

Turkmenistan

Status Index (Democracy: 2.58 / Market economy: 3.82)		3.20	Management Index		1.85
HDI	0,738		Population		4.7 m
GDP p. c. (\$, PPP)	5,938		Population growth¹		2.2%
Unemployment rate	n/a		Women in Parliament		16%
UN Education Index	0.91		Poverty²		n/a
			Gini Index		40.8
Source: UNDP: Human Development Report 2005. Figures for 2003 – if not indicated otherwise. ¹ Annual growth between 1975 and 2003. ² Population living below \$ 1 (1990-2003).					

A. Executive summary

In autumn 2002, a group of dissenting government elites attempted to overthrow ruling dictator Saparmurat Niyazov - his policy of hiring and firing top administrators had caused discontent within his government and the security apparatus. After a high-level meeting of dissenting officials had been denounced, the security apparatus used a alleged assassination attempt in November 2002 as a pretext for obtaining search warrant for oppositional groups and their relatives. Since then, Niyazov has successfully strengthened his position and is again ruling without significant challenge.

It is the conclusion of this assessment of the status of democratic and market-economic transformation in the past four years that the president's arbitrary use of power impeded any progress toward democratic transformation, despite the low starting level. As for economic transformation, Turkmenistan's double-digit GDP growth during the observation period resulted in significantly positive trends in the quantitative factors of development. However, considering the absence and inadequacy of basic data, these indicators should be interpreted with care.

Economic growth was achieved almost solely by increasing revenues from the export of natural gas and by investing in the processing of cotton and petrochemical products. For the most part, these profits have been invested off-budget. Investments have often been ineffective, so that education and health services have continued to suffer despite the climate of economic growth. The population's income situation remains extremely tense, although some improvements were reported after considerable increases of state salaries in spring 2003 and January 2005.

B. History and characteristics of transformation

Turkmenistan was one of the 15 republics that achieved independence upon the breakup of the Soviet Union in 1991, despite the fact that it was neither politically nor economically prepared for autonomy. Saparmurat Niyazov, appointed first secretary of the Turkmen Communist Party by Mikhail Gorbachev in 1985, led the republic into independence by usurping Moscow's decision-making powers for human resources and issue-related policies. He had himself elected president of the republic by direct election in October 1990, confirmed in the presidential election of June 21, 1992 as well as the subsequent referendum on January 15, 1994.

In May 1992, Turkmenistan promulgated a constitution declaring the country a constitutional, democratic, presidential republic based on the separation of powers. Formally, the constitution guaranteed basic political rights to all citizens. In reality, however, all forms of political activity were suppressed, and an autocratic regime was established that became increasingly dependent on its domestic secret service and security forces. To shore up domestic political legitimacy, a personality cult was created around the president, giving him a larger-than-life public presence as the "head of all Turkmen" (Turkmenbaşy). When the failure of the August putsch sealed the fate of Marxism/Leninism as a ruling ideology, socio-political organization was moved to an ethnic/national level and the Turkmenization of government and educational institutions was accelerated.

At the start of the 1990s, Turkmenistan found itself under strong pressure to adapt after the loss of state control and planning from Moscow and the disintegration of the Soviet planned economy. Turkmenistan was able to compensate partially for the diminishing of budget revenue transfers for the state sector by gaining control over the sinking export profits from the sale of natural gas and cotton. By 1996, the collapse of entire branches of the economy, low state wages and the discharge of labor in health care, science, education, and culture increased employment in the primary agricultural sector to 44% of the employable population. This sector, however, generated only 25% of GDP (\$2.175 billion). At the same time, GDP fell to 58% of its 1991 level. High inflation, approaching 3,000% in 1993, led to impoverishment of the population. The government cushioned this to some extent by providing free water, gas, and electricity, and by subsidizing staple foods and gasoline prices.

No serious structural reforms occurred in Turkmenistan before the start of the observation period. Privatization remained limited to small businesses in the service sector and unprofitable state-owned enterprises. As Turkmenistan imported a great deal of industrially produced foodstuffs during the Soviet era, some joint ventures were subsequently established in the food industry to satisfy domestic demand,

mostly in cooperation with Turkey. Expansion of the area under cultivation for grain crops reduced Turkmenistan's initial dependence on imported food. This, though, was no guarantee against the bad harvests that led to the dissolution of the Soviet-era collective farms (*kolkhozy*) and the foundation of leasehold-based farm cooperatives in 1996. The agricultural land use and the purchasing monopoly for grain and cotton remain state-controlled and keep agricultural profits low for farmers without access to fertile soils and subsidized benefits and services. Whereas the cotton production remained on a low level, (in 2002 only 490,000 tons were produced), increases in the production of wheat, barley and potatoes production have been reported since 1995.

