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Talking Points

Panel: Regionalism in Central Asia and the Politics of Energy (Lilac/ Tulip)
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Foreign direct investment is, perhaps, the most significant driver of economic development in the post-Soviet Central Asia. Due to the unfavorable geographic location – semi-desert and desert zones, landlockedness and remoteness from the world centers of production and consumption – Central Asian republics have poor chances to attract FDI into manufacturing. The lion's share of incoming FDI is concentrated in oil and gas sector. More than 90% of FDI concentrates in Kazakhstan and Turkmenistan.

In the middle of the 90-ies Kazakhstan richly endowed with oil opened almost entirely its oil and gas sector for foreign capital. As a result of the frenetic campaigns of liberalization and privatization a significant share (if not the majority) of Kazakhstan's its oilfields in the Caspian region passed under foreign control. The main form of long-term contracts to develop and exploit oilfields in the region was an agreement on production sharing or similar contracts. De jure the national government retained sovereignty over its natural resources, but de facto it relinquished control over the resources and financial flows to American, European and Chinese corporations. By oil export volume Kazakhstan (e.g. foreign companies producing oil in Kazakhstan) has surpassed such traditional oil exporters as Algeria, Canada and Mexico and continues to increase its presence on the world oil market. Along with Iraq, Brazil and Canadian bitumen sands Kazakhstan is considered as one of the most important sources of incremental oil production in the medium-term.

If Kazakhstan is Central Asian "Oil King" Turkmenistan's attractiveness rest on enormous gas resource. By the level of internationally recognized gas reserves, Turkmenistan occupies 4-5th place in the world, just behind Russia, Iran, Qatar and, possibly, Saudi Arabia. Until the very recently unfavorable geographical location and related factors put serious constraints on prospects for Turkmen gas exports. It couldn't pursue its own independent export policy a nd has to adjust to policies of its neighbors. Turkmen gas could reach foreign markets o nly via chains of transit countries: Uzbekistan-Kazakhstan-Russia-Ukraine, Iran-Turkey, A zerbaijan-Georgia-Turkey, etc. The problem was seriously aggravated by the fact that so me of the transit countries are gas exporters themselves. For Turkmenistan, Russia, Iran and increasingly Azerbaijan are competitors. Uzbekistan and Kazakhstan also try to incre ase gas production and export and compete with Turkmenistan for the same markets. Ho wever, after the China's breakthrough into Turkmen gas sector the situation has cardinall y changed. Presently Turkmenistan concentrates on strengthening strategic gas cooperatio n with China. However, enormous gas reserves can any time make Turkmenistan a game changer on the European gas market, if European countries agree to bear high political, t ransit and investment risks.