

Turkmenistan in transition A window for EU engagement?

Michael Denison

Introduction

The sudden death of President Saparmurat Niyazov on 21 December 2006 has opened a window for engagement between the European Union (EU) and Turkmenistan. There appears to be a realisation across the Turkmen political elite that Niyazov's style of policy micro-management was unsustainable and undesirable, both in terms of its immediate outcomes, and for its broader impact on political and social cohesion. Accordingly, a more balanced and collegiate form of governance is likely to develop under the new regime, with power effectively centred on a 'junta' of influential security officials from different clans/regions. Although formal democratisation remains a distant prospect, a sequence of economic and social changes, initiated both from above and below is likely to occur. The principal objectives of these will be to reverse Niyazov's most idiosyncratic and unambiguously damaging policies, and to commence a process of cautious re-engagement with the outside world. What is the aim of these changes, repairing the damage of the Niyazov years or something more ambitious? These reforms have the potential to be simultaneously emancipating and destabilising. Using a fusion of traditional Turkmen and Soviet techniques, paid for by gas rents, Niyazov managed to create a regime that, for over two decades, rather effectively neutralised any actual or potential sources of opposition to his rule. Without that primitive overlay, the multiplication of political actors, combined with necessary reforms to increase the role of the private sector, is likely to test the state's institutional

strength, and open new internal commercial pressures for engagement in and beyond the region.

At present, Turkmenistan can offer the EU only a limited menu of potential goods – a fairly reliable supply of cheap natural gas, and a modest addition to the Caspian oil and liquefied natural gas (LNG) market mix. Given present concerns over Russia's reliability as a long-term supplier of hydrocarbons, Turkmen gas reserves have acquired a new salience. However, there are significant obstacles in bringing them directly to the European market, not the least of which is the lack of either an existing infrastructure or a compelling incentive for the Turkmen leadership to sell the bulk of its onshore gas to Europe. The list of 'harms' to EU interests that might emanate from Turkmenistan is also correspondingly limited. The interest of Turkmen in radical, politicised Islam has historically been extremely limited, but may yet grow with the emergence of a disaffected middle-class. The prospect of any such radicalisation causing domestic political instability, or being targeted at EU interests, remains remote. Internal challenges to the current government are more likely to stem from internecine elite feuds that mask clan/regional interests. Informal in-country reports, for example, point to tension in Mary *velayet* over the perceived exclusion of that region's interests in the elite pacting process that occurred in the immediate aftermath of Niyazov's death, and the security services are believed to have taken personal control over the administration of the presidential election in Mary, no doubt to ensure that

Dr Michael Denison is professor in the School of Politics and International Studies, University of Leeds. This paper was originally presented at the CEPS Conference on 'Building Stronger Ties, Meeting New Challenges: The European Union's Strategic Role in Central Asia' on 2 March. The conference brought together representatives of European Union institutions, including Ambassador Pierre Morel (EU Special Representative for Central Asia), civil society organisations, the media and experts from Europe, Central Asia and North America. The author would like to thank the participants of the conference for comments on the paper. The Centre for European Policy Studies expresses its gratitude to the Open Society Institute – Brussels for its generous support of the conference.

CEPS Policy Briefs present concise, policy-oriented analyses of topical issues in European affairs, with the aim of interjecting the views of CEPS researchers into the policy-making process in a timely fashion. Unless otherwise indicated, the views expressed are attributable only to the author in a personal capacity and not to any institution with which he is associated.

there was no regional deviation in the final result.¹ The most significant security problem is likely to remain the use of Turkmen territory for the transit of narcotics from Afghanistan and Iran on to Russia and Europe. The EU can play an interdiction role in the disruption of this trade, but will depend on the cooperation of the Turkmen political, military and intelligence elites to make an impact. This cannot be guaranteed.

Accordingly, the EU's principal opportunity to engage with Turkmenistan is not likely to carry a short-term pay-off. Nor should one be expected. It will require careful work to help build the foundations of what Weber called a "legal-rational" system of governance, underpinned by significant assistance, without conditionalities, in the education and health sectors. There is clearly a very serious debate going on within the Turkmen elite about its preferred form of relationship with Russia (and China)². Heavy-handed democracy promotion at the outset is likely to predetermine that outcome by driving the new regime into the arms of Moscow and Beijing. By focusing on technical governance issues, while making available the option of alternative natural gas export routes, the EU can assist in laying the foundations for genuine cooperation which will carry a more significant and uncomplicated political, security and commercial dividend in the medium-term.

The remainder of this paper is structured into four sections: the first analyses of the reconfiguration within the Turkmen political elite occasioned by Niyazov's death, and assesses its likely impact on domestic policy; the second section focuses on the important changes in the organisation and functions of the oil and gas sector in the period immediately before and after Niyazov's death, and considers how the Turkmen government may seek to realise its main priorities for energy sector development; the third section seeks to explain the rationale behind post-Soviet Turkmen foreign policy in order to gauge whether and how the government is likely to reorient policy after the long period of relative isolation under Niyazov. The paper concludes by offering some specific policy suggestions for greater EU engagement with Turkmenistan that may encourage the country's re-integration into the global community, while assisting the EU to extend its diplomatic and moral reach into Central Asia.

¹ See "Turkmenistan after Niyazov", International Crisis Group Asia Policy Briefing No.60, 12 February 2007.

