THE ROLE OF NON-REGIONAL POWERS IN CENTRAL ASIAN WATER AND ENERGY NEXUS

Abdurasul KAYUMOV

Ph.D. candidate, Department of Political Sciences,
Otto von Guericke University of Magdeburg
(Magdeburg, Germany)

Elena OMELCHENKO

Ph.D. candidate,
Otto-Suhr Institute, Freie University of Berlin
(Berlin, Germany)

ABSTRACT

Water as the least regulated issue is currently one of the key security factors in Central Asia. Although some efforts are made to regulate water through the establishment of a regional water regime, yet it remains unresolved. It has been stated that the involvement of international actors can have a positive effect on the solution of the problem. The analysis in this article shows that non-regional powers do not necessarily play a positive role in Central Asia. The water and energy nexus is often used by external powers as a geopolitical tool to influence regional countries for own political and economic interests.

KEYWORDS: ***Central Asia, water, energy, water regime, foreign powers, geopolitics, hydraulic system, Syr Darya, Amu Darya, Nurek, Sangtuda, Kambarata.***

Introduction

In the meantime, while much attention is paid to the problem of fuel resources, the geopolitical meaning of water resources is underestimated. Water is the strategic resource as oil and gas. As such, it is necessary for all countries in ensuring the well-being of their population and in ensuring social as well as domestic activities. When countries do not have sufficient water, water turns to be a strategically important resource. Its use becomes an element of international relations, as the issues of distribution of water supplies and their effective use become an instrument of public policy.

Central Asia is, in terms of water resources, perhaps the most vulnerable region in the world. It is located in the arid zone and is highly dependent on water supply. The situation is also complicated by the fact that main water resources of the region are transboundary in nature. As one of the key issues, water is unfortunately the least regulated and the most dangerous factor for the regional security. The "hydro-politics" in Central Asia becomes viable as the demand for regional water resources will increase in the future.

Since the collapse of the Soviet Union, the Central Asian region attracted the attention of several world powers due to its rich energy resources, terrorism and Afghanistan issues. Today, there are a number of non-regional powers that have a significant influence on current political and economic processes in the Central Asian countries. The interesting question is here how the competition between powers for "influence areas" affects the regional cooperation in Central Asia.

In the present work, we wish to examine the role of non-regional powers in relation to water and energy nexus. The aim of this work is to assess the involvement of non-regional powers in the Central Asian water and energy policy and their role in the formation of regional water regime. To explore the selected topic thoroughly, the following four cases are investigated: the role of Russia, Iran, China as well as EU and U.S.

The paper is divided into five parts: the first part is dedicated to Russia's geopolitical activity in the region. The rest part examines the Iranian, Chinese and American-European roles in Central Asia. At the final stage, the work makes some concluding remarks.

The Role of Russia in Central Asia

Foreign policy of Russia is defined in regard to the post-Soviet space with the concept of "near abroad." The concept interprets all of the post-Soviet space in sub-regional terms. Russia has not worked out separate strategies for the post-Soviet regions and thus there is no any specific strategy toward Central Asia.

Nevertheless, the country has significant economic and geopolitical interests in Central Asia. Especially when it comes to the regional water and energy issues, Russia is committed to large hydro-energy projects in Tajikistan and Kyrgyzstan; but has no clear vision about its role in the solution of water management problems in Central Asia. Russia is indirectly involved in a regional conflict through its increasing investment projects.

Russia's most successful project in hydro-energy sector in the region is the project of the Sangtuda 1 HPP on the Vakhsh River in Tajikistan, which is implemented with full participation of Russian investment. The investment in the construction of the Sangtuda 1 HPP constitutes more than 16 billion rubles.[1] As such this represents the largest investment project of Russia implemented in the post-Soviet space.

In October 2004, during the travel of Russian President Vladimir Putin to Tajikistan an Intergovernmental Agreement on the terms of participation of the Russian Federation in the development of the Sangtuda 1 HPP was signed. The construction of the station was initiated in April 2005 and the first unit was launched by January 2008. In May 2009, the station was ready for full operation. The capacity of the station is 670 MW. 75% of the shares belong to the Russian company Inter RAO UES.

