

Spotlight on Turkmenistan

Executive Summary

By Adam Hug

Turkmenistan is a country often overlooked on the world stage. When attention is paid the focus tends to be either on the size of its bountiful gas reserves or on the eccentricities of its leadership. This research however shines a spotlight on a country in the middle of a sustained economic crisis that has seen hyper-inflation in the lives of ordinary people and widespread food shortages. This economic crisis has in turn led to the regime's repression becoming ever tighter and its personality cult becoming ever more grandiose.

While investors may be initially attracted to Turkmenistan due to its enormous gas wealth it has huge structural challenges. It is a 'Potemkin economy', with marble facades, respectable official gross domestic product (GDP) figures and tightly regulated state shops, which mask a huge and chaotic black economy. Potential investor risks include: the whims of the President, leading to arbitrary behaviour by a sclerotic bureaucracy; a high risk of non-payment for goods or services; endemic corruption; insecurity of legal title or contracts; the lack of rule of law and independent judiciary; and reputational risks from being associated with severe human rights abuses.

This research documents the vast range of Turkmenistan's human rights abuses but draws particular focus to the issues of forced labour, 'disappeared' activists in the prison system and restrictions on independent journalists and human rights activists. While exerting international pressure on the regime is hard, the publication argues that the current economic turmoil creates new opportunities to leverage engagement and investment for vital reform on a 'more for more' and 'less for less' basis.

Given the human rights crisis the research argues that the European Union (EU) should adopt the European Parliament's proposed human rights benchmarks for Turkmenistan and that these principles should be applied by all international institutions working with Turkmenistan. It suggests that the United Kingdom (UK) should reconsider the position of Prime Ministerial Trade Envoy to Turkmenistan and whether it should be expending political capital on promoting trade ties through the Turkmenistan-UK Trade & Industry Council (TUKTIC). It also argues that the European Bank for Reconstruction and Development (EBRD) should not expand its lending in Turkmenistan, avoiding expansion to the public sector or state enterprises. The international community should push for a strongly mandated International Labour Organisation (ILO) presence to map, monitor and reduce the extent of forced labour. Pressure must be placed on Turkmenistan to abide by its UN and international investment treaties, and to allow greater access to UN Special Rapporteurs and international NGOs.

Key recommendations to the Government of Turkmenistan:

- Notify all families about the condition of their imprisoned loved ones and allow visitor access
- Free political prisoners and jailed journalists
- Improve prison conditions and end the use of torture in the detention system
- End forced labour in the cotton harvest
- Allow access by UN Special Rapporteurs and other UN mandate holders, as well as visas for representatives of international non-governmental organisations (NGOs)
- Enhance judicial independence in the criminal and commercial sector, while honouring its international treaty obligations

Recommendations to the international community:

- Ensure the EU adopts and applies the European Parliament human rights benchmarks
- Require the EBRD's lending to Turkmenistan to reflect the need to improve human rights and avoids expansion to the public sector in the absence of genuine reforms
- Push for the presence of the ILO with a strong mandate to tackle forced labour
- Reconsider international trade promotion efforts to Turkmenistan, such as the UK's TUKTIC

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1. Introduction: Putting the spotlight on Turkmenistan

By Adam Hug

Turkmenistan is a country often overlooked and one that has often courted its own isolation. When international attention is paid the focus tends to be either on the size of its bountiful gas reserves, the sixth largest in the world, or on the eccentricities and excesses of its leadership. This research seeks to shine a spotlight into a country that despite the former, and in no small part because of the latter, finds itself in the middle of a sustained economic crisis that has seen hyper-inflation in the lives of ordinary people and widespread food shortages. This economic crisis has in turn led to the regime's repression of its people becoming ever tighter. Turkmenistan has always been a country that takes the standard tropes of authoritarian rule in Central Asia and takes them to extremes, turning it 'up to 11' when it comes to the scale and scope of its abuses. However its current woes have seen the personality cult of its leadership and the intrusion into the lives of its citizens both rise to new heights as the regime seeks to maintain control of the situation. This publication examines the country's recent history, political structures, economic performance and international relations to try to understand how Turkmenistan reached this point and discusses what can be done to improve the situation.

A brief history of Turkmenistan

The area covered by modern day Turkmenistan has historically been inhabited by tribes of pastoral nomads, notionally falling under the influence of the Seljuk Empire, the Mongol Khanates of Khiva and Bukhara and the Russian Empire before their incorporation into the Soviet Union. The largest group is the Teke, including the Mary Teke and the Ahal Teke subgroups, the latter which had dominated political life before and after the Soviet Union and to which current President Gurbanguly Berdimuhamedov is a member and former President Saparmurat Niyazov was affiliated, alongside the

majority of senior officials.¹ The others include the Yomut (with historic links to fishing and modern linkages in the oil and gas sector), Ersari, Chowdur and Saryk. Under the Soviet Union Turkmenistan was established as a Soviet Socialist Republic in 1925 and attempts were made not only to share power more widely amongst the existing clan structures but to build a sense of shared Turkmen identity. This was met with limited success and was an identity to be subsumed within the larger Soviet identity. Demands for local control had been on the rise as the Union of Soviet Socialist Republics (USSR) unravelled, for example with the Supreme Soviet of Turkmenistan claiming the sovereignty of its laws over those of the USSR in 1990, but its identity remained relatively inchoate.² The Agzybirlík (unity) movement of local intellectuals helped spark a revival in the Turkmen language and in the promotion of tribal cultural practices, before being banned as a potential source of political competition.³

So the structural challenges facing President Niyazov, who was elected as the chairman of the Supreme Soviet of the Turkmenistan in January 1990 and declared as President of Turkmenistan in October 1991 before formally achieving recognised independence that December, was the same as those facing many of the other leaders of the newly independent Soviet successor states, keeping the country together and independent from domination by its larger neighbours. These strategic challenges remain central to the present day, to some extent providing the method to the madness of the leadership cults that have helped define Turkmenistan.

Niyazov had been one of the least reforming members of the final pre-independence Soviet leadership, backing the coup against Gorbachev and initially resistant to calls for independence. However once independence came he took to the task of not only building a new state but of trying to create a shared national history and national identity, inextricably weaving it around his own personality and presenting himself as the embodiment of those national ideals. He drew inspiration from the legacy of Mustafa Kemal Atatürk, whose honorary surname means ‘Father of the Turks’, in shaping the identity of Turkic peoples, and in 1993 would give himself the honorific he is most widely remembered by, Turkmenbashi (‘Head of the Turkmen’).

The Ruhnama (‘the book of soul’), written by Niyazov in two volumes released in 2001 and 2004, which would be seen as totemic of the excesses of his rule, was at its origin a collection of Turkmen history and folklore that aimed, at least in part, to provide a previously non-existent national story.⁴ The publication of course was used to glorify Niyazov and his family and to outline what could be loosely described as his thoughts on politics and morality. During his leadership knowledge of the contents and even the ability to recite passages was a standard part of the curriculum and a requirement for passing exams, even for obtaining a driving licence or joining the civil service. These requirements were only phased out gradually after his death.⁵ Between 2002 and 2008 the stories from the Ruhnama were used as names for months of the year, including directly naming January as ‘Türkmenbaşy’ and September ‘Ruhnama’. A giant mechanical monument of the book was built in Ashgabat that opens at 8pm each night with a light display and a reading of a passage of its content.⁶ The idiosyncratic attachment to Turkmen folklore was also on display in the US \$50 million Turkmenbashi’s Land of Fairy Tales theme park in Ashgabat.

¹ According to the 2008 US State department cables released by WikiLeaks at the time 26 of 31 top Government of Turkmenistan officials are descended from the Ahal Teke tribe see WikiLeaks, Turkmenistan: Ahal Teke Tribe Dominates Government, January 2008, https://wikileaks.org/plusd/cables/08ASHGABAT55_a.html

² Facts and Details, Turkmenistan Becomes Independent, http://factsanddetails.com/central-asia/Turkmenistan/sub8_7a/entry-4803.html and David Roger Smith, Edward Allworth, Denis Sinor, Viktor Borisovich Zhmuida and Gavin R.G. Hambly, Turkmenistan, Encyclopaedia Britannica, <https://www.britannica.com/place/Turkmenistan#ref342789>

³ Something that similar groups in Armenia, Azerbaijan and elsewhere would become.

⁴ Suparnamat Niyozov, Ruhnama, 2001-2004 <http://intersci.ss.uci.edu/wiki/eBooks/Asia/BOOKS/Ruhnama%20Niyozov.pdf>

⁵ Atlas Obscura, Giant Ruhnama, <https://www.atlasobscura.com/places/giant-ruhnama>

⁶ See Louis Lafferty, Ruhnama Statue Opening-Turkmenistan, YouTube, December 2011, https://www.youtube.com/watch?v=h1WhLZp_ocg also read Chronicles of Turkmenistan, Turkmenistan Is Finally Putting the ‘Ruhnama’ Behind Them, August 2014, <https://en.hronikatm.com/2014/08/turkmenistan-is-finally-putting-the-ruhnama-behind-them/>

Other grandiose projects include the US \$75 million golden Arch of Neutrality, a tripod topped by a golden statue of Niyazov that rotated to constantly face the sun, originally in the centre of Ashgabat. Other than glorifying Niyazov the arch sought to celebrate Turkmenistan's loudly declared international neutrality, uniquely endorsed by the United Nations (UN) General Assembly in 1995, and aimed to demonstrate to its larger neighbours, Iran and Uzbekistan as well as to Russia and the West, that it posed no threat to their interests and therefore should be left alone. The arch was moved to a new location away from the Presidential Palace in 2010 but is still standing.⁷

At a more direct human level under Niyazov ballet, opera and gold teeth were banned, alongside beards for the young and a prohibition of smoking in public places, an anti-smoking campaign that has been intensified under his successor.

The extent of the bizarre behaviour was so extreme that there was, and is, a tenancy to believe anything and often overlook its purpose and the more prosaic problems. A 2004 story about an 'ice palace' provides an illustrative example where a number of international sources heard President Niyazov announce that he wanted to build a 'palace of ice' that could house a 1,000 people and assumed he was proposing building a giant igloo.⁸ The reality, a €135 million 10,000 seater Winter Sports Complex and ice rink, may not necessarily be the best use of public money in a country with such challenges and clearly speaks to a desire to deliver large, 'statement' public projects, but it is in keeping with authoritarian practice elsewhere in the region.⁹ Under both of Turkmenistan's Presidents such grand projects are often underused or empty despite the significant economic and social cost, such as from the home demolition programmes discussed below. In a closed society it is simple to project and maintain an image that even, if it does not persuade the entire population, makes the regime's rule seem all encompassing and inevitable.

Upon taking office in 2006 at Niyazov's death President Gurbanguly Berdimuhamedov's initially maintained key elements of Niyazov's personality cult whilst gradually toning them down or side-lining them. This was not however to make space in a meaningful sense for liberalisation but to provide room to develop his own personality cult.

At time of writing President Gurbanguly Berdimuhamedov's public behaviour is becoming increasingly erratic and as widely mocked internationally as his predecessor. Stunts aiming to show the vitality of the President have ranged from videos of a solo gym session with Berdimuhamedov to the internationally mocked footage of him weightlifting a solid gold bar at a cabinet meeting. These displays dovetail in with the campaign to eradicate smoking by 2025, and other efforts aimed to make healthiness a mandatory part of Turkmen culture.¹⁰ A focus on horses and horsemanship is both a strong reference to Turkmenistan's nomadic heritage and a personal obsession of the President, who is regularly portrayed riding and preforming 'feats of skill' atop a horse, as now immortalised by a large gold and marble statue of him in Ashgabat.¹¹ The bizarre musical performances, sometimes featuring his grandson, lack an equivalent rationale although one of his more recent efforts was about his favourite horse.¹² The President's public escapades are all set to the backdrop of furious clapping from

⁷ Richard Orange, Turkmenistan rebuilds giant rotating golden statue, Daily Telegraph, May 2011,

<https://www.telegraph.co.uk/news/worldnews/asia/turkmenistan/8533427/Turkmenistan-rebuilds-giant-rotating-golden-statue.html>

⁸ Monica Whitlock, Turkmen leader orders ice palace, August 2004, <http://news.bbc.co.uk/1/hi/world/asia-pacific/3554626.stm> [Plans for an accompanying ski resort have been put on hold due to economic conditions]

⁹ Turkmenistan.ru, Winter sports Center to be built in Ashgabat, August 2009, <http://www.turkmenistan.ru/ru/node/26521>

¹⁰ Chronicles of Turkmenistan, Turkmenistan still experiences a shortage of cigarettes, January 2017,

<https://en.hronikatm.com/2017/01/turkmenistan-still-experiences-a-shortage-of-cigarettes/>; BBC News, Turkmenistan: The regime that throws cigarettes on bonfires, December 2016, <https://www.bbc.co.uk/news/magazine-38266078> and Bruce Pannier, The Perils Of Smoking Cigarettes In Turkmenistan, RFE/RL, May 2016, <https://www.rferl.org/a/qishloq-ovozi-turkmenistan-smoking-crackdown/27728410.html>

¹¹ Shaun Walker, A horse, a horse ... Turkmenistan president honours himself with statue, The Guardian, May 2015,

<https://www.theguardian.com/world/2015/may/25/horse-turkmenistan-president-statue-berdimukhamedov>

¹² ITV, Turkmenistan president all singing and dancing in bizarre video 'dedicated to his horse', April 2019, <https://www.itv.com/news/2019-04-30/turkmenistan-president-gurbanguly-berdimukhamedov-singing-grandson-horse/> <https://www.youtube.com/watch?v=JsNioEnxNs>

whichever group of people has the misfortune of being forced to watch on. Like his predecessor he has collected self-bestowed honorifics, from the 'people's horse breeder' to the more regularly used 'Arkadag' (the protector).

Though their outlandishness may provide a distraction, both externally and to some extent internally, the personality cults of Turkmenistan's leaders highlight how the regime operates and what it means for those living and working in Turkmenistan.¹³ Erratic behaviour atop a highly centralised political power structure that dominates the economic, social and political life of the country, creates a paranoid approach to governing. This structure, where the whim and caprice of the leader leads to overreactions and excesses by the cabinet and government functionaries, fearful of finding themselves on the wrong side of the leadership, has obvious repercussions for the lives of Turkmenistan's citizens and presents huge risks for those seeking to invest in the country. So despite the perception of stability and regimented order, bureaucratic chaos swirls under the surface, buffeted by an increasingly bleak economic picture to which there are no easy answers.

An economy in crisis

Turkmenistan's economy is reliant on gas with total proved reserves of 19.5 trillion cubic metres or 9.9 per cent of total world reserves.¹⁴ It also has a smaller amount of oil, though at 10.6 million tons per year this only marginally exceeds domestic consumption (7.1million tons per year). Based on internationally comparable statistics it is also the world's 9th largest cotton producer.¹⁵ The economy is heavily centralised and state dominated. Its performance is so weak as not to be listed in the World Bank's 189 country 'Doing Business' rankings, a metric often touted by other authoritarian regimes as a sign of their effectiveness.¹⁶ The European Bank for Reconstruction and Development (EBRD) describes it as being the 'least competitive economy among the EBRD's countries of operations' and argues that a 'heavy state presence dominates economic decision-making' and that 'corporate governance is hampered by a lack of managerial independence even in private firms'.¹⁷

Currently Turkmenistan is in the grip of its worst economic crisis since the immediate post-independence period, driven in part by low gas prices, the suspension of gas exports to Russia between 2016 and 2019 (when they have notionally been reinstated) and poor harvests.¹⁸ The headline GDP growth figures and other metrics do not convey the scale of the challenge. As the UK's Department of International Trade dryly puts it 'no reliable economic data are published in Turkmenistan. Most sources cite figures which the government releases to the international financial institutions. These do not always square with observation on the ground.'¹⁹

For example the World Bank recorded growth of 6.2 per cent in 2018 and projects a slight decline to 5.6 per cent in 2019 and 5.1 per cent in 2020.²⁰ The Asian Development Bank forecast a slightly higher 6 and 5.8 per cent for 2019 and 2020.²¹ However these notional growth figures are not enough to overcome even the official rate of inflation based on official statistics which is running at 9.4 per cent

¹³ Most citizens are not thoroughly inured to the excesses of their leaders

¹⁴ BP, Statistical Review of World Energy 2019, <https://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy.html>

¹⁵ Statista, Cotton production by country worldwide in 2017/2018 (in 1,000 metric tons), <https://www.statista.com/statistics/263055/cotton-production-worldwide-by-top-countries/>

¹⁶ World Bank Group, Doing Business 2019: Training for Reform, October 2018, <https://www.worldbank.org/en/region/eca/brief/doing-business>

¹⁷ EBRD, Turkmenistan Country Strategy 2019-2024, <https://www.ebrd-consultations.com/assets/Country-Strategies/Turkmenistan/67961d1592/turkmenistan-strategy-2019.pdf>

¹⁸ Bruce Pannier, Is Turkmenistan Being Pulled Into Russia's Orbit?, RFE/RL, January 2019, <https://www.rferl.org/a/iqshloq-ovozi-turkmenistan-pulled-into-russia-s-orbit/29713898.html>

¹⁹ UK Government, Overseas Business Risk – Turkmenistan, June 2019, <https://www.gov.uk/government/publications/overseas-business-risk-turkmenistan/overseas-business-risk-turkmenistan>

²⁰ World Bank Group, Europe and Central Asia Economic Update, Spring 2019 : Financial Inclusion, April 2019, <https://openknowledge.worldbank.org/handle/10986/31501>

²¹ Turkmenistan: Rebuilding bridges, April 2019, <https://eurasianet.org/turkmenistan-rebuilding-bridges-and> <https://www.adb.org/sites/default/files/publication/492711/ado2019.pdf>

in 2018 and is projected to be 9 per cent and 8.2 per cent for 2019 and 2020 respectively. However given the combination of the lack of credible official statistics, currency pressures (as discussed below) and an enormous black market many experts, such as Professor Steven Hanke of the Cato Institute, placed the real rate of inflation as experienced by consumers outside of the tightly rationed state sector as being as high as 294 per cent as of June 2018.²²

At the heart of this inflation crunch is the collapse in the real exchange rate of the manat, Turkmenistan's currency. While the manat's official exchange rate has remained pegged at 3.5 manat to the dollar in the summer of 2018 the unofficial exchange rate, through which citizens of Turkmenistan can meaningfully access dollars, fell from 10 manat to the dollar at the start of 2018 to 29 manat to the dollar by June 2018.²³ As of spring 2019 the black market rate was still hovering at around five times the official rate (18 manat to the dollar) according to the EBRD.²⁴ Inflation and product scarcity has been driven by the dramatic reduction in gas revenue and the hard currency that it had previously brought into Turkmenistan's import reliant domestic economy, as well as the poor domestic harvests discussed below. The resulting currency controls and shortage of physical cash in circulation have seen the amount of money that Turkmen citizens can take out of their bank accounts or receive via money transfer significantly reduced, with limits of between 400-700 manats.²⁵ Access to hard currency is more limited to outlets such as the State Bank for Foreign Economic Activity. Those Turkmen able to travel abroad (or to send their bank cards abroad) face retractions in withdrawing money from their bank accounts but when they are able to do so there is a significant money making opportunity by being able to obtain dollars or other international currencies at the official state rate and being able to convert these currencies back home into manats at the black market rate.²⁶ Attempts to regain control of the domestic currency situation by moving transactions to a Turkmenistan only debit card system have had limited success.