Increasing profits from the export of natural gas and petrochemical product and low wages in the state sector have kept the budget deficit to less than 1% of GDP since 1999. Due to this low wage level, domestic purchasing power remains low.

Having used the alleged assassination attempt in November 2002 to suppress oppositional groups and dissenting government officials, Niyazov's position as a dictator is unchallenged. As such, the future of the regime seems to depend on the health of the president, assuming that no incident within the Presidential Guard, an elite group of former bodyguards and security agents, takes place

C. Assessment

1. Democracy

Turkmenistan has made no progress in the transformation of its political system in any of the areas assessed. It has even noticeably lost ground in some areas like education, despite low starting levels. Transformation deficiencies persist in the areas of stateness, political participation, rule of law, institutional stability, and political and social integration.

1.1. Stateness

The president's dominant position has enabled Turkmenistan to maintain the state's monopoly on the use of force. Regional encroachment from informal political alliances, such as clans, recurs periodically, but was rarely visible during the observation period due to presidential control.

Formally, all citizens have the same civil rights. In practice, members of national minorities such as Russians and Uzbeks are discriminated against in education and

the civil service. They also do not have the right of eligibility in parliamentary elections.

Religion and state are largely separate. Religious dogmas have no influence worth mentioning on politics or law. Nevertheless, the state does not respect the autonomy of the religious sphere. It maintains tight control on Sunnite Islam and suppresses all non-Sunnite and non-Russian orthodox religious groups.

The state's fundamental infrastructure extends to the entire territory of the country, but its operation is extremely deficient, due to the inconsistency of the president's directives and the personal interests of public officials.

1.2. Political participation

Parliamentary elections occur on the basis of universal suffrage. The president is appointed for life. The right to run for office is tightly restricted. The December 19, 2004 election of the parliament (Mejlis) only brought pro-presidential candidates, most of whom were already civil servants, into office.

Moreover, executives are not determined by elections. The president has complete control of the power to govern. No veto groups to the president have been able to establish themselves. In late 2003, a new constitutional law was adopted, reducing the power of the Mejlis and making the People's Council (Halk Maslahaty) the supreme legislative organ. It consists of up to 2,500 delegates and meets at least yearly. Since Niyazov also became its "Chairman for Life," he holds the sole authority of both legislative and executive branches of government.

Although formally anchored in the constitution, actual freedoms of assembly or association for political and civil groups do not exist. Politically oriented civil-society organizations are generally suppressed, while the occasional rallies that break out as protests against individual measures from the regime are always immediately dispersed by security forces.

Dissemination of information and shaping of public opinion remain state-controlled and are subjected to tremendous propaganda and manipulation. The government systematically uses the media to strengthen the president's personality cult and publicize the "Turkmen Golden Age" and state ideology of "Ruhnama" everywhere and anywhere.

1.3. Rule of law

Although the separation of powers is formally anchored in the constitution, it does not exist in reality. The president controls the election of parliamentary deputies and hires and fires the judges and prosecutors. In addition, he appoints all top ministers and officials in the administrative and executive system. Officially, the justice system has been institutionally differentiated at all administrative levels, but it is strongly politicized and remains part of the regime's system of command. The enforcement and modification of legal norms remain dependent on the president's personal wishes.

The president appoints judges to five-year terms and they remain dependent upon him throughout this period. Procedural efficiency must therefore be assessed as very low. No independent judicial monitoring or auditing authorities exist. Trials of government opponents are summary proceedings; the president amends the sentences as he chooses. There is no court with constitutional jurisdiction.

Legal punishment of corruption and abuse of authority takes place on the president's orders. Accused officials are prosecuted on the basis of applicable laws, sentenced, and their assets confiscated. The president has publicly humiliated many of his former deputy prime ministers and comrades-in-arms and had them sentenced for abuse of authority, even when they were charged with implausible offences.

The frequent practice of appointing governors and ministers for terms of only half a year continues to nurture corruption to the point that subordinate departments are put under unofficial pressure to turn over part of their income to their superiors due to non-fulfillment of state planning targets.

