

Turkmenistan

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By virtue of its geographical location, history, and economic circumstances within the region of Greater Central Asia, Turkmenistan should be a major crossing point for both regional and continental transport. Since independence Turkmenistan has done much to seize this opportunity and establish itself as an entrepot along major railroad and highway arteries. It has also labored heroically to break out of the Russo-centric and monopolistic system for the export of its rich deposits of natural gas that was built up during Soviet times and is now perpetuated by Russia's Gazprom.¹ Yet in the end these labors have fallen far short of their potential. Notwithstanding impressive achievements that have been largely underestimated abroad, Turkmenistan at the start of the twenty-first century lags behind many of its neighbors in transport and trade and shows few signs of breaking out of the isolation that results from this situation.²

Geography greatly favors Turkmenistan. True, the large Karakum desert that covers much of the country and all of its center is an impediment to transport. Yet the long route extending from the port of Turkmenbashi in the northwest to the borders of Afghanistan and Uzbekistan in the east and

¹ See article by Sergei Blagov, "Russia Looks to Protect Economic Interests in Turkmenistan amid political uncertainty." *Eurasia Insight*, December 22, 2006. Available online at

<http://www.eurasianet.org/departments/insight/articles/eav122206a.shtml>

² See the World Bank Working Paper "Transport and trade facilitation issues in the CIS7, Kazakhstan and Turkmenistan" by Eva Molnar and Lauri Ojala, prepared for the Lucerne Conference of the CIS-7 Initiative, 20th-22nd January 2003. Available online at <http://www.libertas-institut.com/uk/ECTIS/Transport%20and%20Trade%20Facilitation%20Issues.pdf>

southeast is one of the major potential transport corridors of the entire region. This corridor is roughly defined by the Karakum Canal (later the Lenin Canal and, today, the Niyazov Canal). The mountains which define Turkmenistan's southern border with Iran have always been easy to cross, which makes it a simple matter to link this corridor directly to Iran and on to the Middle East and Turkey. The same corridor links with Afghanistan and Uzbekistan, which in turn opens access to Pakistan and India to the southeast, and to China in the east. By the same token, the flat terrain makes it easy to link this corridor northward to Kazakhstan, while the recently expanded port of Turkmenbashi can facilitate the trans-shipment of goods from India and Southeast Asia via Baku to the Caucasus and on to Europe, or to the Volga and then hence to Russia and northern Europe. Like Kazakhstan, Turkmenistan sits astride both land and sea (Caspian) corridors. But if Kazakhstan can easily serve as a main east-west corridor extending from Europe to China, geography allows Turkmenistan potentially to fill the same function while at the same time playing a central role in north-south transport and especially trade linking Turkey, the Middle East, and Southeast Asia.

Rich archaeological evidence from across Turkmenistan confirms that several powerful and highly developed civilizations on its territory prospered precisely because of their ability to exploit for transport and trade the advantages with which geography endowed them. At Nissa, Kunya Urgench, and especially Merv one finds a rich record of intense interaction with all the major economic and cultural centers of Eurasia extending over the course of two millennia.³ Sitting aside the major continental trade routes of the so-called Silk Road, the territory of Turkmenistan seems destined by fate for a brilliant role in the currently emerging continent-wide trade of Eurasia.

However, a contradictory tendency has always asserted itself in Turkmen history and is present today. During the fifteenth century the Silk Roads began to collapse due to the proliferation along their routes of rent-seeking khanates that could not match the high transit taxes they charged with a secure environment for traders. As this happened, nomadism spread across

³ Denis Sinor, *The Cambridge History of Early Inner Asia* (Cambridge) 1990 (2nd Edition). ISBN 0-521-24304-1

the territory of what is now Turkmenistan. Over the following four centuries the Turkmen tribes played the role of spoilers, sacking both regional and continental caravans and pursuing a kind of perverse non-alignment by maintaining bad relations with all their principal neighbors, including the Safavids in Iran, the Shaybanid Uzbeks in Bukhara and the Uzbek Khivans. These practices in turn isolated the Turkmen tribes within the region. Turkmen foreign relations in this period are epitomized by a well-known British print from nineteenth century Khiva (now in Uzbekistan), which shows the local military being paid on the basis of the number of severed Turkmen heads they could produce.⁴

The Russian/Soviet period did little to improve the Turkmen's relations in the world. Having decimated a Russian army before being themselves slaughtered at the battle of Goek Tepe (1881), the Turkmen generated a distrust among the tsarist officer corps that eventually spread to the government and was transmitted to the Soviet regime. The fruit of this distrust was the Turkistan trunk railroad line from present-day Ashgabat to Tashkent. Built with incredible speed in the 1890s, this rail line served military, not economic, needs. Not surprisingly, it was built and maintained by the Ministry of War, with no input from the economic ministries. Other transport initiatives in Soviet times followed this same pattern. The Soviet pipeline system transmitted gas to Russia but not to neighboring Iran, while the road and railroad system linked Turkmenistan ever more closely with the North while isolating it from its natural trading partners to the South, West, and Southeast. Down to the end of the U.S.S.R. the only transport investment that made sense from the perspective of the regional and continental economies was the port of Krasnovodsk (now Turkmenbashi), which linked Ashgabat for the first time with Baku, and the Volga Basin.

The collapse of the U.S.S.R. should have ushered in the renewal of the continental trade links across Turkmenistan that had thrived over several millennia. But the end of Russian rule found Turkmenistan woefully unprepared for independence. Due perhaps to the Russians' century-old resentment towards the Turkmen, the Turkmen republic arrived at

⁴ Armenius Vambery *Travels in Central Asia*. London: John Murry. 1864. Reprinted with an introduction by Denis Sinor. New York: Praeger Publishers. 1970.

statehood with less infrastructure in the spheres of transport, trade, and communications than any other republic. With fewer universities and technical institutes per capital than any other republic, Turkmenistan also lacked the human capital necessary to rectify these shortcomings and to capitalize on its new position in the world.⁵ In short, the country lacked both an identity and the reality of skills and institutions that could give that identity reality in the modern world.

