

BTI 2014 | Turkmenistan Country Report

Status Index	1-10	3.45	# 115 of 129	
Political Transformation	1-10	2.78	# 123 of 129	➔
Economic Transformation	1-10	4.11	# 104 of 129	➔
Management Index	1-10	2.19	# 122 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	5.2	HDI	0.698	GDP p.c.	\$ 10583.2
Pop. growth ¹	% p.a.	1.3	HDI rank of 187	102	Gini Index	-
Life expectancy	years	65.2	UN Education Index	0.743	Poverty ³	% -
Urban population	%	49.1	Gender inequality ²	-	Aid per capita	\$ 3.3

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

In 2011 and 2012, Turkmenistan maintained a stable political system under the authoritarian rule of President Gurbanguly Berdimuhamedov. Between 2007 and 2009, in the years following the death of the first president, Saparmurat Niyazov, Berdimuhamedov removed all potential challengers from the political landscape and consolidated his power by granting himself wide-ranging authority, as laid out in a new constitution adopted in 2008. Those in the Western Ahal region, the region he is from, have supported the personal rule of the president, and representatives from the region received preferential treatment in cadre reorganization in Turkmenistan. In particular, the president favored loyal supporters and family members, eliminated former Niyazov cronies, and successfully redistributed property and business interests to a select few. He also kept members of opposition in exile and prevented their active involvement in the republic's political and economic spheres. The 2012 presidential elections became a symbol of this transformation, which was ideologically expressed by changing the title of the period from "The Great Renaissance" to "The Period of Might and Happiness."

President Berdimuhamedov was also able to reverse some of Turkmenbashi's most irrational politics and he partially reformed the education, health, and pension systems. He also generally dismantled his predecessor's personality cult, although some aspects remained, such as the obligatory knowledge in university examinations of Ruhnama, a book written by the former president, and protocol visits to the first president's grave for foreign delegations. On the other hand, he has gradually started to construct and promote a personality cult around himself, which is still far from the devotion performed during Niyazov's period.

Regarding economic transformation, Turkmenistan had to recover from a substantial decline in revenue due to a gas pipeline explosion in 2009, which led to the complete suspension of gas exports to Russia. Although the gas supply to Russia resumed in 2010, Russia's Gazprom purchased only one-fourth its previous volume. In response, Turkmenistan accelerated the building of export capacity to China and Iran to replace the lost revenue from Russia. By 2012,

export eastwards became crucial for Turkmenistan and reached approximately the same volume as former exports to Russia. Iran became an additional new consumer, while other projects were developed or, in some cases, reached the final stages of negotiations. These include TAPI to Afghanistan, Pakistan and India, TATC to Afghanistan, Tajikistan and China and the East -West pipeline to connect the main gas fields inside Turkmenistan and to export the gas from Western Turkmenistan to China and India.

The government claims that increased gas exports and the influx of investments have enabled the economy to return to double-digit growth, but their figures are unreliable. President Berdimuhamedov also adopted new laws designed to ease investments in the country and to create a more favorable business environment. However, in January 2013, Berdimuhamedov created a new agency to oversee foreign investments to protect the national economy from potential risks. In other words, all investments remained under strict government control, and essentially, under presidential administration. While the currency, the manat, was fixed on the same exchange rates, inflation continued to be high, unofficially at about 10% during the review period. The ease of conducting business in the country still hinges on one's personal ties with political elites rather than on standard, recognized procedures. Moreover, the banking sector continues to be relatively ineffective, although some improvements can be expected with the large-scale privatization initiatives prepared for the period of 2013-2016. In addition, the welfare system remains intransparent. Although some local private enterprises are able to operate efficiently, overall, corruption curbs their development. Likewise, despite some reforms in the education sector, pervasive corruption in this sphere does not enable the education of highly qualified specialists. Most visible in this regard is the health care system, which has not been able to recover from the brain drain from the previous period. As a result, people are forced to turn to the few excellent hospitals, go abroad, or use local poorly qualified doctors. Lastly, the government also continues to decrease price subsidies, in particular in the fuel sector as well as the free usage of electricity, gas or water.

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 it. 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. In October 1990, he was elected the republic's president in a direct election, considered rigged by most observers, and was re-elected in the presidential election of 21 June 1992 as well as the subsequent referendum on 15 January 1994.

In May 1992, Turkmenistan drafted a constitution that declared the country a constitutional, democratic and presidential republic based on a 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 established itself with the backing of its domestic secret service and security forces. To shore up domestic political legitimacy, the president worked to create a personality cult that imbued him with a larger-than-life public presence as the “head of all Turkmen” (“Turkmenbashi”). When the failure of the 1991 August putsch sealed the fate of Marxism-Leninism as a ruling ideology, sociopolitical organizations emerged around ethnic and national identity. In this context, the president accelerated the Turkmenization of government and educational institutions.

In the early 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 partially compensate for diminishing budget revenue transfers from Moscow by gaining control over 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 resulted in an exaggerated reliance on the primary agricultural sector. This sector, which generated only 25% of GDP (\$2.175 billion), employed 44% of the employable population. By 1996, GDP had fallen to 58% of its 1991 level. Extremely high inflation, approaching 3,000% in 1993, led to the impoverishment of the population. In order to at least partially cushion the blow, the government provided free water, gas and electricity and subsidized staple foods and gasoline. 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 Turkish business partners. Expansion of the area under cultivation for grain crops reduced Turkmenistan’s initial dependence on imported food. This, though, was no guarantee against bad harvests, which in 1996 led to the dissolution of the Soviet-era collective farms (“kolkhozy”) and the foundation of leasehold-based farm cooperatives. Agricultural land use and the purchasing monopoly for grain and cotton remain state-controlled. This keeps agricultural profits low for farmers without access to fertile soils and subsidized benefits and services. Whereas cotton production has remained at a low level (in 2003, 714,000 tons were reportedly produced), increases in the production of wheat, rice and potatoes have been reported since 1995.

Increasing profits from the export of natural gas and petrochemical products and low wages in the state sector have secured a balanced budget since 1999. Because wage levels have been low, domestic purchasing power remains low as well. The lack of reliable data, however, makes a sound assessment of economic change difficult.

The unexpected death of President Niyazov brought an end to this regime, but not necessarily its ideology or policies. Gurbanguly Berdimuhamedov, the former minister of health, became acting president and was confirmed in office in the presidential election on 11 February 2007. The second president secured his position by removing key figures that used to form Niyazov’s inner circle; he replaced that cadre with people from Western Akhal (i.e. from Berdimuhamedov’s birth region). In particular, members of the president’s extended family were promoted to key positions, particularly in profitable sectors of the economy. Thus, Berdimuhamedov was able to concentrate power vertically in a fashion that resembled his predecessor’s tactics.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The president's dominant position continued to enable Turkmenistan to maintain the state's monopoly on the use of force. Informal political forces, based on regional elites, became an even stronger solidification factor in politics and in the security apparatus during the observation period. President Berdimuhamedov successfully completed the first political succession after independence. He has continued to muster further support among loyal security forces as well as from loyal ministers from his own region and entourage.

