

Regional conflict over water in Central Asia

A new model of
decentralised energy
relations

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The mismanagement of water resources in Central Asia, arising from their asymmetric regional distribution, has become a global risk. Thus the situation has gone from being considered as extremely unstable to being defined as a crucial security issue. The solution proposed has been that of a regional exchange of energy for water. However, this is not the answer. The reasons are those derived from: a) the intrinsic characteristics of political regimes in the oil-exporting countries, and b) the absence of a regional conceptual framework in a new, post-Yalta, international theatre which has not yet been understood. Therefore, this policy paper poses the need to define a new region, a new energy policy and a new framework for analysing them.

Context

Since the so-called Earth Summit in Rio de Janeiro in 1992, with its subsequent follow-up events every five years until the recent Rio+20 (2012), there has been a proliferation of regional and sub-regional initiatives aimed at putting into effect the declaration and the other results of the Summit. Specifically, many forums have been held with the objective of establishing programs along the lines of what was agreed at a worldwide level at Rio in 1992, or of applying regionally some of the conventions adopted twenty years ago. Asia, and Central Asia in particular, has been no exception. This process involves accepting, or tacitly recognising, that the various regional and local agendas form a part of global problems.

Many years after Rio, in 2008, the European Union noted that the most sensitive environmental issue in the Central Asian region was water management, an issue which, if not properly addressed, could in the medium term become a serious security problem for the whole region. A report on Tajikistan, published in

May 2012 by the International Organisation for Migration (IOM), was devastating in this regard, stating literally that: *“In recent years, the population of Tajikistan has been experiencing negative consequences from environmental degradation for numerous reasons [...including...] widespread violation of the environment. [...] The population of Tajikistan considers droughts, [and] the shortage of potable and irrigation water [...] as their major problems”*.¹

The following month, in June 2012, on the occasion of the appointment of a new EU representative for Central Asia, Ms Patricia Flor, the panel of experts of the Europe-Central Asia Monitoring Program (EUCAM) called on the new representative to take the lead in resolving regional conflicts over water, given that this is a crucial issue with significant security implications for the development of the area, and since, according to EUCAM *“disputes over water have acquired a national security dimension and can no*

¹ IOM, *Environmental Degradation, Migration, Internal Displacement, and Rural Vulnerabilities in Tajikistan*, May 2012, p. 8.

longer be viewed only through the lens of improved environmental management.”²

The three preceding paragraphs are the summary of a practically lost decade in which poor water management turned into a serious environmental tragedy — symbolised by the disappearance of the Aral Sea. This in turn is the core of regional conflicts that are transforming themselves into a global security problem, going beyond the borders of a Central Asian region made up of the so-called *five Stans* (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan).

How was this problem created?

The disintegration of the USSR brought with it the emergence of a space which, in terms of managing its natural energy and water resources, must face up to a very unusual situation, for two reasons:

a) because the management of the energy and water supplies, which were previously centrally controlled within a single state, now has to be carried out within the framework of five new independent countries whose distribution networks — previously integrated within the Soviet system — were broken down by the collapse of the USSR;

b) because this management has to be effected in a region with an asymmetric distribution of natural resources; this is summed up in the fact that two countries in the region (Kyrgyzstan and Tajikistan) are rich in water, while the rest (especially Kazakhstan and Turkmenistan) are rich in fossil primary energy

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sources (hydrocarbons and coal).

In Soviet times this unequal structure did not have substantial effects on energy needs nor on irrigation and water consumption in the area, because the planning system, although highly questionable in environmental terms, was effective for its own purposes, with fossil fuels (especially coal) being used as an energy source, while the use of water for irrigation was prioritised.

Today things have changed: Central Asia is a transnational region with a shared water use, but with a skewed distribution of resources which leads to an energy supply which is also unequal. We believe that this situation can potentially provoke conflict at regional level, because it induces water-rich countries (Kyrgyzstan and Tajikistan) to use this resource as a “weapon” to blackmail their neighbours and to plan overblown projects, such as the Roghun dam, to produce and export hydroelectric energy. The consequences of this project would be the end of farming in Uzbekistan and other downstream countries, and the worsening of the ecological, human and economic catastrophe as a result of the total desiccation of the Aral Sea.

Analysis

The multilateral organisations that have dealt with this situation define it as extremely unstable³ and propose an exchange between water and fossil energy.

In contrast, in this policy paper we will argue that the commercial regional management of natural resources is not possible where, as occurs in the case of Central Asia, an asymmetric regional distribution of natural resources, in which one of these resources is the key source of energy for the world economy, exists in combination with processes of nation-building. In this situation, the proposed solution favours conflict more than it does cooperative solutions.