Turkmenistan's president to his death in December 2006, Saparmurat Niyazov, was well aware of these problems and understood the urgent need to rectify them. Some of his initiatives of those years warrant positive comment,⁶ the more so since they have been largely forgotten as the more repressive and idiosyncratic aspects of his rule have gained strength and visibility. In many of these projects Niyazov depended on the capable leadership of his Foreign Minister, Boris Shikhmuradov,⁷ but in others he himself took a prominent part.

The cornerstone of Turkmenistan's transport policy in the first seven years of independence was to open up contacts with both Iran and Afghanistan. Iran, with its 1200 km border with Turkmenistan, four road crossings and the railroad crossing at Sarakhs-Tejan, not to mention a Turkmen population of nearly a million within its borders, was a natural concern of Ashgabat.⁸ Land

⁵ Pomfret, Richard, "Turkmenistan: From Communism to Nationalism by Gradual Economic Reform." in MOCT-MOST: Economic Policy in Transitional Economies, Vol. 11, No. 2: pp. 165-176 June 2001.

⁶ See the United States Department of State "Turkmenistan Economic Policy and Trade Practices." February 1994. Available online at http://dosfan.lib.uic.edu/ERC/economics/trade_reports/1993/Turkmenistan

⁷ Shortly after independence Boris Shikhmuradov became Deputy Prime Minister of Turkmenistan in 1992 and Foreign Minister in January 1993. In July 2000 he was appointed as Turkmenistan's special representative on Caspian affairs, and later served as ambassador to China. He resigned his posts in October 2001, and formed an opposition party the National Democratic Movement of Turkmenistan. In 2002 he was arrested and imprisoned in Turkmenistan. Biography available online at <http://www.rferl.org/specials/turkmenelections/bios/shikmur.asp>

⁸ Daly, John C.K., "Turkmenistan Pushes for New Offshore Oil Development." The Jamestown Foundation, Eurasia Daily Monitor Vol 1 Issue 11, May 17, 2004. Available online at http://www.jamestown.org/publications_details.php?volume_id=401&issue_id=2954&article_id=236715

trade with Europe and the Middle East all had to pass through Iran, which required good relations between Ashgabat and Teheran. However, the U.S.-led sanctions against Iran fell more heavily on Turkmenistan than any other state except Azerbaijan.⁹ And unlike Azerbaijan, to which the U.S. offered generous compensation in the form of support for the Baku-Ceyhan pipeline, there was no compensation package forthcoming for Turkmenistan.

Meanwhile, Iran had moved towards what Abbas Maleki in the chapter above, terms a “new regionalism.” Under President Akbar Hashemi Rafsanjani (1989–97) Iran abandoned earlier hopes of extending its revolution to its northern neighbors in Central Asia and adopted a pragmatic and trade-based approach more akin to its pre-Soviet relations there. For his part, Niyazov reached an understanding with Rafsanjani that he would not champion the rights of Iran’s Turkmen citizens if Teheran treated them decently and if it maintained stable relations with Turkmenistan. The new relationship was supported by Turkmenistan’s decision to join the Economic Cooperation Organization¹⁰ in which Iran played a prominent role.¹¹ When all the other Central Asian countries also joined ECO trade across the Turkmen-Iranian border immediately jumped, with Turkmen-Iranian trade exceeding that of all other Central Asian states.

For similar reasons Turkmenistan moved quickly to establish good relations with the fragile government in Kabul that was installed following the Soviet departure. Throughout the ensuing civil war period and through the entire Taliban era in Afghanistan Ashgabat not only maintained an embassy in Kabul but consulates elsewhere in the country.

⁹ Torbat, Akbar E., “Impacts of the US Trade and Financial Sanctions on Iran.” *The World Economy* 28 (3), 407-434.

¹⁰ The Economic Cooperation Organization was expanded to include Azerbaijan and eventually all five Central Asian States, who joined Turkey, Afghanistan, Iran, and Pakistan in this organization. More information available online at <http://www.ecosecretariat.org/>

¹¹ See Speech by Saparmurat Niyazov, President of Turkmenistan, at ECO Summit Meeting, Tehran, 10 June 2000. Available online at <http://www.turkmenistanembassy.org/turkmen/news/speech.html>

Both of these were important strategic moves for Turkmenistan but both required follow-on measures. In the case of Iran several important steps followed. Afghanistan, wracked by bloody insurrection, lacked the capacity to deliver on its assurances to Ashgabat, with serious consequences. The immediate effect of the rapprochement with Iran was that a massive volume of goods, mainly construction materials but also consumer goods, began moving from Turkey to the new capitals of Central Asia via Iranian and Turkmen highways.

The U.S., eager to support the economies of the new states, welcomed this development. Because of the unrest in Afghanistan, the closed border between Afghanistan and Pakistan, and the absence of infrastructure connecting Turkmenistan with Afghanistan, no analogous opening occurred to the southeast, Pakistan and beyond.

Traceca¹²

Meanwhile, in 1993 the European Union instituted a Transport Corridor Europe-Caucasus-Asia as a means of extending the European transport links across the southern belt of the former U.S.S.R. to China.¹³ Significantly from the standpoint of Turkmenistan, the EU failed to anticipate at this time the possibility that such a corridor might eventually extend across Afghanistan to India and southeast Asia. Turkmenistan joined this project, which came to include a sea connection from Baku across the Caspian to Turkmenbashi and thence by road and railroad across Turkmenistan and Uzbekistan to Kyrgyzstan and on to China.

Unacknowledged in the planning for Traceca was the competition between a northern route via Kazakhstan and a northern route via Turkmenistan and Uzbekistan. Even had political conditions in Turkmenistan remained favorable, which they did not, this competition would have worked against the southern route, first, because the main road crossing and the only railroad

¹² For more information visit <http://www.traceca-org.org>

¹³ *ibid.*

crossing to China was via Dostykh (formerly Druszhba) in Kazakhstan and, second, because the advantages of a southern route crossing Turkmenistan depended mainly on the possibility of a future link to southeast Asia, which the founders of Traceca did not recognize in their calculations. This is perhaps understandable in light of the chaos that still prevailed in Afghanistan at the time, but since Traceca was a long-term and strategic project, the failure is all the more glaring.