According to the constitution, all citizens have the same civil rights. In practice, however, national minorities (Russians, Uzbeks and Kazakhs) do not possess the same rights as Turkmen citizens, in particular regarding free movement and access to the civil service and education. Furthermore, the civil rights situation of national minorities has not improved, as evidenced by the detention of a Kazakh diaspora leader in 2011 and the discriminative practice of passport issuance for dual-citizens of Russia and Turkmenistan. Despite the constitutional reforms in 2008, ostensibly designed to strengthen the role of the parliament (Mejlis), neither Uzbeks nor Kazakhs the largest minorities are represented in this state institution, while several Russians were elected to the Mejlis in the last parliamentary elections in 2008.

Religion and state are formally separate. Representatives of religions have no influence in politics. In fact, the state strictly controls the religious sphere through the Council of Religious Affairs, which the president personally controls by appointing loyal figures. The Sunni muftiyat and the Russian Orthodox Church are the only religious structures officially allowed in the country. Additionally, Muslim, Christian and other religious groups (Roman Catholics, various Protestants, Hare Krishnas, Baha'is) have been allowed to register. However, state organs regularly interfere in the peaceful activities of these communities. At the same time, radical religious

Question
Score

Monopoly on the
use of force

9

State identity

7

No interference of
religious dogmas

9

groups are not widely present in the country and there are no signs they are increasing their activities or enjoy support by the wider population.

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 to corruption among public officials. President Berdimuhamedov has tried to reduce corruption through short-term appointments of ministers and frequent public criticism of senior officials. Nevertheless, these efforts have not proven successful. In fact, arbitrary appointments and dismissal of officials has seemed to increase corrupt practices, namely through the excessive payment of bribes now required to get well-paid positions in public administration, tax inspection and the security apparatus. Furthermore, the requirement to display personal and family loyalty to high-positioned figures (starting top-down from the president to the last local chief) increased in the country during the review period. Consequently, the lack of capable workers has gradually undermined the operational ability of the civil service, with the health care system particularly weakened by the shortage of qualified people.

Basic
administration
6

2 | Political Participation

Universal suffrage is guaranteed in Turkmenistan, but the electoral process is fraught with weakness. While former president Niyazov was appointed for life, his successor was elected in 2007 and reelected in 2012. Although the constitution of 2008 originally re-established the practice of five-year terms, the president could be reelected due to a new law adopted for the 2012 elections. According to this new Law on the Elections of the President of Turkmenistan (adopted in May 2011), candidates are required to live in Turkmenistan for the last 15 years and work in state organs, civil society organizations (which are under strict control), enterprises or other organizations. These conditions de facto excluded all opposition politicians in exile, who were called by President Berdimuhamedov to freely take part in the election process. In 2012, much like in 2007, several formal contenders for the presidency were nominated, but most of them were unknown to the public at the beginning of the campaign and unwilling to publicize their campaign activities. In short, the election process is under the firm control of the current president and will remain thus so as long as he is able to control who runs for public office.

Free and fair
elections
1

The parliament (Mejlis) and parliamentary elections underwent severe legislative changes during the period under review. First of all, the president abolished Turkmenbashi's People's Council of Turkmenistan (Halk Maslakhaty) that had around 2,500 elected, appointed, and ex officio members. The 2008 constitutional amendments subsequently provided for the transfer of legal powers to an expanded professional parliament, the Mejlis. The first parliamentary elections were organized in December 2008, which allowed 288 candidates to run for 125 parliamentary seats.

Government-controlled political parties and institutions, such as the Democratic Party of Turkmenistan, the Central Women's Council and veteran or youth organizations, nominated all of the candidates.

New parliamentary elections are scheduled for December 2013. A new legal framework was adopted for the elections to replace a legal void in the constitution (The law on Mejlis of Turkmenistan; Law on elections of Deputies of Mejlis of Turkmenistan from October 2008, updated slightly in August 2012) and a new political party was established. The Chairman of the Parliament constitutionally remains the second most important representative of the state. Although the legal framework has been stabilized in the observation period and elections are held according to new laws and the constitution, no registration of alternative and independent candidates can be expected.

Political decision-makers are not democratically elected. President Berdimuhamedov has complete control over the power to govern, as he either directly appoints the key figures in the state apparatus or can informally influence their election. No alternative groups are allowed that might challenge the existing power structure in the republic. Similar to his predecessor, Berdimuhamedov continued to orchestrate all state affairs and legislative processes; often through "recommendations," which are considered orders. He is the chairman of the Cabinet of Ministers, the supreme commander of the army, and maintains tight control over the security and intelligence services.

Effective power to govern

2

Although formally guaranteed by the constitution and the newly adopted Law on Political Parties (2012), actual freedom of assembly or association for political and civil groups does not exist. The process of registration is strictly under the control of the president and security organs of the republic. Politically oriented civil society organizations are generally suppressed and the NGO sector is almost non-existent. Those that do exist operate under tight government control. Occasional protests, which have taken place in Ashgabat and Turkmenabat (formerly Chardzhou) over local problems were only partly successful; however, in more serious attempts to rally against the government, security forces have immediately dispersed protesters and the protestors have faced punishment. The measures to suppress possible gatherings were further tightened as a reaction to the events during the Arab Spring and included, among others, limits on meetings in restaurants or gatherings in the centers of cities (except if organized by the state or the city administration).

Association / assembly rights

1

Dissemination of information and the means to shape public opinion remain under tight state control. The state promulgates a tremendous amount of propaganda. President Berdimuhamedov has almost dismantled his predecessor's extraordinary personality cult, but has preserved elements of it on a purely protocol level during foreign delegations' visits and official ceremonies. At the same time, he expanded his own and his family's (in particular his father's and grandfather's) personality cult. Furthermore, the president directly controls all TV channels. Journalists cooperating

Freedom of expression

1

with independent media, such as Radio Free Europe/Radio Liberty (RFE/RL), The Chronicle of Turkmenistan, and others, are constantly under the threat of being persecuted. Alternative information about Turkmenistan is disseminated solely through social networks, mailing lists, and other electronic channels beyond the reach of state censorship and Internet firewalls. Independent information dissemination is strictly monitored by security forces. For example, a RFE/RL correspondent was sentenced to five years in prison for providing alternative information about the explosions in Abadan in 2011.

Although Internet access was improved in 2009-2010, and several Internet cafes now exist in Ashgabat and other cities around the country, visitors are checked by passport and many foreign Internet pages are blocked. The previously popular Internet access through the mobile operator MTS ceased in 2010 after the government officially suspended the company's telecommunication license. The service resumed in September 2012; however, the services (and Internet access in particular) were significantly reduced compared to the pre-2010 period.

In January 2013, the new Law on Media was adopted, which allowed, theoretically, the establishment of independent media. Newspapers, for example, rarely describe the president as the "founder," which was formerly the case. However, the only "independent" newspaper, Rysgal (Success), which was founded in 2010 by the Association of Industrialists and Entrepreneurs, is loyal to the president and publishes almost the identical information as official state media. Not surprisingly, Turkmenistan continues to be evaluated as one of the most repressive regimes (177 out of 179 countries) in the sphere of media, according to 2013 Press Freedom Index. Although the state officially claims that the legal framework under which the media operates has improved, in reality the regime has continued to exercise significant control over media and the Internet. In fact, on the ground, its controls have become even tighter.

