

BTI 2016 | Turkmenistan Country Report

Status Index	1-10	3.39	# 116 of 129	
Political Transformation	1-10	2.85	# 121 of 129	➔
Economic Transformation	1-10	3.93	# 108 of 129	➔
Management Index	1-10	2.41	# 122 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. 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	5.3	HDI	0.698	GDP p.c., PPP \$	15473.6
Pop. growth ¹	% p.a.	1.3	HDI rank of 187	103	Gini Index	-
Life expectancy	years	65.5	UN Education Index	0.679	Poverty ³	% -
Urban population	%	49.7	Gender inequality ²	-	Aid per capita \$	7.1

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

Executive Summary

Turkmenistan's socioeconomic development over 2013 and 2014 was based on comparatively stable political and economic conditions. This resulted from the country's gradual opening up, begun by President Gurbanguly Berdimuhamedov with his accession to office in early 2007.

The trend toward revival in what, in recent years, has been a moribund civil and societal life has corresponded with a turning away from the untenable cult of personality around President Saparmurat Niyazov, who held office until 2006. In addition, President Berdimuhamedov has forced the adoption of more liberal economic laws, the implementation of measures expanding the private-sector economy, the seemingly formal introduction of a multiparty system, and the establishment of new social structures, such as industrial and business associations. A cautious social and economic liberalization is taking place in the country. Turkmenistan has at least partially shed its reputation as a wholly closed and internationally isolated nation.

To a significant extent, this is due to major new projects undertaken with international participation in the country's most important economic sector, the oil and gas industry. This is particularly true for the Galkynysh natural gas development project, and the expansion of the country's pipeline capacity to export gas to China. The lucrative export of hydrocarbons is, and will likely continue to be, the main engine of the officially reported double-digit growth in overall economic production. Although foreign exchange earnings continue to flow in large part towards presidential prestige projects that have little to do with sustainable development within the republic, the trend of the last few years has also seen revenues being used in a more significant manner to diversify the economy and expand social infrastructure.

Today, there is a continuous stream of foreign government and commercial delegations through Turkmenistan. At the government level, there are more than 30 bilateral commissions and working groups with foreign partners engaging in regular exchange on the status and prospects of bilateral relations in all fields of social and economic life, and exploring new joint projects. In this regard,

the clear revival of political and economic contact with the country's Central Asian neighbors and the South Caucasus republics is particularly notable as an essential prerequisite for Turkmenistan's stronger integration in processes of regional and international cooperation.

Nevertheless, the hopes for and expectations of a genuine departure from the massive state control of political and economic activity remain distant. Hopes and expectations for comprehensive reform in all socioeconomic sectors are elusive, as is a significant reduction in the vast bureaucracy and the degree of official interference in all areas of social life, including business matters. As such, the positive results for the much-heralded 2013 – 2016 privatization drive have so far not been fulfilled. To the contrary, many initiated reform projects have been of short duration, or have proven to accomplish little more than cosmetic changes. Those familiar with the country have, in many areas, observed a stagnation in the initially implemented turnaround, and in some areas even a return to the old Niyazov system.

In this regard, Gurbanguly Berdimuhamedov has created a new cult of personality. While hardly comparable to the boundless and extremely bizarre veneration of his predecessor Saparmurat Niyazov, this has taken on increasingly grotesque characteristics in the sparse media and cultural landscape, and in the underdeveloped publishing and education sectors. Since 2014, Berdimuhamedov's "literary works" have been a mandatory element of literature instruction at the secondary-school level. The theater in Ashgabat produces plays based on the president's novels. The authoritarian head of state, nicknamed Arkadag (protector), has played an increasingly dominant role in the country's political and economic spheres. Every notable project in the country requires a presidential decree. Without personal contact to the president, his deputy prime ministers and ministers can achieve little in Turkmenistan.

Rendering a detailed description of the country's current political and economic state, as well as of its likely future development, remains difficult due to sparse official information and data. What data does exist is often whitewashed or otherwise not wholly convincing. Moreover, the comparatively small amount of data published by international financial institutions is of only limited use, as this is generally based on the flawed foundation of official Turkmenistan statistics and media. Analysis of social and socioeconomic developments is complicated simply by the lack of official statements regarding the country's population.

