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# Central Asia in a Reconnecting Eurasia

*Turkmenistan's Evolving Foreign  
Economic and Security Interests*

AUTHORS  
**Andrew C. Kuchins**  
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*A Report of the CSIS Russia and Eurasia Program*

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# Preface

In January 2014 the CSIS Russia and Eurasia Program launched its new *Eurasia Initiative*. The vast Eurasian landmass, stretching from China in the East to Europe in the West and from the Arctic in the North to the Indian Ocean in the South, includes some of the world's most powerful and dynamic states, as well as some of the world's most intractable challenges. Scholars and analysts are accustomed to focusing on Eurasia's various regions—Europe, the former Soviet Union, East Asia, South Asia, and Southeast Asia—rather than on the interactions between them. The goal of the *Eurasia Initiative* is to focus on these interactions, while analyzing and understanding Eurasia in a comprehensive way.

More than any time since the collapse of the Silk Road five centuries ago, today we have to focus on Eurasia as a whole. Over the past two decades, Eurasia has begun to slowly reconnect, with the emergence of new trade relationships and transit infrastructures, as well as the integration of Russia, China, and India into the global economy. Even as this reconnection is underway, the center of economic dynamism in Eurasia, and in the world as a whole, has increasingly shifted to the East. The impact of these shifts is potentially enormous, but they remain poorly understood because of our tendency to limit analysis to a single country or region within the broader Eurasian space.

The first fruits of the *Eurasia Initiative* include the report you are holding in your hands, one of the five country studies making up our report series *Central Asia in a Reconnecting Eurasia*. Our decision to start with Central Asia stems from a concern that the drawdown of U.S. and allied troops from Afghanistan will augur declining international interest in the region, which has played a critical role over the course of the conflict. For U.S. policymakers, turning away from Central Asia now would be a serious miscalculation. The five states of Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) are located at the heart of the Eurasian landmass, in close proximity to four of Washington's biggest foreign policy challenges: Afghanistan/Pakistan, Iran, Russia, and China. For that reason alone, the United States has a strong interest in developing economic and security ties with the states of Central Asia, and doing so in a way that is no longer driven by the exigencies of the war in Afghanistan, but is responsive to the needs and interests of the region itself, as well as enduring U.S. interests.

So in the spring, summer, and fall of 2014 we embarked on a “listening tour” to Central Asia that included extended visits to each country, where we interviewed government officials, experts, private-sector actors, and representatives of international organizations

to understand how Central Asian elites perceive the economic and security environment changing around them. We sought to discover how they are coming to define their national interests in the post-Afghanistan conflict world, including what they would like to see from the United States.

This report and the others in the series reflect what we gleaned from these interviews, along with analysis of published data and secondary literature, to provide a broad overview of how Central Asia sees the world. We should emphasize that the focus of these reports is on the foreign economic and security policies of the five Central Asian states. These reports do not seek to address domestic political issues, human rights, and many other issues, not because we think they are unimportant, but rather because we are interested in the strategic implications of a reconnecting Eurasia, which means concentrating on how these countries interact with the outside world. Of course, internal issues often do impact foreign ties. For instance, one of the main impediments to foreign investment in Central Asia is corruption, coupled with inefficient regulatory frameworks and bureaucratic institutions. The reports analyze these phenomena, but only insofar as they affect the Central Asian states' engagement with the outside world.

Central Asia lies at the heart of the Eurasian landmass, and in many ways has the most to gain from the process of transcontinental reconnection. That process can only reach its full potential however, if the interests of the Central Asian states themselves are given proper consideration. The goal of the *Central Asia in a Reconnecting Eurasia* series is to analyze the perspectives of these countries, and bring them to the attention of policy makers in the United States.

# Acknowledgments

There are many institutions and individuals to which we would like to express our gratitude for their crucial roles in the production of this report and others in the series. We would first like to thank the Smith Richardson Foundation, the Ministry of Foreign Affairs of the Republic of Kazakhstan, and Carlos Bulgheroni for their generous financial support for this project. We would also like to thank the Carnegie Corporation of New York for their support of the CSIS Russia and Eurasia program. We would like to thank all of the government officials, experts, private-sector actors, and representatives of international organizations that graciously shared their thoughts with us during our “listening tour.” We would also like to express particular gratitude to the Embassies of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan in the United States for their assistance in the facilitation of our research trips to their respective countries. Ambassadors Kairat Umarov of Kazakhstan; Kadyr Toktogulov and Muktar Djumaliev of Kyrgyzstan; Farhod Salim of Tajikistan; Meret Orazov of Turkmenistan; and Bakhtiyar Gulyamov of Uzbekistan deserve special thanks. Dana Kurmasheva with the Foreign Ministry of Kazakhstan, Dana Masalimova with the Embassy of Kazakhstan, Mukhamed Lou with the Embassy of Kyrgyzstan, Abat Fayzullaev with the Embassy of Uzbekistan, and Mirlan Isamidinov with the Diplomatic Academy of the Ministry of Foreign Affairs of the Kyrgyz Republic named after K. Dikambaev also deserve special thanks.

We would further like to express our gratitude to the members of our *Eurasia Initiative* advisory council, all of whom have provided critical guidance throughout the project. The advisory council includes: Najia Badykova; Stephen Benson; Edward Chow; Ambassador William Courtney; Rosemarie Forsythe; Roger Kangas; Ambassador Batu Kutelia; Johannes Linn; Michael Matera; Martha Brill Olcott; David Sedney; Craig Steffensen; and Ambassador Kairat Umarov. Aitolkyn Kourmanova, Marlène Laruelle, and Timur Shaimergenov also deserve thanks for their insights. Finally, we would like to thank the many present and former members of the CSIS Russia and Eurasia Program staff who contributed to this project, including: Yulia Danilina; Eric Griffith; Kendra Harkins; Peter Krivicich; Allen Maggard; Sung In Marshall; Kirill Prudnikov; Dylan Royce; Narek Sevacheryan; Jason Siler; and Nic Wondra.

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# 1 The View from Ashgabat

## Turkmenistan



Source: Based on a United Nations map, <http://upload.wikimedia.org/wikipedia/commons/7/73/Un-turkmenistan.png>.

Positive neutrality is the guiding principle of Turkmenistan's foreign policy. This ethos has guided Turkmenistan since it was enshrined as official policy in the early post-Soviet period. At the time, an officially neutral stance was viewed as the best way to ensure Turkmenistan's own security and stable development within a rapidly changing regional environment. The basis of this policy, as articulated by President Gurbanguly Berdimuhamedov, includes peacefulness; total respect for the sovereignty and territorial integrity

of all states; noninterference in the affairs of others; and nonparticipation in international military organizations or other such treaties.<sup>1</sup> Turkmenistan considers its neutral status (it is one of few states formally certified as neutral by the United Nations)<sup>2</sup> to be its most valuable diplomatic attribute and views the maintenance of neutrality as key to its economic, security, and foreign policy goals.

While “neutrality” carries the implication of isolation or disengagement, Ashgabat views it as a strategy of robust, if selective, engagement on regional issues. Under Berdimuhamedov, Turkmenistan has prioritized preventive diplomacy in Central Asia and the promotion of mutually beneficial initiatives toward regional integration. Turkmenistan stands to benefit from deeper integration into regional trade and transportation networks, as its isolation from global markets represents a source of vulnerability. Unlike its neighbors, Turkmenistan is not party to any geopolitical or regional blocs and does not have any political associations or regional conflicts that would, in the words of one official we met, politicize its economic activity.

Even as it seeks greater economic interdependence with its neighbors and other global partners, Turkmenistan’s neutrality is bolstered by its relative financial independence. Turkmenistan has a small population of 5.2 million and relatively insignificant migrant populations. The country’s immigrant and emigrant ratios are by far the lowest among the states of Central Asia, and flows of remittances, a source of Russian leverage over other Central Asian states, are negligible, making up only 0.1 percent of Turkmenistan’s GDP in 2013.<sup>3</sup> In a region noted for labor migration, Turkmenistan is a prominent exception, in part because the government imposes high barriers to emigration.

Hydrocarbons, the driving force behind Turkmenistan’s economy, provide a strong base for future economic growth, though one subject to the vagaries of energy prices. Turkmenistan holds the fourth-largest reserves of natural gas in the world and stood behind only Russia in production in the former Soviet Union in 2013.<sup>4</sup> Yet accessing Turkmenistan’s undeveloped resources and bringing them to global markets requires foreign investment, and international energy companies remain reluctant to invest because of a difficult investment climate and Ashgabat’s reluctance to grant equity stakes in its onshore upstream reserves. Foreign companies can only participate in Turkmenistan’s oil and gas industries if they agree to partnerships with state-owned companies.

As a result of its neutrality policy, Turkmenistan is also not a member of the Eurasian Economic Union (EEU), Shanghai Cooperation Organization (SCO), or other international

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1. Gurbanguly Berdimuhamedov, “Permanent Neutrality Turkmenistan: Cooperation for Peace, Security, and Progress” (speech, International Conference to mark the 15th anniversary of neutrality of Turkmenistan, Ashgabat, Turkmenistan, December 10, 2014), <http://www.turkmenistan.ru/en/articles/14412.html>.

2. General Assembly resolution 50/80, *Maintenance of international security*, A/RES/50/80 (December 12, 1995), <http://www.un.org/documents/ga/res/50/a50r080.htm>.

3. World Bank, “Annual Remittances Data (inflows) 2014,” [http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1288990760745/RemittanceData\\_Inflows\\_Oct2014.xls](http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1288990760745/RemittanceData_Inflows_Oct2014.xls).

4. “BP Statistical Review of World Energy 2014,” BP, June 2014, 20–22, <http://www.bp.com/content/dam/bp/pdf/Energy-economics/statistical-review-2014/BP-statistical-review-of-world-energy-2014-full-report.pdf>.

associations in Central Asia. Turkmenistan has instead prioritized the export of gas to multiple markets in multiple directions, largely in an effort to reduce dependence on pipelines controlled by Russia. And while increasing demand for hydrocarbons in China has allowed Turkmenistan to diversify its energy-trading relationships away from such overreliance on Russia, it faces the danger of trading dependence on Russia for dependence on China, which now purchases a large majority of Turkmen gas exports.

Officials in Ashgabat argued in interviews that Turkmenistan is well positioned to serve as a regional hub for trade and transport and, more broadly, as a regional leader on issues of mutual concern. Ashgabat sees itself as possessing the convening capacity, bolstered by its officially neutral status, to promote region-wide discussions of difficult regional problems that, in the words of one official, diminish the attractiveness of Central Asia to potential partners and investors. These include disputes over water and energy; social, ethnic, and political tensions; narcotics trafficking and abuse; and extremism and terrorism. Turkmenistan views the United Nations as its primary partner in efforts to address these issues.

That said, several foreign interlocutors questioned Turkmenistan's capacity to fulfill these ambitions. The country faces serious challenges, including limited human capital (the result of disastrous educational reforms undertaken by former president Saparmurat Niyazov), lack of employment opportunities, a highly authoritarian political system, continued isolation, corruption, and an extremely unfavorable investment climate. In 2014, the country ranked 169 out of 175 countries in Transparency International's Corruption Perceptions Index.<sup>5</sup> Ashgabat recognizes that major, systemic problems in the domestic economy remain unresolved. However, officials espouse a belief that a continued commitment to economic development and diversification can inspire Turkmenistan to a more attractive, competitive economic model.

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5. "Corruption Perceptions Index 2014: Results," Transparency International, accessed March 29, 2015, <http://www.transparency.org/cpi2014/results>.

## 2 | Turkmenistan's Foreign Economic and Security Policy

In the context of its positive neutrality doctrine, Turkmenistan officially eschews the use of force or coercion in the pursuit of its national security interests and maintains a small military force. Instead, Ashgabat emphasizes that economics, trade, investment, and transit linkages are inextricable from its security interests, while projecting itself as a nonthreatening regional actor, unencumbered by entanglements with foreign centers of power and interested only in the promotion and expansion of mutually beneficial economic ties.

This strategy manifests as a multivector foreign economic policy through which Turkmenistan seeks to achieve balance and avoid overdependence on a single economic partner. Turkmenistan promotes the development and expansion of new or existing transit networks, pipeline systems, and bilateral trading relations in all directions so as to diversify its economic ties and export markets, especially for natural gas. As one official told us, Turkmenistan has an “open door” policy when it comes to energy transit, though in practice Western companies’ reluctance to invest represents a de facto limitation that has left Ashgabat increasingly reliant on exports to China. Ashgabat nonetheless seeks enhanced transit connectivity with nearly all the states of Eurasia, including the geographically proximate states of Central Asia, Afghanistan, and Iran and an expansion of economic ties more broadly with distant partners such as China, India, Azerbaijan, and Europe. Russia, once Turkmenistan’s most important geopolitical partner, is the main exception, as Turkmenistan’s diversification efforts largely stem from concerns about Moscow’s influence.