Further complicating Turkmenistan's situation were the beginnings of Russia's planning for a major north-south route to connect Russia and northern Europe to India via Iran. Given conditions in the 1990s in Afghanistan, it was mere realism for Russia, with India's help, to favor an Iranian route through the proposed expanded Iranian port on the Persian Gulf, Chahbakar.¹⁴ Yet this scheme also contained a strong geopolitical element. By crossing Azerbaijan to Iran, Russia hoped to counter the impact of the Euro-American-sponsored Baku-Ceyhan pipeline on that country, and also to do nothing to increase the possibility of Turkmenistan's gaining a "window" to the south through which it might eventually seek to export to Asia its gas, which Russia's gas monopoly Gazprom greatly coveted.¹⁵

Confronted by these realities, Turkmenistan pushed for the alternative east-west route that would traverse its territory. At 6861 kilometers, the Turkmenbashi-Ashgabat-Tashkent-Almaty-Dostykh route from the Caspian to the Chinese border is slightly longer than the route via Kazakhstan but has the advantage of being shorter than the other projected trans-Asian highway traversing Iran. In the end, strained relations between Ashgabat and Tashkent prevented Turkmenistan and Uzbekistan from presenting a united front on this project and undermined the effectiveness of their advocacy.

¹⁴ See "Indo-Iranian Energy Cooperation" and "Indo-Russian Energy Cooperation." Available online at <http://www.progress.org/2005/energy42.htm>

¹⁵ Gazprom was reorganized as an independent entity under a presidential decree on November 5, 1992. It became a Russian Share-Issuing Company "RAO Gazprom." A condition of privatization was that the government retains a 40 percent share in the company. Gazprom managers received 15 percent of share and 28 percent went to people living in Russia's gas-producing regions. See Victor, David G. and Nadejda Makarova Victor. "Diversifying Russian Gas Export to Europe." Paper Draft for Geopolitics and the Emergence of a Global Natural Gas Market, 2004. Available online at <http://pesd.stanford.edu/gasdrafts.html>

Turkmenistan therefore concentrated its efforts on railroads rather than highways.

The key task at the outset was to effect a connection between the Turkmen/Central Asian railroad network and that of Iran. Without this, direct transport from Turkey to Central Asia would be impossible. The project was rendered far more attractive when, in 1995, Iran completed a rail link between Bafq and its Persian Gulf port at Bandar Abbas, which finally linked the eastern Iranian city of Meshed with the Gulf. The next year Iran completed the 300 kilometer link between this line and the Turkmen city of Tejen, which adjoins the Iranian town of Sarakhs. In a spirit of celebration, Turkmenistan and Iran constructed a railroad station at Sarakhs worthy of a world capital, even though for the time being no trains ran there from either direction. In a similar forward-looking spirit, Iran and Turkmenistan established a Sarakhs Free Trade Zone along the border at this point,¹⁶ hoping to lure businesses to what they hoped would become a trade zone of continental importance. Parallel with this, Turkmenistan lent its support to the ECO's effort to develop the Almaty-Tashkent-Ashgabat-Teheran rail line as a means of moving goods more easily from both Turkey and Iran to the formerly Soviet parts of Central Asia.¹⁷

While all this was proceeding, Turkmenistan undertook to expand the capacity of its Caspian port at Turkmenbashi. Compared to both the four Iranian ports on the Caspian and to Baku Turkmenbashi's facilities were limited. The question was whether the Kazakh port of Aktau or Turkmenistan's port of Turkmenbashi would become the main cargo entrepot on the eastern shore of the Caspian. In spite of Turkmenistan's efforts, Aktau prevailed, and for time being dominates the east-west movement of goods. Turkmenbashi could even the balance, however, if the Turkmen government fully embraces the cause of transport across its

¹⁶ See "Free zone planned in northeast" in *Middle East Economic Digest*, 7 February 1997:17.

¹⁷ For an Overview of the Economic Cooperation Organization during this period, "The Economic Cooperation Organization: Current Status and Future Prospects." by Pomfret, Richard, *Europe-Asia Studies*, Vol 49. No. 4, June 1997, pp. 657-667.

territory to and from Turkmenbashi from Afghanistan and the Indian sub-continent.

Parallel with Turkmenistan's partial success in the sphere of roads and railroads, Ashgabat moved to transform its aged airport into a modern facility capable of handling the transfer of goods on a continental scale.¹⁸ It scored a success with the new facility but failed to follow up with Asian airlines to assure that the new airport became a fueling stop. By contrast, Uzbekistan was slow to redevelop its terminal at Tashkent but moved effectively to capture east-west cargo shipments from Korea to Europe. Nor did Turkmenistan's national airline compete effectively against Uzbek Air, which established direct links with western Europe and India via Tashkent and reaped considerable profits thereby.

Viewing Turkmenistan's transport initiatives in the 1990s as a whole, it is impossible not to acknowledge their shortcomings. In spite of these, considerable progress was achieved during these years. When the Central Asia-Caucasus Institute organized a region-wide conference on trade and transport in Ashgabat in 1997 the government of Turkmenistan was fully justified in presenting the country as an emerging link in continental transport.¹⁹

The real test of Ashgabat's policy, however, lay in its effectiveness in breaking Russian Gazprom's monopoly on the export of Turkmenistan's most valuable product, natural gas. For the time being, Turkmenistan failed the test, even though it made prodigious efforts to defend its economic interests. The obvious solution was to open a gas pipeline across Iran to the Persian Gulf. But gas-rich Iran is a competitor to Turkmenistan in the export of natural gas, and was under Russian pressure not to allow the construction of a "back door" export route for Turkmen gas. Moreover, such a pipeline was at odds with Washington's policy, which favored the export of Turkmen gas across the Caspian to Baku and a proposed gas pipeline to the Mediterranean.

¹⁸ See endnote #2.

¹⁹ See "Turkmenistan Hosts Caspian Summit" in the Central Asia Caucus Institute Analyst, April 23, 2002, Available online at <http://www.cacianalyst.org/>

Well aware of these possibilities, Niyazov resolved to extract from Gazprom a more favorable sale price of Turkmen gas to Russia. He knew that the Russians were using Turkmen gas for their domestic customers and selling their own gas to Europe for up to three times more than they were paying the Turkmen.²⁰ When Niyazov demanded more, Russia's prime minister, Chernomyrdin, a former head of Gazprom, simply cut off Turkmenistan's gas exports, immediately causing a crushing 25% drop in Turkmenistan's GDP.²¹ Niyazov went personally to Moscow to complain. When Chernomyrdin lectured him to the effect that "Europe does not want your gas" Niyazov went directly to Europe and arranged substantial contracts for Turkmen gas.²² So successfully and publicly did he defy Chernomyrdin that within six weeks Yeltsin had removed Chernomyrdin from office.