[1] See: *Sangtuda-1*, Official website [www.sangtuda.com], 18 July, 2013.

The Sangtuda 1 HPP is one of the fifth hydropower plants on the Vakhsh River and is one of three largest hydropower plants in Tajikistan, along with the Nurek HPP (3,000 MW) and the Baipasa HPP (600 MW).[2] The Sangtuda 1 HPP provides about 15% of electric power capacity of Tajikistan and reduces about 30% of the seasonal energy deficit.[3] The main consumer of Tajikistan electrical energy is a state-owned power utility company, Barki Tojik, which distributes energy among population and businesses. After commissioning of the Sangtuda 1 HPP, the Barki Tojik ran into debt to Sangtuda 1 HPP,[4] which is the main issue in Russian-Tajik negotiations at the intergovernmental level.

Together with the agreement on the construction of the Sangtuda 1 HPP in the fall of 2004, the company Russian Aluminum (RUSAL) signed an agreement with the Tajik government on the terms of participation in the development of Rogun hydroelectric plant. The construction was expected to be conducted by the company RUSAL that was planning to use the electrical energy power for the Tajik aluminum plant TALCO. However, the Tajik government did not sell RUSAL the aluminum plant, as it brings the major part of export income of the country. Besides, the contradiction emerged between RUSAL and the Tajik government on the height of the dam. RUSAL insisted on the height of 285m, and the Tajik side on 385m, which allows producing of 13.4 billion kW per hour. Therefore, the Russian company has decided not to participate in this project.

Russia invests also in the construction of hydro-energy objects in Kyrgyzstan. According to the preliminary agreements reached during the 2008 visit of President Dmitry Medvedev to Bishkek, Russia was to become the main investor in the development of Kambarata HPP on the river Naryn. The main aim was to export electricity from Kambarata HPPs to the neighboring countries. In February 2009, Russia and Kyrgyzstan agreed that Russia provides free assistance to Kyrgyzstan, in the amount of $150 million for the support of the national budget of Kyrgyzstan.

The end of 2011 was marked by the interesting strategic proposal of the Director of the Federal Drug Control Agency of Russia (FDCAR), V. Ivanov. According to the proposal, the economic interests of Russia in Central Asia were connected to the hydro-energy sector because of the security reasons, i.e. fighting against drugs spread and illegal migration. The core of this proposal lies in the formation of a Russian company for cooperation with the countries of Central Asia in the form of an open joint stock company. The 51% of the shares will be owned by the state, and 49% will be handed over to large public and private companies, such as RusGidro ET, Rosneft, Gazprom, Inter RAO UES, Sberbank, Rostechnologii, and Rossatom. The participation of companies from Central Asia in the project is also stipulated.[5]

Interests of Iran in Central Asia

Neo-conservative government, which came to power in Iran in 2005, united the paradigms of foreign policy of the previous governments: the achievement of the status of regional power (doctrine of the last Shah Pahlavi), maximum pragmatism in the economy (conception of President Hashemi-

[2] See: *Sangtuda-1*, Official website [www.sangtuda.com], 18 July, 2013.

[3] See: Ibidem.

[4] See: Ibidem.

[5] See: A. Shustov, "Moderniziruet li Rossia Tsentralnuiu Aziiu? Gosnarkokontrol nastaivaet na masshtabnykh investitsiiah v regione," 29 March 2012, available at [http://www.stoletie.ru/geopolitika/modernizirujet_li_rossija_srednuju_aziju_2012-03-29.htm], 18 July, 2013.

Rafsanjani), (and consistent integration into the world economy (idea of President Khatami).[6] Iran relies in its foreign policy on these doctrines and so far has developed a clear vision toward the Central Asian region. The Iranian foreign policy toward Central Asia is less dependent on domestic policy and ideology of the individual countries. Instead, the pragmatic economic interests of regional politics of Iran in Central Asia are determined by the increasing of antagonism in relations with the United States and the expansion of the American involvement in Central Asia. In the last ten years Iranian diplomacy in the Central Asian region is aimed, among others, at economic projects to overcome the foreign political and economic isolation.