Security concerns such as extremism, terrorism, and narcotics trafficking, insecurity in Afghanistan, and disputes over ethnic issues, water, and borders in Central Asia are all seen in Ashgabat as standing in the way of the full realization of Central Asia’s (and Turkmenistan’s) economic potential. However, Ashgabat officially views these conflicts as best addressed in regional multilateral forums, though Turkmenistan has not hesitated to act decisively when its own security interests were threatened.

### Central Asia

Ashgabat aspires to become a regional broker in Central Asia, a role that the government believes is bolstered by its neutral status. One senior official stated that Turkmenistan



## Central Asia



Source: Based on a United Nations map, <http://www.un.org/Depts/Cartographic/map/profile/centrasia.pdf>.

seeks to play a regional “balancing role” in an attempt to promote positive-sum solutions to regional problems, including water and energy disputes, as well as extremism, terrorism, and narcotics trafficking, while encouraging greater integration, trade, and transit connectivity.

Turkmenistan prioritizes regional trade and transit connectivity in its engagement with the other Central Asian states. Senior Turkmen officials noted in interviews that Ashgabat sees underdeveloped transport links as harming the competitiveness of Turkmen exports and limiting the attractiveness of the entire region to foreign partners and investors. In line with its neutral stance, Turkmenistan seeks to develop such linkages in all directions, with a focus on direct neighbors, and has achieved modest successes in this regard, especially new road and rail lines to Kazakhstan, Uzbekistan, and Iran. Central Asia purchases only 3.5 percent of Turkmenistan’s total exports, and as such Ashgabat views its Central Asian neighbors as transit states providing connectivity to key markets, more than as major bilateral trading partners. Turkmen officials in interviews did not list bilateral relations with Kazakhstan, Kyrgyzstan, and Tajikistan as

priorities, a reality that complicates Ashgabat's efforts to become a regional broker. Rather, officials emphasized the development of relations on the basis of mutually beneficial infrastructure and transit cooperation in recent years. Most importantly, gas from Turkmenistan transits Kazakhstan and Uzbekistan to China via the Central Asia-China gas pipeline, whose planned Line D will also include Kyrgyzstan and Tajikistan, allowing all four Central Asian neighbors to benefit from Turkmenistan's gas production.

Turkmenistan's goal of expanding rail, road, and pipeline routes is shared by leaders throughout Central Asia. Both Tajikistan and Kyrgyzstan remain concerned about their lack of options in this regard. Kazakh President Nursultan Nazarbayev and Berdimuhamedov have jointly stated that they must "further use the geographical positions of our countries as a transit bridge between Europe and Asia in the most efficient way."<sup>1</sup> Furthermore, Ashgabat and Astana share a particular interest in the diversification of export markets for Central Asian hydrocarbons. Even Uzbekistan, with which Turkmenistan has a more complex relationship (addressed below), supports these endeavors. Turkmenistan hopes to offer these states transit opportunities to external markets as part of its bid to capture a greater share of regional and transcontinental trade, an aspiration whose fulfillment would however require much greater economic and political openness. Ashgabat also views regional economic integration and stronger Central Asia economies as key to the maintenance of peace and security in the region, including Afghanistan.

Turkmenistan's relationship with northern neighbor Uzbekistan has been fraught at times. Former president Niyazov accused Uzbekistan of conspiring to overthrow his government in 2002<sup>2</sup> and relations further deteriorated from there. However, common interest—including the development of trade, transit, and pipeline linkages, security concerns tied to Afghanistan, and regional water issues—have brought Ashgabat and Tashkent closer together. Both states remain extremely wary of outside (and in particular Russian) influence, pursuing instead a multivector foreign policy and regional economic strategy free of the restrictions inherent in membership in the Russian-led Eurasian Economic Union.

Under Berdimuhamedov, a number of presidential summits and continued high-level contacts between the two countries have set the relationship on a positive trajectory, though tensions still exist in areas such as border demarcation and related ethnic issues. In October 2014, Uzbek President Islam Karimov visited Ashgabat and affirmed that "the vision and positions of the two sides on [regional and international issues] are similar or identical."<sup>3</sup> Berdimuhamedov and Karimov have made the expansion of economic and

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1. Azamat Kaiyr and Danna Buprezhanova, "Nazarbayev Helps Launch Last Section of Kazakhstan-Turkmenistan-Iran Railway," *The Astana Times*, December 4, 2014, <http://www.astanatimes.com/2014/12/nazarbayev-helps-launch-last-section-kazakhstan-turkmenistan-iran-railway/>.

2. Jim Nichol, *Uzbekistan: Recent Developments and U.S. Interests*, Congressional Research Service, August 21, 2013, <http://fas.org/srg/crs/row/RS21238.pdf>.

3. "Uzbekistan, Turkmenistan set for new phase of mutually advantageous cooperation," Press Service of the President of the Republic of Uzbekistan, October 25, 2014, <http://www.press-service.uz/en/news/5028/>.

trade ties a centerpiece of the bilateral relationship. Such ties are mutually beneficial, as Turkmenistan provides Uzbekistan a much-needed outlet to external markets through the Turkmenbashi seaport and overland to Iran and the Middle East, while Uzbekistan provides Turkmenistan with critical construction materials and other industrial products. Ashgabat and Tashkent are also working in concert on regional connectivity issues, with the presidents jointly stating that the road and rail networks of their respective countries are complementary pieces of a “well integrated system . . . , a transit complex for not only Uzbekistan and Turkmenistan, but also for third countries,”<sup>4</sup> most notably Iran and the Middle East through the Uzbekistan-Turkmenistan-Iran-Oman transport and communications corridor, which was announced in September 2014.

Both Turkmenistan and Uzbekistan are also downstream states, dependent on water from Kyrgyzstan and Tajikistan. During the Soviet period, water was provided to the downstream states in exchange for energy supplies; however, that system collapsed with the USSR and Central Asia remains deadlocked over water issues. Turkmenistan’s position broadly aligns with that of Uzbekistan, though Tashkent has been more assertive in advocating its position. Turkmenistan opposes the development of major new hydroelectric facilities such as the Kambarata-1 and -2 dams in Kyrgyzstan and the Rogun dam in Tajikistan; however, in line with the government’s focus on multilateralism, Turkmenistan has sought a regional dialogue on water and energy issues under the auspices of the UN, albeit without success. One senior Turkmen official told us that “unlike others, Turkmenistan does not use pressure to advance its claims” on water security issues, instead seeking a “golden mean” that addresses the interests of all states.

This approach extends to other areas of conflict or instability in Central Asia, such as extremism, terrorism, drug trafficking, social and ethnic conflict, and environmental issues. Per its policy of positive neutrality, Turkmenistan seeks to address these issues at the multilateral level in partnership with the United Nations. Officials termed the UN Turkmenistan’s most important partner, calling it “the tool through which the international community brings its attention to bear on problems in all parts of the world.” Turkmenistan values the UN’s neutrality and convening power, seeing it (or at least the UN General Assembly) as the only forum in which the interests of all states are given equal weight notwithstanding the prevailing regional balance of power. Turkmenistan’s engagement with the UN focuses in particular on promoting dialogue, confidence-building measures, and the development of partnerships between the Central Asian states “in order to respond to existing threats and emerging challenges,” including under the auspices of the Ashgabat-based UN Regional Centre for Preventive Diplomacy for Central Asia (UNRCCA), which oversees a variety of multilateral discussion forums on regional challenges.<sup>5, 6</sup>

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4. Ibid.

5. “UNRCCA Mission Statement,” UN Regional Centre for Preventive Diplomacy for Central Asia, January 11, 2015, <http://unrcca.unmissions.org/Default.aspx?tabid=9303&language=en-US>.

6. UNRCCA, “Chronology of Events 2014,” March 5, 2015, [http://unrcca.unmissions.org/Portals/unrcca/UNRCCA%20Docs/Chronology%20of%20Events/2014\\_ENG.pdf](http://unrcca.unmissions.org/Portals/unrcca/UNRCCA%20Docs/Chronology%20of%20Events/2014_ENG.pdf).

# Afghanistan and South Asia

Turkmenistan views security and stability in Afghanistan as a key concern, though Turkmen officials do express cautious optimism about Afghanistan's progress. Turkmenistan's policy toward Afghanistan seeks to integrate Afghanistan into the regional economy through expanded infrastructure and trade, including in energy. A major focus has been energy infrastructure, including gas (discussed below) and regional electricity networks. Turkmenistan views the export of electricity to Afghanistan as a form of "support for the state," in the words of an official, and currently has power lines running to Afghanistan.<sup>7</sup> Turkmenistan is also a participant in the Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan (TUTAP) interconnection project supported by the Asian Development Bank to link Central Asian and South Asian electricity networks.

While Ashgabat primarily focuses on economic solutions to Afghanistan's problems, Turkmenistan has worked to preemptively address and inoculate itself against potential spillover. Border security is, of course, the key focus. Media reports indicate periodic clashes along the Turkmenistan-Afghanistan border, including one 2014 incident in which several Turkmen border guards were killed, as well as an influx of foreign Islamist fighters into northern Afghanistan along the Turkmen border.<sup>8</sup> Such concerns led Ashgabat to deploy reservists and to enlist ethnic Turkmen living in Afghanistan to help prevent Taliban incursions.<sup>9</sup>

Officials stated that Turkmenistan has also put itself forward as a possible mediator between Afghan factions, a role it sought to play in the 1990s when Ashgabat hosted talks between the Taliban and the Northern Alliance. Turkmenistan's efforts in the realm of preventive diplomacy on issues such as extremism, terrorism, and narcotics trafficking are also undertaken with Afghanistan in mind. While there is little evidence that Islamist terrorism poses an immediate threat,<sup>10, 11</sup> concerns about radicalism are also prevalent in Ashgabat. Significant resources are allocated for counterterrorism activities, with the Ministries of National Security, Internal Affairs, Defense, and the State Border Service operating an interagency commission on counterterrorism, while counterterrorism and border security are areas of growing cooperation with the United States as well.<sup>12</sup>

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7. Dzhumaguly Annayev and Nadin Bahrom, "Turkmenistan, Tajikistan want to aid Afghanistan," *Central Asia Online*, October 28, 2014, [http://centralasiaonline.com/en\\_GB/articles/caii/features/business/2014/10/28/feature-01](http://centralasiaonline.com/en_GB/articles/caii/features/business/2014/10/28/feature-01).

8. Bruce Pannier, "Qishloq Ovozi: Militant Melting Pot: Extremists Flourish South of Turkmenistan," Radio Free Europe/Radio Liberty, March 11, 2015, <http://www.rferl.org/content/afghanistan-islamic-extremists-turkmenistan/26893845.html>.

9. Dzhumaguly Annayev, "Turkmenistan beefs up border security after Taliban incursion," *Central Asia Online*, May 5, 2014, [http://centralasiaonline.com/en\\_GB/articles/caii/features/main/2014/03/05/feature-01](http://centralasiaonline.com/en_GB/articles/caii/features/main/2014/03/05/feature-01).

10. Global Terrorism Database, February 11, 2015, <http://www.start.umd.edu/gtd/search/Results.aspx?country=210>.

11. U.S. Department of State, "Country Reports on Terrorism 2013," <http://www.state.gov/j/ct/rls/crt/2013/224824.htm>.

12. "Country Report on Terrorism 2013: Turkmenistan," *ecoi.net*, [http://www.ecoi.net/local\\_link/275265/391178\\_en.html](http://www.ecoi.net/local_link/275265/391178_en.html).



Turkmenistan views the markets of South Asia, and India in particular, as possible export destinations for energy supplies. Foremost in the mind of officials is the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project, which would potentially transit 33 billion cubic meters (bcm) of Turkmen natural gas per year.<sup>13</sup> However, political and commercial obstacles have hamstrung the project and some experts with whom we spoke question its commercial viability. Turkmenistan's overall opacity on economic issues and unwillingness to cede stakes in the upstream have cooled two potential partners, Chevron and ExxonMobil, on the project.<sup>14</sup> However, recent commitments, including the establishment of the TAPI Pipeline Company Limited by the four countries,<sup>15</sup> and press reports of a possible agreement with France's Total,<sup>16</sup> indicate continued interest in the project, even though energy analysts we spoke with remained extremely skeptical.