3 | Rule of Law

Although the separation of powers is formally anchored in the constitution, it does not exist in reality. During the reporting period, President Berdimuhamedov used his authority to replace and reshuffle judges and prosecutors according to his whims. Although he officially cited corruption and "shortcomings in their work" for the changes, his decisions appear to be highly subjective and arbitrary.

Officially, the justice system is institutionally separate at all administrative levels, but in practice it is strongly politicized and remains part of the regime's system of command. The enforcement and modification of legal norms are often dependent on the president's personal wishes. On the lower level of the judicial system, law

Separation of
powers

2

enforcement is highly corrupt and a judge's decisions are easily influenced by bribes, social connections, or clientelism.

The new president continued to appoint judges to five-year terms. These judges remain dependent on the president throughout their tenure. Procedural efficiency must therefore be assessed as very low. After all, no independent judicial monitoring or auditing of the authorities exists. Even international auditor companies are obliged to deal with Turkmenistan officials and have limited access to real facts and figures. A constitutional court has not been established and the 2008 constitution does not provide any legal framework for its creation. Although international bodies, such as the Organization for Security and Co-operation in Europe (OSCE) consistently organize seminars for jurists and law students from Turkmenistan, their impact is very limited.

Independent
judiciary
3

Corruption in the judiciary is also staggering. An initial "investment" is required to become a jurist in Turkmenistan, which includes paying bribes to pass university exams as well as to find a job within the judiciary system. Individuals pay off officials with several tens or even hundreds of thousands of dollars, making this sector one of the most corrupt in the country. Consequently, lawyers are not able to recoup their expenses with their salaries unless they engage in bribery or other corrupt practices. It makes them extremely vulnerable and dependent on higher positioned individuals and institutions.

President Berdimuhamedov nominally combats corruption; in reality, prosecution for these crimes tend to affect only those who appear politically or economically hostile or antagonistic to the regime. Therefore, legal punishment for corruption and the abuse of authority occurs chiefly by presidential orders and instruction. Accused officials are prosecuted on the basis of applicable laws, sentenced, and their assets confiscated. Due to systemic corruption in the country (almost no solid work place in the state administration can be obtained without bribery) employees who appear hostile to the regime are often accused of corruption or other "serious shortcomings in their work." Although these malpractices are continually and publicly condemned by the president, he and his family have carried out the most egregious power abuse.

Prosecution of
office abuse
3

During the review period, the state has continued to systematically violate civil rights. Members of the political opposition and their families are still oppressed by the national security services and most political prisoners incarcerated under Turkmenbashi remain in prison. Journalists working for foreign news services are frequently beaten, arrested and put in psychiatric clinics or sentenced to long prison terms. Many political prisoners incarcerated during of Niyazov regime, such as former foreign minister Boris Shikhmuradov and former OSCE ambassador Batyr Berdiev, are still in jail.

Civil rights
1

Property rights still lack legal protection. Also, national minorities such as Uzbeks, Russians and Kazakhs continue to face discrimination as a result of the Turkmenization of state, economic and educational institutions. Berdimuhamedov continued this policy by controlling ethnic minorities with the help of the secret police. In 2011-2013 the problem of dual-citizenship (Russian and Turkmen) sharpened. The exclusion of these citizens is based on the constitution, which forbids dual-citizenship, and the rule is enforced without retroactivity (i.e. even those who were formerly able to get Russian citizenship are forced to choose between a Russian and Turkmenistan passport). Russian citizenship still allows one to enjoy visa-free short-term travelling to Russia, the Commonwealth of Independent States (CIS) and many other countries, while Turkmen citizens need visas for any country except Turkey and Georgia. Dual-citizens are not able to receive the obligatory new Turkmen biometric passports (the validity of all other passports ends in July 2013 and subsequent to that dual-citizens will not be able to cross the Turkmen borders).

Although the constitution guarantees freedom of religion, the state officially acknowledges only Sunni Islam and the Russian Orthodox Church. While the government allowed other religious communities, such as Seventh-day Adventists or Baptist Christians to officially register, these groups often face prosecution under criminal law and some of their representatives have been sent to prison. During the review period, the case of Protestant-Baptist Begjan Shirmedov from Dashoguz was the most significant example of religious prosecution.

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. The legislature and judiciary remain subordinate to executive power, which is dominated by the presidential administration, mostly bypassing even the existing legal and constitutional framework. Formally, a new law on political parties was adopted that introduced a multiparty system, but the control over political parties is in the hands of the president or his loyal allies.

Formal democratic institutions are part of the authoritarian regime, but do not function as such. Formally, the Institute of Democracy and Human Rights is the organization charged with reporting human rights abuses and violations against democratic institutions. However, its affiliation to the presidential administration makes this institute highly dependent on presidential authority and, therefore, limits itself almost exclusively to advocating presidential policies. No information is available about the acceptance of democratic procedures. On the contrary, the strong hierarchic structure of the system does not enable any real democratic discussion. A

Performance of democratic institutions

1

Commitment to democratic institutions

1

fundamental understanding of democratic procedures, however, seems to be common among political elites.

5 | Political and Social Integration

Turkmenistan formally introduced a multiparty system in 2012. The parliament (Mejlis) adopted the new law on political parties in February 2012. Within this legal framework, the new Party of Industrialists and Entrepreneurs of Turkmenistan was established under the auspices of Alexandr Dodonov, a businessman close to the president as well as the Director of the Association of Industrialists and Entrepreneurs. However, in practice, no independent party system exists in Turkmenistan.

Party system
1

The observation period saw no improvement of the already minimal established mechanisms for mediation between 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. Likewise, there are no independent professional associations or trade unions. Only state-controlled associations, such as the social movement Galkynysh and the Democratic Party of Turkmenistan were allowed to propose candidates for the parliamentary elections.

Because of the demand for the educated elite's expertise, some civil society interests are finding their way into the political system. During the observation period, however, this expertise was mainly used by the regime for the purpose of creating political legitimacy. Arbitrary dismissal and transfer of ministers and top administrators, 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.

Interest groups
2

No reliable surveys have been conducted to gauge the population's attitude toward democracy as a form of government. Some qualitative research of Internet discussions (often only covering a small part of Turkmen society or those living abroad) suggests that at least part of society would welcome a more democratic approach from the regime (people who are better educated and more involved with foreigners and the outside world seem to be more interested in democratic changes). Anecdotal evidence, however, suggests that exiles and educated elites desire democratic norms and procedures. Many other people in Turkmenistan are simply not well informed about democratic processes and practices.

Approval of
democracy
n/a

Civic self-organization remains extremely low and the regime does not welcome it, unless it has total control and sponsorship of the organization. State-financed institutions and organizations provide services in education, health care, and social

Social capital
2

work. The farmers' cooperatives, founded in 1996, have also been forced into a straitjacket of state regulation. As tenants on state-owned land, farmers must relinquish stipulated amounts of grain and cotton. Self-help groups, usually informal networks based on personal relationships, tend to form in response to specific situations and in order to provide services formerly handled by the state or the collective farms, such as housing construction and maintenance.