² Note the comments made by Russian Foreign Minister Sergei Lavrov on 27 January 2007 (*Itar-TASS*, 27 January 2007), and the cool response from Ashgabat to the Russian proposal for a gas OPEC (*Russian Oil and Gas Report*, 2 February 2007). The Russian delegation to Berdymuhammedov's inauguration received reassurances on existing contracts only, despite a reportedly generous package of assistance offered by Gazprom (*Gazeta*, 15 February 2007).

The domestic political landscape

Prior to 21 December 2006, Turkmenistan could fairly be described as a 'sultanistic regime'. President Niyazov ruled through a mixture of fear and rewards, using natural gas rents to furnish patronage networks and a coercive apparatus centred on the security services and the Presidential Guard. Augmenting these techniques of material control was a pervasive cult of personality built around certain motifs, texts and symbols associated with Niyazov himself, as well as other approved figures³. The cult of personality fulfilled several important functions. It was (and remains) an important instrument of social integration in a society where national identity remains weak. It expressed the regime's visual and spatial power, particularly in the urban redesign of Ashgabat, where it presented a continual reminder to Turkmen of the source of their political independence and heavily subsidised basic provisions. The cult was, through Niyazov's books, particularly *Ruhnama (I and II)*, an important mechanism for political socialisation, offering a normative navigational aid for Turkmen in the uncertain waters of post-Soviet transition. Finally, the cult increasingly functioned as an important strategic resource for mid to upper level officials who, by originating ever more extravagant projects, hoped to preserve or advance their own and/or their region's interests⁴.

The formal political landscape theoretically provided checks to presidential power but, in reality, rarely did so. The Turkmen State Constitution is actually a relatively liberal document, providing for a separation of the branches of government and protection of the rights of the individual against unnecessary state intrusion. Although the President is accorded significant powers, the sovereign organ of state power is the *Khalk Maslahaty* (People's Council), a unique fusion of the executive, legislature and judiciary, comprising 2507 appointed and elected delegates that sits for a few days once or twice every year. However, the Council has functioned principally as a vehicle for the approval of government policy and the ritual acclaim of Niyazov. The election of Berdymuhammedov to be *Khalk Maslahaty* (Chairman) at an extraordinary session convened on 30-31 March 2007, suggests that this practice will remain essentially unchanged for the foreseeable future. The *Majlis*, a 50 member Parliament which effectively succeeded the Soviet Congress of People's Deputies, undertook the execution of daily government business with minimal dissent from the prearranged line of Niyazov and the Cabinet of Ministers. Two comments should be made about this rather bleak and flattened landscape. Firstly, a process

³ These included Niyazov's deceased parents.

⁴ For more detail on the Niyazov cult see the author's PhD thesis, "Why do sultanistic regimes arise and persist? A Study of Government in the Republic of Turkmenistan, 1992-2006", University of Leeds, 2006.

of minimal but significant liberalisation, that has passed virtually unnoticed, was under way *before* Niyazov died, possibly to assuage criticism from international institutions such as the OSCE, but also perhaps to introduce a highly controlled outlet for the expression of political pluralism and, in the case of the constitutional amendments, to broaden the net of possible successors. Elections to the *Majlis* and *Khalk Maslahaty* in 2004 and 2006 respectively were increasingly, within limits, competitive, albeit between candidates pre-selected for their reliability. Not all candidates belonged to the Democratic Party of Turkmenistan, the country's only legal political party, although there were almost certainly pre-selected for their political docility – although all were no doubt hand picked. The Constitution was amended twice in 2005 in order to liberalise eligibility for the presidency, a sign that Niyazov's health was known to be fragile but that a successor had not yet been settled upon. The second point is that, traditionally, Turkmen politics has been conducted consensually. Pre-Soviet Turkmen tribal *maslakhaty* (village councils) were acephalous, ad hoc affairs with no permanent leadership, except in periods of conflict.⁵ Where a decision could not be reached unanimously it was deferred until complete agreement was possible. Even persistent dissenters eventually felt obliged to fall in behind and support the communal decision wholeheartedly, knowing that some concession would have been formulated to accommodate their views. The alternative was to leave the group entirely. Adversarial politics in Turkmenistan is not a sign of health, but an act of treachery against group interests, a perspective that was of great incidental utility to Soviet officials. Niyazov effectively combined and adapted the traditional and Soviet ways of seeing and doing politics, retaining the forms of consensuality without the content.

Niyazov's death left the state constitutionally, institutionally and politically unprepared for the succession. In the event, nothing short of a *coup d'état* was accomplished in the hours afterwards. The Speaker of the *Majlis*, the constitutionally designated successor, was arrested and rather bizarrely charged with harassing a young female relative and other unspecified acts of corruption. Minister of Health Gurbanguly Berdymuhammedov was appointed as the acting president, and then duly confirmed in this post by a sitting of the *Khalk Maslahaty* on 26 December 2006, before securing the inevitable election landslide victory against five nominal opponents on 11 February 2007. In this respect, the choice of

Berdymuhammedov may be of lesser importance than the way in which the transition of power was effected, and its implications for future leadership successions.