The regional exchange of energy for water has the objective of avoiding a situation where the upstream countries on the Amu Darya and the Syr Darya rivers regulate their dams — both existing and future — solely in terms of their hydroelectric power generation needs, while ignoring the irrigation needs of downstream countries. The two uses are not totally incompatible; the season in which water is most needed to irrigate fields is different from that in which it is most required to produce hydroelectric power. The reasons for not exclusively prioritising hydroelectricity are twofold: firstly, to maintain all the agricultural activity in the region; and secondly, to avoid — if this is still possible — the total disappearance of the Aral Sea and of its physical and human ecosystem.

In practice, for this proposal to go ahead it is necessary for the three hydrocarbon-rich countries of the region, especially Kazakhstan and Turkmenistan, to choose to use their energy resources to produce energy for the *five Stans*, rather than for export outside the region. In other words, it means that the governments of countries whose land is rich in hydrocarbons would have to give up, at least partially, the use for internal

² EUCAM Policy Brief / No. 24, *Ten tasks for the new EU Special Representative to Central Asia*, June 2012, p. 2.

³ Eurasian Development Bank, *Water and Energy Resources in Central Asia: Utilization and Development Issues*, April 2008; World Bank, *Water Energy Nexus in Central Asia. Improving Regional Cooperation in the Syr Darya Basin*, January 2004.

purposes of foreign exchange earnings derived from the sale of oil abroad.

The internal use of oil revenues, notwithstanding the particular specificities of the case of the five *Stans*, has some similarities, at least at the conceptual level, with the Arab members of the Organisation of Petroleum Exporting Countries (OPEC). Although it is in a context and an international energy scene which are very different from those of the twentieth century, it can be said that at least Kazakhstan and Turkmenistan show what is known as “rentier” behaviour. From our point of view, they share three characteristics with the Arab OPEC countries:

- a) They are countries whose subsoil is rich in energy resources;
- b) They are countries whose appearance — creation or independence — coincides with the fact of becoming exporters of energy resources, which means a surge in foreign exchange earnings from exports;
- c) They are countries with authoritarian regimes.

In the case of the Arab OPEC countries, a brief historical overview would show that in all of them the processes of national creation, affirmation or independence were associated with the nationalisation of the hydrocarbon sector. Additionally, that in all these processes of nation building, the social contract forged in that moment is one whose operation is the opposite of that of modern democratic states: from the definition of a national citizen as someone who pays taxes based on the income they obtain for their work, they shift to the definition of a citizen as one who receives income from oil.

The corollary of this is that in rentier countries, “national identity” is tied in with the internal management of oil revenues. In all cases, the governments of oil rich Arab countries considered hydrocarbons — or the distribution among the population of the incomes derived from them — to be their main instrument of public intervention. Therefore, with regard to the use of their hydrocarbons, except when there were conflicts with Israel, individual-nationally based strategies always prevailed over regional-cooperative ones. Two facts demonstrate this. The first is that none of them, even when this was economically the most rational and least costly option, has ever wanted to share with their neighbours the management of their oil reserves. On the contrary, as shown by the relations between Tunisia and Libya in the 1970s and by the successive Gulf Wars, they have traditionally confronted each other over them. The second is that OPEC, one of the world’s most famous cartels, is the least consolidated exporters’ group on the planet. Unlike the coffee or cocoa cartels, OPEC does not even have sanctions for the breach of quotas, and in the oil boom years countries systematically attempted to “steal” each other’s national quotas.

Thus, if we draw a parallel between the *Stans* rich in energy resources and the traditional Arab OPEC

countries, we reach the conclusion that in those nations whose birth or creation goes along with a surge in the export of energy resources the political regimes tend to prioritise a definition of national identity which excludes the regional aspect. The exception in the case of the Arab countries has been when a common threat (Israel) or a common cause (pan-Arabism) was perceived. But even on these occasions, cooperation was ephemeral. The corollary of this is that the governments of the rentier *Stans*, by their internal operating logic, will always give precedence to the individual-national function of hydrocarbons (their financial function as a source of the maximum amount of foreign currency through their sale on the international market) over their regional function (the energy function of hydrocarbons, permitting the generation or exchange of energy at a local level).

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Moreover, this is a process that reinforces itself and, as is shown by the case of OPEC, it does not by itself lead to cooperative solutions. It remains to be seen whether the five *Stans* perceive the lack of water as a common threat or its sharing as a common cause so that, as occurred in the countries with which we have compared them, they can reach an agreement. However, objectively, the conditions for this do not exist.