## The Caspian Sea, Azerbaijan, and Iran

The demarcation of the Caspian Sea remains a point of contention between Turkmenistan and the other littoral states (Azerbaijan, Iran, Kazakhstan, and Russia), particularly with regard to subsea oil and gas resources. Competition over Caspian resources has led to maritime border disputes between Turkmenistan and its Caspian neighbors, including small clashes with Azerbaijan<sup>17</sup> and Iran.<sup>18</sup> These incidents, and the inability to reach a compromise in international forums, have prompted Turkmenistan to invest in expanding its naval capabilities in recent years.<sup>19, 20</sup>

Ashgabat has made intermittent efforts to resolve these disputes through diplomatic means, and continues to support a negotiated resolution. In 2003 Turkmenistan unsuccessfully attempted to demarcate its maritime border with Iran.<sup>21</sup> Similarly, in 2008

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13. Ishanguly Jumayev, "Foreign Trade of Turkmenistan: Trends, Problems, and Prospects," Working Paper No. 11, Institute of Public Policy and Administration, Graduate School of Development, University of Central Asia, 2012, 11, <http://www.ucentralasia.org/downloads/UCA-IPPA-WP11-Turkmenistan-Eng.pdf>.

14. Casey Michel, "TAPI Pipeline Finally Sees Some Momentum," *The Diplomat*, November 27, 2014, <http://thediplomat.com/2014/11/tapi-pipeline-finally-sees-some-momentum/>.

15. Asian Development Bank, "Turkmenistan, Afghanistan, Pakistan, and India Establish Landmark TAPI Pipeline Company," news release, November 13, 2014, <http://www.adb.org/news/turkmenistan-afghanistan-pakistan-and-india-establish-landmark-tapi-pipeline-company>.

16. Chris Rickleton, "TAPI or Not TAPI: That Is the Question for Total," *Eurasianet*, February 11, 2015, <http://www.eurasianet.org/node/72026>.

17. Dmitry Gorenburg, "External Support for Central Asian Military and Security Forces," Stockholm International Peace Research Institute (SIPRI), January 2014, 12.

18. "Turkmen Navy Sinks Iranian Fishing Boat," Radio Free Europe/Radio Liberty, February 1, 2015, <http://www.rferl.org/content/turkmenistan-iran-navy-fishing-boat-sink-detain-caspian-sea/26824820.html>.

19. International Institute for Strategic Studies (IISS), *The Military Balance* 114, issue I (London: IISS, 2014), 193.

20. President Berdimuhamedov announced in 2009 that Turkmenistan would station a modernized navy at the Turkmenbashi port by 2015. Reports of Turkmenistan's progress in this regard are contradictory, but reports broadly indicate that Turkmenistan has increased the capacity of its navy in recent years. According to the IISS Military Balance 2015, Turkmenistan's navy possesses 19 patrol and combat ships and 500 dedicated servicemen. International Institute for Strategic Studies (IISS), *The Military Balance* 115, issue I (London: IISS, 2015), 199.

21. "Turkmenistan, Iran to start border demarcation in Caspian," *CACI [Central Asia-Caucasus Institute] Analyst*, March 28, 2003, <http://old.cacianalyst.org/?q=node/1052>.

## Caspian Sea Region



Source: Kmusser via Wikimedia Commons, based on USGS and Digital Chart of the World data; note that the Aral Sea boundaries are circa 1960, not current boundaries, <http://commons.wikimedia.org/wiki/File:Caspianseamap.png>.

Turkmenistan and Azerbaijan agreed to cease provocative exploration of potential natural gas and oil fields along their maritime frontier, only for Ashgabat to subsequently stage a combined naval exercise simulating an enemy combatant's raid on Turkmen oil tankers and offshore refineries.<sup>22</sup> While a series of bilateral and trilateral

22. Joseph Hammond, "Caspian Tensions Reveal Turkmenistan's Rising Confidence," *Diplomatic Courier*, December 3, 2012, <http://www.diplomaticcourier.com/news/regions/central-asia/382-caspian-tensions-reveal-turkmenistan-s-rising-confidence>.

(Azerbaijan-Kazakhstan-Russia) demarcation agreements exist, Turkmenistan remains on the sidelines. Nonetheless, negotiations among the five littoral states appear to be making progress ahead of a planned 2016 summit, when the five leaders will again attempt to resolve the sea's legal status.<sup>23</sup>

Turkmenistan's interest in promoting the final demarcation of the Caspian region is tied to its stated goal of capturing a larger portion of the transit and trade to Europe via the Caspian. In pursuit of this goal, Turkmenistan has undertaken the rehabilitation of the port at Turkmenbashi, a development complemented by Azerbaijan's expansions of its port infrastructure in recent years. Kazakhstan and Turkmenistan also signal that cooperation on maritime transport, including between the Turkmenbashi and Aktau ports, is an area of potential growth.<sup>24</sup> Berdimuhamedov has stated that Turkmenistan supports the construction of a trans-Caspian pipeline (TCP) to bring its gas to European markets, though commercial and political obstacles remain high.<sup>25</sup> Officially, Turkmenistan does not view the opposition of other Caspian states (most notably Russia and Iran) as an impediment, though in practice TCP is unlikely to be built in the face of Russian or Iranian objections.<sup>26, 27</sup> Turkmenistan also exports oil via the Baku-Tbilisi-Ceyhan pipeline, with oil barged across the Caspian to Baku.<sup>28</sup> From January to August of 2014, Turkmenistan transited 3.6 million tons of oil via Baku-Tbilisi-Ceyhan, a significant increase from the same period in 2013 (2.1 million tons).<sup>29</sup>

The Turkmenistan-Azerbaijan relationship has been contentious since independence because of disputed Caspian hydrocarbon deposits, though the possibility under discussion of jointly developing the Serdar-Kyapaz field could help resolve these disputes. Azerbaijan is also reluctant to send Turkmen gas through its pipelines that could crowd out future Azeri production. Turkmenistan has taken its dispute with Azerbaijan to the International Court of Justice<sup>30</sup> and Turkmenistan and Azerbaijan have engaged in periodic shows of

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23. "Iranian Deputy Foreign Minister Ibrahim Rahimpour," Radio Free Europe/Radio Liberty, March 5, 2015, <http://www.rferl.org/content/iran-official-says-caspian-legal-status-nearly-resolved/26884322.html>. <http://en.trend.az/azerbaijan/politics/2370947.html>.

24. "Взаимодействие между Казахстаном и Туркменистаном в топливно-энергетической сфере имеет долгосрочный характер," interview with Askhat Orazbayev, Ambassador of Kazakhstan to Turkmenistan, *Kazinform*, December 14, 2009, <http://www.inform.kz/rus/article/2220034>.

25. Jim Nichol, *Turkmenistan: Recent Developments and U.S. Interests*, Congressional Research Service, December 12, 2013, 11–12, <http://fas.org/sgp/crs/row/97-1055.pdf>.

26. Elena Kosolapova, "Azerbaijan, Turkmenistan Have Exclusive Right to Lay Trans-Caspian Pipeline, EU Says," *Oil & Gas Eurasia*, December 17, 2014, <https://www.oilandgaseurasia.com/en/news/azerbaijan-turkmenistan-have-exclusive-right-lay-trans-caspian-pipeline-eu-says>.

27. Joshua Kucera, "After Summit, Caspian Sea Questions Linger," *The Diplomat*, October 2, 2014, <http://thediplomat.com/2014/10/after-summit-caspian-sea-questions-linger/>.

28. "Turkmen oil starts flowing through Baku-Ceyhan pipeline," *Hurriyet*, August 13, 2010, <http://www.hurriyetaidailynews.com/default.aspx?pageid=438&n=turkmen-oil-starts-flowing-through-baku-ceyhan-pipeline-2010-08-13>.

29. Svetlana Kyrzhaly, "Transportation of Turkmen oil via Baku-Tbilisi-Ceyhan grows," *Oil and Gas, Metals and Mining News*, September 19, 2014, <http://rusmininfo.com/news/19-09-2014/transportation-turkmen-oil-baku-tbilisi-ceyhan-grows>.

30. "Туркменистан намерен решить спор с Азербайджаном на Каспии в Международном суде ООН," *Turkmenistan.ru*, June 20, 2012, <http://www.turkmenistan.ru/ru/articles/37527.html>.

military strength as part of what some have called a Caspian arms race.<sup>31</sup> High-level engagement between the two governments has improved in recent years, though, helped by the mediation efforts of both Turkey and the EU.

Turkmenistan's disputes with Caspian littoral states extend to Iran as well. While Tehran and Ashgabat have maintained cordial relations since Iran became the first state to recognize Turkmenistan's independence,<sup>32</sup> the maritime border remains an area of dispute. Despite committing to reach a demarcation agreement in 2003, with an eye toward beginning offshore oil and gas exploration,<sup>33</sup> the contrary positions of the two states on Caspian demarcation have stymied progress.<sup>34</sup> As recently as February 2015, a Turkmen naval vessel fired on an Iranian fishing boat, killing one fisherman, in what Iranian state-run media called "a move beyond diplomatic norms and contrary to international law."<sup>35</sup>

However, Iran and Turkmenistan appear to have succeeded in bracketing off the Caspian dispute, allowing for mutually beneficial cooperation on infrastructure development, trade, and transit issues. Turkmenistan views Iran as a critical transit state and economic partner, as Iran's sea access and extensive rail network, now linked to Turkmenistan's and Kazakhstan's via the Kazakhstan-Turkmenistan-Iran railway, helps alleviate the regional transport bottleneck. Turkmenistan exports energy to the energy-poor regions of northern Iran directly via the Korpeje-Kurtkui and Dovletabat-Serakhs-Khangeran pipelines, with plans to expand exports in the future as well via swap agreements exporting oil to Iran's Caspian ports. Iran in turn exports an equivalent amount of oil from Tehran and Tabriz. One international development official with whom we spoke noted that Turkmenistan might be the greatest beneficiary to an end to Iran sanctions, as export and transit opportunities would increase dramatically. Ashgabat thus views Tehran as critical to its goal of making Turkmenistan a trade and transit hub for the wider Eurasian region. Ashgabat has also publicly supported Iran's right to develop a peaceful nuclear program and limited, though not entirely cut off, its diplomatic engagement with Israel, a move that some analysts believe is intended as a nod toward Iranian interests.<sup>36, 37</sup>

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31. Joshua Kucera, "The Great Caspian Arms Race," *Foreign Policy*, June 22, 2012, <http://foreignpolicy.com/2012/06/22/the-great-caspian-arms-race/>.

32. "Iran seeks better ties with Turkmenistan," Press TV, December 29, 2013, <http://www.presstv.ir/detail/2013/12/29/342575/iran-seeks-better-ties-with-turkmenistan/>.

33. "Turkmenistan, Iran to start border demarcation in Caspian," *CACI Analyst*.

34. Iran argues that, as a littoral state, it should be entitled to an equal 20 percent share of the Caspian Sea. Other littoral states, including Turkmenistan, argue that the delimitation of the Caspian Sea should be based on the United Nations Convention on the Law of the Sea (UNCLOS), which grants states the rights to maritime territories on the basis of their coastlines and defines procedures for the adjudication of overlapping claims.

35. "Turkmen Navy Sinks Iranian Fishing Boat," Radio Free Europe/Radio Liberty.

36. Catherine A. Fitzpatrick, "Israel's Troubles in Turkmenistan," *Eurasianet*, November 7, 2011, <http://www.eurasianet.org/node/64467>.

37. Barak Ravid, "Turkmenistan rejects Israeli ambassador, says he is 'Mossad spy,'" *Haaretz*, July 7, 2011, <http://www.haaretz.com/print-edition/news/turkmenistan-rejects-israeli-ambassador-says-he-is-mossad-spy-1.371845>.



# China

In recent years, the need to secure energy supplies to feed its rapidly growing economy has shifted China's gaze to Central Asia, and Turkmenistan in particular. Turkmenistan views the expansion of economic ties with China as a positive development and plans to emphasize cooperation under the rubric of Beijing's Silk Road Economic Belt initiative,<sup>38</sup> which mirrors Turkmenistan's emphasis on regional connectivity. In May 2014, Presidents Berdimuhamedov and Xi Jinping signed a China-Turkmenistan Friendly Cooperation Agreement in Beijing, which lays out a program of mutually beneficial cooperation in areas ranging from energy to transport and agriculture to countering extremism.<sup>39</sup>

Turkmenistan views China as the critical growth market for its gas exports and the lynchpin of a strategy of export diversification. Both states have repeatedly reaffirmed the goal of expanding exports of Turkmen gas to China to as much as 65 bcm by 2020 and, more generally, of realizing plans for closer bilateral economic integration. China accounted for nearly 50 percent of Turkmenistan's total world trade in 2013, up from less than 2 percent a decade before; in the same period, Turkmenistan has become China's third-largest trade partner in the Commonwealth of Independent States.<sup>40</sup> Given existing and planned pipeline projects and commitments from both China and Turkmenistan, China should remain Turkmenistan's largest and most critical economic partner for years to come.