The State Security Council, led by General Akmurad Rejepov, the long-standing head of Niyazov's Presidential Guard, effectively appointed Berdymuhammedov and then, crucially, obtained constitutional amendments at the subsequent *Khalk Maslahaty* session that gave it the right to determine whether a president is physically fit to retain office, and to nominate an interim successor if not. In practice, this gives the State Security Council legitimate powers to remove Berdymuhammedov should he prove to be insufficiently compliant, and to replace him with another, more suitable candidate. As a member of the Ersari tribe from the Lebap region, Rejepov would possibly have been unacceptable as a presidential candidate to the *Khalk Maslahaty*, with its strong Ahal Teke tribal base. However, although Berdymuhammedov may yet gain political traction of his own (in the way that those other post-Soviet placemen, President Vladimir Putin in Russia and President Imomali Rakhmonov in Tajikistan, have done), the periodic distribution of power between tribal elites during the Soviet period may have been executed in *de facto* if not *de jure* form.⁶

The promises of social and economic liberalisation made by Berdymuhammedov and the other candidates before the February 2007 election indicate that there was a consensus among political elites that some form of major change is needed. There is no evidence that there was significant tension in Turkmen society, or that the reform pledges were a response to pressure from below. Rather the proposals signify that a new elite settlement is being worked through, probably along the following lines:

- i) a more predictable, stable, rational system of governance manifested by the return of ministers shown the door by Niyazov;
- ii) the termination of harmful and arbitrary policies that were the product of Niyazov's prejudices and paranoia, such as the amputation of components of the state cultural, education and health sectors;
- iii) a clean slate for state officials suspected of filing falsified reports of agricultural production and colluding with each other to deceive central government;
- iv) the release and partial rehabilitation of socially significant senior government officials imprisoned for corruption;

⁵ William Irons, *The Yomut Turkmen: A Study of Social Organization among a Central Asian Turkic speaking Population* (Ann Arbor, MI: University of Michigan Press, 1975); Paul Georg Geiss, *Pre-Tsarist and Tsarist Central Asia: Communal Commitment and Political Order in Change* (London: RoutledgeCurzon, 2003); Arminius Vambery, *Travels in Central Asia* (New York: Harper, 1865).

⁶ For Soviet "tribal policy" in Turkmenistan, see Adrienne Lynn Edgar, *Tribal Nation: the Making of Soviet Turkmenistan* (Princeton NJ: Princeton University Press, 2004); Shokhrat Kadyrov, "Ethnos, State and Political Struggle", unpublished paper presented at the Oxford Society for Central Asia Turkmenistan Workshop, St. Antony's College, Oxford, 18 June 2004.

- v) a compact on minimum state welfare provision, including the restoration of pensions abolished in January 2006, the maintenance of existing subsidies on water, gas and fuel, and the assurance of uninterrupted supplies of cheap flour;
- vi) a cautious programme of controlled liberalisation that excludes political reform but involves modestly increasing social freedoms, including increased access to the internet, perhaps more foreign travel and overseas scholarships for students, and greater openness to foreign investment;
- vii) the preservation of ethnic Turkmen hegemony over Uzbek and Russian minorities, but without explicit and aggressive discrimination;
- viii) the funding of the above programmes through the capture and repatriation of significant gas and cotton revenues that were placed in Foreign Exchange Reserve Fund (FERF) accounts with Deutsche Bank under Niyazov's personal control.⁷

The policy announcements made thus far suggest that the restoration of social cohesion is the new president's principal priority. Rapid and far-reaching education reforms to be enacted include a reversion of the mandatory period of schooling back to ten years, a 40% rise in teachers' pay, and significant relaxation of regulations for university students, including exemption from military service, abolition of the two compulsory gap years, extension of degree schemes back to their Soviet level, and an end to restrictions on university study abroad. The second major policy shift initiated by Berdymuhammedov has been the restoration of state pensions to their pre-January 2006 position. Cuts in eligibility had created significant hardship, particularly within the ethnic Russian population. These measures will place additional strain on the public finances, but higher gas export revenues, savings made by abandoning some of Niyazov's more outlandish public works projects, and firmer controls on official corruption will go some way to bridging any deficit. Moreover, the political dividends of populist reforms are likely to outweigh short-term budgetary considerations.

Berdymuhammedov has been notably more cautious in tackling structural reform in the agricultural sector. The logical conclusion to draw from the convening of the extraordinary *Khalk Maslahaty* session on 30-31 March 2007 specifically to address this issue, was that the government was planning a major announcement along the lines of large-scale land privatisation.

⁷ For the candidates' election platforms, see NewsCentral Asia's coverage (www.newscentralasia.org); Bruce Pannier, "Turkmenistan: Sorting out the Presidential Candidates", *RFE/RL Newslines*, 7 February 2007, "Election pledges raise hope of change", IRINnews, 12 February 2007.

Instead, the session, with Berdymuhammedov assuming the role of Chairman, gave plenty of space for the airing of grievances, but actually proposed only to ensure that farmers received 'inputs' (feed, fertiliser, seeds etc) and state payments in a more efficient and timely fashion. More wide-ranging reforms may follow later in 2007, but it would appear that, for the present, the government is hoping to rebuild trust with farmers in order to give the existing system a chance to function more effectively.

Although EU member states will keep a watching brief on the progress of these reforms, particular attention is likely to be paid to progress on human rights issues. A handful of non-governmental organisations (NGO) reports were critical of human rights abuses in Turkmenistan earlier in Niyazov's presidency, but it was only after the failed coup attempt of 25 November 2002 that the international community subjected the Niyazov regime to serious scrutiny and censure. In spring 2003, the Organisation for Security and Cooperation in Europe (OSCE) invoked its 'Moscow Mechanism' for the first, and so far only, occasion since the conflict in former Yugoslavia in 1993. The Turkmen government did not cooperate with the subsequent report prepared by Professor Emmanuel Decaux, which was highly critical of the policy of interrogating relatives of the suspected coup plotters, of the conditions of their detention, and of the judicial process all the way through to sentencing.⁸ Niyazov remained similarly unmoved by the passing of a non-binding UN General Assembly Resolution of 20 December 2004, which called on the Turkmen government to release prisoners of conscience, and adhere to its commitments on freedoms of thought, conscience and religion. Further reports prepared by the Open Society Institute, Amnesty International, the International Crisis Group, the London School of Tropical Hygiene, the Turkmenistan Helsinki Initiative, and the International League for Human Rights have condemned the political hospitalisation of dissidents, conditions in civilian and military prisons, the treatment of ethnic minorities, the bullying and exploitation endured by army conscripts, the drastic reduction in primary health care provision, and the deterioration of education provision. But all with limited impact on policy.

