ABSTRACT

While there exists a broad literature on resource-rich states, it leaves a key and a-priori question unexplored: why and how do states choose to develop their natural resources in the first place? We address this gap in the literature by explaining the divergence in oil and gas development strategies in three of the energy-rich Soviet successor states -- Kazakhstan, Turkmenistan, and Uzbekistan. In doing so, we formulate a broader theory of the initial formation of natural resource development strategies. We argue that state leaders choose energy development strategies based on the domestic constraints they face when they either discover or gain newfound authority over their energy reserves: (1) the availability of alternative sources of rents; and (2) the level of political contestation. Where state leaders enjoy a high degree of access to alternative sources of rents and a low level of contestation, they can afford to nationalize their energy sector and to minimize international involvement. Where state leaders have a low degree of access to alternative sources of rents and a high level of contestation, they must privatize their energy sector with direct international involvement. We find that this is both the best explanation for divergent energy development strategies in the Central Asian states and an accurate predictor of energy development strategies in Russia and Azerbaijan.