor is said to have failed to bring real benefit to Kyrgyzstan’s economy, and more in particular to the villages located in the immediate proximity of the mine (Engvall 2013). Production activities at Kumtor, on the other hand, attracted loud domestic and international criticism for their perceivably disastrous impact upon Kyrgyzstan’s environmental security (Kronenberg 2013).

Extreme dependency on the extraction of finite resources (Kumtor) or the over-reliance on planned, and most likely unviable, infrastructure mega-projects (Rogun) have signalled the consolidation of rather inefficient resource management strategies across Kyrgyzstan and Tajikistan. It is perhaps for this very reason that the overall economic sustainability of the regimes in Bishkek and Dushanbe has become dependent on another form of economic rent, namely the financial remittances sent home by migrants working in Russia or, to a much lesser extent, Turkey and Kazakhstan. The degree to which the economies of the states in question have become remittance-dependent is quite striking: In 2010, 31 per cent of households in Tajikistan reported a 100 per cent remittance-based income; for a further 60 per cent of Tajik families, money remitted from abroad constituted more than half of their total income (ILO 2010). In 2009–2014, the ratio of remittance inflows over Kyrgyzstan’s total GDP averaged between 25 and 30 per cent (UNDP Eurasia 2015, 27). The economic volatility recently experienced across post-Soviet Eurasia eroded the capacity of Central Asian migrants to remit money to their countries of origins: In the first semester of 2015, total remittances from Russia to Tajikistan fell by 44 per cent on year-on-year basis, while money flows directed to Kyrgyzstan had decreased by over 30 per cent (The Economist 2016). The unsustainability of this dependency mechanism is hence evident: An externally generated form of rent facilitated the leaderships in Bishkek and Dushanbe in delaying the implementation of much-needed domestic programmes of economic reforms. Mutatis mutandis, extreme remittance-dependency, in the Kyrgyz and Tajik contexts, serves the same
authoritarian purposes that oil and gas largesse might be said to have pursued in Kazakhstan and Turkmenistan, insofar as it bolsters the present authoritarian power of established élites without adequately preparing the national economies for future shocks.

A rapid look at the regional agricultural sector highlights a further dependency pattern underpinning the management strategies of Central Asia’s non-energy resources. Cotton harvest and lint production, since the Soviet era, have represented the key activities performed by the Uzbek agro-industrial sector: In 2009, the cotton industry was employing almost a third of the entire Uzbek agricultural workforce and contributed to 25 per cent of the foreign exchange revenues reaped by Uzbekistan (Djanibekov et al. 2010, 1). The Uzbek cotton industry continues therefore to hold a global relevance: At the time of writing, Uzbekistan is ranked amongst the world’s top five exporters and producers of the so-called white gold (RFE/RL 2013). More importantly, cotton production and exports have to be seen as a crucial economic stabiliser for the regime led by Islam Karimov: The Open Society calculated that, in 2012, the agro-industrial conglomerates that oversee the entire cotton production cycle – growth, harvest, and ginning – accounted for approximately 25 per cent of total GDP (Muradov & Ilkhamov 2014).

The political and environmental costs associated to what is essentially a monoculture are, however, enormous. To maximise its cotton production, the Uzbek regime assembles every year a programme of compulsory labour that, at the time of harvest, does not usually exclude children, students, teachers, and other workers usually employed in the non-agricultural sector (ICG 2005). This practice attracts annual waves of external criticism, which are ultimately increasing the international isolation of the Karimov regime. So far as the environmental implications of Uzbekistan’s cotton monoculture, the preponderance of a water-intensive crop across the Uzbek agro-system exasperated water scarcity in the Aral area, while increasing exponentially the salinisation of irrigated areas (Abdullaev et al. 2007, 126).

Uzbekistan’s approach to cotton production confirms that, yet again, the domestic political considerations of Central Asia’s non-democratic leaderships tend to instigate resource management paradigms in which the population’s present welfare and the security of the wider ecosystem – and thus the long-term stability of the state as a whole – are systematically ignored.

**Concluding remarks**

The management of resource endowments has to be seen as the most critical economic activity that is performed today in post-Soviet Central Asia. By commercialising their hydrocarbon reserves, exploiting their water resources, or exporting globally significant quantities of cotton, the Central Asian states established a development model that features many – and, in some more extreme cases, all – characteristics of economic rentierism. Natural resources are a primary contributor to Central Asian GDPs, dominate the export structures of the regional economies, and the revenues deriving from their commercialisation support quite decisively budgetary stability across the region. The political economy of post-Soviet Central Asia is, to all intents and purposes, a political economy of natural resources.

It is with an authoritarian agenda in mind that Central Asia’s resource endowments are, however, managed. The conspicuous absence of long-term considerations – related to economic diversification, future export viability, and environmental security – has characterised very profoundly the processes through which Central Asia’s resources are exploited, developed, and commercialised. There is in this sense an intimate correlation between the economy of resource management and the crystallisation of authoritarian forms of
governance across the region. This correlation explains the slow pace at which economic reforms have been introduced in Central Asia since the collapse of the Soviet Union.

This overview chapter argued that the resource management strategies implemented in the region are ultimately integral to the technologies of power supporting Central Asia’s authoritarian regimes. When related to economic and environmental issues, these strategies’ long-term sustainability remains questionable; their immediate contribution to regime stability, on the other hand, continues to define the short-term configuration of Central Asia’s political economy.

Notes

1 In this chapter, the term Central Asia indicates the ensemble of the five post-Soviet republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

2 A more relaxed policy applied to natural gas fields located in the Turkmen sector of the Caspian Sea. In this context, the finalisation of numerous PSAs with foreign companies sped up the development of offshore fields, including those located in the Cheleken area and operated by the UAE company Dragon Oil.

3 Undisclosed volumes of gas traded between Turkmenistan and China are produced under PSA conditions at the Bagtyýarlyk cluster field.

4 Official data reported that, in early December 2014, approximately 4.5 million Central Asian migrants were living in the Russian Federation (Malyuchenko 2015).

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