History and Characteristics of Transformation

Turkmenistan, formerly one of the Soviet Union's 15 republics, gained its independence in October 1991 with the collapse of the USSR. At this time, it was neither politically nor economically prepared for this independence. Saparmurat Niyazov, who was appointed by Mikhail Gorbachev in 1985 as the first party secretary of the Turkmen Communist Party, led the republic into independence, taking over Moscow's political decision-making powers with respect to personnel and policies related to specific issues. He was elected president of the republic in a

direct vote (October 1990), and was later reconfirmed in office (in the presidential election of 21 June 1992 and the referendum of 15 January 1994).

In May 1992, Turkmenistan drafted a constitution that declared the country a constitutional democratic presidential republic based on a separation of powers, and which further offered formal guarantees of basic political and liberal rights to citizens. In practice, however, all forms of political activity were suppressed and an autocratic regime was established that relied increasingly on the domestic intelligence services and the security apparatus. With the aim of establishing domestic legitimacy, a personality cult was created around the president, which imbued him with a larger-than-life public presence as the head of all Turkmen (Turkmenbashi). When the failed August coup of 1991 sealed the fate of Marxism-Leninism as a ruling ideology, the sociopolitical order was constituted on an ethnic-national basis, and the Turkmenization of state and educational institutions was massively accelerated.

The loss of state control and planning from Moscow and the disintegration of the Soviet planned economy in the early 1990s placed Turkmenistan under great pressure to adapt. The disappearance of budgetary financial transfers for the state sector were, in part, compensated for by the gaining of control over export revenues associated with the sale of natural gas and cotton, though these too were in decline. Natural gas production dropped by close to half in the early 1990s as a result of the country's smaller capacity share in the Russian gas pipeline system, serious financial difficulties among the primary customers (particularly the Ukraine) and the lack of investment in infrastructure maintenance and upgrades.

The collapse of entire economic sectors, low state wages, and the discharge of workers in the health care, science, education and culture sectors increased the share of total employment represented by the private agricultural sector to 44% of the employable population (1996). However, this sector generated just 25% of the country's GDP (\$2.2 billion). The impoverishment of the population, exacerbated by the high levels of inflation (between 2,000% and 3,000% in 1993), was cushioned somewhat by the free provision of water, gas and electricity, and through subsidized prices for basic foodstuffs and gasoline.

Immediately after gaining independence, Turkmenistan adopted a number of new laws ostensibly aimed at paving the way for a gradual transformation of its economy (including such laws as "On Businesses," "On Corporations," "On Commercial Activity," "On Foreign Investment," "On the Denationalization and Privatization of Property"). However, genuine structural reforms failed to materialize through the 1990s, and even following the death of Turkmenistan's first president, Saparmurat Niyazov.

This is particularly true for the privatization process started in 1994. This was originally intended to encompass all industries with the exception of the fuel and energy sectors, and was slated to take four forms: leasing with the right to acquire, employee buy-out, individual acquisition, and conversion into corporations. However, the denationalization of the economy remained limited to small actors in the retail and services sectors, and particularly unprofitable state enterprises in other sectors. In the entire period between 1994 and 2011, a total of 2,119 enterprises were

privatized, primarily within the retail and public utility (718) and services (1,293) sectors. In the industrial sector, only 55 enterprises were denationalized, along with just 14 companies in the cotton industry. In the 1990s, driven by a wave of optimism, a series of joint ventures were also founded, primarily with Turkish and Iranian firms in the food and retail industries. Many of these joint operations proved short-lived due to the clearly resurgent statism in the following years.

In the agricultural sector in the mid-1990s, collective farm enterprises (kolkhozy) began to be dissolved, with farmers' cooperatives subsequently created on the basis of lease agreements. However, the state control of land use and the purchasing monopoly for grain and cotton have been maintained until the present day, keeping agricultural incomes low for farmers lacking access to good land or subsidized goods and services. The restructuring of the agricultural sector was, and remains, complicated by the serious environmental consequences of the intensive cotton cultivation carried on for many decades. Many hundreds of thousands of acres of land have been rendered unusable by reckless land use and years of mismanagement.