In the energy sector Iran's interests are mainly the expansion of participation in the promotion and delivery of energy resources, which includes, among others, strengthening the geopolitical and geo-economic position on the Caspian Sea; increasing Iranian gas and oil deliveries to the European and Asian markets and transformation of Iran to the transit country in the region; participating actively in formation and functioning of the unified electric power generators in the Middle East; using of the results of international activities in the energy system to overcome the problems of Iran's fuel shortage.

Realization of these interests is seen not only in oil and gas sector, but in the common hydroenergy projects. Deputy Minister of Energy, Dr. Reza Amrollahi, mentions the priorities of Iranian policies directed at the electro-energy sector of Central Asia. They include direct electricity exports to neighboring countries (especially to Turkey and Iraq), the electric energy imports (mainly from the countries of Central Asia and the Caucasus), the seasonal and daily exchange of electric energy between Iran and the neighboring countries, use of Iranian capabilities for transit of electric energy.[7] In order to ensure stable electricity flow from Central Asia, Iran strengthens its positions by the direct investment in the construction of new power plants and development of international power grids.

The largest project with Iran's participation in Central Asia is the construction of the hydroelectric power station, Sangtuda 2 with a capacity of 220 MW on the Vakhsh River in Tajikistan. The station was projected in the 1970s and the construction started at the end of the 1980s. However due to the civil war and lack of finance, it was stopped in the early 1990s. In 1995, the Iranian government declared a willingness to invest additional $180 million in the project of development of the hydroelectric plant and in January 2005 Russia, Tajikistan and Iran signed the protocol on the development of HPPs of Sangtuda 1 and Sangtuda 2.

In February 2006, the construction of hydroelectric power station Sangtuda 2 was initiated. At the end of 2011, the hydroelectric power station Sangtuda 2 was enacted. During the ceremony of commissioning the power plants, Tajik President Emomali Rahmon stated that after the launch of Sangtuda 2 HPP, Tajikistan intends to increase the annual output of electric power in Tajikistan to 1 billion kW per hour. According to the agreement, 12.5 years after the commissioning of the station, it will be under the possession of Iran, and after the expiry of this period, the station will pass into the ownership of Tajikistan. The Sangtuda 1 and Sangtuda 2 reduce the country's one-third energy deficit by increasing export opportunities in the amount of up to 1 billion kW per hour, and improving the use of the commercial potential of domestic hydro resources to 3%.

Moreover, Tajik government is committed to the attraction of investments to the construction of Rogun and Shurobad HPPs on the Vakhsh River; and it tries thereby to involve Iranian investors. Planned capacity of the Shurobad HPP is 850 MW and 3,600 MW is for the Rogun HPP.[8] The com-

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[6] See: A. Knyazev, "Regionalnaia strategiia Irana v Tsentralnoi Azii: evolutsiia i prioritety," 2005, available at [http://www.knyazev.org/stories/html/chang_200508.shtml], 18 July, 2013.

[7] See: R. Amrollahi, "Rol Irana v obmene regionalnoi elektroenergii," *Amu-Darya*, No. 17, 2005, pp. 87-94.

[8] See: "Osnovnye pokazateli Shurobadskoi GES," Gosudarstvenniy komitet po investitsiiam i upravleniiu, 2012, available at [http://gki.tj/ru/investment/map/hydropower/25], 18 July, 2013.

missioning of the Rogun HPP would enlarge twice the production of electric power in Tajikistan.[9] As was mentioned above, according to the agreement signed between the Tajik government and Russian aluminum company RUSAL in October 2006, RUSAL was to invest about $1.3 billion for the expansion of the Rogun hydropower plant. The construction did not begin, and in September 2007 Tajik government cancelled the deal. Tajikistan has decided to continue the construction of the hydropower plant independently through the attraction of investments by the World Bank and other investors. With regard to these projects, Iran repeatedly stated its desire to participate.[10]

Iran invests currently in the construction of small hydropower plants in Tajikistan. For example, in March 2012 during the visit of Tajik President E. Rahmon to Iran, an agreement was reached on the beginning of the construction of Aini HPP. The protocols were signed in the fall of 2007 between the Ministry of Energy and Industry of the Republic of Tajikistan and the Ministry of Energy of Iran "on the construction of the Aini HPP on the river Zeravshan, and the Shurobad HPP on the river Vakhsh." The joint consulting company has prepared the feasibility report of new hydro-energy projects, including the projects of small HPPs such as Aini, Shurobad, and the tunnel Chormagsak. Planned capacity of the Aini HPP is 150 MW.