Civil rights are systematically violated. Members of the political opposition and their families are subjected to arbitrary arrest and sentenced to long prison terms. Property rights are violated for political reasons—many single-family homeowners whose property was confiscated to build parks, wide exit roads, and showpiece architecture have received inadequate compensation or no compensation at all. National minorities such as the Uzbeks, Russians, and Kazakhs have been discriminated against as a result of the Turkmenization of state, economic, and educational institutions. Although the constitution guarantees freedom of religion, the only officially recognized religions are Sunni Islam and the Russian Orthodox Church. Other religious communities are prosecuted under criminal law, and some of their representatives have been sent to prison.

1.4. Stability of democratic institutions

No functioning democratic institutions exist in Turkmenistan. Although the constitution formally prescribes the division of power, the president rules the country by decree. Legislation and judiciary are subordinated to the executive power, which is dominated by the arbitrary will and commands of the president.

1.5. Political and social integration

There is no party system. The observation period saw no improvement of the already minimum established mechanisms for mediation between the society and the political system. The parliaments and assemblies of elders, which are organized on local, regional, and republic levels as a formal democratization exercise, have only an acclamatory function. There are no independent professional associations or trade unions.

Some civil society interests are being introduced into the political system, due to the demand for the expertise of the educational elite. During the observation period, however, their know-how was used increasingly for the purpose of creating political legitimacy. Arbitrary dismissal and transfer of ministers and top functionaries, together with an emphasis on recruiting elites from the Ahal region, continue to limit the possibility for the informal mediation of regional interests via patronage-based networks.

There is no reliable survey data on the population's attitude toward democracy as a form of government.

Civic self-organization remains extremely low. State-financed institutions and organizations provide services in education, health care, and social work. The farmers' cooperatives founded in 1996 have also been forced into a straitjacket of state regulation. As tenants on state-owned land, they must hand over stipulated amounts of grain and cotton. Self-help groups tend to form in response to specific situations, along the lines of informal networks based on personal relationships, to provide services formerly taken care of by the state or the collective farms, such as housing construction and maintenance.

Independent groups, including unrecognized religious communities, are subjected to state repression. Private institutions financed from abroad, such as Turkish private schools, are only allowed to operate under state control. Trust is low within the society and exists only within networks of personal relationships. Owing to the president's unpredictable staffing policies and the dismissal and/or prosecution of

former ministers and top functionaries of the security forces, mistrust and uncertainty continued to be high over the last two years, even within the administration and security forces. The high percentage of the workforce employed in the state sector prohibits the development of an independent societal stratum for civic self-organization.

2. Market economy

Turkmenistan has not progressed toward transforming its economic order. Transformation deficiencies persist in the organization of the market and competition, monetary policy, privatization, protection of property rights, and the sustainability of educational and infrastructure policy. Nevertheless, continued investments in the export-oriented textile, gas and petrochemical sectors increased hard currency revenues under the personal control of the president.

2.1. Level of socioeconomic development

The key indicators show a low to medium level of development. The country's development status does not allow its citizens an adequate freedom of choice. Russian, Uzbek, and Kazakh minorities experience social exclusion due to poverty and ethnic discrimination. During the observation period, available indicators showed some socio-economic improvements in the area of "average human development." Nevertheless, the situation is difficult to judge properly, as many indicators are not available and reported statistics are probably unreliable. Figures for 2003's GDP vary between the ADB's estimate of \$11.4 billion and the World Bank's considerably lower estimate of \$6 billion.) Population figures for 2003 are between 6.12 and 4.9 million. These figures do not reflect the high activity of the shadow economy or incomes from household plots used for agricultural production, which are often the basic source of income for whole families.

Income distribution retained a relatively high level of inequality. Poverty indices are no longer reported. Slight improvements were noted in the health and education sectors, but there is no reliable statistical data. For example, after the state cut subsidies for hospitals, the accessibility to medical aid seems to have become more difficult for poor people, especially in the rural areas. The inclusion of per capita GDP as a development indicator is also problematic, as growth of GDP depends of the export sector with low returns for the population. Official figures say that in 2003 more than 50% of Turkmenistan's GDP (\$6 billion) came from the state monopoly on the export of raw materials and textiles. However, when calculated at the unofficial exchange rate, in that same year the state's entire budget, including all other sources

of income, was only \$550 million.

2.2. Organization of the market and competition

The foundations of market-based competition are not secure. The state continues to control almost all aspects of the economy, as state companies carry out all production and export of oil, natural gas, and other raw materials. The state also enforces purchasing and trade monopolies on cotton and grain at prices well below world market levels. There is no currency convertibility and street market exchange rates are more than four times higher than the fixed official U.S. dollar exchange rate of 5,200 manat. The IMF has granted no foreign currency loans in the absence of readiness to reform. Both the European Bank for Reconstruction and Development (EBRD) and Asian Development Bank (ADB) refused to grant loans to Turkmenistan's public sector because of the high degree of state control over the economy and the slow pace of structural reform. Nevertheless, there exists an informal bazaar market for non-strategic goods like vegetables, fruits and hand-crafts, and these are regulated by free price formation.