Independent groups, including unrecognized religious communities, are subjected to state repression. During the observation period, even several private institutions financed from abroad (Turkish Gülen schools) were limited in their activities. Societal faith in the regime, which was clearly elevated during the transition in 2007-2008, has diminished greatly. The population typically embraces and supports social and personal networks and relationships rather than the state, relying on families, clientelism and corruption schemes. The new president compounded this sense of mistrust and uncertainty in the state by continually hiring and firing ministers and top officials, while maintaining the innermost circle of his allies, family and members of his regional clan. Furthermore, it should be noted the high percentage of the workforce employed by the state prohibits the development of an independent societal stratum for civic self-organization.

II. Economic Transformation

6 | Level of Socioeconomic Development

Key indicators show a low to medium level of socioeconomic development. The country's development status does not allow its citizens adequate freedom of choice. Russian, Uzbek and Kazakh minorities further experience social exclusion due to poverty and ethnic discrimination. Turkmenistan's status on the Human Development Index remained unchanged, although the government reports high economic growth rates. The actual situation is difficult to analyze properly as data remains either scarce or, in the case of data provided officially by the government, is unreliable. Thus, several indicators must be taken with a grain of salt. Population figures for 2012 are between five and 7 million. At the end of 2012 a census was organized, but the results were not available by the time of the research. Moreover, official economic figures do not reflect the high level of black market activity or incomes from household plots used for agricultural production, which are often the basic source of income for whole families.

There is a high degree of economic income inequality among the population. In January 2011, 2012 as well as 2013, salaries at Turkmenistan's state budgetary

Question
Score

Socioeconomic
barriers
4

organizations, labor and war veterans' pensions, state allowances and benefits have been increased. However, salary increases are always mitigated by food price inflation and a slight increase of transport prices. In 2012, prices for international plane tickets to some of the most popular destinations increased three-fold in some cases. Theoretically, the state continues to provide free commodities, including gas and electricity. However, access to these benefits is not equal.

Although the material and technical conditions of the country's health and education sectors have improved, access to medical facilities remains limited, often requiring patients to pay bribes for services in newly established facilities. The situation regarding medical staff is especially alarming because medical personnel generally lack the proper training to use new medical technology, and new graduates are generally underqualified, having paid bribes for their jobs. Meanwhile the regime has worked to restrict the increasing trend of health tourism to neighboring countries, especially Iran, with its high number of quality hospitals. Customs officials regularly prevented Turkmen citizens from crossing the border, suspecting medical tourism was the motivation for travel.

Despite these setbacks, Berdimuhamedov made some advances in education. Reestablishing the 10th year of secondary education, extending studies at universities from three to five years, and reopening the academy of science, Berdimuhamedov established new higher-level and specialized educational institutions. Student mobility is encouraged, mainly within the state system, which allows roughly 2000 students high schools graduates to study abroad. However, the practice of preventing students enrolled at foreign universities from traveling abroad is ongoing.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	20214.5	22583.3	28061.8	33678.9
GDP growth	%	6.1	9.2	14.7	11.1
Inflation (CPI)	%	-	-	-	-
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	22.5	16.1	11.4	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-	-	-	-

Economic indicators		2009	2010	2011	2012
Public debt	% of GDP	2.4	10.6	7.3	15.8
External debt	\$ M	661.5	529.1	445.3	-
Total debt service	\$ M	165.2	154.7	130.2	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	9.8	9.3	9.5	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	1.3	1.5	1.7	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

The foundations of Turkmenistan's market-based competition are not secure. The state continues to control key aspects of the economy; 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 in order to secure low prices of basic products for the population. After introducing currency convertibility in March 2008, and currency reform in January 2009 (the new manat was exchanged for old banknotes at an exchange rate 1:5,000), the Turkmen currency was fixed at an exchange rate of 2.85 manat per dollar, not following the inflation rate that floats around 10 percent annually. A new foreign investment law improved investment prospects in the country and authorities have modestly liberalized international trade by reducing import duties and excise taxes.

Market-based
competition
3

The state monopolizes all strategically important economic resources such as gas, petrochemical products, cotton and grain as well as the banking sector and also tourism companies and tourism facilities. In other areas, such as the import and trade of goods, it does not officially work to prevent monopolies. Trade in some luxury products such as jewelry, however, are spheres of factual monopoly favoring members of the president's family.

Anti-monopoly
policy
2

Freedom of trade is still limited. Foreign businesspeople, primarily from Turkey, are given preferential treatment when concessions are awarded due to their relations to the president (total investment value of Turkish companies was estimated to be about \$32 billion, while Russian companies invested some \$2 billion in 2011). Foreign companies are most active in the energy sector, with China, Russia, and Malaysia being the biggest players, while Turkey invested \$4.3 billion in 2010 in the building industry and \$3.2 billion in 2011 in the textile industry.

Liberalization of
foreign trade
2

Repatriation of profits is difficult and tied to reinvestment. As a result, less powerful investors, or investors without personal business relations with the president and governmental officials, avoid investments in Turkmenistan. Nonetheless, even strong personal connections with the regime does not guarantee smooth sailing. Even these foreign companies have encountered problems of non-payment from Turkmen counterparts, as was the case for 24 Turkish companies as the government's debts accumulated to more than \$1 billion.

While the government's recent reduction of export and import taxes slightly improved the country's business environment, almost all foreign trade transactions must be registered with the Turkmen State Commodity Exchange. Tight state control over the economy, together with complicated visas and other bureaucratic procedures, indicate Turkmenistan is still far from becoming an open foreign trade partner.

The banking system consists almost entirely of domestic banks, and they been mostly state-controlled since the currency crisis in Russia in 1998. The five largest banks (Vneshekonombank, Turkmenbank, Turkmenbashi Bank, Daykhan Bank and Sberbank) are entirely controlled by the state, while most of the other 10 banks are partially in state hands. The state administration and sociopolitical elite often misuse banks for their activities and to ensure that state money flows smoothly. The government also finances state organs and institutions through the banks (debt forgiveness for state ministries and state enterprises, credit policy etc.). Turkmenistan's banks are still poorly integrated into global markets.

Banking system
2

The privatization of the banking sector could lead eventually to the arrival of foreign banks, of which there are only a few currently in operation in the country. The consequences of potential reforms in the finance sector are difficult to estimate at this point.

Turkmenistan's central bank is responsible primarily for monitoring and ensuring the stability of the national currency. It also fixed the exchange rate of the Turkmenistan manat following monetary reform. The bank is far from being independent and is subject to strong influence from the government.

8 | Currency and Price Stability

Compared to the hyperinflation of above 1,000% in the first half of the 1990s, inflation in Turkmenistan was at moderate levels in 2011-2012. However, due to further reduction in state subsidies, the market prices of several products such as fuel and food increased. The official inflation rate was 12% and 10.5% in 2011 and 2012 respectively, but the real rates were likely much higher.

Anti-inflation /
forex policy
4

The Central Bank of Turkmenistan permitted all banks to open foreign exchange windows and issued regulations to provide access to foreign exchange for international payments and transfers. This policy and the unification of exchange rates also increased inflationary tendencies. Nevertheless, the bank is not independent, but rather serves as an arm of the state.

As mentioned above, the inflation rate was estimated to be around 10% per year between 2010-2012. Price inflation was pushed higher by an increase in gasoline prices (although it remains one of the lowest in the world) and by the abolition of free gasoline for trucks, buses and agricultural machines. An increase in salaries also exerted upward pressure on inflation rates, despite speculations that the opposite would result. Since the introduction of currency convertibility in May 2008, exchange rates have remained stable at 2.85 manat per dollar despite the financial crisis.