Niyazov won the battle but lost the war. Azerbaijan and Georgia were already using the proposed Baku-Ceyhan pipeline as a means of aligning themselves more closely with Europe, the U.S., and NATO. Having declared his country's non-alignment, it was impossible for Niyazov to follow this route, which under any circumstances would have elicited further reprisals from Moscow. Beyond this, Niyazov's relations with Azerbaijan's president Gaidar Aliyev were so poor that the two countries came nearly to open conflict over a disputed gas field in the Caspian. As a result, Niyazov had no choice but to swallow his pride and arrange a deal with Moscow. With this, all talk of a trans-Caspian pipeline from Turkmenistan to Azerbaijan was suspended in favor of a pipeline from Kazakhstan to Azerbaijan. As a kind of consolation prize, Russia allowed Turkmenistan to sign swap deals with Iran and to participate in the construction of a gas pipeline between Korbeje in Turkmenistan and Kordkuy in Iran to convey 8 billion cubic meters of gas to Iran.

²⁰ Turkmenistan stopped all gas shipments to Russia at the end of March 1997 and unilaterally abrogated their association with Turkmenrosgaz in June 1997. See "Turkmenistan Recent Developments." IMF Staff Country Report No. 99/140, December 10, 1999.

²¹ See "Turkmenistan The Economic Base" in APS Review Downstream Trends, Sep 20, 2004. Available online at <http://www.highbeam.com/doc/1G1-152080733.html>

²² Ottaway, David B. and Morgan, Dan "Gas Pipeline Bounces Between Agendas." Washington Post, October 5, 1998; Page A1. Available online at <http://www.washingtonpost.com/wp-srv/inat/europe/caspian100598.htm>

In the face of these developments, Turkmenistan had only one further card to play, namely a gas pipeline across Afghanistan to Pakistan and, if possible, onward to India. Such a project would not only break Gazprom's monopoly on the export of Turkmen gas to world markets but deftly avoid Iran as well.

The story of Ashgabat's efforts to develop this pipeline with the help of America's Unocal and the Argentine firm Bidas is by now well known and need not be repeated here.²³ Suffice it to say that Turkmenistan had laid its plan carefully, to the point of opening a constructive dialogue with the fragile Afghan government in Kabul and also with the chief warlords along the proposed route. Kabul was persuaded that Turkmenistan harbored no designs on the large Turkmen population in northwest Afghanistan and therefore welcomed the establishment of several Turkmen consulates in cities relevant to the pipeline's route. Direct talks among all the relevant parties were held in Ashgabat and Houston. But in the end the essential personal relations between Niyazov and his key partners descended into acrimony. As this was occurring, the Taliban rose to power in Afghanistan, which enormously increased the project's already high risk and cooled all American interest in it. This slammed shut Turkmenistan's last possible "back door" export route for gas.

Thus, by 2000 a many-sided effort by Turkmenistan to open itself to regional and continental trade in goods and energy had been substantially hobbled. An unlikely coalition consisting of Russia, the U.S., Iran, and (by its passivity) the E.U. had trimmed back Ashgabat's hopes. Traceca had turned its attention to the east-west transport route across Kazakhstan, Russia's projected north-south transit corridor assigned Turkmenistan only a secondary role, Gazprom's monopoly over the export of Turkmen gas had been confirmed for the time being, and Iran, while supporting various openings to Turkmenistan, helped thwart its aspirations vis a vis Afghanistan. Further undermining Turkmen hopes was the steady erosion of its relations with Azerbaijan and neighboring Uzbekistan.

²³ For an account of Unocal and Bidas' claims see article by Pope, Hugh. "Pipeline Dreams: How Two Firms Fight for Turkmenistan Gas Landed in Texas Court," *Wall Street Journal*, January 19, 1998. Gopul, Philip and Pavel Ivanov. "Learning the Rules of Central Asia's Energy Game." *Asia Times*, April 29, 1997.

Added to all this was the growing cult of personality that Niyazov engendered within Turkmenistan and the suppression of human rights that accompanied its development.²⁴ The kernel of justification for this cult can be found in Niyazov's realization that the absence of any strong national feeling among the diverse Turkmen tribes demanded special efforts on his part. His choice of populist economic policies patterned after those of Iran (free gas and electricity, etc.)²⁵ and of grandiose expenditures on national monuments at the expense of education and social welfare – not to mention the increasingly bizarre elements of the cult that came to surround his person – all combined to undermine Turkmenistan's efforts in the sphere of transport and trade and to isolate the country from many of its key regional and continental neighbors. True, there remained important links with Iran and the ECO, with its ambitious but ill-funded transport schemes, but these by no means counterbalanced the negative factors that had come into play by 2000.

Turkmenistan's Role in Transport and Trade Today

The new century witnessed important changes both within Turkmenistan and in Turkmenistan's relationship to issues of transport and trade. The arrest in December 2002 of former Minister of Foreign Affairs Boris Shikhmuradov on the charge that he was seeking to foment a revolution against President Niyazov²⁶ signaled a dramatic further increase in the concentration of power in the hands of the president. During the same period the government took a series of measures affecting religious minorities, education, and welfare that elicited strong criticism from both European countries and the U.S. The perception that the regard for human rights in Turkmenistan was steadily deteriorating caused the European Union and the

²⁴ Olcott, Martha, "International Gas Trade in Central Asia: Turkmenistan, Iran, Russia and Afghanistan." Program on Energy and Sustainable Development Working Paper #28, May 2004. Available online at http://iis-db.stanford.edu/pubs/20605/Turkmenistan_final.pdf

²⁵ See RFE/RL Central Asia Report, 22 August 2003.