The currency and inflation crises have hit sectors particularly reliant on imported components. For example the chief executive of Coca Cola Turkmenistan is believed to have committed suicide due to financial problems caused by the bottler facing raw material shortages and black market price spikes, which was making Coca Cola unaffordable for most Turkmen.²⁷

The government resources are highly strained. One of the casualties of economic crisis has been the provision of previously free electricity, water and natural gas that were phased out by the start of 2019.²⁸ Furthermore in January 2019 President Berdimuhamedov announced the privatisation of much of the state run transportation system, though it is unclear if it will be open to international investment.²⁹ Irrespective of the nature of ownership clearly reform of the sector is needed as for example in February 2019 the European Aviation Safety Agency withdrew permission for the state run Turkmenistan Airlines to fly within the EU for safety reasons, leaving thousands of travellers stranded.³⁰

²² Kanat Shaku, Bread sellers demand passports as Turkmenistan's economic crisis goes from bad to worse, BNE News, June 2018, <https://www.intellinews.com/index.php/bread-sellers-demand-passports-as-turkmenistan-s-economic-crisis-goes-from-bad-to-worse-143613/>

²³ *Ibid.*

²⁴ EBRD, Turkmenistan Country Strategy 2019-2024, <https://www.ebrd-consultations.com/assets/Country-Strategies/Turkmenistan/67961d1592/turkmenistan-strategy-2019.pdf>

²⁵ Turkmen News, Turkmenistan: Customers Pay Bribes to Withdraw Cash, February 2019, <https://en.turkmen.news/news/turkmenistan-customers-pay-bribes-to-withdraw-cash/>

²⁶ Turkmen News, Turkmenistan: In the conditions of economic crisis, people are fighting for their money, June 2019, <https://turkmen.news/news/valyutnyy-krizis-turkmenistan/>

²⁷ Eurasianet, Turkmenistan: Suicide of Coca-Cola executive casts more gloom, February 2019, <https://eurasianet.org/turkmenistan-suicide-of-coca-cola-executive-casts-more-gloom>

²⁸ RFE/RL, Turkmenistan Cuts Last Vestiges Of Program For Free Utilities, September 2018, <https://www.rferl.org/a/turkmenistan-cuts-last-vestiges-of-program-for-free-utilities/29511308.html>

²⁹ Turkmenistan: More Cuts and Bad Business, The Diplomat, February 2019, <https://thediplomat.com/2019/02/turkmenistan-more-cuts-and-bad-business/>

³⁰ BBC News, Banned Turkmenistan Airlines leaves thousands stranded, February 2019, <https://www.bbc.co.uk/news/business-47115732>

Foreign investment risk and corruption

The current economic environment combines with deep and longstanding structural problems to create an environment for foreign direct investment (FDI) that is fraught with risk. For example the lack of available funds and hard currency feed into a major problem of underpayment and non-payment. This has been a major problem for international investors with the Turkmen government and its business subsidiaries prioritising payments on the basis of political connections (including corruption) and strategic importance, leaving some debts for work completed unpaid for years. For example Turkish construction company, the Cakiroglu Grup,³¹ suspended operations in Turkmenistan in the summer 2018 due to non-payment of several million dollars, owed to it for up to five years.

Where businesses have had success in Turkmenistan it has tended to be firms that are not making significant capital investment in the country, those that are not reliant on sustained market stability and access to it to obtain a return, or where their services are essential for the government to extract their own revenue.³² For example the farming equipment manufacturer, John Deere, has had a long-standing relationship with Turkmenistan, with a current phased deal due to export 1350 combine harvesters, tractors and ploughs.

The official regulatory environment has a degree of stability on paper due in part to the founding laws in many sectors mostly unchanged since the immediate post-Soviet period. These are for the most part poorly drafted but their lack of revision (or reform) does provide some perverse reassurance in an uncertain environment. However the system remains reliant on working with government officials both officially and through informal channels (both legal and illegal) to get things done. It is at this level where the Berdimuhamedov regime's practice of regularly and repeatedly reprimanding, sidelining and shuffling officials, from senior ministers to junior functionaries, in order to blame them for the governmental failings creates a fundamental instability of interlocutors. For most firms this just creates instability, political risk and further adds to the opportunities for corruption. However some argue that this gives some larger investors greater ability to shape the agenda of joint project boards as the international partners have the understanding of issues that incoming officials can often defer to. As Eimear O'Casey's article in this collection argues there is also the *de facto* requirement for international investors in Turkmenistan to be members of the 'Union of Industrialists and Entrepreneurs' to contend with.³³ The union is run by the President's long-time friend Alexander Dadayev.³⁴

Unsurprisingly for a system reliant on official fiat, corruption is an endemic feature of Turkmenistan's economic life, with Transparency International ranking it 161st out 180 countries surveyed.³⁵ Relatives of the ruling family have been seen to benefit from state expenditure. For example, despite the current economic crisis at least US \$2.3 billion is being spent on a 'Turkmen Autobahn', an 8 lane motorway between Ashgabat and Turkmenabat that is being funnelled through a consortium of four companies, two of which are mostly unknown and of the other two one is being run by the President's brother-in-law and his nephew and the other by a former Construction minister. The joint venture firm is being supported by Austrian technical advisers Vienna Consulting Engineers (VCE) ZT GmbH.³⁶

³¹ Turkmenistan: More Cuts and Bad Business, The Diplomat, February 2019, <https://thediplomat.com/2019/02/turkmenistan-more-cuts-and-bad-business/>

³² An example of this latter case would be the oil and gas services company Petrofac has had an extended presence in the country

³³ CIS Legislation, LAW OF TURKMENISTAN About the Union of Industrialists and Entrepreneurs of Turkmenistan, May 2011, <http://cis-legislation.com/document.fwx?rgn=43515>

³⁴ WikiLeaks, TURKMENISTAN: LOCAL BUSINESS COUNCIL MEETING TOOK PLACE, January 2009, https://wikileaks.org/plusd/cables/09ASHGABAT110_a.html

³⁵ Transparency International, Turkmenistan, <https://www.transparency.org/country/TKM>

³⁶ Turkmen News, Turkmen President's Brother-in-Law Involved in Construction of \$2.3bn Expressway, July 2019, <https://en.turkmen.news/news/turkmen-president-s-brother-in-law-involved-in-construction-of-2-3bn-expressway/> and Chronicles of Turkmenistan, Turkmenistan's Union of Industrialists and Entrepreneurs, which received a \$3 billion government loan for the construction of motorway, seeks additional investments in Austria, September 2018, <https://en.hronikatm.com/2018/09/turkmenistans-union-of-industrialists-and-entrepreneurs-which-received-a-3-billion-government-loan-for-the-construction-of-motorway-seeks-additional-investments-in-austria/>

As the UK Government puts it, in Turkmenistan ‘the law does not adequately protect contracts, and can be changed by decree or ignored with impunity by vested interests. Both domestic and foreign businesses can be forced out of the market for specious, or undisclosed, reasons.’³⁷ Turkmenistan’s legal system is extremely inexperienced in dealing with matters of commercial law, not that their lack of capacity would be the primary issue when trying to take on politically connected or state affiliated defendants. It has been argued that were international companies more willing to attempt to try the cases through the Turkmen legal system this would be an important capacity building exercise and may create openings for political pressure to unblock cases. Few international investors have been willing to act as a training exercise for the Turkmen legal system, instead preferring opportunities for international arbitration to seek redress when they believe their rights have been abused. The World Bank’s International Center for the Settlement of Arbitration Disputes (ICSID) is where many of the larger disputes are litigated, with five cases currently pending.³⁸ If Turkmenistan is serious about trying to attract increased FDI in the absence of robust domestic mechanisms it will need to show investors that it is complying with the provisions of bilateral investment treaties and other international frameworks such as the 2010 EU-Turkmenistan Interim Agreement on trade and trade related matters and the US-Central Asia Trade and Investment Framework Agreement (TIFA).³⁹

Despite the UK listing the country as a country of concern in its human rights report, detailing the deep structural challenges in its trade advice and the self-evident economic chaos, one of its main points of ongoing diplomatic and political interaction in Turkmenistan is through the Turkmenistan United Kingdom Trade and Industry Council (TUKTIC), established by the British Embassy in Ashgabat and the Government of Turkmenistan in 2010.⁴⁰ TUKTIC receives sponsorship from British firms interested in the Turkmen market such as Shell, BP, Buried Hill, De La Rue, Aggreko, JCB, Petrofac and Rolls Royce, with organisational support from the Mayfair based Strategy International and Business Expertise International who run the Central Asia and Transcaucasus Business Information Group (CATBIG).⁴¹ TUKTIC works closely with Baroness Nicholson who serves as the UK Prime Minister’s Trade Envoy to Turkmenistan.⁴² Warm words of praise for the regime including praise for Ashgabat’s marble buildings, and only tangential comments about the importance of human rights frame the nature of the relationship.⁴³

The EBRD is currently finalising its country strategy for Turkmenistan covering the period 2019-2024, a strategy described as ‘engaged but calibrated’.⁴⁴ Its involvement so far has wholly been in Turkmenistan’s private sector with loans to what it classes as small and medium-sized enterprises (SMEs) such as breweries Berk and Yager, Turkmenistan’s Coca Cola bottling company, the TOPAK paper company and PVC window manufacturer Turkmen Penjire.⁴⁵ Human Rights Watch, Transparency International and the International Partnership for Human Rights (IPHR) have argued that the EBRD

³⁷ UK Government, Overseas Business Risk – Turkmenistan, June 2019, <https://www.gov.uk/government/publications/overseas-business-risk-turkmenistan/overseas-business-risk-turkmenistan>

³⁸ Catherine Putz, Turkmenistan Faces 2 New Arbitration Cases, October 2018, <https://thediplomat.com/2018/10/turkmenistan-faces-2-new-arbitration-cases/>

³⁹ UNCTAD, Investment Policy Hub – Turkmenistan, <https://investmentpolicy.unctad.org/country-navigator/223/turkmenistan>

⁴⁰ UK Government, Turkmenistan United Kingdom Trade and Industry Council in Ashgabat, April 2019, <https://www.gov.uk/government/news/turkmenistan-united-kingdom-trade-and-industry-council-in-ashgabat>

⁴¹ Strategy International, Turkmenistan-UK Trade & Industry Council (TUKTIC), January 2018, <https://www.strategyinternational.co.uk/programme/2018/1/22/9g7ea13aggryxpmnhxlnw97o5q5u3>

⁴² UK Government, Trade Envoys, <https://www.gov.uk/government/groups/trade-envoys>

⁴³ Ambassador Thorda Abbott-Watt, Britain and Turkmenistan, August 2018, <http://www.ocamagazine.com/britain-and-turkmenistan>

⁴⁴ EBRD, Turkmenistan Country Strategy 2019-2024, <https://www.ebrd-consultations.com/assets/Country-Strategies/Turkmenistan/67961d1592/turkmenistan-strategy-2019.pdf>

⁴⁵ Svitlana Pyrkalo, EBRD loan supports Turkmen brewer Berk’s move into snacks, September 2016, <https://www.ebrd.com/news/2016/ebrd-loan-supports-turkmen-brewer-berks-move-into-snacks.html>; Svitlana Pyrkalo, EBRD funds first private mill for production of recycled cardboard in Turkmenistan, July 2013, <https://www.ebrd.com/news/2013/ebrd-funds-first-private-mill-for-production-of-recycled-cardboard-in-turkmenistan.html>; Svitlana Pyrkalo, EBRD finances first PVC profile maker in Turkmenistan, January 2017, <https://www.ebrd.com/news/2017/ebrd-finance-first-pvc-profile-maker-in-turkmenistan.html>

should adopt the European Parliament's proposed benchmarks on human rights in Turkmenistan and not expand lending to the public sector until there is clear progress against them, a conditional approach that this author would endorse.⁴⁶ At present the EBRD is considering a conditional expansion to support municipalities, a risk given the extent of forced labour amongst local government workers, with possible longer-term expansion into transport and energy projects. Question marks remain even over existing support to the local private sector which needs to be set in the context of the deeply corrupt and politically beholden nature of large swathes of the Turkmen private sector.

Record harvests or wide spread hunger?

The common Turkmen story of authoritarian self-promotion, imaginary statistics and barely discussed chaos come together in the regular announcement of record crop yields. The 2018 harvest figures were dutifully announced by cabinet Deputy Chairman Esenmyrat Orazgeldiev who reported that Turkmenistan had harvested some 1.099 million tons of cotton, more than the target figure of 1.050 million tons. However, opposition websites have claimed the records from the Agriculture and Water Resources Ministry, showed the real amount collected as being less than half that at 450,000 tons,⁴⁷ while the International Cotton Advisory Committee puts the 2018 cotton production figure at 300,000 tons.⁴⁸ These lower figures tally much more closely with the patterns relating to forced labour discussed below. Similarly it is believed that the wheat harvest had failed by only achieving a yield of 538,000 tons (rather than the 1.6 million target) of which 30 per cent was unfit for consumption.⁴⁹ Given the lack of external verification it is difficult to know for sure the real situation but given the widespread reports of rising food prices, rationing, drought, salt penetration into arable land and salt storms it seems plausible.⁵⁰

The reduction in domestic production combined with imports being hard to come by and the currency crisis mean that staple food products are no longer subsidised, as set out above, but have also been subject to supply shortages. Lines to receive bread have been reported since the autumn of 2017 as well as increased rationing since the spring of 2018. As of a recent report, state run stores have been limiting flour sales to 50 kilogram per family per month.⁵¹

The prodigious black market has seen food bypass the state run stores where prices are nominally regulated, but instead be sold at significant mark ups. For example chicken legs at almost double the official price led to rioting in the summer of 2018.⁵² Official vendors have taken to requiring passports or other identity documents to prevent people from taking multiple rations.⁵³ Despite this the President has announced that the recent generous harvest has enabled Turkmenistan to become an exporter of wheat. Neither of the two most relevant UN agencies, the World Food Programme and the Food and Agriculture Organisation, have a presence on the ground in the country to provide independent verification or assistance.

⁴⁶ IPHR, Joint Letter: Turkmenistan Country Strategy Review by the EBRD, June 2019, <https://www.iphronline.org/joint-letter-turkmenistan-country-strategy-review-by-the-ebrd.html>

⁴⁷ Bruce Pannier, Turkmenistan's Unreal Harvest, February 2019, RFE/RL, <https://www.rferl.org/a/turkmenistan-s-unreal-harvest-wheat-cotton/29772430.html>

⁴⁸ International Cotton Advisory Campaign, Cotton this month, January 2019, https://www.icac.org/Content/PublicationsPdf%20Files/4b1e0c03_e012_4e94_abf2_e1afd5404b2d/cotton-this-month-e1_18.pdf.pdf

⁴⁹ Bruce Pannier, Turkmenistan's Unreal Harvest, February 2019, RFE/RL, <https://www.rferl.org/a/turkmenistan-s-unreal-harvest-wheat-cotton/29772430.html>

⁵⁰ Alternative News of Turkmenistan, As grain harvest ends in Turkmenistan, media are silent about harvest victory, July 2018, <https://habartm.org/archives/9318> and Alternative News of Turkmenistan, Once fertile Dashoguz turns into Turkmenistan's salty wasteland, April 2018, <https://habartm.org/archives/8956>

⁵¹ RFE/RL, Turkmen Leader Hails 'Generous' Harvests Despite Food Shortages, May 2019, <https://www.rferl.org/a/turkmen-leader-hails-generous-harvests-despite-food-shortages/29947575.html>

⁵² Alternative News of Turkmenistan, Security services quell a riot in a Turkmen market, July 2018, <https://habartm.org/archives/9324>

⁵³ Kanat Shaku, Bread sellers demand passports as Turkmenistan's economic crisis goes from bad to worse, BNE News, June 2018, <https://www.intellinews.com/index.php/bread-sellers-demand-passports-as-turkmenistan-s-economic-crisis-goes-from-bad-to-worse-143613/>

Trapped?