The state monopolizes all strategically important economic resources like gas, petrochemical products, cotton and grain. In other areas, such as the import and trade of goods, it does not impede monopolies.

Freedom of trade is strictly limited. Foreign business people, primarily from Turkey, are given preferential treatment when concessions are awarded. Repatriation of profits is difficult and tied to re-investment, with the result that financially less powerful investors or investors without personal business relations with the president avoid investments in Turkmenistan.

Foreign trade is state-controlled to a great extent. After the regional financial crisis caused by the devaluation of the Russian ruble in August 1998, the banking sector was restructured by presidential decree and the state's share increased. Eight of the nine domestic banks are state-owned or state-controlled. Domestic banks are subject to presidential influence. Their business practices are limited by directives, such as the abolition of the debts of certain ministries. There are no figures available for foreign debt during the observation period.

2.3. Currency and price stability

After hyperinflation rose above 1,000% in the first half of the 1990s, Turkmenistan continued to make progress in fighting inflation during the observation period. The

central bank is not independent. The central bank's restrictive credit policy and the freezing of the average civil service wage at \$20 per month helped reduce inflation from 16.8% in 1998 to 6% in 2001. The doubling of state salaries in January 2003 and another increase of 50% in January 2005 could have had an impact on inflation. However, due to the reduction of employment in the state sector, this effect was neutralized and inflation remained low.

There is no currency convertibility. Despite inflation, the exchange rate has remained officially fixed at 5,200 manats to the dollar since 1999, less than one quarter of the black market value in 2004. This ratio has remained stable for the last two years.

Turkmenistan has managed to avoid a budget crisis because of profits from its exports. However, a large portion of the export earnings continue to be spent off-budget, being placed in special funds for infrastructure projects and showpiece architecture.

2.4. Private property

The law formally enshrines property rights and the regulation of the acquisition of property, but these rights are very much subject to the arbitrary use of state power. Private property was established by way of small-scale privatization, but there has been accompanied by expropriation and dispossession without adequate compensation. This process was meant to facilitate infrastructure and showpiece projects. During the observation period, interferences in the property rights of the regime's opponents and dismissed senior officials persisted.

Bigger businesses were privatized only if they were unprofitable and equipped with obsolete technology. Share packages were frequently used to preserve state influence. However, the tenancy system practiced in the agricultural sector since 1996 might lead to the prospect of the establishment of private land ownership. During the observation period, tenants were able to claim new desert land through irrigation and by not carrying out unprofitable cotton cultivation in established irrigational zones.

Private businesses are primarily permitted to operate in the textile, construction, and trade sectors, with a great deal of foreign investment. On the president's orders it is simple to confiscate the property of successful Turkmen entrepreneurs for "illegal business practices."

2.5. Welfare regime

During the observation period Turkmenistan continued to preserve some aspects of the old Soviet welfare regime, including free natural gas, water, and electricity, as well as subsidies for basic foodstuffs. The state social security system provides very low levels of basic assistance. Therefore, the old, sick, unemployed and unemployable in Turkmenistan must rely on their networks of friends and relatives. Further cutbacks of health subsidies and education, and the fact that people are now obliged to pay for these services, have worsened access for the poor in both the country and the cities. Due to the easy access to drugs, drug addicts became a serious problem in Turkmenistan.

Equality of opportunity did not improve during the period under assessment. Due to previous university enrollment cuts, to a large extent only the children of elite functionaries are now able to go to college. Indeed, university education has been de facto abolished after secondary schooling was reduced from seven to five years and university studies to two years. Graduate-level training has been eliminated. The gap has widened between the ever-wealthier government elite, successful tenant farmers, and the impoverished population of Turkmenistan.

The gradient between rural and urban areas was made steeper by cutbacks in educational and health care institutions, which are being concentrated in the capital city. Another factor is that the concentration of public investment in the capital created jobs there and not anywhere else.

The multiple burdens borne by mothers remained heavy due to previous increases in women's working hours, as they must also accept the traditional Turkmen gender roles. Women's access to educational institutions remained fundamentally guaranteed, but women are underrepresented in governmental and administrative institutions and occupy few management positions. In recent years President Niyazov has preferred to recruit women into top positions, as he regards them to be less predisposed to corruption and embezzlement of money.

