

THE CASPIAN/CAUCASUS REGION WITH PARTICULAR FOCUS ON ENERGY AND WATER ISSUES

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This is my first experience of participation in the NATO Economics Colloquium, and it is my understanding that is also a first for my country. I am very happy to be here because of the high quality of the participants and the important subject matter. Moreover, the economic dimension as well as the ecological dimension of security are urgent topics at the moment and are also vital problems for Kazakhstan, whose future is directly connected to economic development and economic stability.

At the end of the 20th century, the Caspian-Caucasus region plays a very important role in the world economy and world policy. Due to new political realities, the Transcaucasian region and the Caspian Sea region can be considered as a common area, with a number of problems that have to be resolved in the interest of all states of this region. Central Asia is a significant part of this common area and located at the epicentre of instability. Many regional problems reflect in concentrated form the development of the situation on a global level.

I agree with Dr. Müller, who mentioned that the interests of the USA, Russia, China, Turkey, Iran, and Western European all collide in this region. But it is very important to take into consideration the direct and indirect interests of the Asian-Pacific states, the oil monarchies of the Middle East, and also India and Pakistan. All these countries have different interests and specific approaches to regional development.

The Republic of Kazakhstan has significant fuel and energy resources and we are going to intensify the development of large new deposits in order to increase oil and gas recovery. The potential value of mineral raw materials is evaluated by experts at US\$8.7 billion. But “the big oil” of Kazakhstan is located in the centre of the Eurasian continent and far from the main transit routes. This is one of the specific features of its development and at the same time it is an international problem because resolving the transportation issue of Kazakhstan mineral resources is in the interests of many states.

The extraction of Kazakhstan’s hydrocarbons is directly connected with the solution of two important problems:

- **The determination of the status of the Caspian Sea.** The absence of precise borders and the presence of territorial disputes have a negative effect upon the intensification of exploration and development of Caspian resources. The position of the Republic of Kazakhstan on the legal status of the Caspian Sea is unequivocal and invariable, based on a sectoral delimitation using the middle line. Any other points of view, including the concept of the “point jurisdiction”, are considered as elements restraining the national interests of the Republic of Kazakhstan and as such are considered as a threat to the political and economic stability of the region. Kazakhstan has already undertaken active steps in that direction and has signed on July 6, 1998 with Russia the agreement on the division of the northern part of the Caspian Sea. Although this agreement is considered by other countries of the Caspian region ambiguously, we nevertheless believe that it will further the development of the process of acquiring a legal status for the Caspian Sea.
- **Defining the route of and then constructing the pipelines.** Dr. Müller has provided a very good analysis of this problem and clearly described all pipeline routes. I would like just to shape the general approaches of my country to this important and very complicated issue.

The problem of transportation has important significance in the field of oil deposit development. Defining the priority of any pipeline direction, the Republic of Kazakhstan is guided first of all by the strategic purpose and specific targets of economic development. The selection of the pipeline route should first and foremost be a commercial decision based upon factors such as cost and security of delivery.

Within the framework of the multi-variant concept of oil-export routes from the Caspian Sea, now we have several options which are divided into two groups: “already considered export routes” and “long-term variants of export routes”. The first group includes the transportation of “early oil”; the basic export pipeline of Baku-Ceyhan; the Caspian Pipeline Consortium (to Novorossisk, through Baku); and the pipeline Turkmenistan-Afghanistan-Gwadar (Pakistan). The second group includes the pipelines which are going through the Caspian Sea from Tengiz as well as from the city of Turkmenbashi to Baku; Eastern Turkmenistan-Southern Kazakhstan to China, and Western Kazakhstan to China. It is necessary to point out that Kazakhstan considers pipeline projects as a subject of partnership, and as a guarantee for the stability of international relations. At the same time, our approaches are very pragmatic and free from any political prejudice.

It is obvious that economic, social and ecological stability in the region is connected to the effective operation and transportation of its energy resources. At the same time, the production and realisation of mineral raw materials depends on the above mentioned components.

Among the problems of Caspian power sector development, it is necessary to mention the negative effect of regional conflicts (Nagorny Karabakh, Chechen

and Abkhazian). Specific challenges to the security of the Caspian region and all Central Asia are the direct and indirect results of the ongoing conflict in Afghanistan. The destabilising effect worsens the situation in Tajikistan and encourages Muslim extremism in the north of Central Asia and in Kyrgyzstan.

In this connection, it is now urgent to realise the initiative of the President of Kazakhstan, N. Nazarbayev, on the convening of the Conference on Interaction and Confidence-Building Measures in Asia. By signing the Declaration on the principles guiding relations among CICA member states at the Conference of the Ministers of Foreign Affairs of the CICA, member states have confirmed their aspirations to develop an effective mechanism to prevent conflict and enhance security.

After the disintegration of the Soviet Union, Central Asian countries have faced a number of unsolved problems in the sphere of economic measurement and environment. Within the framework of this forum, I would like to focus your attention on a very important regional problem.

If the depletion of mineral resources is a more or less long-term issue, water resources management is becoming more urgent and a subject of a great concern to Central Asian countries. Unfortunately, it is very difficult to change the mentality of the past and to realise that water is an extremely vulnerable and limited resource in the region. Water resources are considered not only as sources of drinking water, but also as a means of obtaining electric power. Experts predict that the existing level of water usage and existing approaches to water resources management will result in a constant water deficiency, first of all in the regions with a high density of population. Water consumption doubles each decade and such a tendency will continue.

A large part of the territory of Central Asia, approximately 90%, belongs to the arid zone with low humidity and extremely limited water resources. This limitation creates serious problems for the sustainable development of the region and for the protection of the natural environment on a global scale. The development of mineral raw materials, of industry and of agriculture requires the more efficient and rational use of water.

The largest consumers of water in many countries remain agriculture, mining and processing industry. The growing need for food and mineral raw materials compels the expansion of the irrigated agricultural area and the intensification of natural minerals production. Both are accompanied by the irrevocable withdrawal of water from rivers and reservoirs.

The solution of the water problem under conditions of limited and decreasing supply demands essentially new approaches to water resources management both at the national and international level. First of all, it is necessary to conduct significant work on the rationalisation of water usage, the realisation of long-term water saving programs, and the use of ecologically safe technologies. At the same time, the strategy of water usage should be the responsibility of suppliers as well of consumers.

The strategic purpose of water policy in the region is the realisation of long-term complex measures which are directed towards the elimination of the negative consequences of limited water resources and the creation of conditions for economic growth, the resolution of social and ecological problems, and the settlement of interstate water relations.