As Bruce Pannier's essay points out the food shortages are believed to have led to further restrictions on internal movement, with those from the regions finding it difficult to visit Ashgabat since October 2018 and those trying to bring food out of the city being penalised. This builds on pre-existing restrictions that make it difficult for citizens of the regions to change their residency to allow them to live in Ashgabat. Further efforts to stem population inflow have included Presidential decrees urging Ashgabat officials to choose existing Ashgabat residents for employment rather than those currently residing outside the city.⁵⁴

Turkmens are not only being restricted in their internal movement but face challenges when leaving. Despite exit visas being ostensibly removed in 2004, citizens of Turkmenistan often find it difficult to get out of the country. The substantial Migration Service blacklist that had targeted regime critics has grown to encompass other groups trying to leave as the economy has worsened.⁵⁵ In 2018 it was widely reported that potential economic migrants, particularly from outlying regions such as Dashoguz and Lebap, that are particularly struggling, were being prevented from boarding planes.⁵⁶ A particular focus had been placed on stopping those trying to exit to Turkey and Dubai where there are communities of Turkmen migrant workers, leading to an expansion of migrants heading to Uzbekistan and Kazakhstan and a growth in people smuggling on the border with Uzbekistan.⁵⁷ Where workers have gone abroad the regime is putting pressure on their families in order to demand their return.⁵⁸ These restrictions provide a significant opportunity for bribery by the migration service with reports from RFE/RL that the going rate for bribes to make it past passport control had risen from the old rate of US \$200 to an extortionate rate of 60,000-70,000 manat (\$3300-\$3800 at the black market rate).⁵⁹

For a long time Turkmen students have faced significant restrictions in studying abroad. In 2009 restrictions were placed on attending the American University of Central Asia (AUCA) in Bishkek (Kyrgyzstan), KIMEP in Almaty (Kazakhstan) and then on attending the American University of Bulgaria.⁶⁰ This restriction was itself a concession after earlier attempts to impose a blanket ban on attendance to all foreign 'private universities', a term covering everything from elite US institutions to placements like AUCA. This was a move impacting around 150 students at AUCA and many others beyond, particularly from ethnic minority groups, who had been able to study abroad in large part due to international funding grants and scholarships. The restrictive climate towards international study has continued ever since and in April 2019 the Government of Turkmenistan published a list of international universities (and courses) whose degrees would be recognised from September 2019. The list excludes many universities where students from Turkmenistan are currently studying including no institution from Tajikistan leaving the estimated 4,000 students based there in limbo.⁶¹ No university in Western Europe or the United States is listed, though there is a somewhat nebulous exception stated that qualification from the 'Top 1,000' most respected universities in the world will, as an exception, be recognized, though without any clarity as to how these institutions would be identified. Given the limited nature of Turkmenistan's domestic education system, replete with rote

⁵⁴ Alternative News of Turkmenistan, Apartheid "in Ashgabat." President-approved document discriminates residents of regions, February 2018, <https://habartm.org/archives/4564>

⁵⁵ Eurasianet, Turkmenistan protests too much as citizens are halted from leaving country, April 2019, <https://eurasianet.org/turkmenistan-protests-too-much-as-citizens-are-halted-from-leaving-country>

⁵⁶ Pete Baumgartner, Turkmenistan Clips Wings Of Citizens Fleeing Economic Woes, April 2018, <https://www.rferl.org/a/turkmenistan-clips-wings-of-citizens-fleeing-economic-woes/29170508.html>

⁵⁷ RFE/RL, Turkmenistanis now go to Uzbekistan and Kazakhstan to earn money, April 2018, <https://rus.azathabar.com/a/29142683.html>

⁵⁸ RFE/RL, Turkmen authorities discuss measures to bring Turkmen migrant women home, March 2018, <https://rus.azathabar.com/a/29124851.html>

⁵⁹ RFE/RL, At Ashgabat airport, passengers are removed from flights, "assistance" is more expensive to leave, March 2019, <https://rus.azathabar.com/a/29833886.html>

⁶⁰ Eurasianet, Turkmenistan: Students Slapped with Five-Year Travel Ban, November 2009, <https://eurasianet.org/turkmenistan-students-slapped-with-five-year-travel-ban> and Rebecca Stonawski, (Not) Leaving Turkmenistan? A Survey of Students from Turkmenistan at the American University of Central Asia, April 2012, <https://journals.sagepub.com/doi/pdf/10.2304/power.2012.4.2.196>

⁶¹ Pete Baumgartner, 'Killing Hope': Turkmenistan's List Of 'Accepted' Universities Deals (Another) Blow To Students, Radio Free Europe/Radio Liberty (RFE/RL), April 2019, [https://www.rferl.org/a/killing-hope-turkmenistan-s-list-of-accepted-universities-deals-\(another\)-blow-to-students/29901588.html](https://www.rferl.org/a/killing-hope-turkmenistan-s-list-of-accepted-universities-deals-(another)-blow-to-students/29901588.html)

learning and a narrow focus on official texts (including the pronouncements of their leaders), this approach limits the country's pool of highly skilled workers essential for improving its productive capacity. It also ignores the experiences of neighbouring Azerbaijan and Kazakhstan who have both used internationally trained young workers to enhance their bureaucracies and internationally focused businesses without undermining the authoritarian character of those states.

How many citizens have actually been able to permanently leave Turkmenistan is the subject of much debate and uncertainty. Recent claims, which need to be treated with some caution, have been as high as almost two million, around a third of the official population figures, not including short-term labour migrants.⁶² There certainly are risks for family members who remain in Turkmenistan with pressure placed upon them to encourage migrant relatives to return to the country, an atmosphere that militates against the further development of an open-remittance system, something that would be helpful for the economy but embarrassing for the regime. At present the official figures suggest that less than 1 per cent of GDP is sourced from remittances, though the reality is likely to be higher.⁶³ Of course if the Turkmen diaspora was to come out of the shadows more there might also be opportunities for mobilising dissent that the regime would find unwelcome.

Home Demolition

Turkmenistan is not alone in conducting home demolition as part of delivering major vanity projects⁶⁴, however it has been seen to do so on a massive scale, brutally (with residents sometimes given only hours' notice of eviction) and often for no apparent purpose. In 2015 Amnesty International documented the displacement of up to 50,000 people in Ashgabat.⁶⁵ One of the main drivers for demolition of neighbourhoods and the related construction boom was the Asian Indoor and Martial Arts Games (AIMAG) 2017, whose Olympic village was believed to have cost US \$5 billion to build, along with a US \$2.3 billion new international airport and the related construction and beautification works.⁶⁶ A common thread is the lack of support given to those displaced by these schemes, even in situations where their land title and other legal rights were clear, again drawing attention to the lack of effective property rights and rule of law.

Forced Labour

Turkmenistan remains reliant on the widespread use of forced labour to bring in its cotton harvests. At the heart of the process is the continuation of the Soviet-era practice of Subbotnik work ('Saturday' work) where civil servants and other government linked professions such as doctors, dentists, teachers, students and military personnel are required to pick cotton under threat of dismissal, salary reductions, or other penalty. For example the 2016 cotton harvest was believed to involve about 49,000 teachers.⁶⁷ The luckier workers are bussed in and out from local fields in a day. Others, often from lower status jobs or sectors such as the postal service or energy companies, may be required to be posted over night or for longer stretches in squalid makeshift accommodation in more remote farms. Those on higher salaries are able to pay people to pick cotton on their behalf.

As a practice it is both ubiquitous and a source of official embarrassment. One farcical example recently saw such workers asked to hide for several hours ahead of the arrival of the President's

⁶² Farangis Najibullah, *Escape From Turkmenistan: Almost 2 Million Have Fled, But The President Looks The Other Way*, June 2019, <https://www.rferl.org/a/escape-from-turkmenistan-almost-2-million-have-fled-but-the-president-won-t-hear-of-it/29987972.html>

⁶³ The World Bank lists it as 0.0%, <https://data.worldbank.org/indicator/BX.TR.F.PWKR.DT.GD.ZS>, but other sources also suggest lower than 1% Federal Reserve Bank of St. Louis, *Remittance Inflows to GDP for Turkmenistan*, <https://fred.stlouisfed.org/series/DDOI11TMA156NWDB> and *Turkmenistan-Migrant Remittance*, <https://countryeconomy.com/demography/migration/remittance/turkmenistan>

⁶⁴ Azerbaijan for example - see Adam Hug (ed.), *Spotlight on Azerbaijan*, May 2012, <https://fpc.org.uk/publications/spotlight-on-azerbaijan/>

⁶⁵ Amnesty International, *Turkmenistan: Satellite images reveal how mass forced evictions blight upcoming Asian Games*, October 2015, <https://www.amnesty.org/en/latest/news/2015/10/turkmenistan-satellite-images-reveal-how-mass-forced-evictions-blight-upcoming-asian-games/>

⁶⁶ Human Rights Watch, *Turkmenistan: Hosting Asian Games Amid Widespread Repression*, July 2017, <https://www.hrw.org/news/2017/06/07/turkmenistan-hosting-asian-games-amid-widespread-repression>

⁶⁷ Anti-Slavery International, *Turkmen cotton and the risk of forced labour in global supply chains*, April 2019, <https://www.antislavery.org/wp-content/uploads/2019/04/Turkmenistan-Turkey-report.pdf>

motorcade.⁶⁸ Not only is the practice immoral and the source of significant disruption to the lives of Turkmenistan's citizens, but clearly requiring large swathes of public sector workers to undertake arduous manual labour leaves institutions either closed or understaffed, and with exhausted workers, undermining bureaucratic efficiency.

At the heart of the problem is a rigid and centralised national harvest quota system that springs from the mouth of the president down to regional governors and local officials, whom do their best to deliver, irrespective of how ridiculous the quota figure is. The local quota is then parcelled up amongst schools, hospitals and other public institutions, whose staff are then given their own personal quotas (such as 50 kilogram per person per day).

Local administrators face losing their jobs if they fail to deliver and farmers face the threat of land being taken away if quotas are not met. So perversely the poor harvest in 2017 saw an increase in forced labour due to the pressure on local farmers and administrators to show they were doing all they could to meet their unreachable quotas despite ever diminishing returns from labour.

Child labour is notionally prohibited but children may end up working the fields alongside their parents during school holidays and other times when childcare is not available or where they are under pressure to meet their quotas. There have been isolated reports the local administrators have required school children to participate in a coordinated fashion during school holidays.⁶⁹

Groups such as Anti-Slavery International, the Cotton Campaign and the Responsible Sourcing Network through their Turkmen Cotton Pledge and Investor Statement have been increasing awareness of the forced labour problem in Turkmenistan's cotton industry.⁷⁰ While the pressure has yet to have the transformative change that similar action is seen to have had in Uzbekistan their work is increasing pressure on companies that might seek to use cotton from Turkmenistan, such as the US \$300 million exported to Turkey each year.⁷¹ In May 2018 US Customs and Border protection officials announced that they would be formally banning the import of goods made with or containing cotton from Turkmenistan.⁷²

There have been a number of announcements about efforts to increase mechanisation in Turkmenistan's agricultural sector, not least in the announcement of the purchase of hundreds of mechanised cotton harvesters from John Deere mentioned above. However there have been limited signs so far that this equipment has been deployed in significant enough numbers to alter Turkmenistan's approach to forced labour.⁷³

Unlike in Uzbekistan the International Labour Organisation (ILO) has yet to establish a presence on the ground in Turkmenistan. While there is understandable concern that without guarantees on freedom to operate such a presence could be used as a fig leaf or propaganda tool but if an ILO office was able to provide a proper mapping and monitoring of forced labour in the country then it would have potentially important transformative effect. Negotiations have been underway for several years but

⁶⁸ Fergana News, Subbotnik participants in Turkmenistan were forced to hide from the president, May 2019, <http://fergana.agency/news/107520/>

⁶⁹ Solidarity Centre, Children, Pregnant Teachers Forced to Pick Turkmenistan's Cotton, February 2018, <https://www.freedomunited.org/news/children-teachers-turkmenistan-cotton/>

⁷⁰ Responsible Sourcing Network, Turkmen Cotton Investor Statement, June 2019, <https://www.sourcingnetwork.org/turkmen-investor-statement>

⁷¹ Anti-Slavery International, Forced Labour Tainted Cotton: from Turkmenistan via Turkey, April 2019, www.antislavery.org/forced-labour-tainted-cotton-from-turkmenistan-via-turkey/

⁷² Responsible Sourcing Network, U.S. Customs Halts Imports of Forced Labor Cotton and Cotton Goods from Turkmenistan, May 2018, <https://www.sourcingnetwork.org/press-release-turkmenistan-imports>

⁷³ Alternative News of Turkmenistan, Cotton pickers struggle with low pay, poor crop in southern Turkmenistan, November 2018, <https://habartm.org/archives/9737>

seem focused around a less ambitious agenda of monitoring more general compliance with the 'Decent Work and Economic Growth' Sustainable Development Goal.

Human rights

The country is ranked 119th out of 129 countries in the Bertelsmann Transformation Index⁷⁴ and 204th out of 210 in Freedom House's Freedom in the World Index.⁷⁵ The Foreign and Commonwealth Office's (FCO) most recent Human Rights and Democracy Report listed Turkmenistan as one of its Human Rights Priority Countries and summaries its key concerns as 'the continuing allegations of torture and poor prison conditions, a lack of freedom of opinion and expression (including access to information), limited freedom of religion or belief, significant gender discrimination, and a failure to protect the rights of LGBT people.'⁷⁶ Turkmenistan has historically been the worst performing country in the human rights blackspot that is Central Asia.

Unsurprisingly the Organization for Security and Cooperation in Europe's Office for Democratic Institutions and Human Rights (OSCE ODIHR) report on the 2018 Parliamentary elections stated that Turkmenistan 'lacked important prerequisites of a genuinely democratic electoral process. The political environment is only nominally pluralist and does not offer voters political alternatives. Exercise of fundamental freedoms is severely curtailed, inhibiting free expression of the voters' will. Despite measures to demonstrate transparency, the integrity of elections was not ensured, leaving veracity of results in doubt'.⁷⁷

47 of the deputies in the 125 Mejlis were elected from the President's Democratic Party of Turkmenistan with the remainder been elected on behalf of Parties representing large stakeholder groups: the Organisation of Trade Unions of Turkmenistan with 33 deputies, the Women's Union of Turkmenistan with 16, The Party of Industrialists and Entrepreneurs 14 deputies, the Magtymguly Youth Organisation with eight deputies and seven other 'citizens' representative who are all fully loyal to the President.

Turkmenistan's prison system can be a black hole for those imprisoned on long sentences, with family and friends unable to contact loved ones for many years. The Prove They Are Alive campaign argues that hundreds of people have been victims of enforced or involuntary disappearances within the Turkmen prison system with a list of 121 specific named cases. Of these named cases there has either been no verifiable information about their whereabouts and condition since trial or for some since arrest; no contact with or information provided to their family; and/or no access to legal representation, external medical experts and international monitoring organizations.⁷⁸ The group have also documented prison beatings and other forms of torture amid unsanitary and inhuman conditions in the prison system.⁷⁹

Gulgeldy Annaniyazov was initially arrested in 1995 over a peaceful protest, served four years of a 15 year sentence but fled to Kazakhstan in 2002 after years of surveillance and harassment. Under pressure from the Turkmen authorities he was arrested under claims of traveling on a false passport but was able to obtain asylum in Norway in 2002 after international pressure. After unfortunately misreading the political climate in the wake of Turkmenbashi's death he returned to Ashgabat in 2008,

⁷⁴ Bertelsmann Stiftung Transformation Index, BTI 2018- Turkmenistan Country Report, <https://www.bti-project.org/en/reports/country-reports/detail/itc/TKM/>

⁷⁵ Freedom House, Freedom in the World Index 2018, <https://freedomhouse.org/report/freedom-world-2018-table-country-scores>

⁷⁶ FCO, Human Rights and Democracy: the 2018 Foreign and Commonwealth Office report, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/806851/human-rights-democracy-2018-foreign-and-commonwealth-office-report.pdf

⁷⁷ OSCE, Turkmenistan Parliamentary Elections, 25 MARCH 2018 ODIHR Election Assessment Mission Final Report, <https://www.osce.org/odihr/elections/382915?download=true>

⁷⁸ Prove They Are Alive, The Disappeared List, <http://provetheyarealive.org/the-disappeared/>

⁷⁹ Prove They Are Alive, Ovadan Depe Medieval Torture in modern Turkmenistan, <http://provetheyarealive.org/ovadan-depe-medieval-torture-in-modern-turkmenistan/>

was promptly arrested and then disappeared without any contact until 2015, when in a report to the UN Human Rights Council Government officials stated that he was serving an 11 year sentence for illegal border crossing and holding false documents. However shortly before his notional release date this year his sentence was extended by a further five years.⁸⁰

Turkmenistan's security services are active in trying to suppress protest by exiled activists. Akmukhammet Baikhanov was attacked the street in Moscow in what was seen to be a failed abduction attempt shortly after the publication of a report about his experiences in the notorious Ovadan Depe jail.⁸¹ The Central Asian Political Exiles (CAPE) database has identified 40 well known activists at risk,⁸² while we know pressure is placed on the relatives of those not even involved in politics to encourage their return.

Turkmenistan has only recently appointed a human rights ombudsman. Embarrassingly significant sections of the ombudsman Yazdursun Gurbannazarova's first report were borrowed from a Master's thesis about the ombudsman of Kazakhstan.⁸³ The content of her work so far unsurprisingly contains mostly reports of relatively uncontroversial issues, such as direct requests for assistance in housing issues, overturning court decisions and the migration service rather than the more challenging human rights abuses.⁸⁴

Turkmenistan's women face increasing enforcement of rules requiring them to wear traditional national clothing, a long embroidered dress. This is particularly being enforced amongst public sector workers who have also faced instructions not to dye their hair, wear nail varnish, or use eyelash and nail extensions. They also face periodic efforts to prevent them from driving or from buying and smoking cigarettes. The rules managing personal behaviour fluctuate depending on the whims of the leadership and how they are interpreted by functionaries at any given time.⁸⁵

The LGBTI community in Turkmenistan remains heavily repressed by the state. Consensual sex between men remains criminalised and subject to a two year prison sentence.⁸⁶ It remains one of the eight countries in the world where 'law enforcement officials, working in tandem with medical personnel subject men and transgender women who are arrested on homosexuality-related charges to forced anal examinations, with the purported objective of finding "proof" of homosexual conduct'.⁸⁷ The legal situation provides a significant bribery and extortion opportunity for law enforcement officials and LGBTI people are at risk of assault, including 'honour' based violence from family members and their local communities.