The extent to which the power brokers in the new regime, many of whom are responsible for abuses perpetrated under Niyazov, are serious about improving human rights is wholly unclear. If reports from inside the country are accurate, the Berdymuhammedov era began inauspiciously with a serious riot in the notorious Ovadan-Depe political prison on 22 December 2006, leading to the killing of

⁸ Emmanuel Decaux, *OSCE Rapporteur's Report on Turkmenistan*, (Vienna: OSCE Office for Democratic Institutions and Human Rights, 2003).

23 prisoners by special forces.⁹ This prison has reportedly since been closed and demolished, which indicates some sensitivity to international opinion.¹⁰ To some degree, the extent to which the new regime wishes to re-engage with the international community will determine its sensitivity to criticism. With both Russia and China steadfastly refusing to comment on the country's internal affairs, however, the regime has, in the event of sustained Western criticism, solid 'fall-back' options in its choice of strategic partners.

A multiplicity of new challenges is also likely to emerge, not least of which is the puzzle of how to manage sensitively the process of decultification. It is likely that the Niyazov cult will remain in place for the time being, minus the expensive construction projects. A Khrushchev style 'secret speech' is not (yet at least) on the cards. Niyazov's profile still appears on all state television programmes, and new treatises (allegedly) penned by Niyazov are appearing posthumously. Against that, the new government has announced that Niyazov's name has been dropped from the state oath,¹¹ and that new bank notes will no longer carry his image. Pointedly, Turkmen state television broadcast an opera (which had been banned by Niyazov) on the night of the presidential election for the first time in several years.¹² Any 'thaw' is likely to take the form of a gentle 'crowding out' of Niyazov's presence rather than open disavowal.¹³

Niyazov's death may also allow some free play for the reassertion of sub-national identities. The dire warnings of state collapse after Niyazov were not predicated on substantive in-country research, or even serious comparative analysis. Turkmenistan has, by and large, an apolitical society. The number of pressure points that might trigger conflict is low – the spatial distribution and sparseness of the population ensures that there are few communal conflicts over land, water, religion or ethnicity. The suspension of Niyazov's elaborate construction projects, and a more equitable distribution of rental income to those regions (Balkan, Mary and Lebap) where gas reserves are located, would do much to alleviate discontent at the channelling of government revenues into the capital city of Ashgabat, the historic centre of Ahal Teke influence. However, there is no guarantee that this will occur and the traditionally delicate balance of regional interests in the oil and gas bureaucracy may require careful management in order to prevent senior officials from embezzling funds that they view as rightfully belonging to their tribe or region. Developing this issue, the reported amnesty of

powerful state oligarchs, such as former Oil and Gas supremo Yolly Gurbanmuradov, in January 2007, indicates that a further complex realignment and upheaval of elites could be under way.¹⁴

Of potentially more concern from a hard security perspective would be an assertion of the regional power of narco-clans along the Iranian and Afghan border. It is believed that Niyazov maintained fairly tight control over narco-trafficking routes, effectively licensing certain activities in exchange for political quiescence in the Mary region.¹⁵ There is no guarantee that this compact will hold with a weaker successor regime that is unable to constrain powerful clients with autonomous cross-border links to Afghan suppliers, particularly as Niyazov's principal fixer and personal banker, former Afghan war veteran Alexander Zhadan, appears to have disappeared. The training of Turkmen border guards is generally considered to be woeful, and the unpromising terrain along the border is likely to allow the Kushka clans to bypass 'authorised' trafficking channels, with the consequence that an alternative set of patronage networks could develop outside the control of the state.

Accordingly, while the promises of reform are a positive indication of serious intent to respond to the more egregious legacies of Niyazov's rule, they may uncover or unleash a set of 'second order' problems, such as uncontrolled corruption, intense ethno-regional bargaining, and organised criminal activity that cannot be successfully captured and controlled by the state. As the example of Kyrgyzstan since the Tulip Revolution has shown, these problems have tended to arise when a multiplication of political actors combines with the fragmentation of the political agenda.

The energy sector

The death of Niyazov has given rise to considerable speculation that the new government may seek to diversify its natural gas export options by reaching a commercial agreement on gas sales, either with individual EU member states, or with the EU collectively. Turkmen gas would be delivered by way of a subsea Caspian extension to the new Baku-Tbilisi-Erzurum (BTE) South Caucasus pipeline which, in turn, would be connected to the projected Nabucco pipeline servicing the major European gas junction situated at Baumgarten in Austria. President Niyazov rejected such an option, preferring to maintain a core gas relationship with Gazprom, while

⁹ Turkmenistan Helsinki Foundation sources in *Kommersant International*, 19 January 2007.

¹⁰ *Ferghana.Ru*, 6 February 2007.

¹¹ *Reuters*, 21 February 2007.

¹² *RFE/RL Newslines*, 12 February 2007.