Iran has also declared its intention to participate in the construction of the other small HPPs in Tajikistan, such as Nurobod 1 and Nurobod 2, which are located in the flow of Hingob. These projects and the construction of Aini HPP must have been invested by China previously, but China decided not to participate because of the interests of Uzbekistan. In fact, Uzbekistan strongly resist against Tajikistan's hydro-energy projects.[11]

The construction of hydropower plants in Tajikistan is addressed not only to meet the energy deficit within the country but also for the export of electricity to neighboring countries. Iran supports the idea of the formation of a united regional electric power system in the Middle East, and participates in the development of the system of the power lines. The largest project in the area is the construction of a transmission power line from Tajikistan to Iran via Afghanistan: Sangtuda–Rogun–Kunduz–Mazar-i-Sharif–Herat–Mashhad.[12]

Iran is currently one of the largest investors in Tajikistan. The major share of investment falls straight to the hydro-energy sector, the development of which Iran sees as the advantage of regional significance. However, it should be noted that the interests of Iran focus not on Central Asia, but rather on the Near East and the Southern Caucasus. Except Tajikistan and Turkmenistan, Iran's cooperation with other Central Asian countries is very limited. Kyrgyzstan, for example, is still not in Iranian interests and commitment.

Chinese Presence in the Region

The geopolitical presence of China in the region is based on the logic of establishment of an attractive appearance for neighboring countries. In contrast to Russia and the United States which are

[9] See: T. Valamat-Zade, "Tajikistan Energy Sector: Present and Near Future," *Central Asia and the Caucasus*, No. 1 (49), 2008, pp. 90-91.

[10] See: "Iran gotov uchastvovat v zavershenii stroitelstva Rogunskoi GES v Tadzhikistane," *CA-NEWS*, 2012, available at [http://www.ca-news.org/news:6164/], 18 July, 2013.

[11] See: A. Yuldashev, "Iran postroit v Tadzhikistane eshche odnu GES—Aini," 15 August, 2011, available at [http://www.centrasia.ru/newsA.php?st=1313431260], 18 July, 2013.

[12] See: "Ministry energetiki Tadzhikistana, Irana i Afghanistana dogovorilis o stroitelstve LEP, prohodiashchei po territorii treh gosudarstv," Iran.ru, 1 September, 2008, available at [http://www.iran.ru/rus/news_iran.php?act=news_by_id&news_id=53106], 18 July, 2013.

seen as an imperialist hegemony in the region, China has a different image in front of the Central Asian countries. China is perceived in Central Asia as a reliable and generous lender who does not put conditions in terms of politics and democracy.[13] China uses the strategy of gradual penetration into foreign markets and has specific and effective economic levers in the region.

China's share in the global economy has grown strongly over the last thirty years, from 1% to 8%. Today, China is the second largest consumer and third largest importer of oil: it consumes about 35% of imported oil in the world.[14] China's dependence on energy imports will increase further in the future and in order to maintain this intensive economic growth, China needs additional energy reserves. Central Asia in this sense is an attractive region as the energy supplier for China and therefore China tries to penetrate the energy industry of the region.

For example, it is interesting to observe the Chinese presence in Kazakhstan. In 2005 China purchased a Canadian company PetroKazakhstan for $4.14 billion and owns now 67% shares of PetroKazakhstan. In addition, by the end of 2006 the Chinese CITIC Group bought 100% share of Nations Energy Company Ltd. for $1.9 billion.[15] It was further reported that the Chinese have bought half of the shares of KazMunayGas.[16] In September 2009, the Chinese government foundation, the CIC, bought about 11% of the shares of JSC KazMunayGas Exploration and Production. At the same time, the Chinese company, Sinopec won a tender for the continuation of the modernization of the Atyrau oil refinery and committed to build a complex for the production of aromatic hydrocarbons for $1.04 billion.[17] In April 2009, during the official visit of President of the People's Republic of China an agreement was signed, where the Chinese government gave a loan of $10 billion to Kazakhstan.[18] China's share in Kazakhstan's oil and gas industry is growing rapidly. For comparison, in 2010 China's share in the oil sector of Kazakhstan was only 20%, while in 2011 it reached more than 40%.[19]