In addition, ethnic minorities like Uzbeks, Kazakhs and Russians have low career chances due to the Turkmenization of the educational and administrative system.

2.6. Economic performance

Turkmenistan's economic performance is highly dependent on the production and processing of natural gas, oil, and cotton. Those sectors accounted for over 80% of exports and over 50% of GDP in 2003. An economic recovery began in 1996 but

practically rolled to a halt as a result of the almost complete stoppage of natural gas exports in 1998 and the low export level in 1999. However, the recovery picked up later due to the increased export revenues. As a result, the balance of trade became clearly positive, comprising one-third of total exports in 2003. Rising oil prices and investments in petrochemical and cotton processing resulted in economic growth that was reported between 15-20% in 2002 and 2003. However, U.N. statistics only indicate a growth rate of around 9%.

Although agricultural production doubled after the switch to a tenancy system, the new system was unable to prevent bad cotton harvests in 2002 and 2003 caused by unfavorable climate conditions and ineffective management methods. Economic growth remained limited to export sectors and scarcely affected the hidden unemployment and poverty suffered by large portions of the population.

2.7. Sustainability

Legislative and executive environmental consciousness is low. Although the Turkmen government is obligated to protect the environment by signing a number of international environmental agreements, pollution has not decreased. Traffic and the petrochemical industry keep air pollution levels high. Drinking-water quality has reached health-threatening levels, while the irrigation and drainage systems are in poor condition, endangering the groundwater supply. In addition, over cropping and lack of crop rotation are putting a strain on soil quality. However, ecological concerns receive only sporadic consideration, especially if they are linked to economic growth. The Golden Lake project, which has the goal of securing irrigational needs in northern Turkmenistan, is underway without proper consideration of the ecological consequences, especially for neighboring Uzbekistan. There is a long-term political effort to reduce the economic dependence on raw materials by promoting a domestic textile industry, although this remains insignificant compared to the export market.

Turkmenistan inherited an education system from the Soviet Union with comparatively high standards, being quite accessible for all social and regional strata of the society. After the dissolution of the Soviet Union, this educational system suffered as a result of the emigration of Russian specialists and professionals who had been its mainstay. In addition, the education policy of the president led to the de facto destruction of higher education; he abolished the Academy of Science, doctoral studies and reduced university studies to two years. In addition, high school education was reduced to nine years and an entrance requirement of two years of compulsory practical work was introduced instead of an exam for university. Thus, solid institutions for advanced education are no longer available in Turkmenistan; as a result, many parents sent their children to Russia.

3. Management

3.1. Level of difficulty

The medium-range economic and societal development level, the population's relatively high level of education, the effective state monopoly on the use of force, and the separation of church and state all provided certain basic preconditions for the transformation of the Turkmen economy and society. Complicating circumstances included the 25% of national minorities in the total population, strong regionalism and particularism, the lack of efficient constitutional structures, and the president's patrimonial control over government revenues and state apparatus. Considering the structural socio-economic conditions affecting the political process, the degree of difficulty for transformation must be rated high. There is no consensus on democracy, and there are no accepted democratic rules of the game.

Other complications are the lack of civil society traditions, preferences for regionalism and informal networks of trust and cooperation formed along the basic tribal descent groups. These traditions of networks date back to pre-colonial history. The transformation conditions for foreign trade and exchange have not been significantly affected by the difficult but improving regional and global economic situation. However, rising oil prices give the economic potential for better management of transformation.

Profile of the Political System

Regime type: <i>Autocracy</i>	Latest parliamentary election:	<i>19.12.2004</i>
Head of Government: <i>Saparmurat Niyazov</i>	Cabinet duration:	<i>01/03-12/04</i>
	Number of ministries:	<i>21</i>
	Number of ministers:	<i>19</i>

Source: BTI team, based upon information by country analysts, situation in July 2005. Number of ministries/ ministers denotes the situation on 1 January 2005.

3.2. Steering capability

In Turkmenistan, all strategic political and economic aims are set by the ruling president. Niyazov's rule is highly arbitrary, lacking in legal restrictions, and partly characterized by a selective sense of reality. He rules by decree and his commands are implemented immediately by officials, albeit arbitrarily and selectively. Frequently, the result is political directives and goal-setting which are contradictory. Even though his political decisions and statements are self-serving, there is a recognizable political

strategy aimed at strengthening the export sector and holding labor costs low in order to increase revenues for public investments in infrastructure and prestige buildings.