Macrostability
6

Turkmenistan's budget has fluctuated between surpluses and small deficits. Surpluses are accumulated in Turkmenistan's stabilization fund, which was established in October 2008. The government, however, spends a large portion of these export earnings off-budget by placing them in special funds for infrastructure and showpiece architecture projects. The president claimed that his predecessor's off-budget funds had been closed, but he failed to make subsequent monetary policies transparent and, according to the Crude Accountability Report, the malpractice of off-budget funds (reportedly moved into accounts controlled by the president) was preserved.

9 | Private Property

The law formally enshrines property rights and regulates property acquisition, but these rights are very much subject to the arbitrary whims of state power. The implementation of property rights is highly selective and the state can expropriate private houses and other property for "public needs" with little or no compensation. Likewise, the state has demolished private houses with only very little warning. In 2013, a Housing Code, which replaces the old law from 1983, was adopted by parliament. The implementation of this law is hard to predict as the law could be misused in the same manner as the previous laws. Private property abuses are particularly applied to any potential opponents of the regime.

Property rights
3

As for foreign investments, a law on foreign investment in place since March 2008 theoretically improved the rights of foreign investors. However, the case of the Russian telecommunication company MTS revealed the government very selectively applies the rules. Although MTS was allowed to return to Turkmenistan in September 2012, its business activities were strictly regulated in accordance with the requirements of the government and the president.

The legal framework for the protection of intellectual property has been improved by the adoption in January 2012 of the Law on Copyright and Related Rights. Its implementation, however, remains selective and is exercised against particular companies. Pirated CDs and other false products (often imported from China, India, and other countries) are widely available throughout Turkmenistan.

Private businesses are primarily permitted to operate in the textile, construction and trade sectors with a greater amount than in previous years of foreign (mainly Turkish) investment than in previous years. The business environment remains difficult for small and medium-sized enterprises, however. Moreover, bureaucratic interventions and a high level of corruption persists and complicates the situation for various and sundry private enterprises.

Private enterprise
3

During the review period, the state privatized some larger businesses, but only when they were unprofitable and equipped with obsolete technology. Share packages were frequently used to preserve state influence. At the same time, the tenancy system practiced in the agricultural sector since 1996 might lead to the establishment of private land ownership. For 2013-2016 a massive privatization is planned, but, at the time of research, it was not clear which sectors and state enterprises would be included in the process.

10 | Welfare Regime

During the review period, Turkmenistan continued to dismantle the former Soviet welfare system as well as programs instituted under Niyazov. In its place, the government created a new welfare system, which reintroduced pensions and social payments for mothers, children and disabled persons, and reduced prices of medicine and other incentives for veterans. In reality, access to the programs remains sporadic and negligible. Except for pensions, public welfare support remains meager and often fails to provide increased cost of living expenses. With regard to health care, the older generation is particularly affected by the deterioration of the system. Although the state tried to improve access to health care facilities by bringing doctors back into hospitals and reestablishing medical centers in rural areas, the care was unaffordable for many. The treatment of sick, unemployed (reaching some 60% according to unofficial figures) and the elderly are dependent upon family networks. Additionally,

Social safety nets
4

although President Berdimuhamedov is involved in anti-narcotic campaigns and raids, drug addiction continues to be a serious problem.

While the state supposedly provides free electricity, gas, water and salt, it often falls short. For example, bad maintenance of water systems leads to systematic shortages of water supplies, even in urban centers. Also, the gasification of the republic was not systematic and gas balloons are not distributed on time. Furthermore, access to cheap gasoline was reduced in 2012, excluding larger vehicles, which cannot be considered part of the social welfare system.

The price of subsidized basic foods rose substantially during the observation period as inflation exceeded 10% annually. Cheap foodstuffs are therefore not always available for the public.

Equality of opportunity has not been achieved. Though gender equality is basically guaranteed, and several women are ministers and heads of state organs, including the Head of Mejlis, Akdzha Nurberdyeva, women rarely have access to higher positions in politics and even less so in business. Long working hours are not compatible with traditional gender roles or for women with multiple children. The population in rural areas often does not accept the urban lifestyle, such as its fashion style and Western education. On the contrary, rural families prefer an uneducated, and presumably more controllable, bride for their sons. The level of kalym (traditional bride price) decreases significantly for educated women.

Equal opportunity
3

Corruption in the public service and education sectors has also greatly expanded the gap between rich and poor. Most employment opportunities are acquired via bribery and patronage, starting from positions in the police force and health care sector up to the highest levels of power. Also, poorer people from rural areas have much more difficulty accessing higher education because they lack the means to pay bribes.

Furthermore, ethnic minorities such as Uzbeks, Kazakhs, and Russians continue to have restricted career opportunities due to the Turkmenization of the educational and administrative system.

11 | Economic Performance

Turkmenistan's economy is highly dependent on the production and processing of natural gas, oil, and cotton. Those sectors accounted for about 83.5% of exports and over 50 percent of GDP in 2011. After the economic dip that followed the collapse of the Soviet Union, an economic recovery began in 1996, but practically came to a halt as a result of the almost complete stoppage of natural gas exports in 1998 and low export levels in 1999. The country's recovery picked up later as export revenues increased. As a result of these increases, a positive balance of trade emerged. By 2005, natural gas exports comprised one-third of total exports. Rising oil prices and

Output strength
7

investments in petrochemical and cotton processing resulted in economic growth that is estimated to be between 10% and 15% in 2010-2012.

In general, economic growth is dependent on the price of gas exports. Budget revenues are thus less dependent on oil exports, but the Turkmen government did not report data on this issue during the review period. The budget was roughly balanced in 2010-2012, but reached a small deficit in 2012 of \$500 million. Due to gas export revenues, public debt decreased from \$877 million in 2005 to \$568 million in 2008 to \$429 million in 2012. Gas exports also affected a positive trade balance from 2001 (\$515 million) to 2012 (\$5,730 million). The country continued to finance large-scale public investment during the period under review with funds from Turkmenistan's stabilization fund, established in October 2008.

After the nine-month interruption of gas exports to Russia following the explosion of a major gas pipeline in April 2009, Russia's Gazprom agreed to buy only up to 30 billion cubic meters (bcm) of gas annually, paying \$250 per thousand cubic meters (tcm) in 2010 (rates in previous years were between \$66 and \$100 for 50 tcm). In fact, Gazprom purchases in 2010-2012 were stabilized around 10 bcm per year.

In December 2009, gas export routes were successfully diversified with the opening of a gas pipeline to China that began operations in 2010. By 2012, the capacity reached 30 bcm and the 2012 Turkmenistan-China agreement assumes the increasing of the capacity up to 50 bcm in the second phase by 2015. A second gas pipeline to Iran was opened in January 2010, which enables Iran to import 20 bcm of Turkmen gas per year. However, Iran imported just 6.5 10 bcm per annum in 2010-2012. Disputes between the two countries over gas prices interrupted delivery several times.