China's energy presence is also seen in other Central Asian countries. For example, in Uzbekistan, China's financial resources are focused exclusively on development of natural resources. Uzbekistan, once the third largest natural gas producer in the Soviet Union, is currently destination for many Chinese energy companies. During Soviet times, Uzbekistan produced more than 10% natural gas (natural gas reserves now according to estimates represent more than 1 trillion cu m).[20] According to some experts, in the period from 1992 to 2002 the Uzbek-Chinese trade turnover amounted to about $136 million per year. (Just over 2% of the foreign trade turnover of Uzbekistan.) After 2003 though this figures began to change. In 2005, China and Uzbekistan signed 20 investment and credit agreements, which were worth over $1.5 billion, including $600 million in oil and gas industry.[21] During the visit of President Hu Jintao to Uzbekistan "the first framework agreement, where Uzbekistan

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[13] See: V. Panfilova, "Ne tolko truby. Pekin zasypal Tsentralnuiu Aziiu lgotnymi kreditami," 16 December, 2009, available at [http://www.ng.ru/cis/2009-12-16/7_pekin.html], 18 July, 2013.

[14] See: V. Dergachev, "Osobennosti kitaiskoi geopolitiki," *Vestnik analitiki*, No. 2, 2008.

[15] See: M. Ogutchu, K. Ma, "Energeticheskaia geopolitika. Kitai i Tsentralnaia Azia," 23 November, 2007, available at [http://www.centrasia.ru/newsA.php?st=1195811040], 18 July, 2013.

[16] See: Ibidem.

[17] See: Sh. Turgunbaev, "Perspektivy prisutstviia Kitaia v Tsentralnoi Azii," 24 September, 2010, available at [http://www.ia-centr.ru/expert/8968], 18 December, 2012.

[18] See: Ibidem.

[19] D. Yuvachev, "Kitai idyot, emu—dorogu!" *Politika i obshestvo*, 9 November, 2009, available at [http://www.nomad.su/?a=3-200911090233], 18 July, 2013.

[20] See: M. Ogutchu, K. Ma, op. cit.

[21] See: "Eksperty: Okhlazhdenie v 2004-2005 godu otnosheniy Uzbekistana s Zapadom pridalo moshchnyi impuls ego ekonomicheskim sviaziam s Kitaem," IA Regnum, 2006, available at [http://www.regnum.ru/news/1219170.html], 18 July, 2013.

obliges to supply up to 10 billion cu m of gas to China"[22] was signed between the holding company Uzbekneftegaz and China National Petroleum Corporation (CNPC). Active Chinese presence in gas and oil production are also observed in the Aral Sea areas of Uzbekistan. According to some experts, CNPC has provided $209 million for a drilling rig.[23]

In Turkmenistan, the bulk of China's financial resources are set up in the oil and gas industry. During the visit of President of Turkmenistan to China in April 2006, the Chinese companies received the access to the development of oil and gas fields in Turkmenistan. At the end of 2008 the total volume of China's financial resources invested in the economy of Turkmenistan constituted about $1.15 million.[24] The most important event in Chinese-Turkmen relations was the start of operation of a pipeline from Turkmenistan to China in 2009. Being 7,000 km in length, the designed capacity of this pipeline makes up 40 billion cu m. About 30 billion cu m out of this was given by Turkmenistan. For the launch of the pipeline in June 2009, China granted Turkmenistan a loan of $3 billion.[25]

Even Kyrgyzstan is affected strongly by Chinese influence. On 12 January, 2010, during the visit of the head of the Central Agency for Development Aid, Investment and Innovation, M. Bakiev, to China, the Protocol on Construction of 500 kV Datka-Kemin was signed in the amount of $342 million. In this context, it was explained that the new lines will bypass the Central Asian energy ring. In addition, it was reported that Beijing was suggested to participate in the construction of the Kambarata 2, and the modernization of the production of polycrystalline silicon for solar power.[26]