Turkmenistan is not making efforts to introduce a free market democracy. Instead, the president is attempting to create a traditionalistic, atomized, Turkmenized society, sealed off from the outside world, regulated by state monopoly, and completely subject to his orders.

As a collective body, Turkmenistan's government was not capable of carrying out long-term oriented reforms because it was completely dependent on president Niyazov during the assessment period and subject to an extremely high degree of fluctuation. All political decisions depended on the president's approval and goodwill, which greatly constrained the government's ability to make decisions and solve problems. Recruitment of inexperienced young officials into top positions and periodic purges of the administrative and security forces are intended to nip potential opposition in the bud.

As political leadership depends on the will and ideas of the president, reform agendas are linked to the political perception and available information of the president. Serious economic and political reforms have not been undertaken. The president is eager to ensure an unchallenged power position, despite the discontent among administrative elites and the population about obviously mistaken policies like those in the health and education system. His ability to increase revenues and to modernize the gas sector became visible with the two agreements. The first was a 25-year intergovernmental agreement between Turkmenistan and Russia regarding cooperation in the area of oil and gas industry in 2003. The second agreement was with Ukrainian oil and gas giant Naftoghas Ukrayiny to obtain higher purchase prices of gas in January 2005.

3.3. Resource efficiency

The government does not make efficient use of available human and economic resources. Personnel expenses relative to services offered are not well balanced. A relatively high number of government employees, who officially receive extremely low wages, offer little service to the population. Top officials hired and fired arbitrarily by presidential decree in turn hire their subordinates on the basis of loyalty and patronage consideration without publicly advertising the positions. The government wastes a great deal of its resources on the construction of representational objects. Human resource development in the education and health care sectors was seriously neglected during the assessment period.

Although official figures show a balanced budget, state spending remains non-transparent, as various funds are not included in the budget and the president has personal authority over export revenues. Transparent planning and appropriate execution of the state budget do not exist.

There are no effective independent auditing controls. The administrative organization and the implementation of the laws are unclear in some areas because of overlapping authority among ministries and state agencies as well as between deputy prime ministers and other ministers. There is no indication of any decentralization of the administrative processes. Local self-governing institutions enjoy very little legal and financial autonomy. The implementation of laws intended to strengthen the market economy were frequently only partial and not carried out.

Government resources are distributed on the basis of patronage-based networks. Increasingly shorter appointments and dismissals of ministers and top officials are doing little to change the situation. Investments in the export economy and functional infrastructure, such as roads, pipelines and railroads, are not always coordinated and have inappropriate priorities, such as capital intensive railway construction to destinations where roads are in a desperate state. Due to the dominant position of the president, rivalries between different state institutions are fought by denouncing the “corruptive practices” of rivaling institutions like the security apparatus, judiciary and ministries. The president uses these investigative reports for his policy of “hire and fire.”

Large proportions of the state are directly controlled by the president. His need to control imposes a heavy workload on himself. Because he understands himself as the only “honest” broker of the state, Niyazov personally supervises the performance of top officials and makes officeholders accountable for embezzlements. As he respects neither formal nor informal rules of authority, officeholders know about the temporality of their job and use it for making money by collecting gifts and cash from subordinated officeholders in exchange for protecting their jobs. The consequence is that most state employees have to pay a part of their salary to superiors and demand money from citizens who want to get services like health care or education. Niyazov’s personal control of top office holders is not only highly inefficient, but also partly produces the “corruption” which he tries to overcome. In a culture of “gift giving,” the difference between gifts and corruptions is often also not apparent for agents and analysts.

3.4. Consensus-building

No consensus exists among the political actors about building a market-based democracy. Such a political consensus would be meaningless at this time because the president and the political elite that support him are not trying to achieve a free market democracy. The head of state decides all political questions on his own authority.

At the moment, there are no relevant political actors – except the president – who are able to advance democratic and economic reforms.

Cleavages exist along regional, ethnic, social and religious lines in Turkmenistan, but the personal rule of Niyazov and the extensive control mechanisms of the security apparatus keep dissent calm. Most non-Ahal Turkman perceive political change under Niyazov as a “Ahalisation” of the republic, which basically offers jobs and investment to residents of the Ahal-region and leaves other regions in a desperate state. Regional cleavages are potentially serious in Turkmenistan, and may lead to a challenge of the unity of the state after the death of Niyazov.

Inter-personal trust is extremely low within the society, as Niyazov has spread a culture of fear and distrust, which has also grown within the state administration and security apparatus. Trust exists mainly in clientelist networks that dominate politics and society. The arbitrary appointment process and exchange of officials make stable social and political relations extremely difficult. NGO activities are discouraged and often prosecuted, even if NGOs only deal with nonpolitical issues such as protection of the environment.