²⁶ See RFE/RL Central Asia Report. Available online at <http://www.rferl.org/specials/turkmenelections/bios/shikhmur.asp>

United States to distance themselves from the Niyazov government.²⁷ By September, 2006, the European Parliament's Committee for International Trade put on holds its ratification of a provisional trade accord between the EU and Turkmenistan.²⁸ In announcing its decision, the Parliament declared it would approve the treaty "only when Ashgabat has made "apparent, discernible, and consistent progress in the sphere of human rights."²⁹

As this climate coalesced in the years before 2006 it adversely affected investment in Turkmenistan. True, the Turkmen government had decided to allow foreign investment only in off-shore energy initiatives, on the unstated grounds that the presence of international investors might discourage other states (e.g. Russia) from taking action against such projects. The yields on gas sales assured steady economic growth, although the rate of expansion in the period 2001-2006 was surely much lower than the 17% claimed by the government. This in turn provided a kind of insurance policy for the government, protecting it from the worst affects of some of its more questionable policies.

It is tempting to suggest that Turkmenistan's actions were leading to the country's steadily deepening isolation. Yet as we will see, this is actually a period of realignment, in which at first Turkmenistan adopted a more "Asian" approach to trade and transport, as exemplified by its various openings to China and the renewal of its trans-Afghan pipeline project (Turkmenistan-Afghanistan-Pakistan-India, or TAPI),³⁰ and then, during 2006, began to revive its flagging transport relations with the West. Amidst this shifting picture, the three points of absolute consistency have been the country's steady engagement with ECO transport schemes, its consistent

²⁷ See U.S. Embassy in Ashgabat, 2002 Investment Climate Statement. Available online at <http://www.bisnis.doc.gov/bisnis/isa/020819txics.htm>

²⁸ See European Union's Relations with Turkmenistan various documents. Available online at http://ec.europa.eu/comm/external_relations/turkmenistan/intro/index.htm

²⁹ 09.10.2006 14:55 msk.

³⁰ The Trans-Afghanistan Pipeline (TAP or TAPI) is a proposed natural gas pipeline being developed by the Asian Development Bank. The pipeline will transport Caspian Sea natural gas from Turkmenistan through Afghanistan into Pakistan and then to India. For update on TAPI see Alexander's Gas & Oil, 21 November and 26 November 2006. Available online at <http://www.gasandoil.com/goc/news/ntc64919.htm>

efforts to improve transportation across the border with Iran, and its critically important relations with Russia's Gazprom.

Highways and Railroads

Having long been preoccupied with finding means of reaching reliable and high-priced markets for its gas, Turkmenistan has now returned to its earlier focus on roads and railroads. In the autumn of 2006 it announced its intention to redouble its efforts to integrate its highway and railroad systems more closely with continental east-west routes across Iran, and to begin by upgrading its main roads to both Afghanistan and Iran.³¹

Even though the main corridor for the Russian and Indian-sponsored north-south corridor traverses Azerbaijan rather than Turkmenistan, Ashgabat is now an active participant in that project and hopes to reap benefits from the secondary route that crosses its territory. It is also helping to upgrade the Afghan highway that extends from the Turkmen border to Diloram via the regional Afghan center of Herat. This initiative is part of Turkmenistan's participation in the six-country (Afghanistan, Iran, Pakistan, Tajikistan, Turkmenistan and Uzbekistan) Central-South Asian Transport and Trade Forum (CSATTF).³² This undertaking is expected to reopen a series of road corridors centering on northwestern Afghanistan at a cost of \$5.7 billion which, it is hoped, will come mainly from international donors.

Productive relations between Turkmenistan and Japan are reflected in Ashgabat's more active involvement with the Asia Development Bank and its many initiatives to improve continental transport in Greater Central Asia. In addition to financing road corridor projects in the country, ADB has

³¹ See "Ministry of motor transportation of Turkmenistan to act as customer in modernization of country's main road" August 14, 2006. Available online at http://www.turkmenistan.ru/?page_id=3&lang_id=en&elem_id=8475&type=event&sort=date_desc

³² See Asian Development Bank document "Central and South Asia Transport and Trade Forum (CSATTF): Toward Harmonization and Modernization of Transit Transport Agreements among the CSATTF countries." Available online at http://www.afghanistan-mfa.net/RECC/CSATTF_PADECO_Transit_Report.pdf

proposed a Central-South Asian Transport Corridor Fund,³³ which is seeking donors from beyond the region.

Given Turkmenistan's cooperation with ADB, it is the more surprising that Ashgabat is not yet a participant in ADB's six-member (Azerbaijan, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Uzbekistan) Trade Facilitation Program, which is part of the Central Asia Regional Economic Cooperation (CAREC) Program.³⁴ This program is designed to promote a common customs regimen among all the countries of Greater Central Asia, and also to bring participating countries under the TIR (Transport International Routière) transit system.³⁵ Whether Turkmenistan will become part of this system remains unclear. Given the specific impediments to land transport that exist as a result of Turkmen border policies and procedures, it would be highly desirable for this to happen.

For all its demonstrated interest in improving its continental road and railroad links, Turkmenistan's border regimen is still plagued by the same impediments that hamper most of its neighbors. As detailed in the chapter on Tajikistan in this volume, Turkmenistan's border procedures are very time-consuming, with delays caused by the need for signatures from multiple agencies on all documents and slow inspection procedures. Moreover, Turkmenistan's border crossings are hampered by the poor enforcement of existing legislation, the absence of an industry capable of providing low cost and effective insurance to shippers, and the absence of coordination between the customs services of Turkmenistan and its neighbors.

Beyond this, border stations and related trade offices in the capital are understaffed and manned by personnel who are underpaid and under-trained.

³³ See Asian Development Report "Interim Comprehensive Action Plan" Southern Transport Corridor Road. Available online at www.adb.org/Documents/Events/2005/CAREC/4th-Conference/icap-executive-summary.pdf

³⁴ See Asian Development Report "The Central Asia Regional Economic Cooperation (CAREC), Recent initiatives under CAREC's Trade Facilitation Program." Available online at www.adb.org/Documents/CSPs/CAREC/2006/CSPU-CAREC-2006.pdf

³⁵ The TIR (Transport International Routière) procedures ensure that customs in a transit country will receive proper payment for dues and duties. Also see, Central Asia: Increasing Gains from Trade Through Regional Ties." More information is available online at www.adb.org/Documents/Reports/CA-Trade-Policy/prelims.pdf

This leads inevitably to graft and corruption, which are widespread. Irregular inspections and unsanctioned demands that shipments be accompanied by Turkmen officials can be avoided only through bribes to local officials. Until these conditions are alleviated, Turkmenistan's own land transport, as well as continental trade crossing Turkmenistan, will be laboring under debilitating handicaps. As long as such handicaps remain, Turkmenistan will suffer a competitive disadvantage as compared with Kazakhstan, Azerbaijan, and other key north-south and east-west transport alternatives.