The control over the huge part of the Central Asian energy reserves and ability of political pressure allows Chinese to play an important role in the treatment of water issues in the region. China's influence on the energy sector affects military and political dimensions that are directly related to the regional security. For this purpose China can make a good use of the Shanghai Cooperation Organization (SCO). The principles of the Declaration of the Heads of the SCO Member States of 6 June, 2005, allow China to influence stationing of foreign military bases in the territories of SCO member states.[27]

U.S. and EU activities in Central Asia

The foreign policy and the geopolitical interests of the U.S. and the EU in Central Asia are almost similar. Both actors are geographically separated from the region and therefore cannot play the geopolitical role such as Russia, China and Iran. Almost a year after the adoption of the EU Strategy

[22] See: "Uzbekistan i Kitai: na puti k novym vershinam sotrudnichestva," 5 June, 2010, available at [http://www.jahon-news.uz/rus/rubriki/politika/uzbekistan_i_kitay_na_puti_k_novim_vershinam_sotrudnichestva.mgr], 18 July, 2013.

[23] See: E. Ahmadov, "Sino-Uzbek Relations and the Energy Politics of Central Asia," *CACI Analyst*, 14 November, 2007.

[24] See: "Vsplesk ekonomicheskoi aktivnosti KNR v Turkmenii proizoshel posle poiavleniia dolgosrochnogo strategicheskogo interesa k gazovym resursam," IA Regnum, 2012, available at [http://www.regnum.ru/news/1218305.html], 18 July, 2013.

[25] See: Ibidem.

[26] See: G. Mikhailov, "Debiut mladshego Bakieva. Obeshchannoe Moskve Bishkek gotov otdat Pekinu," 14 January, 2010, available at [http://www.ng.ru/cis/2010-01-14/6_bakiev.html], 18 July, 2013.

[27] See: A. Khojaev, "China's Central Asian Policy (*Based on Chinese Sources*)," *Central Asia and the Caucasus*, No. 3 (45), 2007.

for Central Asia and the entry of the Obama administration in Washington, some new EU and U.S. policy initiatives are observed in the region. The current American-European geopolitical interests in the Central Asian region can be explained by two important challenges: First, the diversification of energy resources has been one of the key points on the agenda of the 21st century. The Central Asian region, with its rich fossil made attentive both the EU and U.S. Particularly, the recent global energy crisis and the EU's heavy dependence on Russian gas have increased their interests in the Caspian region and Central Asia.

The U.S.-EU interests in Central Asia are encouraged by the presence of coalition forces in Afghanistan and also their intentions to promote democracy and human rights in Central Asia. However, the former has been explained several times to be the highest priority for the foreign policy of the U.S. and EU. The US expressed to change the dialog with Central Asian governments and thus close eyes temporarily to the human rights abuses and persecution in the Central Asian countries. The U.S. needs guarantees of a safe withdrawal of troops from Afghanistan from the region and also hopes to find regional partners for the solution of the Iranian problem.

Regarding the water issue in Central Asia, the EU insists especially on the potential negative effects of climate change in Central Asia. However, it defends the position of downstream Uzbekistan and Kazakhstan regarding the management of water resources in the region. The EU opposes the construction of large dams on the regional rivers. The official representative of the European Union for Central Asia, Pierre Morel, said in April 2009 that "the EU is concerned about the unequal distribution of water resources in Central Asia and recommends that regional countries review their positions on the water." He proposes to build in the region small hydro power plants because the construction of large hydraulic systems of Tajikistan and Kyrgyzstan on the transboundary rivers can cause enormous damage to the economic, social and environmental situation of Uzbekistan, Kazakhstan and Turkmenistan.