After the unexpected death of Saparmurat Niyazov in late-2006, who had been named president for life, and the accession of Gurbanguly Berdimuhamedov as the new head of state and government in early-2007, a wave of hope swept through the country for a palpable improvement of and loosening of restrictions on political, economic and social life, and a move toward a more open, transparent, pluralist and market-economy oriented state. A series of reforms justifiably nurtured this confidence. Yet today, eight years after Berdimuhamedov's entry into office, it can be stated that the reforms introduced have essentially led to no more than cosmetic changes in the country's political, economic and social landscape. The hopeful path toward real and lasting reforms has remained an illusion. Activity in all spheres of society remains dominated by the president and his authoritarian regime.

The reasons for this largely unaltered political situation in the country can mainly be found in the long-term growth of traditional informal societal and tribal structures, in the still-rampant clientelism, in the high incidence of nepotism and considerable corruption, and in the tradition of very personalized political in particular. Berdimuhamedov's state network relies on his supporters and relatives from the Ahal region, from the Ahal clan in his home area near the cities of Baharly and Gökdepe. The president benefits from a level of education among the majority of population that was kept low for many years, and remains low today, as well as from most residents' apolitical attitudes, the lack of press and information freedom, the sharply limited access to independent information sources, and the lack of support for potential reformers in his own ranks.

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 overwhelmingly strong position held by President Gurbanguly Berdimuhamedov forms the basis for the functioning and secure monopoly on the use of force in Turkmenistan. Informal political forces based on regional elites and close confidantes of the president are the primary stabilizing factor within the country's political and security apparatus. Any separation of state powers or accountability for the use of such power is sought in vain in Turkmenistan. The informal political groupings and alliances that exist in more or less rudimentary form at the regional level are virtually invisible due to massive state persecution and the overwhelming power of the president and his nearest associates, and have practically no opportunity to develop further.

The constitution formally guarantees all citizens equal rights. In practice, however, the rights accorded to national minorities (Uzbek, Russian, Kazakh, Baloch, Kurdish and others) are both directly and indirectly circumscribed to a considerable degree. This is particularly true with regard to the freedom of movement within the country and travel to and from the country, as well as access to the civil service, social services, education and parliamentary, regional and local administrative bodies. Moreover, the rights constitutionally guaranteed to all national citizens do not apply to all Turkmen in equal measure. According to unofficial sources, up to 40,000 people are on a "black list" for various reasons. These people, who include many critics of the regime, members of religious communities and their families, are not allowed to leave the country. Ahal Teke Turkmen are frequently and plainly given preferential treatment in state education and personnel policies.

Question
Score

Monopoly on the
use of force
10

State identity
7

Religion and state are formally separated in this predominately Sunni Muslim society. Turkmenistan is a secular state. Religious dogma has no appreciable influence on policy or the law as exercised in the country, and will exert no significant influence on government or administration in the future either. For the population, Islam is an element of their traditional national culture and history. It serves to maintain their moral values, customs and conventions. Officially, more than 90% of residents are Sunni Muslims (Hanafi Sunni school), although in reality the majority of the urban population is not particularly religious.

No interference of religious dogmas

9

In comparison to neighboring countries, Islam in Turkmenistan is not grounded in well-established traditions. There is no religious fanaticism. President Gurbanguly Berdimuhamedov sees a stable source of support for his own power and the national identity in the Islamic religion and the country's currently more than 400 mosques. Religious freedom in the country is sharply limited to a narrow but relatively stable range specified by the state. The state (the president) exercises control over the religious sphere through the Council for Religious Affairs (CRA), using the CRA to appoint senior officials within the religious community. Aside from the Sunni Muslims, only two other religious communities – Russian Orthodox and Roman Catholic – are today approved in practice.

Religious writings and other media are strictly censored by the CRA, following the interests of the state in strongly preventing the dissemination of knowledge about Islam and other religions. Importing religious materials is a punishable offense.

Unregistered religious activities are similarly forbidden, and tolerated in only a few exceptional circumstances, as in the case of Shi'ite Muslims. Unauthorized religious activity is severely punished. Since mid-2014, the financing of religious organizations from abroad has been regulated more strictly than previously. This measure was primarily sparked by fears of growing influence on the country's religion and politics by foreign Turkmen jihadists. The difficult environment facing believers belonging to non-Islamic faiths is also shown by the World Watch List (WWL), produced by the interdenominational Christian aid organization Open Doors. In the Open Doors 2015 WWL index, Turkmenistan is numbered among the top 20 countries worldwide in which Christians are most severely persecuted. In neighboring Uzbekistan, however, conditions for Christians are considerably more difficult.

