

Regionalism in Central Asia and the Politics of Energy

Panel: Session 3 (Lilac/Tulip)

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Organizing Institution: Institute of World Economy and International Relations (IMEMO)

Speakers: Gennady Chufrin (moderator), Institute of World Economy and International Relations
Igor Tomberg, Institute of Oriental Studies, RAS
Vlaimir Matveev, Institute of Far Eastern Studies, RAS

Panel Short Summary

Heeyoung Shin, Seoul National University
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The moderator, Gennady Chufrin, began by stating that efficient energy use and export strategies are critical to effective leadership and economic development in Central Asia. Central Asian countries house large deposits of hydrocarbon energy resources, but they face three major challenges to effective energy policies: political and economic instability, underdeveloped export routes, and unresolved legal issues regarding territorial rights over the Caspian Sea.

Dr. Igor Tomberg spoke on the economic situation of Central Asia, the importance of foreign direct investment, and the export routes of these resources to neighboring countries. Following periods of slow growth and high inflation, the macroeconomic indicators now show relatively steady, stable growth. However, per capita GNP in the region varies widely, in relation to the size of the hydrocarbon industry. The region's energy efficiency is quite low, showing the highest energy consumption of energy per capita. Without modernization of electrical infrastructure, economic growth is directly proportional to energy consumption. Also, the energy industry is heavily dependent on the international market for investment, and fluctuations in oil and gas price creates great uncertainty about the prospect of economic growth. Tomberg emphasized the efforts in the region to diversify export routes. One example, the pipeline from Turkmenistan to Russia, was a big success: a capacity of sixty to sixty five bcm per year is expected within two years. Even with these infrastructures for reliable export, fluctuations in gas and oil price add to the instability. He concluded by saying that most importantly, the problems surrounding energy exports tie into the legal and political

debates surrounding the Caspian Sea.

Dr. Vladimir Matveev discussed challenges of transportation facing the Turkmen gas export industry. Significant gas reserves have been confirmed in Turkmenistan, and the Turkmen government hopes to aggressively pursue investment in new pipelines with funding coming from trade partners. With declining Russian demand and modest exports to Iran, Turkmenistan is pursuing increased cooperation with China, which is willing to provide financial and human resources. However, this relationship will be at risk if global gas prices rise, and leads to “overdependence” on the Chinese market. In addition, pipeline capacity may exceed China’s demand in the short term. Even with the pipeline in place, areas that are far from Turkmenistan, like Guangzhou, may prefer nearby, less expensive energy sources, reducing Chinese demand. The initiators of the highly politicized trans-Caspian Nabucco project have withdrawn much of their support for two main reasons. First, the Caspian Sea is home to many unresolved legal issues, and a trans-Caspian pipeline could violate existing agreements. Second, the pipeline binds Turkmenistan to significant export obligations that may be impossible to fulfill given Turkmenistan’s gas resources. A more promising project is the Trans-Afghan gas pipeline, which would open multiple export routes, but requires political stability. Mateev claims that with these difficulties, it is likely that even in 2030, most of Turkmenistan’s gas exports will go to the same three major countries it trades with now.

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