To this we must add the fact that the emergence of Central Asia within the international energy context is occurring in a situation which is diametrically opposed to that which saw the birth of OPEC. The process of reconstruction of the chains of energy and for the exploitation of natural resources in Central Asia, following the breakup of the Soviet Union, is happening in a context of an energy transition on a global scale marked, among other things, by the emergence of new energy players (countries and businesses) and the emergence of large transnational and global energy chains. In general this means that the national oil companies (NOC) of the producing countries, which are the instruments through which these countries’ governments influence the international energy market, have been losing weight and influence.

A review of the case studies conducted under the RICIP2010 project, dealing with the cases of oil in Kazakhstan and gas in Turkmenistan, shows how these, through the partnerships of their respective NOCs (KazMunaiGaz and TurkmenGaz), are becoming integrated into transnational and global energy chains in which decisions about how much is produced, for whom and under what conditions, are taken by the major energy companies of the emerging countries, such as Russia and China.

In this study we make a classification of energy companies based on their ability to influence decisions of the chain — to be a *lead firm* — and on the objectives of each type of company. This classification showed that the NOCs are always the weak link in the chain if the latter also includes large international oil companies (IOC) such as Texaco, BP, Exxon, Shell, Total, etc. or the so-called “new” NOCs: companies like the Russian Gazprom or the Chinese CNPC. Therefore, from this study we can deduce that since neither Kazakhstan nor Turkmenistan has the ability to decide on the management of their energy resources, it is highly unlikely that they can commit themselves, beyond a simple expression of their desires, to a regional policy of exchanging energy for water.

This atypical historical situation complicates the analysis of the realities of Central Asia and therefore also complicates any proposal for specific policies.

An indirect consequence of this is that, given their lack of capacity to decide on production aspects — the energy side — of their natural resources, the rational choice of the Kazakh and Turkmen governments is to at least try to achieve the maximum possible income from them. That is to say, to give priority to their financial function so as to continue their strategies of internal legitimation.

In short, in countries rich in energy resources, whose export boom coincides with the processes of the creation of national identity and of the national state, it is unlikely that governments will be willing to use these resources to foster regional cooperation with their neighbours. In this paper we have based our argument on two elements: the effects of the centralised management of natural resources on national social contracts; and the effects of the integration of their natural resources within global energy chains on their ability to manage these resources on the basis of their

own criteria. These elements come together in the fact that the extraction of energy in Central Asia is externally oriented and that, for the countries of the area, its function is financial (to earn foreign currency) not energetic. There is thus no incentive, whether internal or external, to modify the export based energy model of those countries which would have to agree to produce energy for their neighbours in exchange for water. Given this, the exchange solution that is proposed by the World Bank or the European Development Bank does not seem feasible.

To this we must add other impossibilities which have to do with the fact that this solution is presented on the basis of a premise that is not necessarily valid. The truth is that many of the proposals and work on Central Asia deal with this subject as if the five *Stans* effectively made up the same region as that formed previously by the Soviet republics of the same name, and as if they were five “normal” nation states. However, the appearance on the international scene of the five new independent states of Central Asia is a fact unprecedented in the contemporary world. It means the creation *ex novo* of five new countries which had never existed before, and which, in spite of themselves, have been constituted as nation states and subjects of international law.

This has two implications: one of them geographical and the other conceptual and analytical. From the geographical point of view, what is now accepted as the Central Asia region is a region which is still in the process of formation and composition. In the case dealt with here this is especially true, since from the point of view of water this region should include Afghanistan — given that this country shares with Tajikistan one of the major tributaries of the Amu Darya — and probably also parts of Pakistan, China and Iran.

From an analytical point of view it must also be accepted that these new countries arise in the context of a bipolar order — that which arose from Yalta — which is decaying and a new global order which is still in the making. This fact, leaving aside other issues which flow from their specific ex-Soviet character, poses the difficult challenge of achieving what many countries did in the nineteenth century: becoming a nation state while at the same time integrating into the global world of the XXI century, in which many of the traditional state and regional structures are in crisis.

This atypical historical situation complicates the analysis of the realities of Central Asia and therefore also complicates any proposal for specific policies. This difficulty is due to the absence of an accepted conceptual framework for the study of problems which may appear to be very similar to those of other countries, but occur in a completely new scenario, because conceptually we do not have the structures to analyse the new geopolitical situation which is emerging with the disintegration of the USSR; a situation which is not yet clear, although it seems to be leading to an Orientalisation of the international arena.