The state's fundamental infrastructure extends throughout the country's entire territory. The functioning of infrastructure is inefficient and faulty due to the president's frequently renewed and, to some extent, contradictory decrees, the growing self-interest of those in the government's leadership and of figures at the central and regional levels, and the still significant corruption within the bureaucracy. A large part of the government and administrative structures has, more or less, only a representative character. President and head of government (as chairman of the

Basic administration

6

Cabinet of Ministers) Gurbanguly Berdimuhamedov and his directly subordinate officeholders, such as the head of the Office of the President and the 12 deputy prime ministers responsible for individual social and economic sectors, remain the primary decision-makers. This practice has not changed over the course of the observation period. On the contrary, this system is being further “perfected.” In early November 2014, the president officially named six representatives of the chairman of the Cabinet of Ministers (deputy prime ministers) as the highest decision-making, supervisory and oversight officers for the implementation of the National Program for the Transformation of Social and Living Conditions in Villages, Towns, District Cities and District Centers through 2020.

Both continuity and effectiveness in the public administration have suffered from constant rotation within the ranks of the top officials. The frequently arbitrary dismissals made by the president often take place due to (supposedly) unfulfilled plans and targets within the relevant department, or investment projects that have not been completed within a specified time frame. The carousel of ministers is also driven in large part by the pretext of containing corruption, although this aim has met with only moderate success. Almost every year, the majority of ministers, the chairs of state committees and other high authorities, and the heads of the state banks including the central bank are replaced.

The highest officials in the most critical economic sectors – specifically the oil and gas, agriculture and textile sectors – are forced to leave their posts with particular frequency. This perpetual rotation provides fertile ground for ever-increasing bribes to obtain a well-paid post. The supply of good jobs is one of the key elements in Turkmenistan’s widespread nepotism and favoritism. This practice ultimately ensures that leadership positions are not filled by capable figures with appropriate skills. In the health care sector, the shortage of skilled workers resulting from the massive reduction in medical capacities under Saparmurat Niyazov remains a source of particular precariousness. This is true of the education sector to nearly the same extent.

2 | Political Participation

Universal suffrage is guaranteed in Turkmenistan, but the electoral process is anything but democratic, free and fair. While former President Saparmurat Niyazov was appointed for life on 28 December 1999 by the People’s Council (Halk Maslahaty), Turkmenistan’s highest legislative body, elections have once again been held since his death. Current officeholder Gurbanguly Berdimuhamedov was elected in February 2007 with 89% of all votes. In the February 2012 presidential elections, he received 97% of the vote, and was thus confirmed for the next five years in office. The reintroduction of the five-year electoral period was enshrined in the new constitution in 2008. The president’s electoral “rivals,” who came from his near circle

Free and fair
elections

1

and deferred fully to him, respectively received just 0.08% and 1.07% of the vote in the 2012 elections, and were no more than token candidates. Election observers from Western countries were not invited.

According to the constitution and applicable election laws, candidates must have lived in Turkmenistan for at least 15 years, and work in state organs, civil-society organizations, companies or other organizations. These provisions de facto exclude potential candidates from the ranks of the exiled political opposition (based primarily in Moscow, Oslo and Vienna). There is virtually no domestic opposition due to the extremely repressive approach toward dissenters. The capacity for other political parties to nominate candidates was introduced in 2011, and solidified in early 2012; however, this is merely formal in nature, and is intended to give the impression that the country possesses free voting rights.

For the first time in Turkmenistan's history, citizens were allowed to "choose" between two parties in the parliamentary elections of 15 December 2013. The Democratic Party of Turkmenistan, which had about 190,000 members at the end of 2013, has held 47 of the parliament's 125 seats since the election. The Party of Industrialists and Entrepreneurs (with about 3,000 members) holds 14 seats. Of the remaining seats, 33 are accounted for by the Federation of Trade Unions, 16 by the Central Women's Council, eight by the Youth Association, and seven by various citizen groups. All legislators offer uncritical support to the government and the Democratic Party of Turkmenistan. There are virtually no differences in the two parties' programs.