⁸⁰ Rachel Denber, End A Dissident's Ordeal in Turkmenistan, Human Rights Watch, May 2019, <https://www.hrw.org/news/2019/05/13/end-dissidents-ordeal-turkmenistan>

⁸¹ Exeter Central Asian Studies Network, Central Asian Political Exiles (CAPE) database- Bayhanov, Akmukhammet, <https://excas.net/exile/bayhanov-akmukhammet/> and The Borgen Project, The realities behind human rights in Turkmenistan, July 2017, <https://borgenproject.org/human-rights-in-turkmenistan/>

⁸² Exeter Central Asian Studies Network, Central Asian Political Exiles (CAPE) database, <https://excas.net/exiles/>

⁸³ Eurasianet, Turkmenistan: What's left of rights?, June 2018, <https://eurasianet.org/turkmenistan-whats-left-of-rights> and Alternative News of Turkmenistan, The Turkmen Ombudsman submitted her first report. Half of the document – plagiarism, June 2018, <https://habartm.org/archives/9222>

⁸⁴ Turkmen News, Housing, Court Rulings — Main Targets of Public Complaint, Turkmen Ombudswoman's Report Shows, July 2019, <https://en.turkmen.news/news/turkmen-ombudswoman-2018-report/>

⁸⁵ Amnesty International, Turkmenistan- Submission to the United Nations Committee on the Elimination of Discrimination Against Women, July 2018, <https://www.amnesty.org/en/documents/eur61/8474/2018/en/> and Turkmenistan still experiences a shortage of cigarettes, Chronicles of Turkmenistan, January 2017, Turkmenistan still experiences a shortage of cigarettes, <https://en.hronikatm.com/2017/01/turkmenistan-still-experiences-a-shortage-of-cigarettes/>

⁸⁶ Amnesty International Public Statement, Amnesty International urges Turkmenistan to resolve all enforced disappearances and end criminalization of same sex relations, September 2019, <https://www.amnesty.org/download/Documents/EUR6191262018ENGLISH.pdf>

⁸⁷ Human Rights Watch, Dignity Debased- Forced Anal Examinations in Homosexuality Prosecutions, July 2016, <https://www.hrw.org/report/2016/07/12/dignity-debased/forced-anal-examinations-homosexuality-prosecutions>

Freedom of Media and Speech

For a long period Turkmenistan has been amongst the most repressive states for journalists, alongside North Korea and Eritrea. However in 2019 Turkmenistan found itself at the coveted bottom spot as the lowest ranked country in the Reporters without Borders (RSF) World Press Freedom rankings. Freedom House's Freedom and the Media 2019 report concurs by placing Turkmenistan in its worst ranked group of countries.⁸⁸ RSF note that over the last three to four years the situation has deteriorated with further crackdowns on journalists and efforts to limit access to media.

Nominally as part of the wide ranging efforts at 'beautification' outlined above there has been major crackdown on satellite dishes, which were banned in Turkmenistan in 2015.⁸⁹ Satellite is the main point of access to Radio Free Europe/Radio Liberty's (RFE/RL) Turkmen service 'Radio Azatlyk', the most widely accessed source of independent news on the country, and it is no surprise that as the economic situation on the ground has deteriorated the Government is intensifying its efforts to block access to independent news. Satellite dish removal is particularly important in the context of Turkmenistan's persistently low internet penetration rate, believed to be less than 20 per cent.⁹⁰

Turkmenistan is believed to be using German technology, from Rohde & Schwarz who have an office in Ashgabat, to flag and block websites and spyware and to monitor phone and internet use.⁹¹ It is also believed to be able to identify users that are deploying a Virtual Private Network (VPN) to avoid censorship and are targeting them for reprisals. The scope of sites and apps that are blocked at any one time is evolving but RFE/RL and news sites run by Turkmen exiles such as Turkmen News and⁹² Chronicles of Turkmenistan remain heavily restricted, while encrypted messaging apps such as Signal and WhatsApp are currently blocked.⁹³

For those brave enough to work on the ground as journalists for, or activists who collaborate with, RFE/RL or the exile websites the human cost can be steep. Saparmamed Nepeskuliev, a freelance contributor to RFE/RL has recently completed a three year prison term for drugs charges that were denounced as politically motivated by the UN and the international community.⁹⁴ Nepeskuliev was accused of possession of tramadol, banned in Turkmenistan, something he claims was planted in his hotel when working a story. He was held for weeks without contact with the outside world prior to his conviction. Former RFE/RL affiliated freelancer Soltan Achilova, who now works for the Chronicles of Turkmenistan, has been given a travel ban that bars her from leaving the country, while in the past she has been assaulted and harassed by the security forces numerous times, including recently in both 2016 and 2018.⁹⁵ Gaspar Matalaev, an activist who provided photographs documenting child labour in the cotton harvest to Alternative News of Turkmenistan (the forerunner to Turkmen News), is currently serving a three-year sentence in a labour camp on bogus fraud charges.⁹⁶ Further back

⁸⁸ Sarah Repucci, *Freedom and the Media: A Downward Spiral*, 2019, <https://freedomhouse.org/report/freedom-media/freedom-media-2019>

⁸⁹ Chris Forrester, *Satellite dishes banned in Turkmenistan*, April 2015, <https://advanced-television.com/2015/04/22/satellite-dishes-banned-in-turkmenistan/>

⁹⁰ Freedom House had listed it at 15% in 2017 according to the *Freedom of the Press 2017*, <https://freedomhouse.org/report/freedom-press/2017/turkmenistan> while others put the figure at 18% in 2018 according to a *We are Social/Hootsuite, Digital 2018*, <https://www.slideshare.net/DataReportal/digital-2018-turkmenistan-january-2018> and a similar figure for 2016 from the *CIA World Factbook-Turkmenistan*, <https://www.cia.gov/library/publications/the-world-factbook/geos/tx.html>

⁹¹ RFE/RL, *German Tech Firm's Turkmen Ties Trigger Surveillance Concerns*, February 2019, <https://www.rferl.org/a/german-tech-firm-s-turkmen-ties-trigger-surveillance-concerns/29759911.html> and Human Rights Watch, *Turkmenistan: Report of Inquiry to German Cybersecurity Firm*, June 2018, <https://www.hrw.org/news/2018/06/25/turkmenistan-report-inquiry-german-cybersecurity-firm>

⁹² Who are supporting the FPC with this project.

⁹³ Committee to Protect Journalists, *Turkmenistan journalist Soltan Achilova barred from traveling abroad*, March 2019, <https://cpj.org/2019/03/turkmenistan-journalist-soltan-achilova-barred-fro.php>

⁹⁴ RFE/RL, *Jailed, Harassed RFE/RL Correspondent Leaves Turkmenistan*, March 2019, <https://www.rferl.org/a/jailed-harassed-rfe-rl-correspondent-leaves-turkmenistan/29839464.html>

⁹⁵ RSF, *Turkmenistan bans journalist Soltan Achilova from travelling abroad*, March 2019, <https://rsf.org/en/news/turkmenistan-bans-journalist-soltan-achilova-travelling-abroad> and RFE/RL, *RFE/RL Correspondent Forcibly Detained In Turkmenistan*, May 2018, <https://www.rferl.org/a/rferl-correspondent-achilova-detained-brutalized-security-forces-turkmenistan/29220474.html>

⁹⁶ Gaspar Matalaev is a relative of the editor of Turkmen News, the FPC's partner for this project. Joanna Ewart-James, *Gaspar Matalaev: serving time for reporting on forced labour in Turkmenistan's cotton fields*, *Independent*, February 2018,

RFE/RL contributor Ogulsapar Muradova died in custody in 2006, with the UN Human Rights Committee finding the Government responsible for her death in a 2018 ruling.⁹⁷

Civil Society

The UK FCO's 2017 Human Rights and Democracy Report bluntly noted that 'in Turkmenistan, independent human rights NGOs were unable to operate'.⁹⁸ As Turkmenistan transitioned directly from Soviet to local authoritarians so there was limited space for independent civil society to gain a foothold in the 1990s and the subsequent regime consolidation has limited the space for government critical civil society action to a few very brave activists. For example, with the Government conducting mass extermination of stray dogs and cats, notably around the Asian Indoor Games in 2017, animal rights activist Galina Kucherenko⁹⁹ was arrested and detained for her activism. Similarly one of the few independent civil society activists who works openly in Turkmenistan Natalya Shabunts, also faced harassment for her work in attempting to stem the dog cull, having previously been under house arrest and constant surveillance for her activities.¹⁰⁰

This is not to say there are no civil society organisations at all, as with many other authoritarian states there is a limited space available for those addressing sport and cultural, and in a more tightly defined way, women's and environmental issues, provided that any activity does not challenge the structures of power in Turkmenistan. Large centrally organised groups such as the Magtymguly Youth Organisation, the Women's Union of Turkmenistan and the National Centre of Trade Unions of Turkmenistan remain major organising blocks in the civic space and partners for international donors. As set out above they also provide the frameworks for the 'alternative' political parties recently elected to the Mejlis.¹⁰¹ The national Red Crescent Society of Turkmenistan is a major provider of healthcare services in the country and its executive director is Gulnabat Dovletova, a sister of the President.¹⁰²

The legal environment for NGOs remains restrictive with registration with the Ministry of Justice required and with penalties for unregistered groups. Any organisation seeking to operate nationally must have 400 members in order to receive registration. Foreign funding also needs to be documented with the Ministry of Justice. Notice of holding a large event requires formal permission that must be given no earlier than 15 days before such an event and no later than 10 days creating significant risks and restrictions on free assembly.¹⁰³

There have been some limited collaborations between Turkmenistan's official civil society and state institutions with international organisations. Examples include the UN Development Programme (UNDP) on environmental issues,¹⁰⁴ and with the UN Educational, Scientific and Cultural Organization (UNESCO) and University College London (UCL) over the archaeological excavation and preservation of

<https://www.independent.co.uk/voices/campaigns/voicesindanger/serving-time-for-reporting-on-forced-labour-in-cotton-fields-a8194961.html>

⁹⁷ Human Rights Watch, Turkmenistan: UN Blames Government for Activist's Death, August 2018,

<https://www.hrw.org/news/2018/08/09/turkmenistan-un-blames-government-activists-death>

⁹⁸ FCO, Human Rights and Democracy: the 2017 Foreign and Commonwealth Office report, October 2018,

<https://www.gov.uk/government/publications/human-rights-and-democracy-report-2017/human-rights-and-democracy-the-2017-foreign-and-commonwealth-office-report>

⁹⁹ RFE/RL, Jailed Turkmen Animal Rights Activist Visited By Daughter After Days Held Incommunicado, December 2017,

<https://www.rferl.org/a/turkmenistan-kucherenko-animal-rights-activist-arrested/28912076.html>

¹⁰⁰ Eurasianet, Has Turkmenistan Learned to Love Dogs? (Hint: No), August 2017, <https://eurasianet.org/has-turkmenistan-learned-to-love-dogs-hint-no> and Institute for War and Peace Reporting, Rights Activists Say World Must Act on Turkmenistan Abuses, March 2011, <https://iwpr.net/global-voices/rights-activists-say-world-must-act-turkmenistan-abuses>

¹⁰¹ Turkmenistan, Results of the elections to the National Parliament, December 2013, http://www.turkmenistan.gov.tm/_eng/?id=3069

¹⁰² Chronicles of Turkmenistan, Turkmen Red Crescent to be funded by residents, February 2017,

<https://en.hronikatm.com/2017/02/turkmen-red-crescent-to-be-funded-by-residents/> and Red Crescent Society of Turkmenistan,

<https://www.ifrc.org/en/what-we-do/where-we-work/europe/red-crescent-society-of-turkmenistan/>

¹⁰³ The International Center for Not for Profit Law, Civic Freedom Monitor: Turkmenistan, July 2018,

<http://www.icnl.org/research/monitor/turkmenistan.html>

¹⁰⁴ UNDP, Turkmenistan, <http://www.tm.undp.org/content/turkmenistan/en/home.html>

the ancient city of Merv.¹⁰⁵ International donors USAID and the German development agency GIZ also are active on the ground. The OSCE's presence is limited to a 'centre' in Ashgabat involved primarily security matters such as the training of border patrol agents under the leadership of Ambassador Natalya Drozd from Belarus.

Freedom of Religion

As with many other Central Asian states religion is tightly regulated through a centralised state controlled Turkmenistan Muslim Religious Board (Muftiate). In Turkmenistan it is taken to even greater extremes with regards to interference in personal religious life. The official religious institutions did not publicly announce the start of Ramadan and there was no coverage about it on state media. There have been a number of reports that people have felt unable to observe the fast or meet for Iftar meals due to the risk of being perceived as extremist, with city curfews that can prevent people being away from home after 11pm and a general government aversion to groups of people congregating causing problems around breaking the fast.¹⁰⁶ There have even been reports of police attempting to intimidate and block worshipers from attending Mosques.

The use of anti-extremism legislation and language has been used to arrest and imprison non-violent religious groups such as five followers of Turkish Cleric Said Nursi who were jailed for 12 years in the summer of 2018.¹⁰⁷ Despite the country's widely publicised neutrality there is compulsory military service of two years for men aged between 18-27 and with no mechanism of alternative service there has been regular jailing of conscientious objectors, with 12 objecting Jehovah's Witnesses in Seydi Labour camp as of June 2019.¹⁰⁸ The fallout from the 2016 attempted coup in Turkey has seen pressure in Turkmenistan increase on the Gulen movement, including over 100 members and school teachers arrested with some sentenced to long-periods in prison.¹⁰⁹ The 2016 law on religion required all religious groups to re-register with the authorities, which was used to close down a number of groups, and it imposed a restriction on registration for groups with fewer than 50 members.¹¹⁰

Younger men face potential police harassment and fines if those under 40 are found to have a beard¹¹¹, something that has its roots in a 2004 decree by former President Niyazov but is used primarily today to limit outward signs of religious piety.¹¹² The conservative cultural practices in relation to women and LGBTI rights noted above are as much rooted in the regime's conception of traditional Turkmen culture than the specifically in Islam, devotion to which could potentially undermine a citizen's ability to prioritise support for the President's personality cult.

The regional dimension and gas politics

For years, Turkmenistan's enormous gas reserves and strategic location made it an important part of discussions around a potential Trans-Caspian pipeline that would connect Central Asian gas resources directly to the EU's Southern Gas Corridor, without using Russian networks. This would spark periodic western interest in Turkmen gas as a silver bullet for Europe's energy security woes but the project has been stalled for a generation. Often talked about but never appearing it is the Godot of international projects. Historically the sticking points have been opposition from Russia and Iran that centred on disputes over ownership of the Caspian seafloor that in part acted as a cover for their fears over

¹⁰⁵ UCL, Ancient Merv Project, <https://www.ucl.ac.uk/archaeology/research/ancient-merv-project>

¹⁰⁶ Forum 18, TURKMENISTAN: In Ramadan, Muslims fear "extremism" accusations, May 2019, http://www.forum18.org/archive.php?article_id=2481

¹⁰⁷ Felix Corley, TURKMENISTAN: Appeals against 12-year jail terms fail, July 2018, http://www.forum18.org/archive.php?article_id=2399

¹⁰⁸ CIA, World Factbook- Turkmenistan, <https://www.cia.gov/library/publications/the-world-factbook/geos/tx.html> and Felix Corley, TURKMENISTAN: Second 2019 conscientious objector jailing, Forum 18, June 2019, http://www.forum18.org/archive.php?article_id=2483

¹⁰⁹ Naz Nazar, The tragic echoes of Turkey's anti-Gülen campaign in Turkmenistan, Open Democracy, April 2018, <https://www.opendemocracy.net/en/odr/anti-gulen-campaign-in-turkmenistan/>

¹¹⁰ Felix Corley, TURKMENISTAN: Appeals against 12-year jail terms fail, July 2018, http://www.forum18.org/archive.php?article_id=2399

¹¹¹ The Chronicles of Turkmenistan, Turkmenistan re-launches the anti-beard campaign, January 2019, <https://en.hronikatm.com/2019/01/turkmenistan-re-launches-the-anti-beard-campaign/>

¹¹² Monica Whitlock, Young Turkmen face beard ban, BBC News, February 2004, <http://news.bbc.co.uk/1/hi/world/asia-pacific/3486776.stm>

competition and the diversion of gas away from their own pipeline networks and markets. After 25 years of wrangling the five littoral states surrounding the Caspian signed the Convention on the Legal Status of the Caspian Sea in 2018, which while not resolving all potential legal issues does provide a framework that could allow the construction of such a pipeline.¹¹³ However this has finally taken place at a time where the European energy security situation is rapidly changing due to the expansion of Liquefied Natural Gas (LNG) terminals which when combined with the related weak gas prices makes it widely seen as an uneconomic project to deliver.

The gas fields that would provide any Trans-Caspian route are predominantly in the east of Turkmenistan and the export focus for these fields has been eastward rather than westward through two main routes: the Chinese built and very real Central Asia–China pipeline network; and the as yet illusory Turkmenistan–Afghanistan–Pakistan–India pipeline (TAPI).

China has been Turkmenistan's primary, and at times only, gas export market for the last ten years. Chinese demand for natural gas, oil and other resources has placed Turkmenistan as an important part of Beijing's Belt and Road strategy that seeks to further develop economic ties, improve infrastructure and increase political influence in the wider region. As the result of a push for cleaner burning fuel Chinese gas demand is growing rapidly, by 30–40 billion cubic metres (BCM) per year, something which should be good news for its largest gas supplier Turkmenistan. However China is rapidly expanding its access to LNG and the Asian LNG market is experiencing a major supply glut, with spot prices falling by 60 per cent since the summer of 2018 making it more competitive against land based suppliers, giving Beijing more options.¹¹⁴ It means that while China may well have increased demand for gas, this does not translate to a need to pay more for it. Indeed reports suggest that it has been able to persuade its Turkmen counterparts to lower their prices in 2017 although all details of the deal remain secret.¹¹⁵ In the first quarter of 2019 analysts have suggested there may have been a significant (26 per cent) spike in exports,¹¹⁶ after a previously depressed supply in 2018.¹¹⁷

However, at least in the short-to-medium term, sales of gas to China are not seen as a major source of revenue due to a significant portion of the sales believed to be servicing and paying down debts Turkmenistan owes China, including for the development of the Galkynysh Gas Field (formerly South Yolotan) and the infrastructure that connected it to Chinese gas markets.¹¹⁸ The Chinese building the infrastructure themselves and sending Turkmenistan the bill at least ensured that the project was delivered swiftly and efficiently. Other projects seen as helpful to the development of China's Belt and Road strategy, including new port facilities at Turkmenbashi, are believed to have been funded by Chinese investment. Not all of the loan amounts given have been made public but as Dr Luca Anceschi's essay suggests the figures are believed to be around or above US \$10 billion.