The Port of Turkmenbashi

Competition with neighboring states is even more keen in the area of shipping on the Caspian. The capacity of Baku's port is being greatly augmented, as is that of Kazakhstan's port of Aktau, through the addition of new berths and facilities. Iran is investing far more in each of its several Caspian ports than is Turkmenistan at its one port at Turkmenbashi. Moreover, seaport fees at Turkmenbashi are higher than those at Baku and Aktau, and also the Iranian ports. As a result, Turkmenistan is gradually losing out in the competition for both north-south and east-west transport across the Caspian.

It is unclear whether this problem traces to a lack of money or of political will. Whatever the case, even though the route through Turkmenbashi is shorter than the one through Iran, Turkmenistan is in danger of losing out to Iran in the competition for handling trans-Caspian traffic originating in southeast Asia, India, Pakistan, and Afghanistan. The practical consequence of this is that Turkmenistan will lose millions in port, tariff and transit fees, while international shippers along key routes will suffer under the burden imposed by longer routes.

Airports and Airlines

Compared with its neighbors Kazakhstan and Uzbekistan, Turkmenistan has so far been a passive presence in the field of air transport. True, the airport at Ashgabat was handsomely reconstructed and equipped with up-to-date equipment for monitoring the contents of even large shipments and containers. But few follow-up measures have occurred, with the result that

the country is best served by foreign (mainly Turkish) airlines and has failed to establish itself as a regional hub or even a significant fueling stop for continental air transit. Worse, there have been several apparently-well-based accusations that the airport at Ashgabat has become a hub for the drug cartels, frequented by traffickers as far away as Nigeria and even Colombia.

The Export of Electricity

The same Moscow-centric transport links that tied Turkmenistan's gas to Gazprom tied its electricity to the all-Soviet grid. However, in this sphere Turkmenistan has broken out of the former Soviet system and built the necessary transmission lines to establish direct exports of electricity to both Iran and Afghanistan. Both U.S.'s General Electric and Power Machines of Russia have been engaged modernizing the vast thermonuclear facility at Mary, which is the key to this export. By 2006 Iran was importing 400 megawatts during the first half of each year, only to sell back a similar amount during the second half, thus satisfying the annual cycle of energy needs in both countries.

The Transport of Gas

For understandable reasons, a major strategic goal of Turkmenistan's transport program has been to find ways of marketing its most valuable product, natural gas, at the highest possible price and with the least exposure to sudden shifts.

The construction of a 200 kilometer pipeline between the Turkmenistan town of Korpedzhe and Kord-Kuy in Iran assured the export of 8 billion cubic meters of gas each year into Iran's network. With Iranian financing, this pipeline is expected to become part of a larger system for exporting Turkmen gas to Turkey. The steady improvement of Turkmenistan's relations with Iran in the sphere of gas transport was symbolized by the joint decision in the summer of 2006 to increase Turkmenistan's annual export to the Iranian grid to 14 billion cubic meters.

Besides this important link, Turkmenistan has actively pursued three important new markets for its gas, and is exploring the feasibility of three new export routes for gas, any or all of which will have the strategically

crucial effect of breaking the near-absolute monopoly exercised by Russia's Gazprom over Turkmen energy exports. If this stranglehold is broken, it will become a critically important step towards the redefinition of Greater Central Asia as a whole. Beyond this, it will remove a crucial impediment to the development of Turkmenistan's economy. The low capacity of the main Gazprom pipeline running north to Russia and the absence of alternatives constrains the development of Turkmenistan's gas industry and will continue to do so until one of the following three alternatives is realized.

The Turkmenistan-Afghanistan-Pakistan-India pipeline (TAPI)³⁶

No transport project in Central Asia has generated greater expectations and met with more frustrations in practice than the proposed gas pipeline from Turkmenistan to Pakistan and beyond via Afghanistan. Originally conceived by the Turkmenistan government as early as 1992, it soon attracted both the American firm Unocal and the Argentinean firm Bridas as partners.³⁷ The rise of the Taliban and deteriorating relations between Ashgabat and its foreign partners led to the suspension of the project in 1997. Only after the U.S. crushed the Taliban government in Kabul in 2002 did the project revive. In that year the Asian Development Bank launched a feasibility study that would eventually result in a promising report.³⁸ In May of the same year the heads of state of Turkmenistan, Afghanistan and Pakistan met in Islamabad and set up a ministerial level steering committee to give fresh impetus to the project.

Plans called for the construction over five years of a 1,700 kilometer pipeline from Turkmenistan's Dauletabad gas field to Multan in Pakistan via Herat

³⁶ See endnote #30.

³⁷ See endnote #23

³⁸ The Asian Development Bank conducted a feasibility study on building a gas pipeline connecting Turkmenistan, Afghanistan, and Pakistan. The framework agreement for the development of the project was signed by the heads of the three governments in December 2002 and the feasibility study was presented to the heads of state in 2005. For a Power Point presentation on feasibility study see <http://meaindia.nic.in/srec/internalpages/tapi.pdf> and for more information on the project see www.adb.org

and Khandahar at a cost of \$3.3 billion.³⁹ A more northerly route through Kabul and Peshawar was also considered. Far shorter than the Khandahar route, this advantage was more than offset by the need to route the pipeline through the Uzbek border town of Termez, thus giving Tashkent a veto over the project, and by the need to traverse more densely populated areas of Afghanistan.

Indications that the ADB study would reach a positive conclusion encouraged India to join. Earlier, India, Pakistan and Iran had been negotiating a direct pipeline across the Baluchistan provinces of Iran and Pakistan to India. However, both Iran and India were well aware of the mounting political unrest in Pakistan-ruled Baluchistan. Moreover, the U.S. made clear that it would not support such an alternative that would bypass Afghanistan, let alone one that would reinforce India's dependence on Iranian gas. When Delhi understood that funding for this variant would be nearly impossible to arrange it asked to join the trans-Afghan project, proposing at a 2005 meeting in Ashgabat that the project be expanded to include the transport of both gas and oil.