Turkmenistan's Interior Ministry invited an OSCE Office for Democratic Institutions and Human Rights mission to observe the election. The office's final report of 4 March 2014 was distinctly critical, noting that citizens' basic freedoms were ignored in the course of an election held in a strict political environment. As in previous ballots, the electoral process was not transparent, and was marked by a lack of political pluralism. Citizens who had not lived in the country for at least 10 years were not entitled to vote. Neither the election preparations nor the vote for political decision-makers was based on internationally recognized and customary democratic principles.

As previously, President Gurbanguly Berdimuhamedov controls the government and overall societal life with a firm hand. He appoints all key positions at the top, regional and local levels, including the heads of all ministries and top national and regional authorities. Alternative political groupings have no opportunity to challenge or effectively criticize existing power structures. Gurbanguly Berdimuhamedov is simultaneously head of state (president), chairman of the Cabinet of Ministers and supreme commander of the armed forces of Turkmenistan, thus concentrating power and competences in his own person.

Effective power to govern

1

The 2008 constitution, as subsequently amended, as well as the new political-parties law implemented in 2012, formally guarantee the freedoms of association and assembly. The new law “On Social Organizations,” passed on 3 May 2014, again explicitly enshrines the right to found and register societal organizations. Implementation of the basic principles contained in these three legal measures has been very hesitant, however. Independent organizations continue to exist at only a rudimentary level today. Politically active civil-society organizations are still prohibited in practice. There are very few official nongovernmental organizations (NGOs). Not a single new NGO has been registered with the Ministry of Justice since the enactment of the “On Social Organizations” law. The few NGOs active in the country are subject to strict government oversight, and must conform to government regulations. Occasional protests, which continue to take place in the capital and less frequently in other regions due to violations of human rights and labor laws, are immediately dissolved and subject to massive repression by state agencies and security services, and critics are often punished.

Association /
assembly rights

1

On 4 January 2013, a media law entered into force in Turkmenistan for the first time. On a purely formal level, it allows the establishment of independent media and guarantees the independence of reporting and the free expression of opinion. These rights exist only on paper, however. Turkmenistan numbers among the countries with the lowest degree of press and media freedom worldwide. The country holds one of the lowest positions in the Reporters Without Borders’ (RWB) 2014 World Press Freedom Index, coming in at 178th place out of 180 nations examined. Along with North Korea and Eritrea, the CIS republic has sat among the ranking’s last three places for years. Turkmenistan scores poorly in all six categories surveyed (pluralism, media independence, journalistic environment and self-censorship, legislative framework, institutional transparency and production infrastructure).

Freedom of
expression

1

There are only about two dozen newspapers and magazines in the country, all with very small circulations. The president or the Cabinet of Ministers are the founders of virtually all press media, which, almost without exception, print only the speeches (eulogies) of the president, official press statements, chronicles of state activities, and the “advertising contributions” of ministries, state-owned enterprises and state research institutions. There are no press outlets that feature genuine political or economic content. Critical and analytical reporting is severely repressed. The mouthpiece of the Union of Industrialists and Entrepreneurs, officially proclaimed as the only “private and independent newspaper,” is in reality not independent, and has the same content as the official state media. The population has virtually no access to foreign press products.

Journalists who resist the compulsion to engage only in official uncritical reporting have to reckon with serious harassment and punishment. There are no signs that this

extremely limited press freedom is loosening. The government's media monopoly includes the press, the radio and television, and even the Internet.

The Internet is strictly controlled by Turkmentelekom, the monopoly government provider, and is made deliberately expensive in the interest of keeping its spread limited to the lowest possible degree. Critical Internet sites from abroad are blocked. At Turkmentelekom's rare points of public Internet availability, surfers must submit personal identity cards or passports for purposes of oversight. Since spring 2014, YouTube and Facebook have again been accessible to a limited extent after a nearly five-year blockage. A law adopted in late 2014, "On the Legal Regulation of the Development of the Internet and the Provision of Internet Services in Turkmenistan," provides formal guarantees of free access to the Internet. In practice, however, the situation with regard to Internet use is unlikely to improve significantly. Foreign television stations received via satellite represent the only channel by which the population can inform itself about international events largely freely.