¹¹³ Freshfields Bruckhaus Deringer, Legal Status of the Caspian Sea: New Opportunities and New Challenges, November 2018, http://knowledge.freshfields.com/en/Global/r/3848/the_new_convention_on_the_legal_status_of_the_caspian_sea and Robert Cutler, Third time lucky for Trans-Caspian Gas Pipeline?, Petroleum Economist, June 2019, <https://www.petroleum-economist.com/articles/politics-economics/europe-eurasia/2019/third-time-lucky-for-trans-caspian-gas-pipeline>

¹¹⁴ Chen Aizhu and Henning Gloystein, China gas demand to surge in 2019, but maybe not enough to sop up LNG glut, Reuters, April 2019, <https://uk.reuters.com/article/us-china-gas-beijinggas/china-gas-demand-to-surge-in-2019-but-maybe-not-enough-to-sop-up-lng-glut-idUKKCN1RK0BW>

¹¹⁵ Chen Aizhu and Henning Gloystein, China gas demand to surge in 2019, but maybe not enough to sop up LNG glut, Reuters, April 2019, <https://uk.reuters.com/article/us-china-gas-beijinggas/china-gas-demand-to-surge-in-2019-but-maybe-not-enough-to-sop-up-lng-glut-idUKKCN1RK0BW>

¹¹⁶ Sam Bhutia, Twitter traffic: Turkmenistan's Goods Exports to China, May 2019, https://twitter.com/sam_bhutia/status/1130819093286641664/photo/1

¹¹⁷ Expert views on the reason for this vary from unexpectedly reduced Chinese demand given the rise of LNG and capacity/supply problems, notably in November 2018- for the latter see Chu Daye and Zhang Hongpei, Natural gas supply shortage from Turkmenistan driving up prices in China amounts to 'hype': NDRC, Global Times, January 2019, <http://www.globaltimes.cn/content/1135213.shtml>. It is possible that both factors were in play.

¹¹⁸ Eurasianet, China Figures Reveal Cheapness of Turkmenistan Gas, October 2016, <https://eurasianet.org/china-figures-reveal-cheapness-turkmenistan-gas>

Like its spiritual cousin the Trans-Caspian TAPI remains mostly on the drawing board, game changing in theory but far from being put into practice. If ever completed the project could be transformative for Turkmenistan, Afghanistan and South Asia as a whole. It could provide access to markets for 33 BCM of Turkmen gas per year, it could enable Pakistan to resolve its gas shortages, provide opportunities for gasification in Herat and other Afghan cities along the route (as well as much needed transit fees) and provide opportunities to further diversify India's growing gas market. The Government of Turkmenistan has made a series of confusing and contradictory claims about progress on the sections within its territory. In February 2018 the CEO of the Turkmen consortium working on the project announced that work in Turkmenistan had been completed, yet later that year announcements were made of more deliveries of materials, notably 35 km of pipeline, needed to complete the building works.¹¹⁹ In April 2019 a contract for further 214km of piping was announced, while a Turkmen State News Agency story about the success of the gas sector in Turkmenistan noted that work on the Turkmen sections of TAPI were under construction.¹²⁰ Progress reports for the Afghan section of the project are just as vague, with little sign that significant progress is being made. Helpfully for the security of project on the Afghan side, though yet another area of concern from a human rights perspective, Turkmenistan has long cultivated a working relationship with the Taliban, as evidenced by them forcing up to 150 Afghan Army Soldiers, who had fled over the boarder after losing a confrontation with Taliban, back into Taliban custody and it is believed for many to their deaths.¹²¹

Unhelpfully for Turkmenistan Pakistan appears to be seeking to reduce the proposed gas sale price before taking any action to build pipeline on its territory, potentially stalling notional plans to break ground in October 2019 and completion by the end of 2020.¹²² India too has been attempting to renegotiate the price structure which was set in 2013 between the four participating states at 55 per cent of the current oil price plus transit fees.¹²³ India also may need to further expand its LNG options to give a diversity of supply options before it allows itself to become reliant on a route coming from Pakistan.

At present Turkmenistan is the project manager and notionally committed to providing 85 per cent of the project's equity, investment capital it self-evidently lacks.¹²⁴ The Islamic Development Bank has provided US \$700 million loan but this is far from enough to enable project completion, with potential UAE or Saudi financial backing and an experienced project manager perhaps required to turn it from pipedream into reality.¹²⁵

With the Chinese export routes not providing significant cash in hand and TAPI far from complete the government of Turkmenistan has been searching around for other options to diversify its export routes. As of April 2019 it was announced that gas supplies to Russia had resumed, albeit with very little detail.¹²⁶ It subsequently transpired that an initial short-term deal was in place for 1.2 BCM of gas, ahead of a more substantial five year deal that would restore supplies of 5.5 BCM per year going

¹¹⁹ Bruce Pannier, Analysis: TAPI And Other Turkmen Tales, December 2018, RFE/RL <https://www.rferl.org/a/tapi-turkmen-ales-pipeline-qishloq-ovozi-pannier/29632356.html> and Bruce Pannier, Another Turkmen Pipe Mystery, RFE/RL, April 2019, <https://www.rferl.org/a/qishloq-ovozi-tapi-turkmen-pipe-mystery/29862029.html>

¹²⁰ State News Agency of Turkmenistan, Turkmenistan is actively developing new forms of international energy business, February 2019, <http://www.turkmenistan.gov.tm/?id=18454>

¹²¹ Najim Rahim and Rod Nordland, Taliban Capture About 150 Afghan Soldiers After Chase Into Turkmenistan, New York Times, March 2019, <https://www.nytimes.com/2019/03/17/world/asia/afghanistan-soldiers-taliban-turkmenistan.html>

¹²² Khalid Mustafa, Pakistan links TAPI work initiation with gas price review, The News, June 2019, <https://www.thenews.com.pk/print/481480-pakistan-links-tapi-work-initiation-with-gas-price-review>

¹²³ The Economic Times, India seeks re-negotiation in gas price from TAPI pipeline, August 2018, <https://economictimes.indiatimes.com/industry/energy/oil-gas/india-seeks-revision-in-gas-price-from-tapi-pipeline/articleshow/65497724.cms?from=mdr>

¹²⁴ Business Recorder, Equity in TAPI: proposal approved by ECC, December 2015, <https://fp.brecorder.com/2015/12/201512191257147/>

¹²⁵ Alex Forbes, Turkmenistan sees light at the end of the tunnel, June 2019, <https://www.petroleum-economist.com/articles/upstream/exploration-production/2019/turkmenistan-sees-light-at-the-end-of-the-tunnel>

¹²⁶ NEBIT-GAZ, Turkmenistan resumed natural gas supplies to Russia, April 2019, <http://www.oilgas.gov.tm/blog/2653/turkmenistan-vozobnovil-postavki-prirodnogo-gaza-v-rossiyu>

to Russia announced in July 2019. This amount, while helpful to the desperate Turkmen economy, pales in comparison to the 40 BCM that it used to supply before the first round of tensions in 2009 over a gas explosion, or even the 10-11 BCM it exported between 2011 and 2015 before the dispute over prices that led to the 2016-19 export freeze.¹²⁷ Most analysts believe that the restoration of Russian gas supply is first and foremost ‘political gas’, a supply Gazprom doesn’t really need but which helps to bring Turkmenistan back into closer alignment with Russia in return for hard currency that Turkmenistan desperately needs. While the details of the deal remain confidential, given the current sale price for Gazprom gas to its neighbours and on European Markets it is likely that the unit price Turkmenistan is getting will be well below the levels it received in the 2000s, not least when factoring in Turkmenistan’s weak bargaining position.¹²⁸

US engagement with Turkmenistan is limited compared to that of some of its neighbours due to relatively few US players in the Turkmen energy sector and Turkmenistan’s wider military and diplomatic posture of neutrality. However President Trump has publically urged progress on the Trans-Caspian Pipeline, while its incoming Ambassador to Ashgabat has identified border security, particularly with Afghanistan and Iran, as being on the US agenda.¹²⁹

Strong relations between Turkmenistan and the UAE have seen Dragon Oil, owned by the Emirates National Oil Company, become one of the more successful players in the Turkmen energy market. As mentioned above Dubai has been a focus for Turkmen migrant workers and the close relations enable Ashgabat to put pressure on migrants to return.

The EU’s engagement in Turkmenistan has been seen as relatively limited, but is likely to expand as it has recently opened a delegation in Ashgabat to give it a full diplomatic presence in the country. The newly updated EU-Turkmenistan Partnership and Cooperation Agreement (PCA) is pending ratification by the European Parliament. The relationship is also framed by the new EU-Central Asia strategy, with a better than expected focus on human rights but unambitious on trade.¹³⁰ The new EU Special Representative to the region in Peter Burian is also well-respected.¹³¹

The European Parliament is importantly seeking to set a series of concrete human rights benchmarks as its condition for the ratification of the EU-Turkmenistan PCA.¹³² The EU has conducted 11 rounds of its standard format human rights dialogues with Turkmenistan, such as in March 2019. However no public mention about the economic or human rights crisis was made by EU High Representative, Federica Mogherini, at the opening of the new EU Delegation in Ashgabat, though she was more forthcoming at the subsequent EU-Central Asia summit in Bishkek.¹³³ The EU has been undertaking education initiatives and is running a joint project aimed at supporting SME’s in partnership with the EBRD.¹³⁴

¹²⁷ RFE/RL, Gazprom Reaches Five-Year Gas Deal With Turkmenistan, July 2019, <https://www.rferl.org/a/gazprom-reaches-five-year-gas-deal-with-turkmenistan/30035528.html>

¹²⁸ A discussion between Dr Luca Anceschi, Bruce Pannier, political analyst Sam Butia and energy analyst Laurent Ruseckas, <https://twitter.com/anceschistan/status/1144606148273852417?s=11>

¹²⁹ Dr Victoria Clement, What Are US Interests in Turkmenistan?, The Diplomat, June 2016, <https://thediplomat.com/2016/06/what-are-us-interests-in-turkmenistan/>

¹³⁰ Sam Butia, The EU’s new Central Asia strategy: What does it mean for trade?, Eurasianet, June 2019, <https://eurasianet.org/the-eus-new-central-asia-strategy-what-does-it-mean-for-trade>

¹³¹ EEAS, Joint Communication on the EU and Central Asia: New opportunities for a stronger partnership, May 2019, https://eeas.europa.eu/headquarters/headquarters-homepage/62411/joint-communication-eu-and-central-asia-new-opportunities-stronger-partnership_en

¹³² IPHR, The EU adopts important benchmarks, as repression continues in Turkmenistan, May 2019, <https://www.iphronline.org/the-eu-adopts-important-benchmarks-as-repression-continues-in-turkmenistan.html> and the European Parliament resolution of 12 March 2019 on the draft Council and Commission decision on the conclusion by the EU and the European Atomic Energy Community of the Partnership and Cooperation Agreement establishing a Partnership between the European Communities and their Member States, of the one part, and Turkmenistan, of the other part (12183/1/2011 – C8-0059/2015 – 1998/0031R(NLE)), http://www.europarl.europa.eu/doceo/document/TA-8-2019-0146_EN.html?redirect

¹³³ European External Action Service, Mogherini Full Intervention, July 2019, https://twitter.com/eu_eeas/status/1147545602391248897

¹³⁴ EU Project: Support to the Education Sector in Turkmenistan, <https://education-turkmenistan.eu/>

What our authors say

Bruce Pannier argues that it is clear Turkmenistan's economy has been in sharp decline for more than four years, but the full extent of the country's economic problems remains unknown. Turkmenistan's government claims the country continues to prosper. Authorities regularly tout growth and continue to spend lavishly on vanity projects – white marble hotels and government buildings, even a golf course. Independent verification of such claims is impossible as Turkmen authorities severely restrict the entry of foreigners into the country. But Turkmenistan's people have found ways of telling to people outside the country, the story of the situation inside Turkmenistan. Their tale is one of chronic shortages of basic goods, rationing, lines outside stores and banks, cuts in benefits, and rising prices.

Eimear O'Casey examines the challenges facing businesses in the country. She outlines the entrenched nepotism, cronyism, lack of recourse to justice and increasing reputational concerns that define the investment environment. She cites examples of the formal and informal obstacles that have faced foreign businesses as they seek to navigate the country's opaque and restrictive regulatory climate, and argues that increasing pressure on the economy in recent years, rather than encouraging liberalisation or reform, has only reinforced these barriers.

Dr Luca Anceschi explores the nexus between Turkmenistan's foreign economic relations and the country's national gas industry, which represents the core sector of the Turkmen economy as a whole. The rentier logic of economic development promoted by the regimes that led Turkmenistan since the collapse of the USSR entrenched a relationship of dependency on natural resources that, at international level, translated into a dependency on energy export infrastructure, and pipelines more in particular. This brief article looks at four pipelines—some already existing, some nothing more than a project—to describe the precarious economic juncture at which Turkmenistan has found itself since the commercialisation of its gas ties with the People's Republic of China.



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2. Food lines in a land of marble

By Bruce Pannier¹³⁵

On June 5th 2019 in Turkmenistan's capital Ashgabat, dozens of people lined up outside a state store where they heard there was sugar for sale.¹³⁶ Four years ago, there were no lines outside state stores. Now there are lines for almost everything, and it is worse outside the capital.

The folly of depending on exports of natural gas for revenues is evident now in Turkmenistan, though it has not stopped the government from its profligate spending on projects that seem to be of little, if any, value to the people of the country. The people of Turkmenistan increasingly bear the burden of trying to keep the regime of President Gurbanguly Berdimuhamedov financially afloat, awhile they live through the worst period in Turkmenistan's nearly 28 years as an independent country. Alongside the decreases in the standards of living, Turkmenistan's people face increases in restrictions.

The price of natural gas in 2014 averaged about US \$350 per 1,000 cubic metres. By 2016, the price was closer to US \$200. Turkmenistan's system is opaque and such figures, which the state provides, are often suspect. It is believed between 70 and 80 per cent of Turkmenistan's revenue comes from the sale of natural gas. Turkmenistan lost Russia as a customer at the start of 2016, and Iran as a customer at the start of 2017, leaving China as the only country currently purchasing any large volumes of Turkmen gas.

Toward the end of 2016, information started leaking out of Turkmenistan, suggesting shortages of basic food items in some areas of the country. In September 2016, in the northern Dashoguz Province there was a shortage of flour. Of nine districts in the province, only one (Gorogly district) had flour

¹³⁵ Bruce Pannier writes the Qishloq Ovozi blog and appears regularly on the Majlis podcast for RFE/RL

¹³⁶ Radio Azatlyk, В Ашхабаде продолжается дефицит продуктов, сохраняются очереди за сахаром (The deficit of products continues in Ashgabat, the lines for sugar are still there), Radio Free Europe/Radio Liberty, June 2019, <https://rus.azathabar.com/a/29982598.html>

and that was at the flour mill.¹³⁷ More than one million people live in Dashoguz Province, some residing 200 kilometres from the Gorogly district. One Dashoguz resident said the line outside the flour plant was “so long it can take three to five days. People sleep in front of the mill”.¹³⁸ There was a limit of one 50-kilogram sack of flour per family, but the price at the mill was about 50 manat (a bit more than US \$14) while the other option, flour from neighbouring Kazakhstan, cost 190 manat (more than US \$50). By December, there were reports many state stores in Dashoguz were short of sugar and cooking oil. People wishing to purchase such items often had to put their names on waiting lists, and the wait could be as long as four to five weeks.¹³⁹

In December 2017, high quality flour had practically disappeared from many parts of Turkmenistan. In Ashgabat, and in the Mary and Lebap provinces, the price had reportedly risen from 50 manat per sack of flour to 100 manat.¹⁴⁰ In February 2018, people seeking to purchase bread in Dashoguz were reportedly required to prove they had paid their gas and electric bills.¹⁴¹ By the end of that month flour was being rationed to one five-kilogram sack per customer in Dashoguz. In Mary Province flour was limited to one sack (still 50 kilograms) per family and it had to be pre-ordered.¹⁴² Even in Ashgabat, there was a limit of one one-kilogram bag of flour and a half kilogram of sugar per customer. It had previously been five kilograms of flour and one kilogram of sugar per customer.¹⁴³ In November 2018, the Hronika Turkmenistana website posted a video, said to be filmed in Ashgabat, showing people waiting for a bread truck to arrive at the local state store and being limited to no more than two loaves of bread (the flat bread that Turkmen call ‘chorek’).¹⁴⁴ Despite a report from a television channel in Kazakhstan that said Turkmenistan had imported some 100,000 tons of grain from Kazakhstan.¹⁴⁵

Goods such as sugar, flour, and cooking oil are available at private stores and at bazaars, but the price can be anywhere from three to 10 times what it would be at a state store, so many people chose to wait. There were reports in October 2018 that people from the regions were coming to Ashgabat hoping to buy bread, flour, and cooking oil and that police were stopping and inspecting cars with license plates from the regions looking for food. Those caught taking food out of Ashgabat were fined.¹⁴⁶ It became increasingly difficult to enter Ashgabat. By February 2019, vehicles from the regions were forced to halt anywhere from five to 25 kilometres outside Ashgabat’s city limits.¹⁴⁷

Money, actual cash, is in short supply in Turkmenistan. The government attempted to make Turkmenistan a cashless country by issuing bank cards to citizens and directly depositing salaries, pensions, and other social benefit payments into bank accounts. But many stores still do not have the necessary machines to accept card payments. Bazaars certainly are not set up for accepting bank

¹³⁷ Qishloq Ovozi, Turkmenistan’s Reality: Unpaid Wages And Shortages Of Food, RFE/RL, September 2016, <https://www.rferl.org/a/turkmenistan-reality-unpaid-wages-food-shortages/28016347.html>

¹³⁸ *Ibid.*

¹³⁹ Qishloq Ovozi, On The Waiting List For Sugar, Cooking Oil In Turkmenistan, RFE/RL, December 2016, <https://www.rferl.org/a/qishloq-ovozi-waiting-list-for-sugar-cooking-oil/28154447.html>

¹⁴⁰ Radio Azatlyk, В Туркменистане наблюдается дефицит муки (Turkmenistan is witnessing a flour shortage), RFE/RL, December 2017, <https://rus.azattyq.org/a/28894201.html>