Since 2010, the activities of the United States have intensified in the political life of Uzbekistan. President Islam Karimov's action plan in January 2010, to improve bilateral relations, as well as the 2010 visit of the U.S. Special Representative for Afghanistan and Pakistan Richard Holbrooke to Uzbekistan showed the convergence between the U.S. and Uzbekistan. Although no specific plans were announced, it was said in this Action Plan that Uzbekistan allowed the communication in high-level political consultations with the U.S. In addition, the Secretary of State Hillary Clinton visited Uzbekistan as a member of the delegation of U.S. businessmen early in 2011. The participation in the Northern Distribution Network (NDN) opened new significant economic opportunities for Uzbekistan's military-technical cooperation with the U.S.

Not only in Uzbekistan, but also in Tajikistan, the U.S. became active. For instance, Holbrooke expressed intentions to strengthen the relations with Tajikistan and its role in conflict resolution in Afghanistan. He offered the readiness to discuss water and energy issues with the Tajik government.

In Kyrgyzstan, Holbrooke led talks on a continued presence of the military base in Manas, and about renewal of American loan to build a military training center in Batken in Southern Kyrgyzstan. Moreover, Washington is seeking through the program "Partnership for Development Greater Central Asia (Great Central Asia)," which was initiated by the U.S. to be a part of the process of earning the energy resources in the region. For example, the American AES Corporation obtained the right to participate in the construction of channels to deliver electricity from the region to Afghanistan and Pakistan. This company works closely with Kazakhstan, Kyrgyzstan and Tajikistan to be able to export electricity to the south.

Washington is also interested in the construction of the hydropower plant Dashtijuma in Tajikistan. Tajikistan hopes to attract investments from American and Pakistani companies to get finances for the construction of the hydropower plant. Dashtijuma can annually produce more than

15.6 billion kWh electricity. The plant is to be built on the river Panj, on the border with Afghanistan. The realization of this project would significantly increase electricity exports from Tajikistan to Afghanistan and Pakistan.

The Geopolitical Game in the Region

The involvement of several non-regional powers in the region influences currently negatively overall cooperative situation in Central Asia. The competition for energy resources and the different interests of foreign powers hampers the cooperation of regional countries to form a functioning water and energy regimes. This is clearly to observe in a variety of political events in the region. For example, close Iran-Tajik partnership hurt the hydro-political relations between Uzbekistan and Tajikistan over the building of the Tajik hydropower stations, in which Iran will participate as an investor. Apart from that, Iran has confronted several times with the problem of transit through the territory of Uzbekistan to Tajikistan. Although Iran has declared its neutrality in Uzbekistan-Tajikistan conflict, it nonetheless backs up Tajikistan. To some degree the dialog is hindered between the Uzbekistan and Tajikistan due to the belief in Tajikistan that there is political and economic support by Iran. In general, one may think that Iran was interested in the formation of a regional power supply system and a regional cooperative regime. However, Iran is interested more in the regime formation in the Middle East but not in Central Asia.

By participating in hydro-energy projects in Tajikistan, Russia strengthens the conflict between Tajikistan and Uzbekistan. A good example that illustrates this was the aggravation of Russian-Tajik relations in January and February 2009. During the official visit to Uzbekistan in 2009, Russian President Dmitry Medvedev highlighted with regard to intensifying conflict that the interests of all Central Asian countries must be considered in the solution of water and energy problems. This statement led to a political-diplomatic demarche in the Tajik press, in which it accused Russia for renouncing formerly reached agreements with Tajikistan.

In February 2009, Russia promised Kyrgyzstan a loan of $1.7 billion for the construction of Kambarata 1 HPP, but this was interrupted shortly because of tightness in the Russian-Kyrgyz relations. Russia accused Kyrgyzstan in the futile consumption of Russian loans and in the use of money for the formation of a commercial investment fund. Apparently, the money for the construction of Kambarata 1 was used for presidential elections, won by K. Bakiev in July 2009. Among the reasons for the dissatisfaction of Russia analysts also called the cancellation of the closure of American military base in Manas airport, as well as the desire of Russian participation in some key projects, where Bishkek tried to replace it with China.