Although agricultural production doubled after the conversion to a tenancy system, the new system failed to prevent bad cotton harvests in 2005 and 2006, which resulted from low state-controlled retailer prices and ineffective management methods. Recent agricultural reforms increased prices for crops grown under the state system and, looking into the future, the accelerated access to soft credit made possible by the reforms might enable farmers to increase their productivity. Turkmenistan remains one of the ten major cotton exporters worldwide but it is also attempting to secure its own grain production. In 2010-2012 the production of both commodities fluctuated from 1.0 to 1.5 million tons per year with average and sometimes even unfavorable weather conditions. However, no progress has been made in order to boost the efficiency and sustainability of the agricultural sector.

Therefore, economic growth remained limited to export sectors and had little impact in reducing poverty and high unemployment rates that affect a large portion of the population. Foreign investment officially increased from 4.5% of the GDP in 2008 up to 15.6% of GDP in 2012, but was focused on the oil and gas sector as well as the textile and construction industries. In addition, Turkmenistan enjoyed increased

interest by Chinese investors in the oil and gas sector. Meanwhile, the interest of Turkish companies remained stable and they remained chiefly involved in the construction and textile industries.

Official employment data indicate a change in unemployment rates from 9% in 2008 to 14% in 2010, then a drop to 8% in 2012. Nevertheless, statistical data is highly unreliable and unofficial figures show much higher unemployment rates, indicating that up to 60% of the population is without consistent employment. However, given occasional vacancies as well as growing labor migration (to Turkey in particular) the real figure is probably somewhere in the middle around 20% to 30%.

12 | Sustainability

Environmental consciousness is low in the executive and legislative branches. Although the Turkmen government is a signatory to a number of international environmental agreements, and is therefore obligated to protect the environment, pollution has not decreased. An increase in road traffic and an active petrochemical industry have kept air pollution levels high. Also, drinking water quality has deteriorated further in the observation period and more villages and cities have struggled with infrequent water supplies. The maintenance of water pipe systems, as well as irrigation and drainage systems, is far from sufficient and undercapitalized. The technical facilities are physically outdated, and even in new apartments, there are water, gas and electricity shortages due to poor construction. In addition, over cropping and the lack of crop rotation are straining soil quality. Despite these serious concerns, environmental issues receive only sporadic consideration, especially if addressing them would hamper economic growth. The Golden Lake project, designed to collect polluted drainage water in northern Turkmenistan, continues to be erected without proper consideration of its environmental consequences, especially for neighboring Uzbekistan. There are long-term political efforts to reduce economic dependence on raw materials through the promotion of a domestic textile industry. However, given the amount of water needed to grow cotton, water shortages will remain an issue.

Environmental
policy
3

Turkmenistan inherited an education system from the Soviet Union with comparatively high standards that was quite accessible to all social and regional strata. After the dissolution of the Soviet Union, though, the educational system suffered following the emigration of Russian specialists and professionals who had been its mainstay. In addition, the educational policy of former President Niyazov led to the de facto destruction of higher education. Niyazov's successor, now President Berdimuhamedov, started large-scale educational reforms, increasing the number of grades in elementary and high school combined (first to 10 in 2007 and then up to 12

Education policy /
R&D
5

beginning in the 2013/2014 academic year). He has also re-established the Academy of Sciences and increased the length of university studies to five years.

Nevertheless, progress is slow. For example, knowledge of Ruhnama, the “sacred text” used as propaganda to create a personality cult around former President Niyazov, continued to be required for entrance to the university. Also, the reform has not been accompanied by sufficient supplies of textbooks. In addition, announcements to improve the technical equipment of schools (like providing netbooks to every student) remain Potemkin villages (the new computers were taken from the pupils for various reasons). Furthermore, corruption practices are rife, with parents paying several thousands of dollars for get their children into the best grade schools, while university enrollment often requires paying up to several tens of thousands of dollars. Lastly, schooling is often interrupted by public events, celebrations or sport games in which pupils and students are forced to participate.

Transformation Management

I. Level of Difficulty

Turkmenistan possesses certain basic preconditions for the transformation of its economy and society. These include the population's continued relatively high level of education, the effective state monopoly on the use of force and the separation of church and state. The population is quite loyal and patriotic. Rising revenues from the export of oil and gas also provide the economic potential for transformation. Mitigating circumstances include the decreased capacity in all professional fields, strong regionalism and clientelism, a lack of efficient constitutional structures, and the president's absolute control over government revenues and the state apparatus. Considering the structural socioeconomic conditions affecting the political process, the degree of difficulty for transformation must be rated as high. There is no consensus on democracy or accepted democratic rules and norms among the ruling elite. Accordingly, there is little prospect the regime will shift its policies toward more democratic standards.

Structural
constraints

5

Turkmenistan lacks civil society traditions, which impedes development. Regional and informal networks formed along tribal lines substitute for formalized civil society organizations. These networks date back to pre-Soviet times but became stronger during the Soviet era. Now, like before, strict state control inhibits the emergence of independent social, economic or cultural groups. Indeed, the authoritarian leadership promotes a culture of obedience in Turkmenistan, and prevents the emergence of independent NGOs. Such authoritarianism, one could argue, is not natural for Turkmen, who lived as a people "without head" in pre-colonial times.

Civil society
traditions

10

Although Turkmen society is split into different regions that are identified with major tribal groups, these divisions have only been politicized since Berdimuhamedov became president. The first president, Niyazov, promoted the unity of Turkmen lands, and although he also showed a preference for the Ahal region, regional affiliation was much less important than it has been to the current regime. Indeed, President Berdimuhamedov has ignored the practice of fragile regional balance and has continued to promote Western Ahal and his own family interests above all others. The reorientation of Turkmen politics around ethnic lines has put tremendous pressure to assimilate on ethnic minorities, such as the Uzbeks and Kazakhs. Looking ahead, discrimination in the economic and political sphere might spark ethnic unrest.

Conflict intensity

3

However, conflict based on radical interpretations of Islam is much less likely in Turkmenistan, as Turkmen society unlike Uzbek or Tajik society is not familiar with the scholarly traditions of Islamic law (Shari'ah). Nevertheless, some signs of radical Islamism are present, namely with the emergence of the organization Hizb-ut-Tahrir, though the group remains marginalized.

II. Management Performance

14 | Steering Capability

Question
Score

In Turkmenistan, the president sets the agenda for the country's major strategic political and economic aims. As mentioned earlier, President Gurbanguly Berdimuhamedov has gradually dismantled the personality cult of his predecessor, but has cautiously increase his own with the support of an ideological department within his administration. Berdimuhamedov also carefully addressed Turkmenistan's diplomatic isolation by reviving bilateral relations with neighboring countries, such as Uzbekistan and Azerbaijan, and participating in international organizations as a player with a neutral status (one of the main pillars of Turkmenistan's foreign policy). The new president does not support political liberalization, but seems to be committed to securing national independence by increasing the professionalism of administrative and state institutions, reforming the economy and diversifying pipeline routes for gas exports. While some foreign policy goals have been achieved, the reform of the country's internal affairs, namely the professionalization of state administration, has hit roadblocks due to pushback from the elite, as well as discrimination of national minorities, clientelism and sycophantism in the state structures.