¹³ For example, the re-introduction of physical education and new school texts would reduce the amount of time devoted to study of the *Ruhnama*.

¹⁴ *Ferghana.Ru*, 6 February 2007.

¹⁵ Author's private interviews with Turkmen and Azeri sources conducted in various locations in Turkmenistan between November 2002 and May 2005, and in Baku, November 2006. See also "Cracks in the Marble: Turkmenistan's Failing Dictatorship", *International Crisis Group Asia Report No. 44*, 2003.

developing projects to export supplemental volumes south-east, through Afghanistan to Pakistan and India (the now largely defunct TAPI pipeline project) and, pursuant to a preliminary agreement signed in April 2006, east to China.

The export of significant onshore gas volumes in a westerly direction is possible but unlikely. Russia, through Gazprom, maintains a tight grip on the existing pipeline infrastructure in Central Asia and has a 25 year supply contract covering almost all of Turkmenistan's current gas export capacity. Turkmen gas output has stalled since the collapse of the Soviet Union and requires external technology, capital and expertise, which Gazprom will provide, to restore production to Soviet levels.¹⁶ The Russian-Turkmen relationship is symbiotic. Gazprom provides a steady revenue stream and is responsible for pipeline maintenance and upgrading, and attaches no conditionality on human rights and democratisation issues. Russia/Gazprom has (or can adopt) a Soviet *modus operandi* with which the Turkmen elite feels comfortable. From the other side, Turkmen exports enable Gazprom to service its lucrative European contracts, and provide an important supply bridge before the Yamal peninsula project comes onstream. Thus, Gazprom will not surrender its hegemony in Turkmenistan lightly and, as yet, there is insufficient incentive for the Turkmen leadership to look seriously elsewhere.

However, while the principal onshore eastern fields have been effectively 'booked' by Russia (and the new Yolotan field by China), there is potential for European international oil companies (IOCs) to look carefully at developing some of the more interesting

¹⁶ There is wide variation between Turkmen and external sources on the extent of the country's recoverable oil and gas reserves. Turkmengeologiya declared on 14 November 2005 that recoverable natural gas reserves were 20.415 trillion cubic metres (tcm), approximately 10% of global reserves (*NewsCentralAsia*, 14 November 2005). BP's *Statistical Review of World Energy 2006* is far more conservative, estimating 2.9 tcm. The last published independent Russian audit, undertaken by VNIIGaz, estimated 7.84 tcm, which would place Turkmenistan fourth on the global list. Source: Ottar Skagen, *Caspian Gas* (London: Royal Institute for International Affairs, 1997), p.7. Production during the Soviet period peaked in 1990 at 90 billion cubic metres (bcm) per year. Production in 2005 was 63 bcm (*Global Insight Country Report*, accessed 14 September 2006). Target production for 2006 was 80 bcm (*APS Review Gas Market Trends*, Vol. 67 No. 12, 18 September 2006), but this was unlikely to have been met. Estimates of oil reserves vary even more widely, between 171 billion barrels according to Turkmengeologiya (*NewsCentralAsia*, 14 November 2005) and 500 million barrels according to BP's *Statistical Review of World Energy 2006*. Production has more than doubled since 1995 due to increased foreign investment, but is currently static at around 190,000 barrels per day, below the government's annual target of 70 million barrels for 2006 (*APS Review Gas Market Trends*, Vol. 67 No. 12, 18 September 2006).

offshore fields, notably the Livanov-Barinova-Lam (LBL) structures, which are geologically integrated with the large Azeri Chirag-Guneshli (ACG) deepwater oil and gas fields, currently under commercial development by BP. While these prospective fields will not substitute entirely for Russian gas supplies, they will substantially augment existing Caspian basin volumes, and have relatively inexpensive tieback potential to western Caspian infrastructure, without disturbing Gazprom's existing contracts and provoking a reaction against European IOCs working in Russia.

The focus on downstream activities has led European policy-makers to completely neglect very serious governance issues in the domestic energy sector. No part of the state apparatus experienced more upheaval in the final eighteen months of Niyazov's rule than did the state energy bureaucracy. The frequent dismissal and rotation of state officials and ministers was characteristic of Niyazov's rule. However, the purging of the sector's most senior and competent personnel from May 2005 was supplemented by drastic structural reorganisation (see Appendix for structure as at mid-2005, to which the new government may revert). The resultant bottlenecks effectively precluded officials from executing policy, engaging with foreign operators, or monitoring effectively existing commercial operations.

The two most powerful and longstanding members of Niyazov's entourage – Deputy Prime Minister for Oil and Gas Yolly Gurbanmuradov and Head of the Presidential Administration Rejep Saparov – were both dismissed, tried and given long prison sentences for embezzlement in the early summer of 2005. It is believed that each was briefing against the other, and Niyazov took no chances by sequentially removing both.¹⁷ They were followed by a procession of other officials: the chairmen of Turkmenneftegaz, Turkmenneft, Turkmengaz and Turkmengeologiya, four of the country's five state energy agencies, were removed and jailed, along with the head of the Turkmenbashi oil refinery and the chairman of the Central Bank. Nearly all of their replacements were, in turn, removed over the ensuing year, creating a form of 'permanent revolution' in the upper reaches of the energy bureaucracy. It is difficult to gauge to what extent the charges laid were real or imagined, although official toleration of some level of corruption in the oil and gas business was believed to exist. It is possible that Rejepov and Gurbanmuradov had overstepped permissible limits or that they were seeking to transform their financial leverage into political muscle.