On other hand, the U.S. managed to maintain the Manas airbase in Kyrgyzstan by increasing threefold the annual rental charges. This had direct implications on domestic politics of Kyrgyzstan. The former president Bakiev, who gave Russia his word for the closure of Manas in exchange for funding Kambarata 1, did not dare after dialog with the Americans to close the Manas airbase. This ended with Bakiev's fall in the government and violent uprising in the country. Many associated this event with the direct intervention of Kremlin.[28] It is claimed that Russia has tried to involve itself in massive hydroelectric projects and open up its military base in Osh. At the same time, it tried to expel the U.S. Manas air base from Kyrgyzstan.[29] According to the report by the International Crisis Group,

[28] See: E.P. Kraak, "Power Nexus Skews Kyrgyz Dam Demand," 21 April, 2012, *Asia Times*, 18 July, 2013.

[29] See: S. Blank, "Is a U.S. Strategy for Central Asia Emerging? CACI Analyst, 17 March, 2010.

the distribution of the airbase was part of the agreement for the financing of Kambarata 1. In return for financing, Russia proposed to obtain the 50% stake in the Kambarata 1.[30]

Moreover, in 2009 under the CSTO rapid reaction force, Kyrgyzstan and Russia agreed upon the stationing of the second Russian base in Kyrgyzstan. However, the agreement was stalled. There were three possible interpretations for this delay.

- Firstly, the planning and bureaucracy stayed on the way.
- Secondly, Russia and Kyrgyzstan had different opinions on the location and financial arrangements. Whereas Kyrgyzstan insisted on Batken as a preferred location for the base, Russia preferred the southern city of Osh, which houses the international airport.
- Thirdly, it was due to the delay in provision of funding for the construction of Kambarata 1 by Russia and the announcement of the American military center creation in Batken.

On 9 March the U.S. Embassy in Bishkek announced that the U.S. would invest $5.5 million for the construction of a military training center. The announcement came the day before the meeting of the U.S. Central Command Commander, David Petraeus with Bakiev, where they discussed the bilateral efforts about Afghanistan and the continuing of U.S. presence in Manas. Thus, the military center was to continue to form the Kyrgyz armed forces in order to minimize the radical, terrorist and drug trafficking activities in Central Asia. The center was to be located in the Batken province in the Kyrgyz part of the Ferghana Valley.

In this context, also Uzbekistan's opposition to military bases near its borders could be the reason for the delay of the Russian base in Kyrgyzstan. This could explain why Kyrgyzstan insisted on the formation of military center near the border with Uzbekistan. Russia supports now Uzbekistan's demand for international feasibility study of the Tajik Rogun and Kyrgyz Kambarata 1 dams. Possible concerns about the growing of U.S. and Uzbek military cooperation and Kyrgyzstan's failure to comply with the promises on the fate of the U.S. base in the country could have caused Russia's rapprochement with Uzbekistan and delay of the loan in the amount of $1.7 million for the construction of Kambarata 1.

Conclusion

The geopolitical competition of international players currently has negative implications for water management, as each new hydraulic system that is built without the consensus of all parties will have serious consequences for neighboring countries. The continuation of current trend in Central Asia promises following scenario in the development of water and energy nexus. The downstream countries (Uzbekistan, Kazakhstan and Turkmenistan) will continue to use water actively on irrigation purposes, causing in the region a permanent energy crisis, whereas the upstream countries (Tajikistan and Kyrgyzstan) will use water solely for the purpose of energy-generating, resulting in a shortage of water resources in the lower parts of river basins.

Central Asia is one of the most interdependent regions in the world. It is not possible for regional countries to overcome the common regional problems by avoiding cooperation with each other. Each republic must try to understand the domestic needs of neighboring countries and rely on the others for the proper operation of water mechanisms. The particular interests of regional states can have negative impact in the long term for all involved actors and make them vulnerable to non-regional powers. The influence of outside forces can worsen the situation in the region, as they will

[30] See: E.P. Kraak, op. cit.

act due to their own political and economic interests. The Central Asian water crisis is a regional problem and the countries must seek solutions within the regional framework.

All in all, the solution for the water and energy nexus depends on the willingness of countries to cooperate. Since there is no effective international mechanism for resolving disputes regarding regulation of water resources, the mutual interests of regional countries cannot be considered. The solution of water and energy nexus requires primarily the willingness of states using water resources of transboundary rivers, in order to enter into constructive negotiations with a view to find mutual acceptable solution.