Prioritization
3

Furthermore, President Berdimuhamedov seems to have no consistent strategy to achieve his goals. Although he pushed through several important administrative and legal reforms during the review period, implementation has been insufficient and ineffective. Systematic top-down corruption is one of the main constraints for developing a diversified economy with sustainable growth. The cadre policy is inconsistent and those that hold powerful positions in the state administration and state companies are under constant threat of dismissal, sometimes for unclear reasons. Therefore, the ministers, deputies, heads of state corporations (except members of the innermost circle) are all but required to demand bribes in order to recuperate the initial expenses for their (often short-term) positions. Only some members of Berdimuhamedov's family and close allies, as well as some important

and sometimes hidden people from the presidential administration (for example, Viktor Khramov), are exempted from this cadre policy.

During the review period, Turkmenistan made some efforts to introduce elements of a free market economy. These measures included establishing free convertibility of the manat, reducing tariffs, cutting import and export taxes, and giving investors the right to own companies and buy real estate. Certainly, the legal framework underwent improvements. However, arbitrary law enforcement and decision-making have hampered progress toward stated goals. Also, the poorly written laws sometimes complicate implementation, as corruption is required to circumvent the law. These inconsistencies are often used to suspend foreign investors and enterprises' activities, sack opponents of the regime, and other measures designed to demonstrate the regime's power and to confirm the status of the elites.

Implementation
3

Policy implementation also lagged in spheres such as agriculture, with the projects and results almost invisible, despite the government's stated strategic agendas. Agriculture remained under the control of the state, and the government continued to force farmers to sell cotton and grain under market value, although higher retail prices were instituted during the review period in order to stimulate productivity. With regard to property rights, they are still not secured. Moreover, the state-controlled banking sector lacks efficiency, although it opened slightly to the outside world. The lack of reliable economic statistics also makes the implementation of economic reforms difficult.

As a collective body, Turkmenistan's government has not displayed a capability to carry out long-term reforms. After all, the state's problem-solving capacity is weak and decision-making, based almost entirely on the president's will, is capricious. While a cursory look suggests President Berdimuhamedov has reformed substantial parts of the economy, in fact, many aspects remained unchanged in practice.

Policy learning
2

Foreign NGOs cannot operate properly in the country as they are often harassed by state administration. After the withdrawal of several well-known organizations such as Médecins sans Frontières in 2009, one of the last active organizations, the U.S. Peace Corps, closed down their office at the end of 2012.

Policy learning will only be institutionalized in Turkmenistan if ministers are charged with the responsibility to formulate and implement administrative and economic goals during their term of office, which has not been the case in recent years.

15 | Resource Efficiency

The government continues to ineffectively use available human and economic resources. For one, personnel expenses are very high relative to services offered. A relatively high number of government employees offer little service to the population

Efficient use of
assets
2

and stimulate corrupt practices. Also, because top officials continue to be hired and fired arbitrarily by presidential decree, officials hire their subordinates on the basis of loyalty and patronage rather than merit, which greatly hampers efficiency.

The government also wastes a great deal of its resources on impractical, mostly cosmetic, projects. For example, the president has called for the construction of an ostentatious Avaza Tourism Zone on the Caspian Sea. Grandiose hotels and other facilities are currently being built there yet Turkmenistan lacks the tourism, and tourist dollars, to make this project lucrative (though some members of the domestic population will be forced to spend their holidays there). Another wasteful project is the new airport in Ashgabat, which will cost \$2.2 billion. Moreover, cosmetic projects in the education and health care sectors, such as new hypermodern schools and clinics, drain the sources for much-needed, if less visible, human resource development.

Because the government lacks a coherent reform agenda, the coordination of conflicting policies of different ministries is not a relevant issue. The president formulates policy ambitions and dictates them to the ministers for implementation. As a result, policies are slowly coordinated and poorly implemented in Turkmenistan due to funding problems and corruption.

Policy
coordination
2

Corruption is ubiquitous in Turkmenistan's institutions, and the Turkmen government has no effective independent auditing controls or serious anti-corruption policy to speak of. 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 vice prime ministers and other ministers with portfolios. 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 was only carried out to a partial degree. Anti-corruption policy has only been carried out through the public trials of ministers and other state administrators, though the aim has been to vacate positions for new appointees, rather than to fight corruption. The rapid cadre changes is rather counterproductive, as the ministers and officials, knowing their time in is limited, exploit their positions to the maximum degree.

Anti-corruption
policy
2

16 | Consensus-Building

There are no major political actors in Turkmenistan in a position to establish democracy or a free market economy. The current president does not allow any opposition group that could challenge his authority. Nor is there a class of independent Turkmen businessmen who could strive for a more open market economy, as in the case of neighboring Kazakhstan. The ruling president sets the agenda and he seems to permit elements of a market economy only if they increase

Consensus on goals
2

the state's export (i.e. his own) revenues. Moreover, governmental elites in different ministries and agencies fail to formulate agendas that would benefit the country beyond their short periods in office. Because of the president's dominant position, rivalries between different state institutions, such as the security apparatus, judiciary and the ministries, take the form of reciprocal denunciations of the rivals' "corrupt practices."

In Turkmenistan, the state is fundamentally anti-democratic. President Berdimuhamedov is not committed to liberal democracy and suppresses all activity in support of democratic reform.

Anti-democratic
actors

1

Cleavages exist along regional, ethnic, social and religious lines in Turkmenistan, but the personal rule of the president and the extensive control mechanisms of the security apparatus keep dissent to a minimum. Non-Ahal Turkmen are marginalized and generally denied access to political and economic positions. The young people from non-Ahal regions are even deprived of fair entrance exams to university. "Ahalization" of the republic has entailed that the government offers jobs and investment almost exclusively to residents of the Western Ahal region. Despite such favoritism, tight control over the population prevents cleavage-based conflicts from escalating. As long as the president is able to maintain control over the clans, the prospect of conflict remains low.

Cleavage /
conflict
management

3

The political leadership suppresses and excludes civil society actors from the political process. A 2003 law on public associations led to the curtailment or suspension of many groups' activities. The law also cut off financial assistance from international donors to NGOs and led to the co-opting of some independent groups by state-backed bodies or simply the cancellation of their activities. It is almost impossible to operate legally for independent NGOs unless they are completely loyal to the regime (if not, they are not able to open bank accounts, rent space, or install Internet connections). Only pro-governmental organizations, such as the Women's Union, the Veteran's Association, the Turkmenistan Democratic Party and the Party of Industrialists and Entrepreneurs (the only political parties in the country) or the Turkmenistan Youth Union, are registered. Within Turkmenistan itself, there are several unofficial and informal groups connected through limited social networks (for example, the ecological movement).

Civil society
participation

1

The second president inherited a considerable number of political prisoners from his predecessor, including disavowed citizens and former officials. During his time in office, President Berdimuhamedov's behavior regarding human rights has been mixed. On the one hand, he began to undo some of the harshest excesses of Niyazov's rule and ideology. Several political prisoners were released during the review period, among them Ovezgeldy Ataev (in March 2012), the head of the parliament in December 2006 who, according to the constitution, should have replaced the first president after his death as head of state. On the other hand, Berdimuhamedov

Reconciliation

2

continued to keep most of Niyazov's political prisoners in jail, including former foreign minister Shikhmuradov (there were rumors about his death which cannot be confirmed). Although the current president has not fired officials with following dramatic trials (the common practice during Niyazov's period), after removing a person from office, his/her fate is often unknown.