The political leadership suppresses and excludes civil society actors from the political process. A 2003 law on public associations led to the involuntary curtailment or suspension of many groups’ activities as well as of some financial assistance to NGOs from international donors or led to the co-opting of some independent groups into state-backed bodies. Not being able to open bank accounts, rent space, or install internet connections make the operation of unregistered NGOs impossible inside the country. Only pro-governmental organizations, such as the Women’s Union, Turkmenistan Democratic Party (the only political party in the country) and the Turkmenistan Youth Union are registered.

3.5. International cooperation

Turkmenistan is a member of the United Nations and a number of other international organizations that provide aid programs for economic and social development.

However, the influence of these external actors remains relatively low. Despite formal declarations to the contrary, Turkmenistan has frequently opposed the implementation of reforms intended to strengthen democracy and the market economy. During the observation period, the IMF did not grant Turkmenistan any loans to support the Turkmen currency because of the country's lack of interest in reforms.

For similar reasons, the EBRD stopped all additional loans to Turkmenistan for public sector development in April 2000. Subsequently, Turkmenistan joined the ADB in August 2000. But the ADB is also showing restraint in issuing loans and did not increase the amount. The Organization for Security and Co-operation in Europe (OSCE) has had a mission in Ashgabat since May 1999, but its influence on political developments is extremely limited. International NGOs' activities are extremely limited. Turkmenistan did not join the alliance against international terrorism, remained neutral in the war in Afghanistan, and opened its borders only for humanitarian aid. In the last two years there have been tendencies for a more active Turkmen foreign policy that aims at improving the negative image of the country. The impact of bilateral and multilateral donors is low.

The government seeks to present itself as a reliable partner for international organizations. However, it is considered not very credible due to its restrictions on freedom of action. A planned regional U.N. center for preventive diplomacy in Central Asia based in Ashgabat would be regarded as an upgrade in diplomatic relations with neighboring states and the international community. During the assessment period, Turkmenistan continued to avoid the CIS organizations' multilateralism and sought economically advantageous cooperation alliances, primarily on a bilateral level. While relations with Afghanistan and Iran remained good, relations with Azerbaijan are still tense due to disputes over oil fields in the Caspian Sea. Relations with Uzbekistan have improved in the last two years. Uzbekistan was seen as supporting former Minister of Foreign Affairs Boris Shikmuradov, who was arrested on December 25, 2002 as main organizer of the alleged assassination attempt. Improved relations materialized in the Bukhara summit in November 2004, where both presidents signed a series of bilateral agreements, including one on "eternal friendship." Relations with Kazakhstan and Russia have developed on the basis of mutual benefits and intensified cooperation in the export of Turkmen gas. Nevertheless, Turkmenistan's readiness to participate in regional cooperation partnerships, e.g. in the area of sustainable utilization of the environment and of water resources, remains low. There is also an increasing U.S. interest in supporting the plans for a trans-Afghanistan gas pipeline from Turkmenistan.

4. Trend of development

4.1. Democratic development

During the assessment period, the government had a monopoly on the use of force as well as public safety and order, with some limitations. In every other area, the minimum conditions of a constitutional democracy under the rule of law were not met or were met only to a low degree. Administrative and judicial performance and effectiveness remained low, due to ever-shortening terms of office and the arbitrary dismissals of management. Their dependence on the president persists.

Citizens' opportunities for free organization and civil organizations' opportunities to act freely remain completely suppressed. Public safety remained at a low level, due to encroachments on the population by security forces. The parliamentary elections of 2004 were administratively manipulated in the same way as in 1999. Freedom of opinion and freedom of the media have suffered. Since the end of 2002, politically uninvolved citizens who even question official political propaganda can be punished under both civil service law and criminal law. The viability of civil rights has suffered from interference in property rights and arbitrary arrests of people (and their relatives) allegedly opposed to the government.

Despite the setbacks linked to the dissent and opposition of governmental officials in 2002, President Niyazov used the so-called assassination attempt in November 2002 to curb opposition groups and to keep his position of power unchallenged. Thus, the political system has remained stable during the last two years, despite and because of the policy of cadre circulation and short-term appointments. The president's broad use of authority has completely undermined the basic constitutional institutions and will impose high risks for instability after his reign.