¹⁴¹ Radio Azatlyk, В Туркменистане для покупки муки требуют справку об отсутствии задолженности за газ и электричество (To purchase bread in Turkmenistan one must bring a form showing they have no debts for gas and electricity), RFE/RL, February 2018, <https://rus.azathabar.com/a/29043406.html>

¹⁴² Radio Azatlyk, В Дашогузе на одного взрослого члена семьи можно купить 5 килограмм муки, а в Мары нужно отстоять долгую очередь (In Dashoguz one adult family member can purchase 5 kilogram of flour, and in Mary one must wait in long lines), RFE/RL, February 2018, <https://rus.azathabar.com/a/29063701.html>

¹⁴³ Туркменистан: Продовольственный кризис добрался до столицы (Food crisis reaches the capital), Turkmen.news (formerly the Alternative News of Turkmenistan), March 2018, <https://habartm.org/archives/8729>

¹⁴⁴ В Ашхабаде по-прежнему наблюдаются очереди за хлебом (As previously, there are queues in Ashgabat for bread), Hronika Turkmenistana, November 2018, <https://www.hronikatm.com/2018/11/v-ashhabade-po-prezhnemu-nabyudayutsya-ocheredi-za-hlebom/>

¹⁴⁵ Казахстан отправил на экспорт более 5 млн тонн зерна (Kazakhstan exported more than 5 million tonnes of grain), Khabar 24 TV, September 2018, <https://24.kz/ru/news/economy/item/264623-kazakhstan-otpravil-na-eksport-bolee-5-mln-tonn-zerna>

¹⁴⁶ Полицейские штрафуют водителей за вывоз продуктов из Ашхабада в регионы (Police are fining drivers for taking food from Ashgabat to the regions), Hronika Turkmenistana, October 2018, <https://www.hronikatm.com/2018/10/politseyskie-shtrafuyut-voditeley-za-vyvoz-produktov-iz-ashhabada-v-regionyi/>

¹⁴⁷ В Ашхабаде по-прежнему не пропускают машины из регионов (They are still not allowing vehicles from regions into Ashgabat), Hronika Turkmenistana, February 2019, <https://www.hronikatm.com/2019/02/ashhabad-po-prezhnemu-zakryt-dlya-inogorodnego-transporta/>

cards. So, people take money out of automated teller machines (ATMs). These ATMs are not regularly stocked with cash, especially in the regions. When an ATM is replenished, word quickly spreads and lines form, everybody hoping the machine will still have cash when their turn comes to make a withdrawal. Security forces and police often watch lines outside banks now since scuffles have broken out in lines and, on occasions, people have complained loudly about the government and the president.¹⁴⁸ Even when there is money, there are limits as to the amount of cash that can be withdrawn. Exchange bureaus in Turkmenistan stopped selling hard foreign currency in January 2016.¹⁴⁹ The rate of the manat on the black market at that time was between 4 to 4.2 manat to US \$1. The official rate was and remains 3.5 manat to U.S. \$1, but as of the start of June 2019, the black market rate is between 18.5 to 19 manat to US \$1.

Unemployment is high. Turkmen authorities have never released figures for unemployment, but it is estimated 60 to 70 per cent of the eligible workforce is unemployed or underemployed. The last four years have seen layoffs in almost every sector of the country, from state employees to workers in the key gas and oil industry.

Turkmen authorities have gradually tightened restrictions for those wishing to fly out of Turkmenistan. In April 2018, there were reports authorities at the Ashgabat airport, the only airport in Turkmenistan with international flights, were preventing people under 30 years of age from boarding international flights.¹⁵⁰ By late June 2018, the age restriction had reportedly increased to people under 40.¹⁵¹

Women's rights have diminished since 2016. In October 2016, women were forbidden from buying cigarettes. This restriction was eased into force in Turkmenbashi City so only women with notes from doctors saying they were addicted to tobacco could purchase cigarettes.¹⁵² In May 2018, a dress code was introduced for non-Turkmen women in Ashgabat, obligating them to wear traditional long Turkmen dresses. Later a ban on miniskirts was introduced.¹⁵³ In February 2019, there were reports police in Ashgabat were confiscating drivers' licenses from women.¹⁵⁴ And in June 2019, there was a report authorities were refusing to renew the expired drivers' licenses of women.¹⁵⁵

Students studying abroad are required to return to Turkmenistan during school breaks. Also, when they are studying abroad students from Turkmenistan have limited access to funding from home. In July 2017, parents back in Turkmenistan were limited to sending only 1,050 manat (US \$300 at the official rate) per month through Western Union.¹⁵⁶ Some Turkmen students in Belarus, Russia, Turkey,

¹⁴⁸ Qishloq Ovozi, The Sights And Sounds Of Discontent In Turkmenistan, RFE/RL, October 2018, <https://www.rferl.org/a/the-sights-and-sounds-of-discontent-in-turkmenistan/29555377.html>

¹⁴⁹ Olzhas Auyezov, Turkmenistan exchange bureaus stop selling foreign currency, Reuters, January 2016, <https://www.reuters.com/article/turkmenistan-forex/turkmenistan-exchange-bureaus-stop-selling-foreign-currency-idUSL8N14W2XY20160112>

¹⁵⁰ В Туркменистане с международных рейсов снимают молодых людей (Young people are being taken off international flights in Turkmenistan), Hronika Turkmenistana, April 2018, <https://www.hronikatm.com/2018/04/v-turkmenistane-s-mezhdunarodnyih-reysov-snimayut-molodiyh-lyudey/>

¹⁵¹ Radio Azatlyk, Из Туркменистана не выпускают граждан моложе 40 лет (They are not allowing people under 40 to leave Turkmenistan), RFE/RL, June 2018, <https://rus.azathabar.com/a/29323179.html>

¹⁵² Туркменбаши: Женщинам продают сигареты по справке из наркологии (Turkmenbashi: Cigarettes are sold to women if they have a note from narcology), Alternative News of Turkmenistan, January 2017, <https://habartm.org/archives/6282>

¹⁵³ Radio Azatlyk, В Ашхабаде от женщин не туркменской национальности требуют носить длинные платья. (In Ashgabat women who are not of Turkmen nationality are required to wear long dresses), RFE/RL, May 2018, <https://rus.azathabar.com/a/29261043.html>

¹⁵⁴ Radio Azatlyk, Ашхабадская полиция отбирает водительские права у женщин (Ashgabat police confiscating drivers' licenses from women), RFE/RL, February 2019, <https://rus.azathabar.com/a/29776458.html>

¹⁵⁵ Radio Azatlyk, В Туркменистане женщинам не продлевают водительские удостоверения (They are not prolonging drivers' licenses for women), RFE/RL, June 2019, <https://rus.azathabar.com/a/29978517.html>

¹⁵⁶ В Туркменистане выстраиваются очереди из желающих перевести деньги за рубеж (In Turkmenistan lines are forming for those wishing to send money abroad), Hronika Turkmenistana, July 2017, <http://www.chrono-tm.org/2017/07/v-turkmenistane-vyistraivayutsya-ogromnyie-ocheredi-iz-zhelayushhih-perevesti-dengi-za-rubezh-2/>

Kazakhstan, and Tajikistan were forced to withdraw from universities because they did not receive money in time to pay tuition.¹⁵⁷

Allotments of water, gas, and electricity that the government has provided for free to the population since shortly after independence, were reduced starting in 2017, then totally canceled at the start of 2019. Residents were expected to pay for the installation of metres to measure their household usage of gas and water. The cost of sending children to kindergarten has also increased. In October 2017, the cost of kindergarten in Dashoguz increased from eight to 80 manat per month, with increases across Turkmenistan.¹⁵⁸ A group of outraged mothers went to the city administration building to complain, an act that just a few years ago would have been unthinkable. The special police unit OMON was called to the scene. The deputy head of municipal education came out and told the women he could not do anything for them, and recommended they take their concerns to the mayor's office, which they did. Later the same day, the deputy education head was arrested and charged with calling for an overthrow of the government.¹⁵⁹

To listen to Berdimuhamedov and state media, one would get the impression Turkmenistan was a paradise, the envy of countries around the world. Despite a deepening economic crisis with the accompanying shortages affecting the country's people so much, Turkmen authorities continued spending money on projects of questionable benefit.

In December 2010, Turkmenistan was chosen to host the 2017 Asian Indoor Martial Arts Games (AIMAG). When Turkmenistan was selected as the AIMAG host, the country was exporting gas to Russia, Iran, and had just completed two (of four planned) gas pipelines to China. Gas prices were rising on global markets. By 2015, gas was half the 2010 price. Authorities had approved construction of a US \$2.3 billion airport outside Ashgabat for AIMAG. The cost of construction for the AIMAG facilities, including a circular five-kilometre monorail system, was estimated at more than US \$5 billion. As gas revenues fell, the government started garnishing workers' wages as 'voluntary donations' for AIMAG.¹⁶⁰ Non-residents of Ashgabat, many of whom had been there to help build the AIMAG facilities, were chased from Ashgabat before the games opened on September 17th, 2017. Thousands of citizens were organised as volunteers to help with AIMAG or as spectators to keep event halls full so that media coverage, especially foreign media, showed images of packed stadiums and indoor gyms.

20 days after AIMAG ended, Turkmenistan's first golf course opened in Ashgabat, despite the fact few in Turkmenistan know anything about the game, and Turkmenistan is nearly 90 per cent covered by desert, so water is scarce. In May 2018, the Caspian port in Turkmenbashi City reopened after US \$1.5 billion in renovation and modernization work. In July 2018, Turkmen authorities announced the completion of a 170-hectare artificial island in the shape of a crescent off Turkmenistan's Caspian coast.¹⁶¹

When state media is not boasting about these achievements, it often covers President Berdimuhamedov's exploits. Berdimuhamedov claims to have authored more than 40 books on topics ranging from tea to the native Akhal Teke horse, as well as books such as 'Arkadag's Doctrine. The basis for health and inspiration.' State television shows Berdimuhamedov riding bicycles, horses, lifting weights, playing guitar or piano, singing songs, etc., sometimes with his grandsons. Among state

¹⁵⁷ Azatlyk, Родители студентов, отчисленных из-за неуплаты по вине туркменских банков, не могут вернуть свои деньги (Parents of students who were expelled for not paying [tuition] because of Turkmen banks cannot get their money back), RFE/RL, July 2018, <https://rus.azathabar.com/a/29360779.html>

¹⁵⁸ Radio Azatlyk, В Дашогузе 10-кратное увеличение оплаты детсада вызвало стихийную акцию протеста. (A 10-time increase in the cost for kindergarten sparks spontaneous action), RFE/RL, October 2017, <https://rus.azathabar.com/a/28791955.html>

¹⁵⁹ Radio Azatlyk, После протеста против повышения оплаты детского сада чиновника в Дашогузе обвиняют в «призыве к восстанию против власти» (After the protest against the increase in fees for kindergarten, an official is charged with "calling for the overthrow of the government"), RFE/RL, October 2017, <https://rus.azathabar.com/a/28802325.html>

¹⁶⁰ Qishloq Ovozi, Milking Turkmenistan's People To Pay For The Games, RFE/RL, March 2017, <https://www.rferl.org/a/qishloq-ovozi-milking-turkmen-people-pay-for-games/28403657.html>

¹⁶¹ Turkmenistan creates artificial island near Caspian coast, Trend, July 2018, <https://www.azernews.az/region/134953.html>

television's recent favourites are clips showing the president twisting and turning expensive automobiles around racetracks and in the desert, or dressing in military fatigues to participate in military drills, and sometimes demonstrating how to fire weapons and throw knives.¹⁶²

Small wonder some of Turkmenistan's citizens have chosen to leave the country. According to a recent report, some 1.9 million people, more than one-third of Turkmenistan's population, might have already left in the last decade.¹⁶³ It is difficult to know if this is true. Turkmenistan never released the results of its last census in 2009. But it is known that many thousands of Turkmenistan's citizens have left for Turkey, Cyprus, Russia, and other countries looking for work and they have not returned to Turkmenistan.

¹⁶² Президент Туркменистана принял участие в военных учениях (The president of Turkmenistan took part in military exercises), Hronika Turkmenistana, August 2017, <https://www.youtube.com/watch?v=OtLxYyf8K8I>

¹⁶³ Radio Azatlyk, Источник: За 10 лет из Туркменистана выехало почти 1,9 миллиона человек (Source: During the last 10 years almost 1.9 million people have left Turkmenistan), RFE/RL, May 2019, <https://rus.azathabar.com/a/29969698.html>



3. A complex and opaque destination for investment

By Eimear O'Casey ¹⁶⁴

Turkmenistan is a complex and opaque destination for investment. The business climate is characterised by structural economic problems and general economic mismanagement, with the prioritisation of vanity projects over core investment and a near-total absence of checks and balances on presidential decision-making. This facilitates endemic corruption and the influence of opaque but powerful vested interests over all aspects of the economy and business environment.

All talk

Turkmenistan's economy has undergone few structural reforms since independence from the Soviet Union in the early 1990s. It retains key hallmarks of the post-Soviet economy, remaining overwhelmingly dependent on the oil and gas sector for growth. The Turkmenistan authorities regularly express their desire to drive economic growth and diversification through foreign investment. Since the economic slowdown began in late 2014, President Gurbanguly Berdimuhamedov has courted multiple countries, especially a number of Middle East and Gulf states, with offers of economic co-operation.

However, such statements can mostly and fairly be assessed as hollow platitudes. The vast majority of the economy remains firmly in the hands of either the state, or those of opaque companies that are largely understood to trace their beneficial ownership back to prominent politically connected figures. While there is almost never a paper trail to confirm such links, investigative journalists, and due

¹⁶⁴ Eimear O'Casey is Senior Analyst on Central Asia and the former Soviet Union in the global risk analysis team at specialist risk consultancy, Control Risks. Based in London, she provides a range of clients – private sector, government and NGO – with tailored analysis of political, operational, integrity and security issues across Central Asia and other parts of the former Soviet Union. Prior to joining Control Risks in London, Eimear worked in the company's Moscow office as part of the Alfa Fellowship. She has a background in good governance and comparative politics in the former Soviet Union, and previously worked as a researcher at University College London's Constitution Unit, and at the Organization for Security and Cooperation in Europe's Office for Democratic Institutions and Human Rights (OSCE) in Warsaw. She has also worked extensively as a short-term election observer with the OSCE across the former Soviet Union – in Azerbaijan, Armenia, Belarus, Kyrgyzstan, Tajikistan, Russia, Ukraine and Uzbekistan. She writes here in a personal capacity.

diligence enquiries into Turkmenistani entities, routinely find indications among human sources close to the relevant sectors of companies' beneficial ownership tracing back to prominent individuals, often in the president's family.¹⁶⁵ There is a distinct lack of will at the highest political level to facilitate foreign investment in an indiscriminate manner, given the competition that this is perceived to pose to the carefully controlled division of state assets and economic sectors among a select few people close to the political centre.

This aversion to opening up the economy is evidenced by the fact that the period since the downturn that began in late 2014 has been accompanied by no improvement in the multitude of informal barriers to existing and new investment activity. The major structural impediments to a transparent, fair and competitive business environment remain firmly in place.

Protectionist instincts

There are relatively few formal barriers to foreign investment activity. However, those that exist markedly affect the country's most prominent and attractive sector for overseas investment activity, oil and gas. Turkmenistan's long-standing policy of granting only service contracts to foreign companies for major onshore gas projects is the main example of this approach. More commercially attractive production-sharing agreements (PSAs) are almost always granted only for offshore field development. The only company to have secured an onshore PSA for a major gas field (in 2007) is the state-owned Chinese company China National Petroleum Corporation (CNPC). Two European companies have PSAs for onshore oil fields, but these are minor reserves in the country's west and represent an anomaly in the broader policy of not granting such contracts.

The authorities have made no move whatsoever towards relaxing these restrictions in the past few years, despite the fact that it is probably the most obvious way to drive fresh investment and counter the lost revenue from the economic slowdown and loss of key gas export contracts (with the loss of Russia and Iran as customers) since 2015. Instead, the authorities when facing increasing pressure on budget revenues and macro-economic stability show a tendency towards reinforcing protectionist instincts.

Vested interests and informal requirements create risks for investors

The handful of laws that set out the terms under which foreign companies can enter into joint ventures with the state are relatively clear and well drafted. However, the top-down nature of decision-making means that legislation generally is enacted without consultation or any formal parliamentary oversight. Its enforcement is highly irregular, and a range of informal practices trump legal provisions.

Perhaps the best example of this is the enormous informal power understood to be wielded by an opaque body known as the Union of Industrialists and Entrepreneurs (UIE). Lawyers in the country firmly attest to the absence of any legal requirement for prospective investors to be members of – or to liaise with – the UIE to secure investment in the country, and a review of the law confirms no such requirement.

However, sources on the ground and information from foreign businesses who have approached the Turkmenistan market strongly suggests that membership of the UIE and co-ordination of prospective investment activities with its chair, the influential local businessman Alexander Dadayev, is seen as a *de facto* requirement in order to gain access to certain contracts or state loans, especially any state

¹⁶⁵ Freedom House's 2017 and 2018 *Nations in Transit* reports on Turkmenistan summarise findings by investigative journalists at the Vienna-based *Chronicles of Turkmenistan* and *Turkmen Yurt* TV news outlets that the president's family controls various sectors of the economy. His nephews, for example, are cited as controlling financial operations, a shopping mall, and Turkmen telecom, the monopoly communications provider, Freedom House, <https://freedomhouse.org/report/nations-transit/2018/turkmenistan>; <https://freedomhouse.org/report/nations-transit/2017/turkmenistan>

tenders. This arrangement allows Dadayev, who is understood to be close to the government and president, to control which foreign entities gain access to the economy, and to exclude them where the authorities wish to reward locally connected companies with contracts or commercial opportunities.

Corruption

Both high-level and low-level corruption are pervasive and endemic. They are likely to touch domestic and foreign business alike. The scale of the perceived extent of bribery and graft is captured in Transparency International's (TI) Corruption Perceptions Index. Turkmenistan is consistently among the worst performing nations surveyed by TI globally, and the worst performing of all the former Soviet states. It has scored between 18 and 20 points since 2015, where 100 points signifies a 'very clean' country and 1 a 'very corrupt' one. Ranked against 179 other countries in 2018, Turkmenistan came 161st (where first is the country perceived to be the least corrupt).¹⁶⁶ These consistently poor scores highlight the entrenched nature of both high-level and low-level corruption over many years.