17 | International Cooperation

Turkmenistan is a member of the United Nations and cooperates with other international organizations that provide aid for economic and social development. However, the influence of these external actors remains low. Despite formal declarations to the contrary, Turkmenistan frequently failed to pursue the implementation of reforms that would facilitate democracy. The new president, however, seemed to be committed to some elements of a market economy. During the observation period, the IMF did not grant Turkmenistan any loans to support the Turkmen currency. The European Bank for Reconstruction and Development (EBRD) increased its engagement in Turkmenistan by supporting micro-, small- and medium-sized businesses, whereas the Asian Development Bank (ADB) funded some ADB technical assistance projects at a low level. The Organization for Security and Co-operation in Europe (OSCE) has maintained a mission in Ashgabat since May 1999, but its influence on political development is limited. In addition, though the government continues to restrict the activities of international NGOs, Berdimuhamedov increased international cooperation and intensified diplomatic relations with neighboring and economically important states.

Effective use of support
3

The government seeks to present itself as a reliable partner for international organizations. With its proximity to Afghanistan, and the aggregate activity of China in Turkmenistan's energy sector, Turkmenistan has become more of a strategic geopolitical location. The self-presentation of the country as an emerging market with formal reforms also increasingly reverberated among some decision-making circles in the European Union and the United States. Although the credibility of the government has not changed during the review period, state visits with their pompous receptions have increased in Ashgabat, suggesting the republic's elevated importance as a strategic player in Eurasia.

Credibility
2

During the review period, Turkmenistan continued to participate in the CIS as an associate member with much more formal activity than before. For example, the CIS Council of Heads of Government met in Ashgabat in 2012 and a forum of CIS intellectuals was held there in 2013. Relations with Afghanistan and Iran remained good despite some minor disputes over gas prices with Iran.

Regional cooperation
5

Relations with Azerbaijan, which improved considerably during the previous period, have since stagnated. However, during the current review period, both countries were

able to open diplomatic missions in the other country and they agreed to resolve a disputed maritime boundary and the use and ownership of oil fields in the Caspian Sea. The proposed Trans-Caspian pipeline, which has the potential to deliver Turkmenistan's natural gas to Europe, was temporarily suspended as Azerbaijan promotes its own resources to Europe, which are more easily available. Talks with Uzbekistan, which intensified after 2007, lost positive momentum despite several visits by both presidents. Talks with China regarding the extension of the Central Asia-China pipeline through which the output from the Galkynysh gas field will be exported to China have led to increased Chinese activity in Turkmenistan.

Relations with Kazakhstan remained stable, while relations with Russia have slightly stabilized after the gas export interruption in 2009. Turkmenistan withstood Russian pressure and gas deliveries were resumed at higher prices (although the volume was significantly cut). MTS, the Russian telecommunication company, was able to return to the country in 2012 after it accepted new government conditions. The dispute regarding dual-citizenship only sparked slight protest by the Russian government.

Strategic Outlook

President Berdimuhamedov successfully consolidated power between 2007 and 2012, while embracing and prolonging the political culture established by his predecessor, first President Saparmurat Niyazov. Unlike Niyazov, he sought the sources of his support internally, from among his own regional and family circles. Yet Berdimuhamedov has maintained the strong and effective repressive apparatus he inherited from his predecessor.

In the short-term, the prospects of Turkmenistan transforming into a more liberal or democratic country is highly unlikely. Turkmenistan will probably stay on the path of authoritarian rule with a strongly centralized and hierarchical system. The democratic deficit and the lack of knowledge about liberalization, among current and even prospective elite, means that any attempt to democratize (initiated either internally or by external forces) is almost certain to fail in the short-term. Any rapid regime change, or sudden regime breakdown in the form of a revolution, and subsequent attempt to democratize the political system, would likely destabilize the country. In such a hypothetical scenario, the alternative political forces would probably be non-Ahal elites resisting Ahal (and Western Ahal) dominance. After the initial breakdown, the expected dismantling of unified anti-Ahal forces would very likely lead to interregional disputes over resources and pose a potential threat to state unity. Therefore, a gradual transformation of the regime seems to be the only option for a peaceful transformation of the political system.

While the initial steps the president has taken to create the legal and administrative framework do not point toward regime liberalization, these steps could lay the foundation for further institutionalization of a less restrictive and repressive regime. Systematic corruption, and the perception of corruption and being corrupted, will always be one of the principal obstacles of any transformation. The tradition of sycophantism drove Turkmenistan's administration away from a professional and effective administrative system. Unfortunately, Turkmenistan society and its elites are so deeply rooted in this political culture that it would be almost impossible to disinfect the political and economic environment.

In the economic sphere, several minor steps were undertaken during the research period. Several laws theoretically designed to ease investment, strengthen property rights, and prepare the state for large-scale privatization could strengthen Turkmenistan's economy in subsequent years if the policies and programs are implemented. However, the investment environment is still far from meeting international or even regional standards. The main potential competitors, Azerbaijan, Kazakhstan and other Asian market, are currently providing much more security for investment than Turkmenistan. So far, rapid economic growth is driven solely by rising energy material exports and relatively high commodity prices (especially gas). Internally, the increase in revenue could boost the building sector; however, revenue is often used for pompous projects with low or almost no profitability or benefit to the wider population (the Awaza Tourist Zone and the new airport in Ashgabat are leading examples). The Turkmenistan government has yet to introduce a

coherent strategy to develop infrastructure in order to support a high-quality, effective, and recoverable building industry that takes into account the natural environment, scarce water resources, and local environmental conditions.

Regarding the internal social and economic conditions, the outlook is rather bleak. The gap between the richest and most powerful part of population and others will probably widen, leaving a relatively minor emerging middle class in Ashgabat and less so in other cities. The government has no strategy to combat the high unemployment rate, the scale of which is based only on unofficial estimates. The unemployed population will try to benefit from a slightly more open travel regime to seek income as labor migrants abroad, especially in Turkey (the only relevant visa-free country for Turkmenistan's citizens). The suppression of dual-citizenship (Russian and Turkmenistan) will increase further de-Russification and add pressure on the Uzbek minority, which could lead to their assimilation. The population's opportunities could be further limited as inflation gradually increases the prices of food, fuel and services, thereby causing more people to live below the poverty level. Moreover, the further qualitative deterioration of the education system, despite its quantitative improvement, will lead to a less-skilled labor force and a lack of qualified staff in many spheres of life, especially education, health care, and the oil and gas industry.

Concerning the gas industry, it continues to attract foreign interest and domestic revenue, with increased exports to China and planned construction of new pipelines. In coming years, particular attention will be paid to the TAPI pipeline from Turkmenistan through Afghanistan, to Pakistan and India. This project enjoys strong support from the United States as part of its search for a successful strategy to stabilize Afghanistan after its military withdrawal in 2014. The fate of other projects, such as the Trans-Caspian pipeline, as well as the modernization of the Central Asia Russia pipeline system, is much more unclear. The failure of the Nabucco project and limited prospects for natural gas exploitation from the Caspian Sea challenged the plans for the expensive Trans-Caspian project, even with its limited capacity. At the same time, Russia is not ready to become the main customer for Turkmenistan gas exports again due to limitations associated with its own gas export capabilities.