4.2. Market economy development

Basic development indicators show significant improvement in average development during the assessment period. The Gini index remained unchanged. However, the reliability of these quantitative indicators, some of which have not been available for the last four years, remains questionable. They have to be calculated on the basis of whitewashed official statistics. Available economic and social data for Turkmenistan are extremely incomplete and contradictory. What remains beyond dispute is the economic growth resulting from the export of raw materials. During the assessment period, however, this only led to minor improvement in the standard of living. Wage levels continued to be kept artificially low by state intervention.

The absence of institutional framework conditions for market-economic activity persists in Turkmenistan. Economic and competition regulation continues to impede the development of a free market economy and has changed little.

Economic development improved overall, owing to investment in the production and processing of cotton and hydrocarbons and to the increased revenues from natural gas exports. Although starting levels were low, the economy demonstrated high growth dynamics. The economic growth did not appreciably benefit the fight against poverty during the assessment period, however, and it was accompanied by serious cutbacks in education and health care.

Table: Development of macroeconomic fundamentals (2000-2004)

	2000	2001	2002	2003	2004
Growth of GDP in % (1)	18.6	20.4	19.8	16.9	7.5
Export growth in %	111	4.6	8.9	30.27	n.a.
Import growth in %	20.7	31.6	-9.8	15.6	n.a.
Inflation in % (CPI)	8	11.6	8.8	5.6	5
Investment in % of GDP				19.5	n.a.
Tax Revenue in % of GDP	n.a.	n.a.	n.a.	n.a.	n.a.
Unemployment in %	n.a.	n.a.	n.a.	n.a.	n.a.
Budget deficit/surplus in % of GDP	0.3	-0.8	0.2	-0.8	n.a.
Current account balance in billion \$	0.412	0.115	0.583	0.508	0.671

Source: (1) 2000: 10 %; 2001: 7.9; 2002: 9; 2003: 9 (UN National Account Main Aggregates Database <http://unstats.un.org> [evaluated 10 Feb. 2005]); Turkmenistan Data Profile <http://devdata.worldbank.org> [evaluated 7 Feb. 2005] World Economic Outlook Database, Sept. 2004 <http://www.imf.org> [evaluated 11 Feb. 2005]; The Europe World Year Book, London 2000-2004.

D. Strategic perspective

Having faced increasing dissent from leading officials of the government and security apparatus, president Niyazov used the alleged assassination attempt in November 2002 to curb intra-governmental opposition. Specifically, this crackdown led to the arrest and sentencing of former foreign minister Boris Shikmuradov and other top officials. Since then, Niyazov has aggravated border control regimes, abolished the double citizenship of Russian residents and increased control on foreigners living in Turkmenistan. He has continued to circulate elites in and out of office quickly and to make short-term appointments. As such, his position seems again to have become

unchallenged. Should further resistance within the regime take place, it is unlikely to be effective. As such, the endurance of the regime seems to depend on the health of the president, assuming that no incident within the Presidential Guard, which monitors both security apparatus and government, takes place.

In the political sphere, democratic transformation has yet to be initiated. The democratic deficits are enormous in most areas and did not decrease during the observation period, given the president's arbitrary use of power. Under the current political conditions, serious democratization of the political system would have very destabilizing effects and could lead to a regionalization of the republic and the breakdown of state unity. This risk is to be taken seriously, as the president's policy of arbitrarily choosing his cadre reshuffles young inexperienced officials in top governmental positions who lack political support.

In the realm economic transformation, some reorganization occurred in several areas prior the observation period. By breaking up the Soviet-era collective farms and introducing a tenancy system with the prospect of property acquisition, Turkmenistan had been able to partially increase agricultural productivity and income. Investment in the export sector and an increase of gas exports boosted revenues enormously and caused double-digit GDP growth rates. Important structural reforms for a market economy system – such as the protection of property rights, free trade, the elimination of market entry barriers and supply-and-demand-based pricing – have yet to take place. The improvement of Uzbek-Turkmen relations and the U.S. support of a pipeline through Afghanistan might strengthen the position of the president in the coming years.

Overall, Turkmenistan's transformation picture is negative. In the political arena, the separation of powers stipulated in the constitution has been completely overwhelmed by the president's unlimited power. Were he to leave office now, Niyazov would leave behind a power vacuum, where political elites from the different regions would compete for influence and the country's top office. How successful the president's successor will be in putting political institutions onto a new footing remains uncertain. No immediate measures for democratizing the society are to be expected. Niyazov's successor is much more likely to attempt to diversify the economy to make Turkmenistan less dependent on fluctuations in the export markets. The dismantling of the public health care and secondary, university, and research institutions will also have to be undone.