The damaging shortage of experienced personnel was compounded by Niyazov's decision on 2 September 2005 to abolish the Competent Body (the interface

¹⁷ Institute of War and Peace Reporting (IWPR) Special Report No. 402, 12 August 2005.

with foreign oil companies) and transfer its responsibilities and operations, along with those of Turkmenneftegaz, to the Ministry of Oil and Gas.¹⁸ Three quarters of the core staff concerned with the negotiation, licensing and control of contracts were sacked, and there were no clear lines of demarcation or authority within the Ministry for the implementation of executive decrees or new legislation. Such was the paralysis that ensued (allied to the fact that the legal signatory of Production Sharing Agreements with foreign companies is the Competent Body), that Niyazov informally reconstituted the Competent Body on 15 December 2005 to act on a strict case-by-case basis under his personal control, reportedly signing off personally LNG sale contracts of only \$10,000.¹⁹

One of the most important issues facing President Berdymuhammedov was to reconstitute the state oil and gas bureaucracy and restore the negotiation, licensing and control functions to the Competent Body. This he did on 12 April 2007 with the creation of a new State Agency for management of hydrocarbon resources, which essentially assumed the functions of the disbanded Competent Body and will be an important step in facilitating further foreign investment in the sector. Turkmenistan's relative diplomatic isolation can be partly explained by the acute shortage of competent personnel working at mid and upper levels of government, and their consequent lack of confidence and vision in dealing with IOCs and international institutions.²⁰ Not knowing what to do, officials have chosen to do nothing. This has been to the immeasurable benefit of Russia and Gazprom. There is, therefore, an important role for the EU in helping to equip a new generation of civil servants and technical specialists to serve effectively in government.

Foreign Policy

Turkmenistan has followed a policy of permanent neutrality since shortly after the collapse of the Soviet

Union in December 1991. This stance was formally recognised by UN General Assembly Resolution A/RES/50/80 passed on 12 December 1995, and then codified into domestic law on 27 December 1995. Niyazov engaged only minimally with the Commonwealth of Independent States (CIS) and even sought unsuccessfully to downgrade Turkmen status to Associate Membership in August 2005.²¹ Niyazov did not accede to the Shanghai Cooperation Organisation (SCO), or the Eurasian Economic Community and has had highly circumscribed contact with the World Bank, the International Monetary Fund and NATO's Partnership for Peace programme.

The rationale for this policy lies in several interconnected factors. The perceived loss of sovereignty in joining regional security institutions could have led to situations where Turkmenistan became a weak frontline state against countries such as Iran and Afghanistan, with whom it has no individual quarrel. The precursor of the SCO was very much geared to containing Taliban influence whereas, somewhat paradoxically, Niyazov maintained cordial relations with the Taliban leadership. Secondly, threats to Turkmenistan's sovereignty are more likely to emanate from unresolved border disputes with Uzbekistan, but the CIS Collective Security Treaty (CST) has no mutual defence or conflict resolution provisions for CST signatories who are attacked by other CST states. Finally, Turkmen foreign policy is founded on not prejudicing either transit routes or markets for its natural gas exports, hence the emphasis on functional bilateral ties with Iran, Russia and Kazakhstan.²²

The only significant change that can be expected from the new government is to extend these underlying principles to a wider set of actors. In practice, this means cementing relatively close relations with China, defrosting relations with Azerbaijan, and cautiously engaging with the US and European states.²³ Such engagement may take the form of exploratory discussions on new gas export routes, but could also encompass issues such as anti-terrorist and counter-narcotics cooperation, the provision of university places for Turkmen students and assistance

¹⁸ For the implications of this decision, see Jonathan H. Hines and Alexander V. Marchenko, "Turkmenistan's Oil and Gas sector: Overview of the Legal Regime for Foreign Investment", revised draft of unpublished paper prepared for LeBoeuf, Lamb, Greene and MacRae LLP, 30 May 2006. Additional unpublished and confidential commercial sources, that cannot be specifically referenced, were also used for this section of the paper.

¹⁹ Author's interview with Ilham Shaban, Editor of "Turan-Energy Bulletin", Baku, 15 November 2006.

²⁰ The Turkmen negotiating team on the Caspian Sea Working Group does not deviate from a set line agreed in advance of negotiations, according to interviews conducted by the author with two senior Azeri Foreign Ministry officials on 15 and 16 November 2006. The inability of officials to negotiate with IOCs effectively was confirmed to the author by a British oil company representative resident in Turkmenistan for several years (interview conducted in London on 23 February 2007).

²¹ Turkmenistan has no dealings with the CIS Interstate Bank or the Inter-Parliamentary Assembly, and does not forward data to the CIS Interstate Statistical Committee (*Izvestiya*, 3 June 2004). The application to downgrade membership was refused because Niyazov did not attend the CIS Heads of State summit in Kazan to sign off the relevant documents (*Russica Izvestiya*, 27 August 2005).

²² See Nadia Badykova, "Turkmenistan's Quest for Economic Security" in Gennady Chufirin (ed.), *The Security of the Caspian Sea Region*, (Oxford: Oxford University Press, 2001), pp. 231-243.