A key question is what consequences come with an outsized role for China in the Turkmen economy. Of Turkmenistan's 40.1 bcm of gas exports in 2013, over 60 percent went to the Chinese market (24.4 bcm), with Russia, Iran, and other former Soviet Union states as the only alternatives.<sup>41</sup> Turkmenistan's expected exports to China in 2020 (65 bcm) amount to more than the country's total production in 2013, with the increased production expected to come from the development of the Galkynysh gas field. China has also served as a key source of capital for the development of this field, with the China Development Bank furnishing more than \$8 billion in loans to fund the first phase<sup>42</sup> and likely funding the

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38. "China, Turkmenistan vow to develop strategic partnership," Xinhua, May 12, 2014, [http://news.xinhuanet.com/english/china/2014-05/12/c\\_133328778.htm](http://news.xinhuanet.com/english/china/2014-05/12/c_133328778.htm).

39. This agreement was signed just one week before Vladimir Putin visited Shanghai to sign a \$400 billion deal to supply Russian gas to China. See "Xi Jinping Holds Talks with President Gurbanguly Berdimukhamedov of Turkmenistan, Stressing That China and Turkmenistan Are Strategic Partners with Mutual Trust and Mutual Support," Ministry of Foreign Affairs of the People's Republic of China, May 12, 2014, [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1155749.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1155749.shtml).

40. "China-Turkmenistan ties becoming strategic," *China Daily*, September 2, 2013, [http://www.chinadaily.com.cn/china/2013xivisitcenterasia/2013-09/02/content\\_16936006.htm](http://www.chinadaily.com.cn/china/2013xivisitcenterasia/2013-09/02/content_16936006.htm).

41. "BP Statistical Review of World Energy 2014," BP, 28.

42. Dennis C. Shea, "China's Energy Engagement with Central Asia and Implications for the United States" (testimony given to the House Foreign Affairs Subcommittee on Europe, Eurasia, and Emerging Threats on "The Development of Energy Resources in Central Asia," May 21, 2014), 2–3, [http://origin.www.uscc.gov/sites/default/files/Shea\\_Testimony—China%E2%80%99s%20Energy%20Engagement%20with%20Central%20Asia%20and%20Implications%20for%20the%20United%20States\\_0.pdf](http://origin.www.uscc.gov/sites/default/files/Shea_Testimony—China%E2%80%99s%20Energy%20Engagement%20with%20Central%20Asia%20and%20Implications%20for%20the%20United%20States_0.pdf).

second stage as well.<sup>43</sup> The China National Petroleum Corporation (CNPC) has also invested approximately \$4 billion in the exploration and production of the Bagtyiarlyk gas project,<sup>44</sup> a rarity in Turkmenistan where foreign countries are seldom granted access to the upstream.<sup>45</sup> Importantly, Turkmenistan's gas export agreements with China are reportedly produce-or-pay arrangements, where loans are tied to repayment in gas at stable, relatively low prices over a long period. Given that Turkmenistan has borrowed up to \$10 billion against those exports, the country is likely even more dependent on China's energy markets than commonly believed.

Notwithstanding the extent of these stakes, Turkmen officials with whom we spoke did not express concern about dependence on China. Rather, they claimed that Chinese foreign direct investment (FDI) has only a limited presence in Turkmenistan, with most infrastructure and energy projects domestically financed and owned. They also stated that no agreements on Chinese equity ownership or major Chinese-financed investment projects have been concluded. However, an outside expert stationed in Ashgabat stated that Turkmenistan's vulnerability to Chinese pressure is higher than many officials grasp, and that the risk for project failure now belongs to Ashgabat rather than Beijing. While Turkmenistan supplies almost half of China's gas imports, gas makes up only 4 percent of China's total energy mix.<sup>46</sup> China is also playing Turkmenistan and Russia against each other, ramping up its capacity to purchase gas from both in ways that increase its bargaining power with both Ashgabat and Moscow.

The Turkmenistan-China relationship extends to areas beyond energy, including expanding security and defense ties, and some engagement at the multilateral level. Berdimuhamedov attended the 2014 Shanghai Cooperation Organization (SCO) summit of heads of state as a guest (though not a dialogue partner or observer). There he called the expansion of ties with SCO "in harmony with the general direction" of Turkmenistan's foreign policy, specifically noting parallel interest in promoting a stable Afghanistan and the development of regional transport linkages.<sup>47</sup> Additionally, Turkmenistan and China jointly pledged to increase security cooperation and high-level military exchanges as part of a September 2013 commitment to upgrade their relationship to a strategic partnership. Turkmenistan, however, is unlikely to compromise its neutrality in pursuit of closer relations with China, limiting defense cooperation to issues of military technology and personnel training.<sup>48</sup> One Turkmen official conveyed to us that if the SCO limited its scope to solely issues of economic cooperation, Turkmenistan would consider a more formal status within the organization.

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43. "Turkmenistan gas: Galkynysh gas output will boost growth in 2014," Economist Intelligence Unit, September 24, 2013, <http://performance.ey.com/wp-content/uploads/downloads/2013/10/EY-Performance-Turkmen-gas-and-growth.pdf>.

44. Yao Jin, "China: CNPC increases its share of investments in Turkmenistan," ABO, May 16, 2014, <http://www.abo.net/oilportal/topic/view.do?contentId=2244400>.

45. Abdjalil Abdurasulov, "China growing demand for Turkmenistan's gas," BBC, November 20, 2014, <http://www.bbc.com/news/business-30131418>.

46. U.S. Energy Information Administration, "China," <http://www.eia.gov/countries/cab.cfm?fips=ch>.

47. "Президент Туркменистана принял участие в саммите ШОС," Turkmenistan.ru, September 14, 2013, <http://www.turkmenistan.ru/ru/articles/40067.html>.

48. "China, Turkmenistan to enhance defense cooperation," Xinhua, November 13, 2013, [http://news.xinhuanet.com/english/china/2013-11/13/c\\_132885608.htm](http://news.xinhuanet.com/english/china/2013-11/13/c_132885608.htm).

# Russia

Turkmenistan's emphasis on diversification and neutrality in its foreign economic and security policy is driven to a considerable extent by concerns about Russia. Since independence, Turkmenistan has loosened bilateral ties with Russia in many areas (defense being a notable exception), cultivating relationships with a broader set of regional and international partners in the complex balancing act of positive neutrality. Turkmenistan is and will likely remain outside the Russian-led Collective Security Treaty Organization (CSTO) and Eurasian Economic Union (EEU) due to concerns about their impact on sovereignty and freedom of action. One high-ranking Turkmen official with whom we spoke noted Turkmenistan's concerns about Russia's annexation of Crimea and subsequent involvement in Ukraine, stating that "observance of the norms of international law is very important for all. Unfortunately, we now see retrograde processes." Furthermore, another official indicated that the membership of other states in the EEU would have no impact on Turkmenistan's economic ties with those states, as Turkmenistan's relationships with Russia, Kazakhstan, and others are wholly bilateral.

The level of Turkmenistan's cooperation with Russia on border security and defense in the early 1990s would be unimaginable to elites in Ashgabat today. Members of the Russian armed forces served in the fledgling Turkmen military, Russians held high-level positions in Turkmenistan's Ministry of Defense and State Border Service, and defense cooperation, including Russian assistance in protecting Turkmenistan's borders, formed the centerpiece of the bilateral relationship.<sup>49</sup> While Turkmenistan has recently resumed purchases of arms from Russia (\$271 million since 2009) within the context of a military reform program,<sup>50</sup> Ashgabat explicitly divested itself of all defense cooperation with Russia beginning in the early 1990s in order to preserve its neutrality and avoid dependence on Moscow.

The driving force behind Turkmenistan's efforts to seek out new markets for its hydrocarbon exports was also a concern about excessive dependence on Russia. For the better part of two decades, the Russian-controlled Central Asia–Center (CAC) gas pipeline network, a holdover from the Soviet period, gave Gazprom a near monopoly on the export of Turkmen gas, which it relegated to the status of backup supply for the Commonwealth of Independent States (CIS) while Gazprom supplied the larger (and more lucrative) European market.<sup>51</sup> Tensions over gas erupted following the 2009 explosion of the fourth line of the CAC (for which Ashgabat blamed Moscow)<sup>52</sup> and the subsequent decision to halt purchases

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49. Андрей Казанцев, "Туркмено-российские отношения в постсоветский период," *Российский Совет по Международным Дела*, January 26, 2012, [http://russiancouncil.ru/inner/?id\\_4=77#top](http://russiancouncil.ru/inner/?id_4=77#top).

50. Stockholm International Peace Research Institute (SIPRI) arms transfer database, February 13, 2015; units constant 1990 USD.

51. Adam Stulberg, *Well-Oiled Diplomacy: Strategic Manipulation and Russia's Energy Statecraft in Eurasia* (Albany: State University of New York Press, 2007), 112–114.

52. Luça Vasánczki, "Gas Exports in Turkmenistan," *Gouvernance européenne et géopolitique de l'énergie*, November 2011, 10–12, <https://www.ifri.org/sites/default/files/atoms/files/noteenergielvasanczki.pdf>; "Turkmenistan: Gas Blast Ignites Turkmen-Russian Row," *Eurasianet*, April 9, 2009, <http://www.eurasianet.org/departments/insightb/articles/eav041009b.shtml>.

of Turkmen gas during a nearly year-long pricing dispute,<sup>53</sup> which prompted Turkmenistan to accelerate its search for alternative routes.<sup>54</sup>

Russia clearly views Turkmenistan as a competitor in global gas markets and has opposed Turkmenistan's diversification efforts, particularly those that would see Ashgabat emerge as a competitor in Europe. Moscow is thus vehemently opposed to TCP, and similarly views TAPI unfavorably, though Gazprom has hinted that it might like to participate in TAPI should it come to fruition.<sup>55, 56</sup>

In October 2014, Gazprom announced that it is no longer interested in buying gas from Central Asia on long-term contracts and is seeking merely annual contracts with Turkmenistan and Uzbekistan.<sup>57</sup> Russian Prime Minister Dmitry Medvedev later clarified that Russia is capable of meeting domestic, European, and Asian demand even without such purchases.<sup>58</sup> Given these developments, the Turkmenistan-Russia energy relationship is likely to further deteriorate in the coming years, with Turkmenistan emphasizing alternative export markets, including some where its gas competes directly with Russia's—especially China.<sup>59</sup>

## Turkey

Turkmenistan-Turkey relations are focused on economic ties, as well as shared cultural and religious identity. Turkey is a major economic partner for Turkmenistan and several domestic infrastructure projects, such as the \$1.5 billion refurbishment and upgrading of the Turkmenbashi port, are contracted to Turkish firms.<sup>60</sup> During a state visit announcing the Turkmenbashi port project in 2013, Turkish prime minister (now president) Recep Tayyip Erdoğan stated that Turkish firms were responsible for infrastructure projects in Turkmenistan worth a combined \$35 billion, for which President Berdimuhamedov thanked the Turkish people.<sup>61</sup> Gas exports to and through the Turkish market remain another area of mutual interest. Turkmenistan sees gas supply to Turkey and throughput

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53. Deirdre Tynan, "Turkmenistan: Gas Flows Again to Russia, while Discontent Simmers," *Eurasianet*, January 13, 2010, <http://www.eurasianet.org/departments/insight/articles/eav011410.shtml>.

54. Vladimir Socor, "Turkmenistan Still Taking 'Time-Out' from Gazprom," *Eurasia Daily Monitor*, Volume 6, Issue 168, September 15, 2009, [http://www.jamestown.org/single/?tx\\_ttnews%5Btt\\_news%5D=35491&no\\_cache=1#.VQMRv47F-So](http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=35491&no_cache=1#.VQMRv47F-So).

55. Marc Grossman, "The Trans-Afghan Pipeline Initiative: No Pipe Dream," *YaleGlobal Online*, August 28, 2014, <http://yaleglobal.yale.edu/content/trans-afghan-pipeline-initiative>.