What does this mean for business activity? At the higher level, family ties and political loyalty are the main factors that determine the awarding of contracts. Traditionally privilege and access to commercial opportunities extended to a group of people around the president, appointed to cabinet and other senior state positions, most of whom are not direct relatives of the president. In recent years there are growing indications that Berdimuhamedov's family are now increasingly in control of many key sectors, and that the elite circle enjoying dividends from the country's industry is narrowing.¹⁶⁷ In such a climate, foreign businesses without their own nepotistic ties to prominent figures face little chance of securing a contract, regardless of their objective value to the economy or ability to service a requirement.

At a lower level, companies are likely to find that officials – even up to ministerial level – expect bribes or favours (such as employing their relatives) in return for progress with administrative decisions or the issuing of licences.

The government made much of a new anti-corruption campaign in 2017 and 2018. However, this served primarily as a smoke screen for politically motivated prosecutions. Corruption among senior officials is likely to be overlooked; those high-profile corruption-related investigations and dismissals that do take place are likely to target individuals who have fallen out of favour with the president. The president's dismissal in 2017 of the Prosecutor General on corruption charges, alongside public reprimands of the Minister of Interior and other officials on charges of failing to investigate and punish bribe solicitation, are examples of this. Radio Free Europe/Radio Liberty's Turkmen service reported that anonymous sources had informed it that those individuals had been targeted because the president was frustrated with their failure to attract funds for the Asian Indoor and Martial Arts Games (AIMAG), being hosted in the capital, Ashgabat, later that year. The same sources reported that a number of local businesses people were also arrested after failing to pay informal contributions to the government towards the games.¹⁶⁸ Lower-level officials are prosecuted largely at random, probably by regional officials eager to please the president.

There is limited prospect of these challenges receding in the next year. Persistent economic difficulties increase the government's willingness to employ improper tactics to raise budget revenues. Furthermore, endemic corruption is bound up in the highly centralised and authoritarian political

¹⁶⁶ Transparency International, Corruption Perceptions Index 2018, <https://www.transparency.org/cpi2018>

¹⁶⁷ *Ibid.*

¹⁶⁸ Radio Azatlyk, Генпрокурор Халлыев был уволен за невыполнение указа президента собрать деньги на Азиаду (Prosecutor General Khallyev was dismissed for failure to comply with the presidential decree to raise money for the Asian Games), RFE/RL, May 2017, <https://rus.azathabar.com/a/prosecutor-fired-for-not-collecting-money-for-asian-games/28478272.html>

system which relies on graft and nepotism. Without some liberalisation of the political environment – of which there is no sign – meaningful efforts to tackle corruption are highly unlikely.

Restrictions on currency flows

The economic slowdown has increased the prevalence of capital controls, as the authorities seek to control the movement of currency – both foreign and domestic – in and out the country amid cash flow shortages. These shortages reflect a combination of a reduction in foreign currency revenue linked to the loss of a number of important gas export contracts, and general mismanagement of the banking sector. The restrictions directly affect investors seeking to repatriate profits or move capital. Progressively more onerous capital controls have been introduced since 2015. There is a limit on the amount of US dollars that can be purchased each month and a waiting list system for foreign-currency transactions. There are ongoing restrictions on obtaining Western Union wire transfers. In 2017 and 2018, there were reports of limits on the volume of foreign currency that businesses could convert. The authorities' failure to communicate or acknowledge publicly any of these restrictions exacerbates the difficulties they pose to business operations.

Lack of contract sanctity

There is a persistent, high threat of contract repudiation by the government in dealings with foreign companies. For telecoms companies, for example, this has manifested in the government suspending licences, increasing the state's share of profits, or simply shutting down infrastructure.¹⁶⁹ A number of Turkish companies have also seen their assets shut down or expropriated in recent years, even while in possession of necessary licences, and without any due process or compensation.

An associated risk is non-payment, driven by the same systemic and economic problems. There are numerous reported examples of this risk. For example, a Turkish construction company in October 2018 filed a claim with the International Centre for Settlement of Investment Disputes (ICSID) following the authorities' failure to pay for residential and school building work that the company had performed, while a German company the same month filed a claim over the lack of payment for the construction of grain elevators.¹⁷⁰ International law firm CIS Debt Recovery Solutions in December 2017 told an independent Turkmenistan news outlet that Turkmenistan's state-owned oil and gas sector was defaulting on its debt, including on US \$8.5 million owed to one client for equipment supplied three years earlier.¹⁷¹

Lack of recourse to domestic justice

A lack of recourse to justice within Turkmenistan compounds these problems. The judiciary does not uphold contract sanctity. Judges are subject to pressure and direction from the executive, and are likely to rule in favour of the government rather than a foreign entity in almost all instances. Furthermore, limited understanding of commercial law undermines their ability to properly judge a commercial dispute.

Personnel turnover

Strong personal relationships with influential officials are all but essential in order to engage in business activity in Turkmenistan. However, forming such relationships is significantly complicated by the high degree of turnover in personnel. The president regularly uses government ministries, ministers and agencies as scapegoats for setbacks in the economy or in specific sectors. This tactic

¹⁶⁹ Ad hoc notice by MTS telecoms, July 2018, <http://ir.mts.ru/default.aspx?SectionId=5cc5ecae-6c48-4521-a1ad-480e593e4835&LanguageId=1&PressReleaseId=fcc76523-67c3-4438-a430-1a28dc390d44>

¹⁷⁰ SECE İnşaat ve Ticaret A.Ş. v. Turkmenistan (ICSID Case No. ARB/18/34), International Centre for Settlement of Investment Disputes (ICSID), October 2018, <https://icsid.worldbank.org/en/Pages/cases/casedetail.aspx?CaseNo=ARB%2f18%2f34>; Dirk Herzig as Insolvency Administrator over the Assets of Unionmatex Industrieanlagen GmbH v. Turkmenistan (ICSID Case No. ARB/18/35), ICSID, October 2018, <https://icsid.worldbank.org/en/Pages/cases/casedetail.aspx?CaseNo=ARB%2f18%2f35>

¹⁷¹ Alternative News of Turkmenistan, "В связи с временными трудностями". ГК "Туркменнефть" 4 года не выплачивает долг в \$8,5 млн ("Due to temporary difficulties." GC "Turkmenneft" 4 years does not pay the debt of \$8.5 million), November 2017, <https://habartm.org/archives/8016>

typically involves a ministry undergoing a large reshuffle. Rather than improving performance at the ministry in question or driving accountability, personnel changes of this kind serve primarily to deflect attention from the president for the industry's poor performance. Where ministers are being used as scapegoats, they are typically simply moved into less prominent positions. Only in the rare cases where they have launched a challenge to the president in some form are they likely to be removed entirely from the senior political and public administration scene.

Furthermore, identifying the relevant department or official responsible for an industry or regulatory regime, obtaining information and maintaining regular contact are all labour-intensive tasks. Government officials are unlikely to provide transparent or consistent reasons for decisions. Officials are frequently reshuffled, and there is little sense of continuity of office; a new minister is liable to scrap deals signed by a predecessor, if only to obtain bribes for replacements. Furthermore, many officials do not have the requisite training, and delays are as likely to arise from incompetence and paralysis in the decision-making process as from corruption.

Rising reputational concerns

Pervasive human rights abuses and the lack of any genuine democratic competition create considerable reputational threats that businesses engaging in Turkmenistan should bear in mind. Berdimuhamedov's personality cult, state-funded vanity projects and the country's poor human rights record have gained more international attention since 2015. The US \$7.3 billion Asian and Indoor Martial Arts Games hosted in Ashgabat in September 2017, though intended as a positive advert for the country, increased international awareness and scrutiny of the restrictive political environment and the president's flamboyant, eccentric behaviour.

There are also sector-specific threats linked to child labour. The cotton industry is a particular source of reputational threat. The Cotton Campaign, which brings together business associations, companies and NGO groups, has long contended that all cotton production in Turkmenistan involves forced labour. Specifically, cotton farmers must meet state-dictated production quotas under threat of penalty, while state employees are forced to harvest the crop. The Responsible Sourcing Network NGO in June 2018 launched a campaign to encourage an organised boycott of Turkmenistani cotton, similar to a boycott in place against cotton from neighbouring Uzbekistan.¹⁷² 66 companies had signed up to the boycott as of May 2019. Turkmenistan's cotton is likely to be in the spotlight increasingly over the next two years as Western governments' attention to supply chain risk continues to grow.

Conclusion

In sum, Turkmenistan presents a challenging environment for international businesses. Most of these challenges directly stem from the highly controlled political environment and the predominance of informal approaches to regulation and economic decision-making, features of the landscape that show little sign of lessening in the years ahead.

¹⁷² Responsible Sourcing Network, The Problem with Turkmen Cotton, May 2019, <https://www.sourcingnetwork.org/turkmen-cotton-pledge>



4. A tale of four pipelines: The international politics of Turkmen natural gas

By Dr Luca Anceschi¹⁷³

On 23rd February 2018, the leaders of Turkmenistan and Afghanistan, alongside top government representatives from Pakistan and India, gathered in Herat to inaugurate the Afghan sector of the Turkmenistan-Afghanistan-Pakistan-India [TAPI] natural gas pipeline.¹⁷⁴ This large-scale infrastructure project, to be powered exclusively by Turkmenistan's reserves, pursued the establishment and eventual integration of a substantive natural gas market connecting partners across the Central/South Asia divide.¹⁷⁵ The advancement of construction works in the pipeline's Turkmen sector, announced with propagandistic pomp by Turkmenistan's official media, represented the event that led members from the four governments to meet in Herat to celebrate the opening of a new phase for this project.¹⁷⁶

TAPI offers a very telling microcosm to analyse Turkmenistan's idiosyncratic external relations and their uneasy relationship with the energy policy pursued by the regime headed by Gurbanguly Berdimuhamedov. To date, there is no confirmation that the works in the pipeline's Turkmen sector have actually started, and no photographic evidence of their advancement can be found; more widely, there is no definitive information on the consortium's financial viability and profit structure. TAPI is nevertheless presented as a top foreign policy priority by the Turkmen government, which

¹⁷³ Dr Luca Anceschi lectures in Central Asian Studies at the University of Glasgow, where he also edits *Europe-Asia Studies*. He can be followed on Twitter @anceschiluca

¹⁷⁴ Bruce Pannier, *Afghan TAPI Construction Kicks Off, But Pipeline Questions Still Unresolved*, Qishloq Ovozi Blog, RFE/RL, February 2018, <https://www.rferl.org/a/qishloq-ovozi-tapi-pipeline-afghanistan-launch/29059433.html>

¹⁷⁵ For a comprehensive look at size, location, and exportability of Turkmenistan's gas reserves—currently regarded as the fourth largest in the world—see: Marika Karagianni, *Turkmenistan looks to gas expansion*, *Petroleum Economist*, February 2019, <https://www.petroleum-economist.com/articles/politics-economics/middle-east/2019/turkmenistan-looks-to-gas-expansion>

¹⁷⁶ See, for instance, the report on the TAPI Steering Committee meeting held in Mary (Turkmenistan) in early 2018, in which the participant congratulated Turkmenistan in the advancement of the construction works in its own sector, V Mary sostoyalos' zasedanie Rukovodyashchego Komiteta po proekty gazoprovoda TAPI, *Turkmenistan Segodnya*, February 2018, <http://tdh.gov.tm/news/articles.aspx&article11441&cat14>

persistently argues about the project's centrality *vis-à-vis* Turkmenistan's energy policy framework.¹⁷⁷ As the Turkmen economy continues to be dominated by the gas sector—which accounted in 2014 for 35 per cent of Turkmenistan's GDP, 90 per cent of total exports, and 80 per cent of fiscal revenues—the promotion of Turkmenistan's energy policy agenda has to be seen as a vital component in the viability of the Turkmen economy at large.¹⁷⁸ The virtual nature of TAPI's progress, in this sense, points to the crystallisation of a fundamental inconsistency within the mechanisms whereby the Turkmen regime endeavours to translate its statements into actual policy.

This short essay intends to unveil some of the idiosyncrasies that regulate the foreign policy/energy policy nexus in Turkmenistan, arguing that Berdimuhamedov's perpetuation of rentier economics in Turkmenistan has constrained foreign policy-making to the goal of merely achieving security of energy demand.¹⁷⁹ Turkmen diplomacy became in this sense instrumental to the identification, construction and opening of export routes, with energy infrastructure development emerging as the central international concern of the Turkmen state. The placement of energy policy at the epicentre of the survival agenda of the elites in Ashgabat instigated in turn two destabilising mechanisms, which will be investigated in conjunction here: the enhancement of Turkmenistan's international isolation on the one hand, and the progressive increase of energy insecurity across the Turkmen territory on the other.

From Gazprom to CNPC: Turkmenistan's gas trade between two monopolies

Protracted infrastructural dependency on the centre of the Union of Soviet Socialist Republics (USSR) represented one of the most draining economic legacies that the Soviet dissolution bequeathed to independent Turkmenistan. Independence transformed intra-Union trade into a matter of international affairs: while it presented on the one hand Turkmenistan with a revenue bonanza through the adjustment of Soviet commodity prices to international standards, it continued on the other to enforce Russia's transit monopoly over the commercialisation of Turkmen gas.¹⁸⁰ Throughout the long presidency of Saparmurat A. Niyazov, who ruled from independence until his sudden death in December 2006, Turkmen gas trade was predominantly conducted through the Central Asia-Centre pipeline, built in the Soviet era to integrate Central Asian gas reserves into the pipeline network of the Ukraine SSR and, most importantly, the Russian Soviet Federative Socialist Republic (RSFSR). The opening of two short pipelines connecting Turkmen fields with Iran—regulated by a wider gas-swap deal—could dilute only in part *Gazprom's* control over the terms of Turkmenistan's gas trade.¹⁸¹ As part of policies seeking to establish and maintain a relationship of controlled political and economic disentanglement from Russia, the reduction of this transit monopoly represented a key objective pursued by Turkmen diplomacy after the adoption, in December 1995, of a UN-recognised neutral foreign policy course.¹⁸² At domestic level, however, the Niyazov regime ignored the entrenchment of a further dependency, namely that which predicated Turkmenistan's economy viability on the

¹⁷⁷ See for instance, Turkmenistan uchstok TAPI postroyat za dva goda (Turkmen section TAPI will be built in 2 years), *Türkmenistanyň Nebitgaz*, November 2015, <http://www.oilgas.gov.tm/blog/40/>

¹⁷⁸ World Bank, Turkmenistan Partnership Program Snapshot, April 2015, <http://documents.worldbank.org/curated/en/904321485161087742/World-Bank-Group-Turkmenistan-partnership-program-snapshot>

¹⁷⁹ In Hossein Mahdavy's classic definition, rentier economies 'receive on a regular basis substantial amounts of external rents [...] paid by foreign governments, concerns or individuals' (Patterns and Problems of Economic Development in Rentier States: The Case of Iran. In: Cook, M.A. (ed.) *Studies in the Economic History of the Middle East*. London: Routledge 1970, p. 428). In addition to the externality of the rent, it is the modality of its domestic use that characterises this typology of economic structure. Hazem Beblawi identifies the government and its ancillary institutions of a rentier state as the principal recipient of the external rent ('The Rentier State in the Arab World'. *Arab Studies Quarterly* 9 (4) 1987: 385). While no currently existing state presents all the features included in scholarly description of the rentier model, post-Soviet Turkmenistan represents a particularly relevant case of post-Soviet rentierism. Its economic development has been shaped by a visibly rentier logic, heavily dependent on the rent generated by natural gas controlled kleptocratically by the regime in Ashgabat and featuring at the same time an over-inflated public sector and, until a few years ago, an extensive system of subsidies for the larger population.

¹⁸⁰ Tarr, David G. 1994. The terms-of-trade effects of moving to world prices on countries of the Former Soviet Union'. *Journal of Comparative Economics* 18 (1): 1-24.

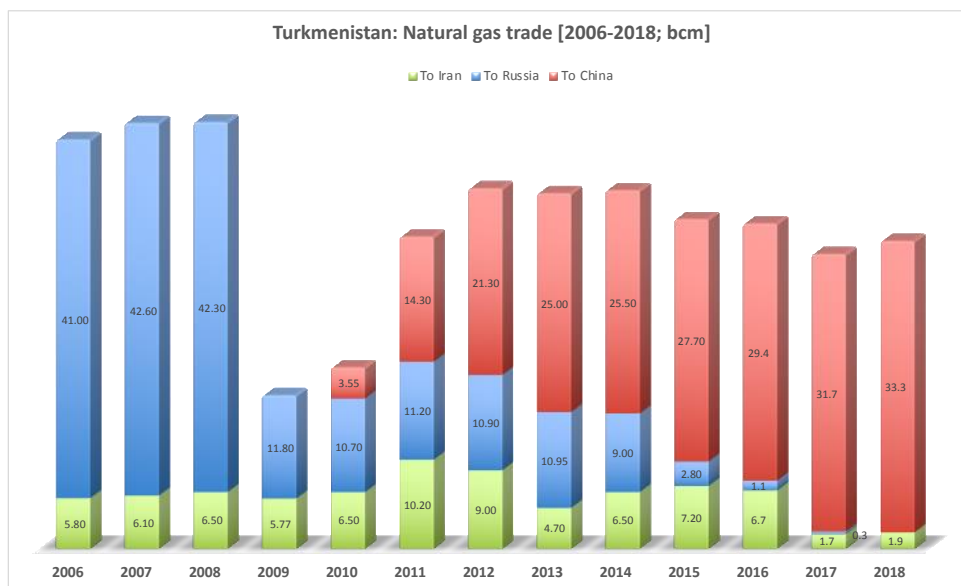
¹⁸¹ Brill Olcott, Martha. 2006. International gas trade in Central Asia: Turkmenistan, Iran, Russia and Afghanistan. In Victor, David G., Jaffe, Amy M. and Hayes, Mark H. (eds.): *Natural Gas and Geopolitics from 1970 to 2040*. Cambridge: Cambridge University Press, pp. 202-33.