²³ The only official visit by Niyazov to Azerbaijan occurred on 18-19 March 1996, and the only official visit by an Azeri head of state was made by President Heidar Aliyev on 26-27 October 1994 (Source: Ministry of Foreign Affairs of Azerbaijan, October 2006).

on curriculum development, teacher training, installation of new facilities, and provision of textbooks in the secondary and tertiary education sectors. The major obstacles to a more developed 'Western dimension' to Turkmen foreign policy lie in a mixture of functional and intangible issues. The first of these is the long-running dispute with Azerbaijan over the ownership of the Kyapaz/Serdar oil and gas fields in the central Caspian Sea. This disagreement is one of the core factors preventing an overall resolution of the legal status of the Caspian Sea. Settlement would also provide the key to the development and tieback of Turkmen offshore fields into existing Azeri infrastructure, because Kyapaz/Serdar lies midway between, and forms part of, the ACG and LBL structures described above. The inexorable logic of a jointly developed, cross-border exploration and production project would be for the oil and gas produced to transit the Baku-Tbilisi-Ceyhan (BTC) and BTE oil and gas pipelines to service European markets. The present stalemate suits both Russia and Iran, the losers in East-West transport corridor initiatives. However, the Azeri government is apparently keen to resolve the issue, and there might be a role for the EU, as an honest-broker, to assist with mediation and in formulating the technical criteria for demarcation of the border outside of the existing Caspian Sea Working Group framework.²⁴

The more intangible issues revolve around the regime's fear of external influences. Students sent abroad to study might never return, or alternatively, might import values and aspirations that contradict the government's rather unsophisticated nation-building exercise and authoritarian methods of control. However, the government may have to take this chance, because otherwise the opportunities for those with an education to emigrate might simply multiply in any event. There is pretence in Turkmen public life that the population operates and thinks along the narrow lines laid down by official propaganda. The reality is different and more complex. Turkmen watch Russian satellite television and Bollywood films, and selectively lock into and drift out of official discourse when it is instrumentally profitable to do so. Alexei Yurchak records how late Soviet citizens increasingly removed themselves from state-directed leisure spaces, simultaneously living within the system's formal constraints, and yet not following its parameters²⁵. This *vnye* (outside) style of everyday living, preferencing *svoi* (autonomously constructed) social networks over officially

²⁴ Azeri Foreign Ministry sources indicated that, while the government "would never give Kyapaz away on the whole", it would entertain a joint sovereignty/development solution (Source: Author interview, Baku, 14 November 2006). Iran still disputes the principle of median line division of the seabed.

²⁵ Alexei Yurchak, *Everything Was Forever Until It Was No More: The Last Soviet Generation*, (Princeton NJ: Princeton University Press, 2006).

sanctioned activities does not entail the disparaging of the system as a whole. Rather it involves carving a niche within it. Field research conducted in Turkmenistan between 2002 and 2005 suggests that this was also true of life under Niyazov. However, without his remorseless and very real domination of public life, it would be unrealistic for the new government to insist that the existing cult vocabulary constructed under Niyazov can still resonate with the same strength. The government's response to this social legacy of the Niyazov era will be a critical determinant of the extent to which greater diplomatic engagement by the EU will translate into opportunities to develop civil society and commercial partnerships.

Recommendations for the EU

Turkmenistan is not so much at a crossroads as at the start of a journey. The shape and trajectory of the new political order is not yet definitively known. President Berdymuhammedov was, in the immediate hours after Niyazov's death, the beneficiary of a Security Council putsch that displaced Niyazov's constitutional successor. The Security Council has since consolidated its power by engineering three constitutional amendments that effectively enable it to dictate, or at the very least broker, the terms of future succession arrangements. Removing Berdymuhammedov from power is now a much more straightforward constitutional exercise than it would have been in Niyazov's time. The major Security Council players remain in post five months later, and there has been no attempt to reform the 'power ministries'.

However, Berdymuhammedov has made an assured start and undoubtedly gained some independent political traction and genuine popularity of his own, assisted by a calm and reasonable manner, and astute prioritisation of early reforms. Although he may not be as comfortable as Niyazov with the technical details of the hydrocarbon sector, Berdymuhammedov's considered approach to policy-making is a welcome antidote to the extravagances and idiosyncracies of Niyazov's rule. Berdymuhammedov also appears able to maintain the sometimes fragile informal coalitions that hold the state together. The new government is clearly dominated by Ahal Tekes, but the presence of Rejepov, from the eastern Lebap region, and the appointment of Tachberdi Tagiyev, a Western Yomut, to run the oil and gas sector, indicates that there is tribal balance and pluralism within the inner circle of power. Accordingly, there is no reason to believe that Berdymuhammedov, with the backing of the Security Council, cannot remain in power for the foreseeable future.

The EU can assist in getting the country moving in a secular, progressive, modernising direction that will balance necessary structural reforms with continuing

welfare provision, particularly in the area of treatment for drug addiction, penal reform and housing, in order to protect the most vulnerable and impoverished section of the community. Before it does so, it has to order its own priorities. The first of these is to decide whether democracy promotion initiatives are normative or instrumental. The encouragement of, and then subsequent withdrawal of support for, democracy activists in Azerbaijan in 2003 and 2005 greatly damaged the EU's reputation among reformist elements in that country. At present, the EU has no significant interests in Turkmenistan and can afford to be purist in its approach, encouraging, but also maintaining pressure on, the new regime to adhere to normative international commitments on human rights issues. Instrumental democracy promotion can slip into support for authoritarianism, as the US government found in Uzbekistan between 2001 and 2005. The purist approach is, in many ways, the simplest and the noblest. To work, however, it must be consistent and committed and must give Turkmen people both ownership and *authorship* of the political process.²⁶

The conscious subordination of democracy promotion to engagement on technical issues as a means of prefiguring wider social empowerment could also be justified, and might yield more measurable results in the medium-term. This approach would entail helping the government govern better, and focus on improving the opportunities and livelihoods of Turkmen rather than seeking formal democratic outcomes.