56. Martin Sieff, "Russian Offer on TAPI Comes with Too Many Restrictions," *European Dialogue*, November 17, 2010, <http://eurodialogue.eu/Russian-Offer-On-Tapi-Comes-With-Too-Many-Restrictions%20>.

57. Chris Rickleton, "Gazprom Bails on Buying Central Asian Gas," *Eurasianet*, October 10, 2014, <http://www.eurasianet.org/node/70406>.

58. Chris Rickleton, "Gazprom Clarifies Drawdown in Turkmenistan, Uzbekistan," *Eurasianet*, February 3, 2015, <http://www.eurasianet.org/node/71891>.

59. Jacopo Dettoni, "Turkmenistan faces competition from Russia as China's largest supplier," *Nikkei Asian Review*, January 14, 2015, <http://asia.nikkei.com/Politics-Economy/International-Relations/Turkmenistan-faces-competition-from-Russia-as-China-s-largest-supplier>.

60. "A Turkmen Port for the Silk Road," Çalık Holding, August 21, 2013, <http://www.calik.com/en/PressReleases2013/2013/08/21/a-turkmen-port-for-the-silk-road?id=1fd2d01e-20f2-4b08-b804-ac23d13b5114>.

61. Ibid.

supply to Europe as an opportunity to further diversification efforts.<sup>62</sup> During Erdoğan's 2014 visit to Ashgabat, Turkmenistan's natural gas monopoly Turkmengaz and Turkey's Atagas signed a framework agreement for Turkmenistan to export natural gas through the Trans-Anatolian Natural Gas Pipeline (TANAP),<sup>63</sup> though Turkmen participation in TANAP would require first building the TCP, a project that Turkmen elites believe Ankara sabotaged in the 1990s with the decision to build the Blue Stream pipeline from Russia instead. In January 2015, Azerbaijan and Turkey, during a trilateral summit with Turkmenistan, jointly called for Turkmenistan to join TANAP.<sup>64, 65</sup>

Turkey and Turkmenistan share cultural, educational, and religious ties as well. Erdoğan has emphasized historical and Turkic cultural ties in stressing the importance of expanding the Turkey-Turkmenistan relationship. Reciprocal cultural events are systematically organized in both countries in accordance with high-level agreements between Turkish and Turkmen presidents. However, Turkmenistan remains outside of the Turkic Council, as the commitment to positive neutrality trumps cultural or historical affinity.<sup>66</sup> There are some Gülenist organizations active in Turkmenistan; the Turkmen government has, however, exercised greater control over domestic religious movements and institutions in recent years and, consequently, the number of Turkish educational centers, including Gülenist schools, has dramatically decreased since 2011.<sup>67, 68</sup> At present, only two Gülen schools remain in Turkmenistan, down from ten that operated prior to 2011.<sup>69</sup>

## The United States, the European Union, and NATO

Turkmenistan engages with the United States, the European Union (EU), and the North Atlantic Treaty Organization (NATO) on issues of regional integration and infrastructure

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62. Marat Gurt, "Turkey ready to deliver Turkmen natural gas to Europe," Reuters, May 30, 2013, <http://www.reuters.com/article/2013/05/30/gas-turkmenistan-turkey-idUSL5N0EB26M20130530>.

63. Marat Gurt, "Turkmenistan inks deal with Turkey to supply gas to TANAP pipeline," Reuters, November 7, 2014, <http://www.reuters.com/article/2014/11/07/turkmenistan-turkey-tanap-idUSL6N0SX2QK20141107>.

64. "Участие Туркменистана в проекте TANAP не сблизит полностью позиции Баку и Ашхабада по региональным вопросам—политолог," *Интерфакс-Азербайджан*, January 30, 2015, <http://interfax.az/view/630670>.

65. "Turkey, Azerbaijan Urge Turkmenistan to Join TANAP," United States-Azerbaijan Chamber of Commerce, January 30, 2015, <https://www.usacc.org/news-a-publications/investment-news/1162-turkey-azerbaijan-urge-turkmenistan-to-join-tanap.html>.

66. Cavid Veliyev, "The Role of the Turkic Council for the Future of Eurasian Politics," *Eurasia Daily Monitor*, Volume 11, Issue 124, July 9, 2014, [http://www.jamestown.org/single/?tx\\_ttnews%5Btt\\_news%5D=42598&no\\_cache=1%23.U-JvIWMUqRM#.VO9mZfnF-Sp](http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=42598&no_cache=1%23.U-JvIWMUqRM#.VO9mZfnF-Sp).

67. Bayram Balci, "What Future for the Fethullah Gülen Movement in Central Asia and the Caucasus?" *Central Asia Caucasus Institute Analyst*, July 2, 2014, <http://www.cacianalyst.org/publications/analytical-articles/item/13006-what-future-for-the-fethullah-g%C3%BClen-movement-in-central-asia-and-the-caucasus?.html>.

68. Catherine A. Fitzpatrick, "Turkmenistan: Turkish Schools Closed Amid Concerns of Spread of Nurchi-lar Movement," *Eurasianet*, August 22, 2011, <http://www.eurasianet.org/node/64079>.

69. Chris Rickleton, "Gülen Schools Appear Under Threat in Tajikistan," *Eurasianet*, January 10, 2015, <http://www.eurasianet.org/node/71581>; Bayram Balci, "The Gülen Movement and Turkish Soft Power," Carnegie Endowment for International Peace, February 4, 2014, <http://carnegieendowment.org/2014/02/04/g%C3%BClen-movement-and-turkish-soft-power>.



development while limiting cooperation on hard security issues. Both the United States, under the rubric of the New Silk Road vision, and the EU have been strong supporters of projects such as the prospective TAPI and TCP that would send Turkmen gas to new markets. Ashgabat views these projects as consonant with its own interests, as they would provide opportunities for exports to previously untapped markets and facilitate diversification.

The European Union stands as one of Turkmenistan's most important economic partners (behind only China and Turkey), though total trade turnover was just \$2.5 billion in 2013. The economic relationship with the United States, on the other hand, is viewed in Ashgabat as performing considerably below potential. Multiple officials indicated a desire for more U.S. companies to become involved in Turkmenistan, while one senior official noted that Turkmenistan needs "to continue working to provide more objective information about the country" through more regular trade fairs, exhibitions, and other business-to-business and government-to-business initiatives. Western interlocutors, though, cited a poor investment climate, as well as the absence of a skilled labor force, as bigger obstacles to FDI. Turkmenistan does work with and accept financial assistance from the U.S. Agency for International Development (USAID) and the EU on issues ranging from economic reform and modernization, education, agriculture, environment, the oil and gas industries, and energy efficiency.

Turkmenistan's engagement on security issues with the United States and the European Union is limited to counterterrorism, counternarcotics, and Afghanistan (to which Ashgabat quietly permitted U.S. aircraft to fly humanitarian missions through its airspace during the conflict). With mounting security concerns surrounding the drawdown of Western forces from Afghanistan, Ashgabat is seeking U.S. assistance to secure the Turkmen-Afghan border.<sup>70</sup> One foreign official with whom we spoke stated that Turkmenistan's security cooperation with Western governments is still in a "developmental stage," later noting that significant progress has been made in recent years. Turkmenistan joined NATO's Partnership for Peace program in 1994 and engages in a limited capacity with NATO on issues of training in counterterrorism, disaster relief, and civil emergency planning, as well as some environmental and scientific exchanges.<sup>71</sup> Both the United States and the European Union express concern about the human and civil rights situations in Turkmenistan and seek to engage the government of President Berdimuhamedov in a dialogue on these issues.

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70. Joshua Kucera, "Turkmenistan Asks U.S. for Military Aid to Address Afghan Border Instability," *The Bug Pit*, March 27, 2015, <http://www.eurasianet.org/node/72761>. Also see Lloyd J. Austin, "Statement of General Lloyd J. Austin III, Commander, U.S. Central Command before the Senate Armed Services Committee on the Posture of U.S. Central Command," U.S. Senate Armed Services Committee, March 26, 2015, [http://www.armed-services.senate.gov/imo/media/doc/Austin\\_03-26-15.pdf](http://www.armed-services.senate.gov/imo/media/doc/Austin_03-26-15.pdf).

71. "NATO's relations with Turkmenistan," NATO, May 17, 2012, [http://www.nato.int/cps/en/natohq/topics\\_50317.htm](http://www.nato.int/cps/en/natohq/topics_50317.htm).

# 3 | Turkmenistan in a Reconnecting Eurasia

Turkmenistan views itself as well positioned to serve as a transit hub for transcontinental trade of both manufactured goods and natural resources. Officials with whom we spoke emphasized Turkmenistan's geographic position as an asset to its development prospects. In line with its doctrine of positive neutrality, Ashgabat has emphasized the expansion of a mutually beneficial transit infrastructure in Central Asia and the wider Eurasian region, while also seeking to diversify Turkmenistan's own trade and transit ties, with an eye toward capturing a larger share of interregional trade.

One high-ranking Turkmen official with whom we spoke said that, despite decades of rhetoric about regional integration, only in recent years has this become a “live issue [актуальный вопрос].” Within this changing Eurasian landscape, Turkmenistan seeks to press its advantage as a growing energy power and potential transit state. Turkmenistan has pursued the development of domestic and regional transit and integration initiatives in recent years on a multivector basis, expanding economic ties in all directions while remaining outside of blocs or other groupings with any political component (explicit or implicit) that would run counter to the positive neutrality doctrine.

Turkmenistan has seen a considerable expansion of its overall trade in recent years, with trade turnover increasing nearly threefold in absolute terms between 2005 and 2013 to \$21.6 billion for an annualized rate of growth of 13.92 percent. The country has seen annualized growth in trade over that same period of greater than 10 percent with many of its most important economic partners, including China (72.8 percent), Turkey (29.63 percent), Russia (23.39 percent), the other states of Central Asia (16.21 percent), and South Asia (11.29 percent), with Iran (8.35 percent) and the European Union (6.81 percent) not far behind. Within Central Asia, Turkmenistan's bilateral trade relationships with Kazakhstan, Tajikistan, and Uzbekistan have all grown at greater than 10 percent per year, though Central Asia as a whole remains a relatively small trade partner, making up just 3.45 percent of Turkmenistan's total trade. This expansion, which trend lines suggest will continue over the coming decade, is consistent with Turkmenistan's overall goal of diversifying in its external economic relations.

However, a closer look reveals that the expansion of Turkmenistan's trade has been heavily driven by rapidly growing ties with one key partner: China. As outlined in Chapter 2,

## Annualized Growth in Turkmenistan's Global Trade Ties, 2005–2013

<i>Partner Country/Group</i>	<i>Growth Rate</i>	<i>Value (2005) USD Millions</i>	<i>Value (2013) USD Millions</i>
World	13.92%	7,616	21,610
China	72.80%	118	9,344
Turkey	29.63%	345	2,748
European Union	6.81%	1,475	2,498
Russia	23.39%	316	1,700
Middle East (minus Iran)	10.61%	473	1,060
Ukraine, Moldova, Belarus	–13.02%	2,690	881
Central Asia	16.21%	224	747
Iran	8.35%	282	535
South Asia	11.29%	175	413
United States	–2.69%	393	316
South Caucasus	–17.53%	796	170

Turkmen gas (along with Kazakh oil) has been the centerpiece of China's energy strategy in Central Asia. The result has been a dramatic expansion of Turkmenistan-China trade, through which China has gone from inconsequential to essential for Ashgabat in the space of less than five years.

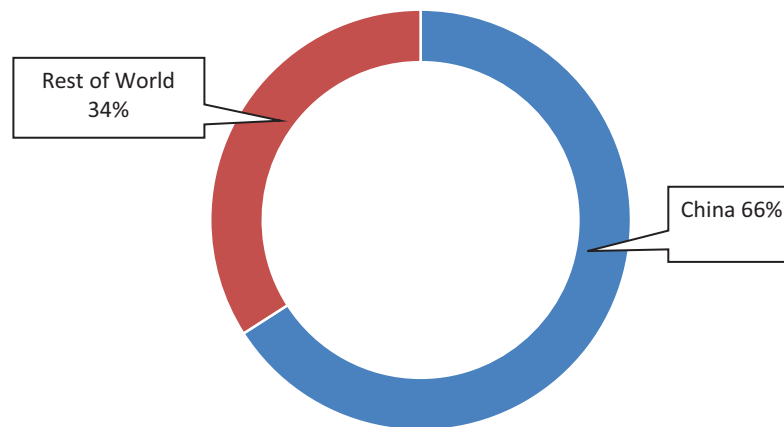
In 2005, China accounted for roughly 1.5 percent (\$118 million) of Turkmenistan's total trade. By 2013, that figure increased nearly 80 times to \$9.344 billion. China now accounts for more than 43 percent of Turkmenistan's total annual trade, more than three times the share of its next most important partner (Turkey, 12.7 percent). In absolute terms, China accounted for two-thirds of Turkmenistan's total trade growth during the 2005–2013 period. Growth in exports to China, primarily of natural gas, outpaced growth in exports to the world as a whole by more than \$1 billion during that same period, with Turkmenistan experiencing a contraction in its economic ties with other partners even as trade with China grew at an exponential rate.