It was at this point that doubts were raised concerning the size of the Dauletabad reserves. Turkmenistan blamed these on disinformation being disseminated by Russia's Gazprom and engaged a U.S. exploration firm to provide an authoritative estimate of the actual reserves available. According to the Turkmenistan government, the resulting estimates far exceeded Ashgabat's own claims. But since the report itself has yet to be released, the doubts remain, and have so far served as a brake on financing. A meeting held in Delhi in November, 2006, heard reports of progress on the financing but to date no firm package is in hand. Equally serious, Pakistan remains reluctant to become a guarantor of gas deliveries to India until the two countries have achieved some sort of settlement in their dispute over Kashmir.

³⁹ See article "Gas pipeline project Turkmenistan-Afghanistan-Pakistan-India approved." Available online at <http://www.turkmenistan.ru>

An Export Pipeline for Turkmen Gas to China?

In the midst of these negotiations, nearly the entire government of Turkmenistan headed to Beijing in April 2006, to hear proposals for large-scale purchases by China of Turkmen gas.⁴⁰ Former Foreign Minister Shikmuradov had launched this project while serving as Turkmen ambassador to China and before his arrest by President Niyazov. The resulting agreement committed Turkmenistan to long-term sales of gas to China, but at the time it had neither a pipeline to transport gas eastward nor the gas to fill it. The former problem was solved, in theory at least, when in August 2006 President Niyazov announced Turkmenistan's intention of building a gas pipeline to China by 2009, through which it would supply China with 30 billion cubic meters of natural gas annually for 30 years. The second problem took on an entirely new face in November 2006, when Turkmenistan announced the discovery of a "super giant" gas field at Yolotan containing a purported seven trillion cubic meters of gas.⁴¹ Ashgabat accordingly awarded the Chinese National Petroleum Company a \$151-million exploration contract to drill in the gas deposits in Yolotan.

A Trans-Caspian Pipeline to Baku?

The autumn of 2006 transformed the entire issue concerning the transport of Turkmenistan's gas to world markets. Ashgabat had signed its commitment to China and at the same time was pursuing the more intricate issue of a pipeline to India via Afghanistan. In an attempt to clarify the situation, in October 2006, Niyazov declared that the two priority markets for Turkmen gas were China and Russia.

⁴⁰ Hancock, Kathleen J., "Escaping Russia, Looking to 'China: Turkmenistan Pins Hopes on China's Thirst for Natural Gas" *China and Eurasia Forum Quarterly*, volume 4, No 3 (2006) p. 67-87, Central Asia-Caucas Institute & Silk Road Studies Program. Available online at http://www.silkroadstudies.org/new/docs/CEF/Quarterly/August_2006/Hancock.pdf Also see, Pannier, Bruce and O'Rourke, Breffni, "Turkmenistan: President Seeks Economic, Political Links With China" April 3, 2006. Available online at <http://www.rferl.org/featuresarticle/2006/04/6a60e94b-6f54-4dd7-a4bb-664475d53d03.html>

⁴¹ See "Turkmenistan: Potential 'Super-Giant' Emerges on Energy Scene." *RFE/RL Central Asia Report*, 13 November 2006.

Besides sowing doubts about his government's commitment to the Afghan project and to India, this announcement seems deliberately to have obfuscated the fact that Turkmenistan had entered into a series of new discussions with both the European Union and the United States regarding the possibility of a trans-Caspian gas pipeline that would tie into the rapidly emerging east-west energy corridor via Azerbaijan.

This project dated to the mid-1990s when plans were being laid for the Baku-Ceyhan oil pipeline. It had foundered, however, over three specific issues. First, a cash-starved Turkmenistan had demanded large up-front payments that the BTC consortium was unwilling to consider. Second, Russia and Iran were actively contesting the legal status of the Caspian seabed. Third, Russia had already announced it would raise environmental arguments against the construction of such a pipeline. Fourth, personal relations between President Niyazov and President Geidar Aliev of Azerbaijan had deteriorated disastrously, culminating in an active conflict over a Caspian gas field. And, fifth, Russia's Gazprom indicated a willingness to raise somewhat the very low price it had been offering for Turkmenistan's gas.

Several equally germane factors in 2005-2006 changed this picture. First, the successful completion of the BTC project made the development of trans-Caspian links to the Baku-Ceyhan east-west energy corridor a realistic possibility. Second, Kazakhstan's declaration that it would build a pipeline from its port of Aktau to Baku raised the stakes for Ashgabat. Most important, the surge in world energy prices, combined with Gazprom's politically-charged pressure on both Ukraine and the EU, brought the Europeans to Ashgabat in search of a source of gas that would be free of Gazprom's direct control.

The dynamics of this new state of affairs are ably reviewed in the chapter on Azerbaijan in this volume. Prior to this new situation, Europe had been extremely cool towards Turkmenistan, sharply criticizing its record in the area of human rights and the rule of law. The United States had shared this critical stance, suspending nearly all contact with Ashgabat over a trans-Caspian pipeline over a period of half a decade.

The rise in gas prices, Gazprom's ham-handed moves in Europe, and the completion of the BTC project caused both to reconsider. Visits by

Germany's Foreign Minister, by the EU's special representative for central Asia, and by the U.S. Deputy Assistant Secretary of State for the Caucasus region signaled a willingness to revive discussions of the dormant project to link the port of Turkmenbashi to Baku via a seabed gas pipeline.⁴² Indeed, Pierre Morel, the EU's special representative and himself a former French ambassador to Ashgabat, declared to President Niyazov in a meeting broadcast on Turkmenistan's national television that "The European Union is highly interested in bolstering and expanding full-scale cooperation with Turkmenistan; the EU views the country as a reliable and responsible partner."⁴³ At the same a further element in the strengthening of demand to Turkmenistan's west was an agreement struck between Ashgabat and Turkey, according to which Turkmenistan would provide 10 bcm of gas to Turkey by a trans-Caspian pipeline that had yet to be planned, let alone constructed. In an effort to keep alive this project without entering into further commitments regarding a trans-Caspian pipeline, Niyazov in November 2006, engaged the Turkish Çalık Energy Company to work along with the Chinese in exploring and developing the Yolotan gas field.⁴⁴

Russia's Response and Ashgabat's Uncertainties

Singly or together, Turkmenistan's three potential projects for developing gas/oil transport between Turkmenistan, Europe, and Asia represent a fundamental change in the overall transportation map of Eurasia. By reopening direct transport in energy between Turkmenistan and India/Pakistan, China, and Europe, respectively, each would return to the territory of Turkmenistan that central role in the overall movement of valuable commodities between Europe and Asia that it had enjoyed over the millennia prior to the sixteenth century.