Recommendations

Favouring regional cooperation which corrects the negative effects of the asymmetry of resources

Given the scenario described above it is difficult to propose specific policies which would favour regional cooperation that could lead to correcting the negative effects produced by the asymmetry of resources in a case of shared watercourses. However, in the light of what has been said so far we would dare to suggest a few ideas for action.

Following the analysis presented, part of the solution relates to the field of energy policy and goes in line with the proposals already made in the past by Pierre Morel, former European Union Special Representative (EUSR) for the area. For a case of unequal regional distribution of resources such as that we have described, one way of fostering regional cooperation would be to promote decentralised and autonomous energy production processes that produced power locally.

This would consist of creating small decentralised energy production projects close to the places in which energy is consumed, in order to exploit the asymmetry in the distribution of resources so that each country could produce according to its natural resources, without being “aggressive” towards others. For example, installing micro-dams or turbines (small hydroelectric plants) along the course of Tajikistan or Kyrgyzstan’s rivers would not affect substantially the course and cycles of the rivers and would provide clean electricity without the need to pay supply costs. The same type of argument applies to installing solar panels and wind turbines in desert (Turkmenistan) and windy (Uzbekistan) areas.

Advantages

The advantages of a solution of this type are:

1. Energy independence with respect to neighbours, thus eliminating a source of conflict;
2. The creation of a regional energy system not integrated within global energy chains, thus giving independence of decision-making and the capacity to manage energy production at a local/regional level;
3. The ability to reduce environmental impacts and water stress, thus leading to a reduction in the social conflict which arises from the extinction of traditional lifestyles;
4. The possibility of establishing an economic structure organised around the creation of a new economic sector – the production and distribution of local energy – and hence a higher level of

economic and social welfare due to the resulting business and jobs;

5. Creation of local decentralised energy activities and therefore a modification of part of the basis of the existing social contracts in the autonomous autocratic regimes.

Disadvantages

As against these advantages, the downside is the more than possible lack of political will of local leaders with respect to such a solution, given that it would fundamentally change the political system on which they base their national power. In order, therefore, to counteract this, we consider essential a change in direction on the part of international involvement in the region.

Address water management as a security problem for the new global world

In this sense, from an international perspective, we feel it fundamental, as proposed by the EUCAM, to address water management not just as if it were a problem of environmental management, but as a security problem for the new global world. This increases the importance of the problem, giving it a significance that goes beyond mere environmental political correctness. The reality is that environmental issues *per se*, although they are always present in the rhetoric, are put in second place when it comes to political action.

Therefore, the fundamental problem is how to address this new security issue in a new region. To do this, at the present moment and on the basis of what has been said, we offer a couple of ideas for facing up to the challenge:

a) If Afghanistan shares water resources with its neighbours, any solution or project that does not include it is doomed to failure. Therefore, the withdrawal of troops from Afghanistan could be a great opportunity to: 1) rethink the proposals that are being presented for the commercial exchange of energy for water; 2) help to re-define the region geographically; and 3) conceptually think of Central Asia not as a leftover of the USSR, but as a region within a new international order in the process of being formed.

b) If this still to be defined region emerges in a global context different from that established at Yalta and which tends towards Orientalisation, both Western actors (EU, USA), and the institutions created at Bretton Woods (e.g. the World Bank), as well as Russia (as the heir to the USSR), should cease to view this as an area to be “captured” (or “maintained” in the case of Russia). In this regard, we read in the EUCAM Policy Brief cited above that the new EUSR should promote cooperation with China and Russia, “so as to put to

*rest any ideas of a 'new Great Game'.*⁴ In fact, as in the previous case, Central Asia and its conflicts present themselves as an opportunity: to start building a new type of international relations which restructure the world order.

Start from the premise that the current global scenario is different

Given all this, and following our idea that the reality of this region is very difficult to grasp because of the lack of a conceptual framework, it is logical to recommend further analysis of this area, given that it is a case in which the mismatch between currently accepted theories and reality is more obvious than anywhere else in the world. However, as well as this, we must also make clear that this analysis has to start from the premise that the current global scenario is different from that which emerged following the Second World War and that we are probably witnessing a paradigm shift in the Kuhnian sense of the term.

Perhaps none of this will resolve in the short term the environmental and security disaster which we are facing, but we are sure that without this any solution that is proposed will be partial and short lived.

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⁴ EUCAM Policy Brief / No. 24, *Ten tasks for the new EU Special Representative to Central Asia*, June 2012, p. 2.