While Turkmenistan's efforts to lessen dependence on Russia have succeeded, the cultivation of rapidly growing energy ties with China may result in even greater long-term dependence than the country had with Russia and that prompted the diversification policy in the first place. Officials with whom we spoke in Ashgabat did not express concern about the rapid growth of economic ties with China or the dependence that they could engender over time. They noted only the positive impact, adding that Turkmenistan remains committed to expanding trade and transit ties in all directions, not just to the east.

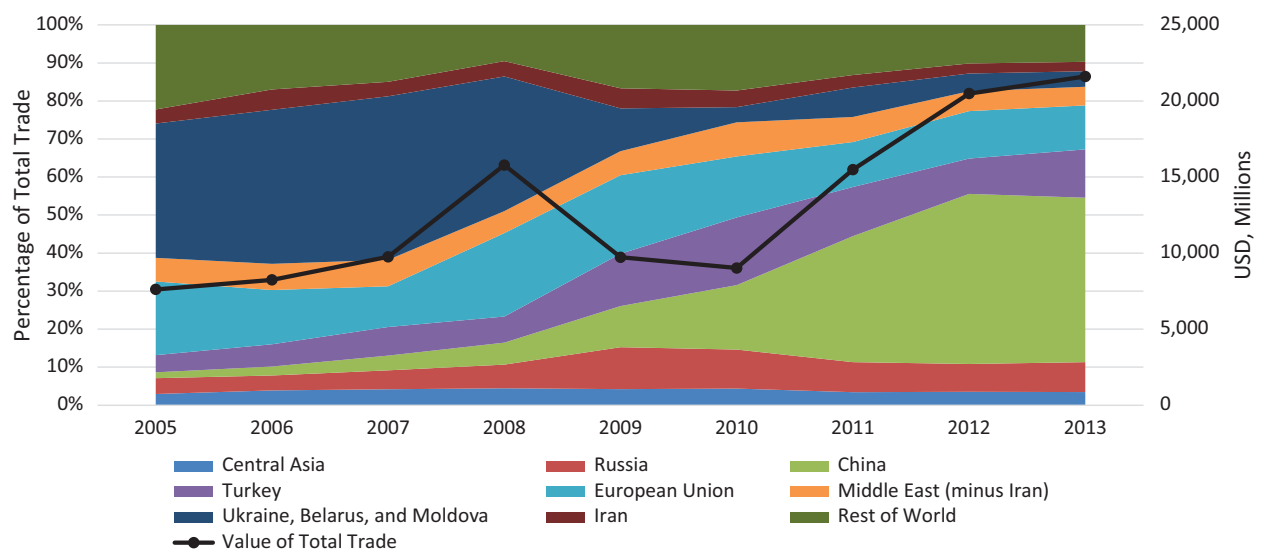
## Infrastructure and Connectivity

Turkmenistan sees itself as at the center of an increasingly integrated Central Asian and (more broadly) Eurasian economic landscape. The development of transit infrastructure in

## Trade Growth with China as a Percentage of Turkmenistan's Total Trade Growth, Million USD, 2005–2013



## Breakdown of Turkmenistan's Total Trade by Partner Country/Group, 2005–2013

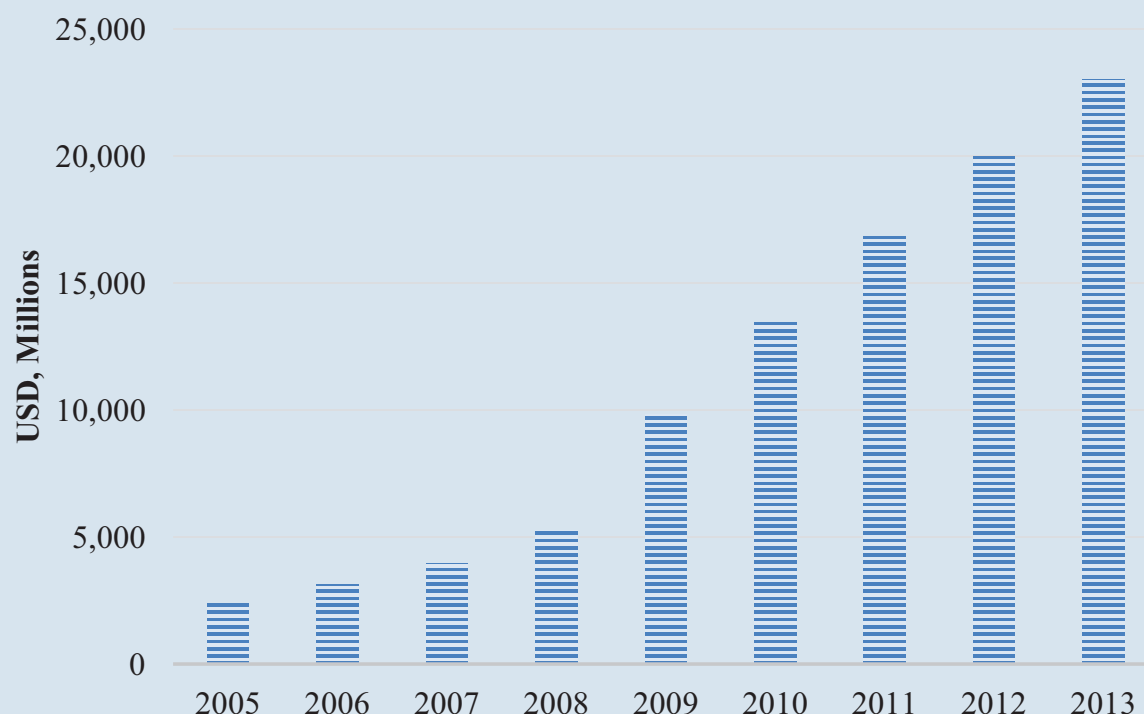


### Turkmenistan's Pursuit of FDI

The government of Turkmenistan has regularly listed the attraction of foreign direct investment (FDI) as a key policy priority. According to officials in Ashgabat, FDI accounts for only 15 percent of total investment (which in turn is equivalent to 46.3 percent of GDP), a fact that the National Program for the Socio-Economic Development of Turkmenistan for 2011 to 2030 seeks to address. This strategy promotes economic diversification, industrialization, and modernization, all with the goal of increasing the attractiveness of Turkmenistan to foreign investment. According to

the United Nations Conference on Trade and Development, the total stock of FDI in Turkmenistan was approximately \$23 billion in 2013, with annualized growth from 2005 to 2013 of 32.7 percent. However, independent, accurate figures on FDI inflows, outflows, and partner countries are hard to come by, as the government of Turkmenistan declines to publish such data.

### Total FDI Stock in Turkmenistan, 2005–2013



Source: United Nations Conference on Trade and Development.

The level of FDI in Turkmenistan falls well below that of northern neighbor Kazakhstan (\$129.5 billion in 2013, according to UNCTAD, though in the context of a much larger economy), reflecting the relatively unappealing investment environment in and heavy restrictions precluding investment in strategic sectors, including oil and gas. Turkmen officials with whom we spoke stated that foreign companies are prohibited from signing production sharing agreements (PSAs) or buying equity stakes in oil and gas development, and further noted that the vast majority of new transit and infrastructure development is financed domestically as well. Ashgabat's overall preoccupation with financial sovereignty in these and other strategic sectors, coupled with major bureaucratic hurdles, not to mention deficiencies in human capital, have all limited its attractiveness as a destination for foreign investment. Anecdotal evidence suggests that Turkey and China are the primary sources of FDI, though this could not be independently confirmed in the absence of FDI inflow and outflow data.



the pursuit of regional connectivity is portrayed by officials in Ashgabat as the key pillar of Turkmenistan's foreign economic policy, and officials note that the spread of prosperity has attendant security benefits in states such as Afghanistan as well. In an effort to safeguard its economic sovereignty and avoid dependence on any single partner (i.e., Russia), Turkmenistan promotes the development of overland transit and pipeline linkages in all directions, while also pursuing domestic infrastructure projects that will bolster internal connectivity. Taken together, Turkmenistan's multivector approach to regional transit projects, and the bilateral trade opportunities that come with them, seeks to both open up new markets to Turkmen exports, primarily hydrocarbons, and position Turkmenistan as a bridge or hub for trade across the Eurasian continent.

## Energy and Pipelines

While Turkmenistan has worked to improve road, rail, port, and air transit infrastructure both at home and in the broader region, the cornerstone of Ashgabat's regional economic strategy is pipeline infrastructure. Ashgabat would like to export its massive natural gas reserves, estimated at 17.5 trillion cubic meters (or 9.4 percent of the world's total) in 2013,<sup>1</sup> to multiple partners, though its insistence on selling gas at the border (rather than allowing foreign companies to take an equity stake at the wellhead) remains an obstacle to, particularly, non-Chinese investment. As one official told us, "anyone who is interested in pipelines is welcome to build them—from the Turkmen border."

Turkmenistan's export capacity has nonetheless increased dramatically, though almost all of the growth has been driven by China. The future of projects such as TAPI and TCP remains uncertain and subject to both political and commercial hurdles. Turkmenistan exports mainly to three markets: Russia, Iran, and China—to which exports are set to more than double over the next decade.

Until recently, Turkmenistan's primary pipeline outlet to international markets was the Central Asia–Center (CAC) gas pipeline network, a holdover from the Soviet period now controlled by Gazprom that transits Turkmen gas through Kazakhstan and Uzbekistan into Russia's pipeline system. However, after a series of disputes (outlined in Chapter 2), Turkmenistan has largely stopped using the CAC and sought alternative markets, while Gazprom recently announced that it would end the purchase of Central Asian gas altogether. Peak deliveries of nearly 45 bcm per year through the CAC<sup>2</sup> have fallen to an expected 4 bcm in 2015, according to Turkmen sources.<sup>3</sup> Given the war of words that has developed between Turkmenistan and Gazprom, with one Turkmen energy expert stating unequivocally that Gazprom "is not a stable partner,"<sup>4</sup> that export figure could fall further over the coming years.

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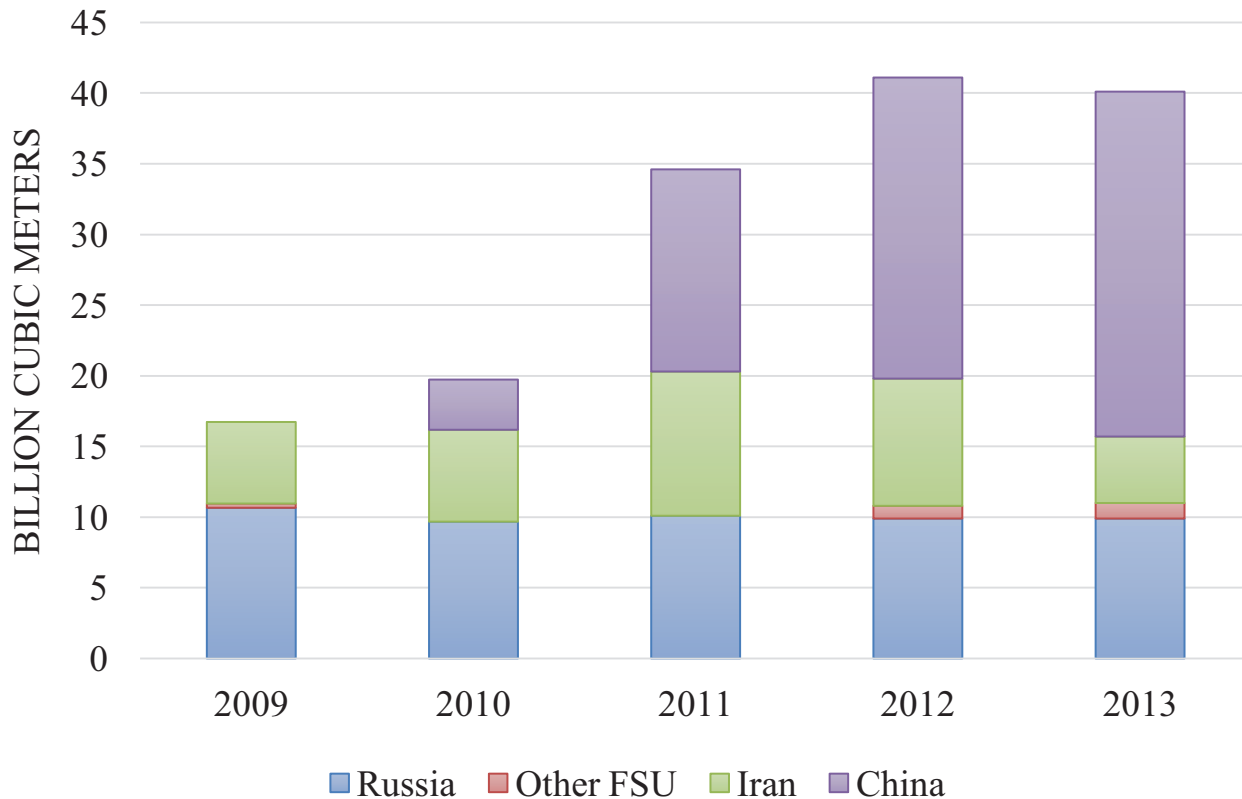
1. "BP Statistical Review of World Energy 2014," BP, 20.