However, it is important to note that these projects would accomplish this at the expense of the monopoly over the international transport of Turkmen

⁴² Socor, Vladimir, "Interest Rebounds in a Trans-Caspian Pipeline for Turkmen Gas," *Eurasia Daily Monitor*, 24 January 2006.

⁴³ See Ziyadov, Taleh, "Europe Hopes To Revive Trans-Caspian Energy Pipelines," *Eurasia Daily Monitor*, Vol. 3, Issue 38, February 24, 2006.

⁴⁴ "Weekly News Brief on Turkmenistan," December 8-14, 2006, The Turkmenistan Project.

gas that Gazprom had imposed during the Soviet era and which is one of the USSR's chief legacies to post-Soviet Russia.

How, then, has Russia expanded to these potential projects? Regarding the trans-Afghan pipeline Russia has long made its staunch opposition perfectly clear. By breaking Gazprom's monopoly on the export of Turkmen gas this pipeline would enable Ashgabat to drive a harder bargain on prices that Gazprom would have to offer. Moreover, it would go far towards confirming the success of the new government in Kabul, which enjoys a strategic partnership with the United States and close ties with the EU. For these reasons Russia strongly backed Iran and India in their unsuccessful effort to create a direct Iran-Pakistan-India pipeline. The fact that India, upon the collapse of this project, moved immediately to join the trans-Afghan TAPI project, signaled clearly the new realities with which Russia has to contend.⁴⁵ In this instance Russia's voice was neutralized by the Afghan Foreign Minister Dadfar Spanta, who, at the New Delhi conference, urged Islamabad to allow his country a transport corridor to India. Pakistan acceded, or so it seems.

Russia did not end the year 2006 empty-handed with respect to Turkmenistan's gas. In September Gazprom and Turkmenistan announced a further agreement on the transport of gas to Russia. But since this required Russia to offer a substantial greater payment than heretofore, and since the agreement is only for three years, it can hardly be seen as a victory for Gazprom. Against this background, and in the context of Ashgabat's agreement with China and its revived interest in the EU/US project for a trans-Caspian pipeline, President Niyazov's announcement that Turkmenistan views Russia and China as the priority markets for its gas is at best a pyrrhic victory for Gazprom.

The End of the Niyazov Era and Turkmenistan's Future as an East-West and North-South Transport Hub

Just as these diverse developments in road, railroad, electricity, gas, and oil transport were reaching a crescendo, President Niyazov died on 21 November

⁴⁵ Yunanov, Boris, "Gas Pipeline to India may become problem for India-Russian relations," *Novye izvestiia*, 21 November 2006.

2006. It is too early even to do more than speculate on Turkmenistan's future as an east-west and north-south hub for continental transport across Eurasia. However, a few factors that will affect the long-term evolution of Turkmenistan's policies can be enumerated.

First, it should be noted that the east-west corridor poses problems for Turkmenistan's strategic posture of non-alignment. Initially, the US and European sponsors of the Baku-Ceyhan pipeline viewed it as a means of undergirding the sovereignty of the new and fragile states of Azerbaijan and Georgia. As noted in the chapter on Azerbaijan, however, these two states see the project and its possible further extensions to Kazakhstan and Turkmenistan as a means of linking their overall security more closely with the West, specifically with NATO and the EU. Over time their perspective has gained credibility in both Washington and Brussels. Besides eliciting fears in Moscow, this poses a challenge to Ashgabat to find a path for engaging with western gas markets without sacrificing its non-aligned status. Should a post-Niyazov government in Ashgabat decide to modify that strategy, it will require a fundamental rethinking of the country's national security strategy and feasible tactics for implementing it. Given Gazprom's huge stake in its Turkmenistan pipeline, and Russia's overall strategy of neo-imperial assertiveness, this will not be easy, to say the least.

This said, it is also important to acknowledge the extent to which the new realities affecting Turkmenistan are driven not merely by political calculations but by fundamental economic forces that will make themselves feel independent of Ashgabat's calculations. China, India, and Europe all need Turkmenistan's gas and will not readily accede to arrangements in which any third party can exercise a veto over its export to their territory. Whether the situation is considered from the basis of free global market principles or of Marxist calculations on the primacy of economic forces, it would appear that Turkmenistan is fated once more to assume the geo-economic role its territory played over the millennia.

All of this would by now have produced "facts on the ground" were it not for the ambitious effort of the Putin government in Moscow to reassert the controlling influence that Russia exercised over Turkmenistan since the battle of Goek Tepe more than a century ago. This review has shown that

this effort has extended to Turkmenistan's plans for roads, railroads, and pipelines, and that in all of these areas it has been countered by other major powers, including not only the United States but also China, India, Turkey, and the European Union. The urgency of the energy needs of these last countries is such that it is hard to imagine that in the end they will not prevail.

There are solid grounds for thinking that Russia will eventually make its peace with the powerful global forces that are at play in Turkmenistan. It has moved a long way in this direction in its relations with Kazakhstan, where many of the same forces are at work. Not only has it accepted Kazakhstan's assertion of its right to export oil and gas directly to China, but it is fighting a rear-guard action against that country's desire to export energy directly to the West. Moreover, Kazakhstan is proceeding with its plans with Traceca to open an east-west transport corridor to China, even though these compete directly with Russia's aspirations to create and control a more northern corridor through its territory.

All this has been possible because Kazakhstan has developed a security strategy based on strategic partnerships with China, the U.S., and, of course, Russia itself.⁴⁶ The key to this strategy is the concept of "balance." It is quite possible that the new government in Ashgabat will move towards such an arrangement, with the balance in Turkmenistan's case including Iran, Russia, China, India, and the E.U. and U.S. Such a policy could not only preserve the principle of non-alignment but give it a new reality in the post-Niyazov era.

⁴⁶ Starr, S. Frederick, "Kazakhstan's Security Strategy: A Model for Central Asia?", forthcoming.