The EU can initiate a number of practical, non-threatening and predominantly 'apolitical' measures, in conjunction with other institutions such as the OSCE, EBRD and UN agencies, that would tangibly improve governance and living standards, and gently help to lead the country out of isolation. The EU should not seek to push the new government too far too fast, but could formulate attainable development objectives – for example, an English language text book for every primary school child within two years, or the provision of modern drug treatment centres in each of the country's five regional capitals. That would make a tangible difference, without disrupting the balance of domestic political forces, or undercutting the government's own reform agenda. Similarly, the EU has a role in working with the grain of government proposals to increase civic space. Post-Communist leaders have shown themselves to be adept at speaking back to Euro-Atlantic institutions their preferred agendas without enacting much in the way of meaningful reforms. Thus, Berdy-muhammedov's expressed intention to provide internet access for every village is a matter of public

record, and a role for the EU could be to 'hold him to account' on the pledge by offering to assist with the provision of computer hardware and dial-up facilities. Guidance is also essential on a more specialised technical level, for example training government and state agency officials in commercial contract drafting and in developing advocacy and judicial expertise, and court procedures that would increase the country's juridical capacity.

The recommendations above do not presuppose a developing political relationship between the EU and Turkmenistan. It would be fair to say that the prioritisation of democratisation and human rights issues by the EU in its March 2007 strategy document will, in the medium-term, engender suspicion and prevent the development of close bilateral relations. Unless the EU is prepared to instrumentalise or set aside the promotion of 'European values', perhaps for the sake of a long-term gas supply contract through a trans-Caspian pipeline, then some wariness and conscious distancing on the Turkmen side is inevitable. Moreover, the EU would be wise not expect too much from its energy dialogue. At present, the Turkmen leadership has very few incentives to ditch its long-term gas supply contracts to Russia and China. The prospect of large volumes of onshore Turkmen gas from the eastern Dauletebad and Yolotan fields being moved across the Caspian Sea and directly routed to Europe remains a remote and, in many respects, unfeasible prospect. As noted above, the focus of EU policy should be directed at encouraging European companies to develop promising offshore fields and then facilitating tiebacks to existing offshore infrastructure on the Western side of the Caspian. Although Turkmenistan will miss out on some downstream processing, such an arrangement would carry far less diplomatic and environmental baggage than an expensive setpiece pipeline project across legally contested waters, and still be able to make a more than marginal addition to volumes presently being transported through the BTC and BTE pipelines.

The EU should, therefore be realistic in its ambitions by pressing hard on Turkmenistan's existing treaty commitments if and when certain minimum standards of human rights observance are breached, but by generally adopting a policy of positive engagement and encouragement when things are 'ticking over'. In this sense, EU External Relations Commissioner Benita **Ferrero-Waldner** was right, after her meeting with Turkmen foreign ministry officials on the sidelines EU-Central Asia summit in Astana on 29 March 2007, to praise the reforms so far enacted and offer friendly encouragement for deeper dialogue. It would be fair to conclude that Turkmen as much as outsiders are looking forward to a fresh start in the country, but they must feel that they are both author and owner of any processes of reform and liberalisation for them to succeed. Within this framework, the 15 recommendations listed below are

²⁶ See Gordon Crawford, "Promoting Democratic Governance in Central Asia: Barriers for External Actors", unpublished paper presented at CORE conference, Hamburg, 9-11 February 2007.

by no means exhaustive, but would, if implemented, represent a modest start and a basis for deeper engagement:

- The provision of EU scholarships in business, government, medicine, engineering, chemistry and agricultural management for Turkmen students
- Assistance with the provision of textbooks and other learning materials in the Turkmen, Russian and English languages for primary and secondary school pupils, teacher training through educational exchanges, assistance with sports facilities and computer equipment. Teacher training may be interesting too
- Technical assistance on restoring a functioning state oil and gas bureaucratic apparatus, including the Competent Body, and assistance with legal and commercial issues arising from the negotiation, performance and enforcement of PSAs
- The provision of scholarships and technical training for future oil and gas sector workers
- Assistance in the drafting of tighter local content laws for PSAs and construction contracts
- Short-term assistance in primary and preventive healthcare directed at rural communities
- Assistance in the reform of the agricultural sector, including water conservation, sanitation and environmental management, irrigation, livestock care, and in modification of the existing state purchasing system
- Grants for the construction of water purification systems, particularly in smaller towns and villages
- Enhanced cooperation and training on border security and drug interdiction
- Assistance in the monitoring and improvement of conditions in remand centres (*Sizos*), civilian and military prisons (including women's prisons), and psychiatric hospitals
- The presentation of constructive options for a Western transit route for oil and gas products
- Mediation in the Caspian Sea border dispute with Azerbaijan over the disputed Kyapaz/Serdar fields
- Recognition of the previous government's role in ending the Tajik civil war by helping Turkmenistan fulfil its aspiration of hosting a regional conflict prevention, mediation and resolution centre, that would lend content, value and prestige to the country's permanent neutrality status
- Assistance with the establishment and management of a National Gas Fund to sterilise gas revenues and prevent 'Dutch Disease'
- Technical assistance in developing new, non-state media outlets (including Internet provision) and reviving the national film industry.

STRUCTURE OF TURKMENISTAN'S STATE HYDROCARBON SECTOR