2. "Gas Purchases," Gazprom, <http://www.gazprom.com/about/production/central-asia/>.

3. Chris Rickleton, "Turkmenistan Blasts Russia as 'Unreliable' Gas Partner," *Eurasianet*, February 17, 2015, <http://www.eurasianet.org/node/72121>.

4. "Russia's Gazprom 'unstable partner,' says Turkmen official," Agence-France Presse, February 17, 2015, <https://uk.news.yahoo.com/russias-gazprom-unstable-partner-says-145432563.html#vwN1hWa>.

## Turkmenistan's Gas Exports by Country, 2009–2013



Source: BP Statistical Review of World Energy, 2010–2014.

As its access to Russian pipelines has shrunk, Turkmenistan has turned to the east and the rapidly growing Chinese energy market. Turkmenistan forms the primary resource base for the Central Asia-China pipeline system, through which Ashgabat has agreed to export a total of 65 bcm of natural gas per year by the end of China's 13th Five-Year Plan in 2020.<sup>5</sup> Inaugurated in mid-December 2009 (Line A), when Turkmenistan was in the midst of a pricing dispute with Gazprom, with subsequent lines completed in 2010 (Line B) and 2014 (Line C), the pipeline network runs from Turkmenistan to China via Uzbekistan and Kazakhstan. Construction began for a fourth line (Line D) that will run through Kyrgyzstan and Tajikistan in late 2014, with deliveries expected to begin flowing from 2016.<sup>6</sup>

The wealth of pipelines extending east stands in contrast to the dearth of other export options. Other than the CAC pipeline system, Turkmenistan's only other major export pipelines extend south to Iran. The Korpeje-Kurtkui pipeline, built in 1997, and the Dovletabat-Serakhs-Khangeran-Sangbast pipeline, inaugurated in 2010 and later extended to connect to

5. "Fourth link of Central Asia-China gas pipeline to start construction this year," *Platts*, March 10, 2014, <http://www.platts.com/latest-news/natural-gas/beijing/fourth-link-of-central-asia-china-gas-pipeline-26749048>.

6. "China starts building fourth Central Asia-China gas line in Tajikistan," *Platts*, September 15, 2014, <http://www.platts.com/latest-news/natural-gas/singapore/china-starts-building-fourth-central-asia-china-26880979>.

## Major Caspian Oil and Natural Gas Export Routes



Source: U.S. Energy Information Administration (EIA), [http://www.eia.gov/countries/analysisbriefs/Caspian\\_Sea/images/caspian\\_routes\\_map.png](http://www.eia.gov/countries/analysisbriefs/Caspian_Sea/images/caspian_routes_map.png).

Iran's main gas network, send natural gas to energy-poor northern Iran.<sup>7</sup> In July 2009, Iran and Turkmenistan agreed to increase Turkmen exports from 8 bcm to 14 bcm by 2014, and thereafter to 20 bcm per year; however, pricing disputes and subsequent shutoffs have limited the growth of the Turkmenistan-Iran energy relationship. Total exports to Iran were nearly halved in 2013 to 4.7 bcm, down from 10.2 bcm and 9 bcm in the previous two years.<sup>8</sup> While the pipeline linkages to Iran are beneficial to Turkmenistan, they do not in and of themselves sufficiently diversify Turkmenistan's exports to counterbalance the massive increase in exports—and thereby dependence—on China.

7. Jumayev, "Foreign Trade of Turkmenistan," 9.

8. "BP Statistical Review of World Energy 2014," BP; "BP Statistical Review of World Energy 2013," BP, June 2013, 28, [http://www.bp.com/content/dam/bp/pdf/statistical-review/statistical\\_review\\_of\\_world\\_energy\\_2013.pdf](http://www.bp.com/content/dam/bp/pdf/statistical-review/statistical_review_of_world_energy_2013.pdf); "BP Statistical Review of World Energy 2012," BP, June 2012, 28, [http://www.bp.com/content/dam/bp/pdf/Statistical-Review-2012/statistical\\_review\\_of\\_world\\_energy\\_2012.pdf](http://www.bp.com/content/dam/bp/pdf/Statistical-Review-2012/statistical_review_of_world_energy_2012.pdf).

Two projects currently under various degrees of consideration would provide a tremendous boost to Turkmenistan's diversification efforts. The first, the TAPI pipeline, would send a combined 33 bcm per year of Turkmen gas to India and Pakistan, approximately half of the volume Ashgabat plans to sell to China. The massive Galkynysh (formerly South Yoloten-Osman) deposit is set to serve as the resource base for TAPI;<sup>9</sup> however, the pipeline remains in the conceptual stage. As outlined in Chapter 2, TAPI faces significant questions about its commercial viability, not to mention security concerns regarding the transit of gas through unstable regions of Afghanistan and Pakistan.

The trans-Caspian pipeline, which would carry Turkmen gas to Azerbaijan and on to Europe, is likewise held back by disputes among the Caspian littoral states as well as issues of political will in Azerbaijan, which prioritizes selling its own gas to Europe. Moscow has also expressed vehement opposition, including at times the threat of force to prevent the construction of TCP. Turkmenistan, however, has invested heavily in domestic pipeline infrastructure that would theoretically allow for trans-Caspian export. The East-West pipeline project, under construction since 2012 and scheduled for completion in mid-2015, is currently configured to run from east to west, linking fields in southeastern Turkmenistan, including Galkynysh, to the port of Turkmenbashi on the Caspian Sea. President Berdimuhamedov has called the pipeline, which will transit approximately 30 bcm of Turkmen gas per year, a "single gas transit system" for all of Turkmenistan, allowing the movement of "large amounts of natural gas to any region . . . quickly and efficiently."<sup>10</sup> It could also eventually provide the resource base for TCP. Even so, both TCP and TAPI remain largely theoretical for the time being, as neither has been able to attract a commercial champion willing to invest without an upstream equity stake and in the face of significant political risks.

Turkmenistan also sees electricity generation and its export to regional states as an area of potential growth. The Electrical Energy Concept, adopted in 2013, is designed to develop electrical production capacity domestically and to export it to where demand exists in Central Asia.<sup>11</sup> According to officials we spoke with, Turkmenistan's internal energy market consumes 75 percent of the 4 megawatts of electricity produced domestically, though demand has grown by 13 percent to 15 percent per year due to industrial growth. Even so, the potential for export of surplus electricity exists and Turkmenistan could serve as one resource base, of many, for energy projects connecting Central Asia and South Asia. One such concept is the Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan (TUTAP) Interconnection Project, which would connect the four Central Asia states to markets in Afghanistan and Pakistan.<sup>12</sup> Turkmenistan has begun construction of five new gas-fired power stations built for both internal use and export and has planned new electricity projects, including a 500-kV power line to Afghanistan and two additional high-capacity

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9. Jumayev, "Foreign Trade of Turkmenistan," 11.

10. "Turkmenistan starts construction of East-West gas pipeline," *UzReport*, June 1, 2010, [http://news.uzreport.uz/news\\_4\\_e\\_75288.html](http://news.uzreport.uz/news_4_e_75288.html).

11. H. Hasanov, "Turkmenistan adopts power industry concept till 2020," *Trend*, May 1, 2013, <http://en.trend.az/business/energy/2145475.html>.

12. Jim Liston and Julia Bucknall, "The TUTAP Interconnection Concept and CASA-1000" (presentation at CSIS, Washington, DC, June 6, 2014).



lines to Iran (supplementing two others that already export Turkmen electricity to its southern neighbor).

## Land, Sea, and Air Transit

Ashgabat has pursued the development of both domestic and cross-border rail and road infrastructure and promoted regional dialogues on transit issues, with an eye toward capturing a greater share of Eurasian freight transit and better integrating with the networks of neighboring Iran, Kazakhstan, and others.<sup>13</sup> According to our Turkmen interlocutors, the *National Program for the Socio-Economic Development of Turkmenistan from 2011 to 2030* emphasizes infrastructure development with the dual goals of increased physical connectivity within and between Turkmenistan's regions and the development of more diverse links with Turkmenistan's neighbors. In this effort, say Turkmen officials, more than 2,000 "objects," infrastructure projects large and small, were under construction in Turkmenistan in mid-2014.

Turkmenistan has sought in recent years to augment the road and rail transit systems that it inherited upon independence. The Trans-Caspian rail system, built by the Russian empire in the late nineteenth century, connects the port of Turkmenbashi to Ashgabat and thence to Uzbekistan via Mary and Turkmenabat. Major spurs from that same rail system extend south to the border with Afghanistan and north to Kazakhstan and ultimately Russia. Turkmenistan's major highways tend to run parallel to the rail routes, and new major road projects have followed this trend.

Turkmenistan has constructed additional rail links to Kazakhstan, Iran, and Afghanistan, as well as other internal linkages in the past two decades. Along a north-south axis, the Trans-Karakum railway and a parallel highway connect the south and north of the country through a 540-kilometer rail link between Ashgabat and Dashowuz that crosses the Karakum Desert. The Kazakhstan-Turkmenistan-Iran railway, completed in October 2014 and funded jointly by the three countries, the Asian Development Bank, the World Bank, and the Islamic Development Bank, traverses western Turkmenistan via Bereket (formerly Gazandjyk) and Kyzyl-Atrek. Our interlocutors in Ashgabat placed special emphasis on this railway, as it places Turkmenistan within the International North-South Transit Corridor, a project to construct a multimodal transit system linking India to Europe that reduces both transit times and associated costs for freight shipments that would normally move by sea or air.<sup>14</sup> Presidents Nazarbayev and Berdimuhamedov inaugurated another Kazakhstan-Turkmenistan rail line tied to this corridor, Bolashak-Serhetyaka, in May 2013. Finally, a major east-west highway project linking Uzbekistan to the port at Turkmenbashi is set to expand land transit options along the horizontal axis.