¹⁸² Anceschi, Luca. 2009. Turkmenistan' Foreign Policy. Positive Neutrality and the Consolidation of the Turkmen Regime. Abingdon: Routledge.

availability of natural gas revenues. Throughout the 1990s and until the death of Turkmenistan's first president, the regime in Ashgabat failed to introduce any meaningful reform to domestic production structures, cementing even further the rentier nature of Turkmenistan's post-Soviet economy.

The early Berdimuhamedov era saw the operationalisation of a major natural gas pipeline connecting the Bagtyýarlyk contract area in eastern Turkmenistan with the Xinjiang Uygur Autonomous Region in western China, and then onto the Chinese gas pipeline network. There are two immediate features that identify the completion of this pipeline—entered into line in December 2009—as an important watershed in the development of Eurasian gas trade. To begin with, the Central Asia-China pipeline has to be seen as the first large-scale infrastructural project completed in the post-Soviet era that challenged *Gazprom's* monopoly over the transit of Eurasian gas.¹⁸³ Secondly, its ownership structure, in which China National Petroleum Company (CNPC) acquired upstream stakes in the Bagtyýarlyk contract area, innovated on the Turkmen energy practice inasmuch as it allowed, for the first time since independence, the participation of a foreign energy company in the development of Turkmenistan's onshore gas reserves.¹⁸⁴

In the medium-term, however, the entry into line of this pipeline substituted Turkmenistan's over-reliance on Russian gas purchases with an even more damaging dependency framework, wherein gas trade with China rose to become the single most important entry in the whole Turkmen stage budget. *Gazprom's* withdrawal from the Central Asian gas market—underpinned by ongoing price disputes with local partners and, most importantly, the rise of China as a key customer for the Russian company—and the periodic instability that characterised its energy ties with Iran, left China as Turkmenistan's *de facto* only gas customer. The consistently monopsonistic nature of Turkmenistan's natural gas trade is captured graphically by the following figure, which illustrates the transition from nearly total dependency on Russian purchases (87.2 per cent of overall quotas traded in 2009) to reliance on energy commerce with China, which amounted to a staggering 94.6 per cent of total gas traded by Turkmenistan in 2018.¹⁸⁵



The unsustainability of the commercial outlook evidenced in the figure becomes even more apparent when considering the legislative framework regulating Sino-Turkmen gas trade. As part of the produce-or-pay agreement finalised in the late 2000s, Turkmenistan was committed to direct to China

¹⁸³ For more on Russia-Turkmen energy relations, see: Øverland, Indra. 2009. Natural Gas and Russia-Turkmenistan Relations. *Russian Analytical Digest*, 56.

¹⁸⁴ Emirati energy company Dragon Oil has long explored, under PSA conditions, numerous gas fields, part of the Cheleken contract area, in the Turkmen sector of the Caspian Sea.

¹⁸⁵ Data for the 2006-2016 series replicate those illustrated in my 2017 *Central Asian Survey* article (see footnote 17 below). Data for 2017 and 2018 are taken from the 67th and 68th editions of the *BP Statistical Review of World Energy*, respectively published in 2018 and 2019.

increasingly substantive gas quotas at heavily discounted prices, in order to repay the US\$10 billion debt it contracted during the construction works of the Central Asia-China pipeline.¹⁸⁶ The figure suggests that gas trade with China increased ten times in absolute size between 2010 and 2018, while total volumes of gas exported by Turkmenistan decreased rather significantly throughout the same timeframe. In this context, Turkmenistan economic viability became the function of its trade with China.

The logic of debt repayment, as a consequence, pushed the Turkmen economy on the brink of collapse, as confirmed by media reports of periodic eruption of food insecurity across the Turkmen territory, the continuous restructure of the Turkmen public sector and, most importantly, the termination of the generous system of state subsidies in place since the Niyazov era.¹⁸⁷

A combination of short-term (allow onshore exploration rights to foreign companies) or longer-term (economic diversification away from hydrocarbons) measures is required to alter Turkmenistan's current economic predicament. However, the Berdimuhamedov regime is refusing to even consider these alternatives: Turkmenistan's crisis can in this sense be addressed through unimaginative solutions, which all connect to one economic mantra: selling more gas through more export routes.

TCGP and TAPI: The future of Turkmenistan's gas exports between myth and reality

As the Berdimuhamedov regime proved to be impervious to the logic of economic opening intrinsic to globalisation and, most notably, continued to manage in absolutely not transparent fashion its revenues flows—the Turkmen government has not established a sovereign wealth fund to administer the capital derived from energy exports—the rudimentary version of rentier economics crystallised in Turkmenistan proved essential to ensure regime stability at a time of economic crisis.¹⁸⁸

There is therefore very limited prospect for a concerted abandonment of rentier economic strategies in Turkmenistan; the construction of new pipelines has to be regarded in this sense as an inevitable development to ensure Turkmenistan's economic survival in the short run. At the time of writing, the Berdimuhamedov regime has reportedly committed to explore two possible routes to expand the export options available to the Turkmen natural gas industry: either connecting Turkmenistan with Western markets through the construction of a trans-Caspian pipeline or, alternatively, reaching out to customers located in the Indian subcontinent through the operationalisation of the TAPI pipeline project.

Despite its size and expected export capacity, TAPI remains a virtual pipeline, the relevance of which seems to be exclusively linked to its discursive importance rather than to the effective contribution it can make to trans-regional energy trade.¹⁸⁹ Notwithstanding its limited financial resources and marginal experience in the management of mega-projects, *Türkmengaz*—Turkmenistan's natural gas state concern—emerged in 2015 as the leader of the consortium established to deliver TAPI.¹⁹⁰ *Türkmengaz's* limited input into project delivery has so far impeded the identification of financial

¹⁸⁶ Kuchins, Andrew, Mankoff, Jeffrey and Backes, Oliver, 2015. Central Asia in a Reconnecting Eurasia – Turkmenistan's Evolving Foreign Economic and Security Interest. Washington, DC: CSIS Report, p. 13.

¹⁸⁷ Ryskeldi Satke, Understanding Turkmenistan's Food Shortages, The Diplomat, December 2018, <https://thediplomat.com/2018/12/understanding-turkmenistans-food-shortages/>; Turkmenistan: Economy, Finance Ministries Merged to Save Money, *Eurasianet*, October 2017, <https://eurasianet.org/turkmenistan-economy-finance-ministries-merged-to-save-money>; Turkmenistan combines transport ministries, *Railway Gazette*, February 2019, <https://www.railwaygazette.com/news/news/asia/single-view/view/turkmenistan-combines-transport-ministries.html>; Turkmenistan Cuts Last Vestiges of Program for Free Utilities, RFE/RL, September 2018, <https://www.rferl.org/a/turkmenistan-cuts-last-vestiges-of-program-for-free-utilities/29511308.html>

¹⁸⁸ An interesting discussion of current modalities of rentier economic development is presented in: Gray, Matthew. 2011. A Theory of "Late Rentierism" in the Arab States of the Gulf. Center for International and Regional Studies Occasional Paper 7, Georgetown University School of Foreign Service.

¹⁸⁹ The TAPI pipeline—with an estimated total cost of US\$ 10 billion—is expected to carry annually no fewer than 33 billion cubic meters (bcm) of natural gas over a 1078 km route. All of the project's gas is to be supplied by the Galkynysh field (south-east Turkmenistan), with a distribution of volumes traded determined as follows: Afghanistan will buy 0.5–1.5 bcm per year, while India and Pakistan will each receive annual volumes of 14–16 bcm; Anceschi, Luca. 2017. Turkmenistan and the virtual politics of Eurasian energy: the case of the TAPI pipeline project. *Central Asian Survey* 36 (4): 409–29.

¹⁹⁰ Micha'el Tanchum, Turkmenistan Pushes Ahead on TAPI Pipeline, The Diplomat, September 2015, <https://thediplomat.com/2015/09/turkmenistan-pushes-ahead-on-tapi-pipeline/>

backers for the very expensive pipeline and, most notably, resulted in a series of logistic blunders associated with the completion of the Turkmen sector of the pipeline project.¹⁹¹

The finalisation of the Convention on the Legal Status of the Caspian Sea in August 2018 injected new life in a series of infrastructure projects intending to export natural gas extracted in Turkmenistan to European markets. Robert Cutler correctly remarked that the current iteration of the Trans-Caspian Gas Pipeline (TCGP) project seems to be somewhat more feasible than its predecessor.¹⁹² The current consortium has recognised that this pipeline—the financial suitability of which does however remain elusive to say the least—will not be producer-built due to Turkmenistan’s refusal to offer production-sharing agreements’ (PSA) rights to onshore developments and that the TCGP demand structure needs to be re-modulated through the identification of two access points for Turkmen gas. The new legislative environment set up by the 2018 Convention reduced some of the obstacles that so far obstructed the advancement of cooperation between Turkmenistan and Azerbaijan *vis-à-vis* the construction of a trans-Caspian pipeline.¹⁹³ At the same time, however, the convention subjected the ultimate advancement of any shared project to any environmental concern expressed by the other Caspian states.¹⁹⁴ The Russian Federation, in this sense, may continue to have a final say over trans-Caspian gas transit.

As the preservation of Turkmen authoritarianism continues to be predicated upon the persistence of rentier economics, the state’s economic foreign policy will continue to be linked, at least in the immediate future, with the identification of new export routes for Turkmen gas. Reconciling the foreign policy priorities of a regime that has so far thrived on isolationism with the economic imperatives of an *autarkic* state poorly integrated with the global economy has to be in this sense as the most daunting challenge faced by Gurbanguly Berdimuhamedov and his associates.

¹⁹¹ Bruce Pannier, Analysis: TAPI and other Turkmen Tales, Qishloq Ovozi Blog, RFE/RL, December 2018, <https://www.rferl.org/a/tapi-turkmen-tales-pipeline-qishloq-ovozi-pannier/29632356.html>

¹⁹² Robert Cutler, Third time lucky for Trans-Caspian Gas Pipeline?, Petroleum Economist, June 2019, <https://www.petroleum-economist.com/articles/politics-economics/europe-eurasia/2019/third-time-lucky-for-trans-caspian-gas-pipeline>

¹⁹³ For the document’s full text, see: Convention on the Legal Status of the Caspian Sea <http://en.kremlin.ru/supplement/5328>

¹⁹⁴ Anceschi, Luca. 2019. Caspian Energy in the Aftermath of the 2018 Convention: The View from Kazakhstan and Turkmenistan. *Russian Analytical Digest*, N° 235.



5. Conclusion and recommendations

By Adam Hug

This report has shown Turkmenistan to be a country teetering on the edge of catastrophe. An obsession with appearance that speaks to a need for public display and regimented control, masking and managing a regime under enormous pressure as years of economic turmoil place unprecedented strain on a rigid but potentially brittle political structure. Hunger and hyper-inflation are being managed by further increasing the scale of human rights abuse and the level of intrusion into people's lives.

Investors may be initially attracted to Turkmenistan due to its enormous gas wealth but as the EBRD, the UK Department of International Trade and many others have noted it has huge structural challenges. It is to some extent a 'Potemkin economy', with marble facades, respectable GDP figures and a tightly regulated state shops, masking a huge and chaotic black market economy. Potential investors face a range of risks including: the political whims of the President, leading to arbitrary behaviour by a sclerotic bureaucracy whose rotating cast of officials live in fear of displeasing the leader; a high risk of non-payment for goods or services rendered; endemic corruption; insecurity of legal title or contracts; the lack of rule of law and independent judiciary; and reputational risks from being associated with severe human rights abuses and the use of forced labour. At the very least this should give investors cause to pause and, even if they are unwilling to rethink their investment, it should be seen as a necessity to carry out thorough due diligence into any local partners in Turkmenistan to reduce exposure to expropriation and corruption risks. While the international community itself has been slow to implement necessary transparency initiatives, such as the EU's Fourth Anti-Money Laundering Directive or the UK's Beneficial Ownership Register, if Turkmenistan is serious about wanting to attract international investment it should take steps to create clarity about the ownership of its domestic firms to improve the investment environment. In the absence of effective domestic remedies Turkmenistan will need to demonstrate it is complying with the provisions of the bilateral and international investment treaties it is a signatory to.

Turkmenistan's relative isolation and economic reliance on China and Russia have led some to despair over the lack of influence and leverage that can be brought to bear with the regime to improve the human rights situation. While this position clearly sets some limits on the scope of international influence it must not be a reason not to try to achieve change, not least given that the current economic turmoil means that Turkmenistan is looking for international sources of revenue more than ever before, creating new opportunities for engagement on a 'more for more' and 'less for less' basis. As a number of civil society organisations have argued the new European Parliament human rights benchmarks provide a helpful basis on which to measure and test engagement with Turkmenistan.¹⁹⁵ As this research has set out Turkmenistan's human rights challenges are multitude but there are clear areas to focus on, including forced labour, 'disappeared' activists in the prison system, prison conditions in general and restrictions on independent journalists and human rights activists. Turkmenistan needs to do more to facilitate access by UN Special Rapporteurs and other UN mechanisms, the most recent of which was in 2009, and to enable representatives of international NGOs to obtain visas to visit the country. It needs to do more to show that it is complying with its UN treaty obligations on human rights.¹⁹⁶

International engagement with Turkmenistan's carefully curated NGOs, education and health institutions can have a place but it must not be misconstrued or spun as an example of increased openness or progress. It is a transaction that may help provide a tangible benefit to a group of people in Turkmenistan but it is unlikely to be a tool to diffuse democratic values or encourage systemic reform. There remains a case, except in areas that deliver directly to the welfare of the people of Turkmenistan, for reconsidering projects pending (or making them conditional on) improvements in human rights and/or refocusing funding to other countries in the wider region that are making progress. The international community should avoid engagement for engagement's sake as while contact can make minor differences to individual behaviour around the margins it can seek to normalise authoritarian practice rather than achieving long-term systemic change. To use an analogy, even though glaciers can bring down mountains that doesn't mean that they are the most efficient means of doing so or that they are the most effective use of water. So without tangible improvements in current behaviour by the government, the international community should re-evaluate its existing interactions with Turkmenistan.

For example the UK needs to consider the appropriateness of its most high profile engagements with one of the most authoritarian regimes on earth being overwhelmingly trade focused. It should look again at the suitability of designating Turkmenistan one of the 56 countries to which it has a formal trade envoy. It could examine whether the Turkmenistan-UK Trade & Industry Council (TUKTIC) should still be a country priority given both the human rights and economic situation in the country, the risks posed to investors and the limits such a business first approach creates for the UK's ability to push for real reforms alongside European and other international colleagues.

In part, beyond the remit of this publication, there is a strong case that the EBRD should refocus its lending to the countries in the region that are at least trying to abide by the criteria set out in Article 1 of the bank's founding charter, which calls on it to only work with 'Central and Eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market

¹⁹⁵ IPHR, The EU adopts important benchmarks, as repression continues in Turkmenistan, May 2019, <https://www.iphronline.org/the-eu-adopts-important-benchmarks-as-repression-continues-in-turkmenistan.html> and the European Parliament resolution of 12 March 2019 on the draft Council and Commission decision on the conclusion by the European Union and the European Atomic Energy Community of the Partnership and Cooperation Agreement establishing a Partnership between the European Communities and their Member States, of the one part, and Turkmenistan, of the other part (12183/1/2011 – C8-0059/2015 – 1998/0031R(NLE)), http://www.europarl.europa.eu/doceo/document/TA-8-2019-0146_EN.html?redirect

¹⁹⁶ UN Human Rights, Turkmenistan, <https://www.ohchr.org/EN/Countries/ENACARegion/Pages/TMIndex.aspx>; It has ratified 13 UN treaties and optional protocols as set out here at the UN Treaty Database https://tbinternet.ohchr.org/_layouts/15/TreatyBodyExternal/Treaty.aspx?CountryID=180&Lang=EN

economics'.¹⁹⁷ If this is to mean anything there has to be a clear demonstration of the difference between how Turkmenistan is treated and those who are at least taking some steps towards democracy. The current revision of the EBRD's country strategy provides an opportunity to achieve this differentiation. As with other organisations the EBRD should apply the EU Parliament benchmarks to its approach to engagement with Turkmenistan. It should resist plans to expand its lending to certain areas of the public sector, given the state of repression and the ubiquity of forced labour amongst public sector and state enterprise workers.

The forced labour situation in the cotton sector needs sustained pressure and independent monitoring. If a robust mandate can be agreed between the ILO and Turkmenistan then the ILO establishing a presence on the ground in Turkmenistan should be supported in order to map and monitor the scale of forced labour and to take action to prevent it. Establishing a strongly mandated ILO presence should be one of the primary requirements for international community engagement with Turkmenistan.

One area for potential additional engagement with Turkmenistan that should not undermine the objectives set out above would be in the provision of or access to food, in the relatively unlikely scenario that the regime was able to admit that there was a problem. There may be scope for additional support by the UN's World Food Programme and the Food and Agriculture Organization, as well as other international assistance, to prevent the spread of hunger and malnutrition in the country.

While the range of potential issues to address is vast there are a number of specific recommendations that can be made to assist in urgently improving the situation in Turkmenistan.

Recommendations to the Government of Turkmenistan:

- Notify all families about the condition of their imprisoned loved ones and allow visitor access
- Free political prisoners and jailed journalists
- Improve prison conditions and end the use of torture in the detention system
- End forced labour in the cotton harvest and allow independent monitoring
- Allow visa access by UN Special Rapporteurs and other UN mandate holders, as well as representatives of international NGOs
- Take steps to improve transparency around company ownership
- Enhance judicial independence in the criminal and commercial sector, while honouring its international treaty obligations

Recommendations to the international community:

- Ensure the EU adopts and applies the European Parliament human rights benchmarks for Turkmenistan
- Require the EBRD's lending to Turkmenistan to reflect the need to improve human rights and avoid expansion to the public sector in the absence of genuine reforms
- Push for an ILO presence in Turkmenistan with a strong mandate to tackle forced labour
- Reconsider international trade promotion efforts to Turkmenistan, such as the UK's TUKTIC trade missions
- Support access to asylum and other forms of exile for activists and their families fleeing persecution by Turkmenistan's regime

¹⁹⁷ EBRD, Political Aspects of the Mandate of the European Bank for Reconstruction and Development, <https://www.ebrd.com/downloads/about/aspects.pdf>



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www.fpc.org.uk info@fpc.org.uk

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