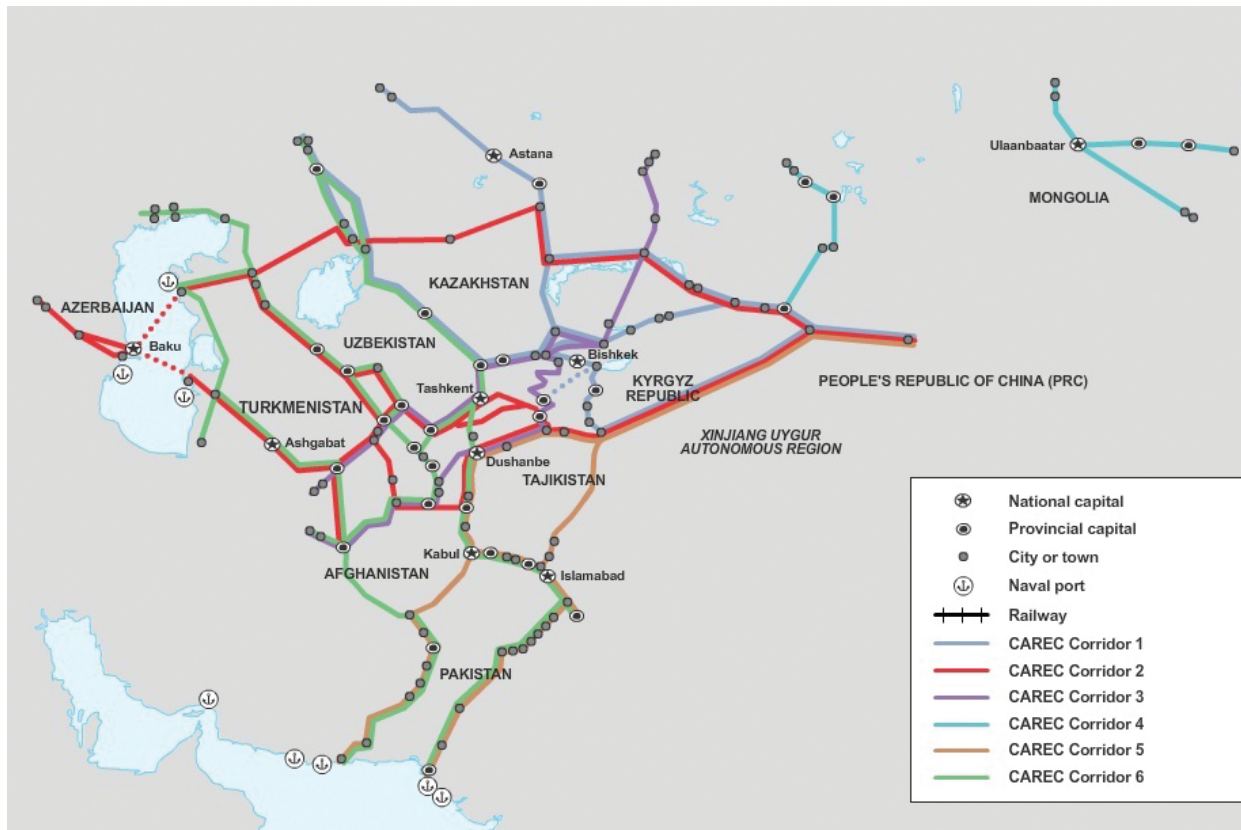
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13. UN Economic Commission for Europe, *Euro-Asian Transport Linkages: Paving the Way for a More Efficient Euro-Asian Transport* (New York: United Nations, 2012), 582, [http://www.unece.org/fileadmin/DAM/trans/main/eatl/docs/EATL\\_Report\\_Phase\\_II.pdf](http://www.unece.org/fileadmin/DAM/trans/main/eatl/docs/EATL_Report_Phase_II.pdf).

14. "India to conduct dry run on international North-South Transport Corridor," *The Economic Times*, February 25, 2014, [http://articles.economictimes.indiatimes.com/2014-02-25/news/47670795\\_1\\_dry-run-indian-side-nhava-sheva](http://articles.economictimes.indiatimes.com/2014-02-25/news/47670795_1_dry-run-indian-side-nhava-sheva).



## The CAREC Corridors



Source: Central Asia Regional Economic Cooperation (CAREC).

Turkmenistan has emphasized linkages to Iran in addition to the North-South Transit Corridor project. In the mid-1990s, Turkmenistan and Iran completed the Tejen-Serakhs-Mashhad railway, which links Iran to the broader post-Soviet rail system in Central Asia. Additionally, Turkmenistan is set to play a central role in the Uzbekistan-Turkmenistan-Iran-Oman transport corridor, which would further link Central Asia to the Persian Gulf but has remained on the drawing board since it was first elaborated in 2010.<sup>15</sup> Kazakhstan has also recently signed onto this project, further extending its reach and potential as a transit corridor.<sup>16</sup> One regional development official stationed in Ashgabat attributed Turkmenistan's interest in developing rail, road, and pipeline linkages with Iran to the potential of expanded trade ties if international sanctions on Iran's nuclear program are lifted, stating that Turkmenistan would be "the biggest beneficiary" of an end to the sanctions, apart from Iran itself, since Iran sits astride the shortest route from Turkmenistan to the sea.

15. "Uzbekistan, Turkmenistan, Iran, Oman still intending to create new transport corridor," Interfax, August 6, 2014, <http://www.interfax.com/newsinf.asp?id=526672>.

16. "Kazakhstan joins Uzbekistan-Turkmenistan-Iran-Oman transport corridor," *The Times of Central Asia*, February 17, 2015, <http://www.timesca.com/news/14989-kazakhstan-joins-uzbekistan-turkmenistan-iran-oman-transport-corridor>.

Separately, the Central Asia Regional Economic Cooperation (CAREC) program has prioritized developing six corridors—three of which traverse Turkmenistan, to promote regional trade, link Central Asia’s economic hubs, and connect landlocked countries to other Eurasian and global markets.<sup>17</sup>

Turkmenistan has also explored an expansion of rail linkages with Afghanistan. Officials in Ashgabat view Afghanistan’s economic development through integration into the regional economy as of paramount importance to the security and stability of the wider region. The Turkmenistan-Afghanistan-Tajikistan (TAT) rail project is financed in part by the Asian Development Bank (though one international development official we spoke with suggested that, given concerns about protecting its sovereignty, Turkmenistan is unlikely to take the bank’s funding). Tentatively set for completion in 2015, TAT is intended to “[contribute] to the diversification of transport corridors” for all three countries.<sup>18</sup> However, Ashgabat has balked at what it views as a lack of coordination among the three governments, such as in January 2014 when it protested the actions of the other two governments, calling them “tendentious,” “absolutely unacceptable,” and “counterproductive.”<sup>19</sup> Additionally, reports indicate that questions remain in Ashgabat about the viability and utility of the project, primarily due to concerns about the economic situation in Tajikistan and the security environment in Afghanistan.<sup>20</sup> Our interlocutors also emphasized Turkmenistan’s commitment to addressing the soft infrastructure challenges that plague trade and land transit in Central Asia, making it one of the most trade-adverse regions in the world. Officials emphasized that as a landlocked state, the competitiveness of Turkmenistan’s exports is dependent on the speed at which they can reach foreign markets; as such, officials indicated intense interest in promoting multilateral initiatives to ease transit conditions in Central Asia. In a keynote speech at a conference hosted in Ashgabat jointly with the Organization for Security and Cooperation in Europe, United Nations, and International Road Transport Union (IRU) in September 2014,<sup>21, 22</sup> President Berdimuhamedov reiterated Turkmenistan’s emphasis on multilateral, positive-sum solutions to the issue of a soft infrastructure deficit in Central Asia.<sup>23</sup>

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17. “The CAREC Corridors—Linking Europe and East Asia,” Asian Development Bank, April 29, 2014, <http://www.adb.org/news/infographics/carec-corridors-linking-europe-and-east-asia>.

18. John Daly, “Turkmenistan-Afghanistan-Tajikistan Railway Advances Further,” *Silk Road Reporters*, February 3, 2015, <http://www.silkroadreporters.com/2015/02/03/turkmenistan-afghanistan-tajikistan-railway-advances/>.

19. Murad Sadykov, “Has Turkmenistan-to-Tajikistan Railroad Derailed?,” *Eurasianet*, February 18, 2014, <http://www.eurasianet.org/node/68057>.

20. Ibid.

21. International Road Transport Union, *Model Highway Initiative*, Report (2010).

22. “Turkmenistan Signs MoU with IRU on Creation of a Model Highway in Central Asia and Caspian Region,” Permanent Mission of Turkmenistan to the United Nations, July 1, 2014, <http://www.turkmenistanun.org/index.php/homepage/turkmenistan-united-nations/475-turkmenistan-signs-mou-with-iru-on-creation-of-a-model-highway-in-central-asia-and-caspian-region>.

23. Turkmenistan, The Permanent Mission of the United Nations, “Statement by the President of Turkmenistan Gurbanguly Berdimuhamedov at the High Level International Conference on the Role of Transport and Transit Corridors in Ensuring International Cooperation, Stability and Sustainable Development (3 September 2014),” September 5, 2014, <http://www.turkmenistanun.org/index.php/homepage/85-all-articles/statements-meetings/502-statement-by-the-president-of-turkmenistan-gurbanguly-berdimuhamedov-at-the-high-level-international-conference>.

## 4 Conclusion

Positive neutrality has been the guiding principle for Turkmenistan for the better part of three decades, and today it remains the prism through which Ashgabat sees the world. The broad contours of this policy have not changed over the intervening years. But within a rapidly shifting geopolitical and geoeconomic environment, Turkmenistan's challenge is to adapt its positive neutrality doctrine to suit a changing world characterized by the rise of China, the neo-imperial ambitions of Russia in its near abroad, and the prospective reconnection of the Eurasian supercontinent through transit and trade linkages centered on Central Asia.

The leadership in Ashgabat has chosen a policy of energetic but selective engagement with a wide array of partners on regional issues, prioritizing those areas of cooperation that pay dividends for Turkmenistan itself while casting aside issues or relationships that may infringe upon its sovereignty or threaten the stability of the state. Turkmen elites promote the potential benefits of Turkmenistan's geographical position, but face serious obstacles to achieving their ambitions. Some of the most serious challenges are domestic, such as Turkmenistan's highly centralized authoritarian state, underdeveloped human capital, and corruption. For now at least, Turkmenistan also suffers from a paucity of linkages to the outside world and serious political and regulatory obstacles to their construction. Leaders in Ashgabat view Turkmenistan as a potential regional leader and driving force in the promotion of regional integration initiatives and believe it well suited to serve as a hub for mutually beneficial interregional and, more importantly, intraregional trade for decades to come. Whether they can overcome the challenges that Turkmenistan's isolation for the past two-plus decades have created remains an open question.

But Ashgabat cannot move this process forward alone. Many key variables remain outside of its direct control. The success or failure of Turkmenistan's ambitious regional vision will depend as well on the policies and political will of the other four Central Asian states. Competing regional ambitions or ties to outside powers will all play a role in this process, and major questions remain about the ability of the Central Asian states to reach a mutually beneficial consensus on many key issues. Iran, Turkmenistan's principal avenue to Middle Eastern markets, remains an international pariah, while the resolution of the nuclear issue, from which Turkmenistan could benefit enormously through increased trade and transit opportunities, is dependent on difficult negotiations between the P5+1 and Tehran. Security threats, either from Afghanistan, a recalcitrant Russia, or Islamic

extremism, could similarly disrupt the development of this region, and Turkmenistan specifically, into a hub of global trade and transport.

Turkmen elites understand at least some of the practical impediments facing the realization of a truly reconnected Eurasia linking the major markets of East Asia, South Asia, the Middle East, and Europe via cost-competitive, speedy land transport. While Ashgabat has promoted the development of physical infrastructure within Central Asia, the challenges of insufficient soft infrastructure, intraregional conflicts, and an uncertain, potentially unstable regional security environment all loom large. Here, Turkmenistan believes win-win solutions are to be found through multilateral engagement that privileges the interests of no single state. Turkmen officials would like to see the United States leverage its convening power to greater effect in the pursuit of mutually beneficial solutions to disputes over resources, tariff and nontariff barriers to trade in Central Asia, and the future security and stability of Afghanistan. While Turkmenistan still views the United Nations as its primary partner in the area of preventive diplomacy, our interlocutors emphasized a desire for a more present and vocal United States. They further emphasized the desire for enhanced trade and investment ties with the United States, albeit within the context of a broader policy of economic diversification. Turkmenistan's repressive political environment and difficult business climate, however, limit its attractiveness as a partner for U.S. companies as well as the U.S. government.

Our interlocutors in Ashgabat emphasized that the diversification of Turkmenistan's foreign economic ties remains a key objective. To an extent, they have succeeded. In less than a decade, Turkmenistan has dramatically reduced its dependence on Russia, though increasingly, it appears, at the cost of increasing its dependence on China, which now accounts for over 40 percent of Turkmenistan's total trade. Other aspects of the diversification policy, including the TAPI and TCP projects, have yet to bear fruit, and questions remain about their viability for both political and economic reasons. China's growing centrality to Turkmenistan's economic and political future therefore raises questions about the consonance of positive neutrality and Ashgabat's increasingly easterly orientation.

Turkmenistan will wrestle with these questions, and many more, as it continues to push for its vision of an integrated Eurasia—one with Turkmenistan as a transit hub at its center. Despite some recent successes, Turkmenistan and Central Asia more broadly remain at the beginning of this process, not at its conclusion. Turkmenistan has committed itself in principle to the pursuit of those opportunities, but it has much more to do if this vision is to be realized. It will also need partners from within the region (and without) possessing the requisite political will to overcome the obstacles to greater integration. The United States and others have a role to play, although this process will undoubtedly be driven by the states of Central Asia themselves. Turkmenistan's vision of a more connected, prosperous, and peaceful Eurasia is alluring; it remains to be seen whether Ashgabat can take the steps necessary to bring about its fulfillment.

## About the Authors

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