3 | Rule of Law

The separation of powers is formally enshrined Turkmenistan's new constitution. In practice, however, there is a large gap between the provisions of constitutional law and reality. President and head of government Gurbanguly Berdimuhamedov rules the country by decree. The legislative and judicial branches are dominated by the executive. Berdimuhamedov's presidential decrees shape all political activity, the economy, and all other spheres of social life. He is the only figure officially allowed to criticize the results of line ministries and other state authorities, and can implement changes throughout the administrative apparatus at his discretion. The president appoints all senior civil servants, and removes them or transfers them to other posts at his own pleasure. The effective power to govern thus remains solely with the president.

Separation of
powers
2

The judiciary is formally and institutionally differentiated, and is officially established at all administrative levels. However, it is strongly politicized in practice, and is an integral part of the administrative command structure. The enforcement and modification of legal norms are very often dependent on the personal will and wishes of the president. Previously delivered legal judgments are corrected by the president "as needed." In the Turkmen judiciary, corruption, bribery, arbitrariness and clientelism are prevalent to a degree far above the average. Even receiving one of the few places in law school, passing law-school exams, and obtaining a position as a judge or lawyer are hardly possible without a proper financial "donation."

Independent
judiciary
2

Judges are still appointed by the president, for terms of only five years. They therefore remain dependent on him throughout their term in office. Permits to engage in legal work are issued by the Ministry of Justice. The way in which these are allocated is

not transparent. The procedural logic in the Turkmen judicial system can be assessed as low. There is no independent judicial oversight or audit authority. Even international audit firms are obliged to work closely with public institutions, and have only limited access to facts and data. There is still no constitutional court, and since Turkmenistan's independence in 1991, no new law has been passed governing the legal status and activities of lawyers. The measures introduced by the president in May 2014 for further constitutional reform (including the introduction of an ombudsman institution and authorized human-rights representatives) should have ostensibly contributed to an increase in the judicial protection of citizens' rights and freedoms. As always, the plans were not and are not being implemented in a substantive manner.

The official press regularly publishes filtered information in which the president issues massive criticisms of incidences of corruption in the country, and identifies corrupt officials by name. These individuals are punished on the basis of the applicable law and their assets are typically confiscated. Often, political motives and Berdimuhamedov's efforts to represent himself internationally as a corruption fighter lie behind these activities. Persons affected by such punishments are mostly those who acted critically toward the state, who have ostensibly fallen into disfavor, or who have unilaterally made political or economic decisions without consulting with the president or his close circle.

Prosecution of
office abuse
3

The 3 March 2014 adoption of the first anti-corruption law in Turkmenistan, "On Combating Corruption," has changed nothing with regard to the escalating degree of corruption in the state administration, in the justice and security apparatus, and in the education and health care sectors, nor even with regard to the everyday practice of "fighting corruption" in the country. Experiences with the abuse of power and corruption are an everyday part of life for Turkmenistan's population.

Civil rights in Turkmenistan continue to be systematically infringed. Members of the political opposition as well as their families are still observed, bullied and harassed by the national security service. The majority of political prisoners detained under Saparmurat Niyazov's administration still sit in prison, often under inhumane conditions. Journalists working for foreign media outlets are subject to reprisals. Property rights are often violated by the state for political and arbitrary reasons. Members of national minority groups are increasingly discriminated against in the exercise of their civil rights by the steadily increasing Turkmenization affecting all social spheres.

Civil rights
2

Thus, though President Gurbanguly Berdimuhamedov has recently repeatedly expressed the importance of learning foreign languages, and though in fact improvements have been made in learning Western languages in recent years, the real situation has worsened overall. After Berdimuhamedov took office, there was neither a revival of schools with Russian-language instruction (currently, there are fewer than

30 such schools) nor a reopening of the schools closed under the Saparmurat Niyazov administration that had catered to the needs of the Kazakh and Uzbek minorities through primary instruction in the Kazakh and Uzbek languages. Members of all national minorities are widely excluded from jobs in the civil service and the country's dominant state-run economic sectors.

The regulation of dual citizenship for those of Russian nationality in Turkmenistan remains unresolved. Since autumn 2013, the Turkmen migration service has accepted no applications for the issuance of a new biometric passport for persons who hold dual citizenship (Turkmenistan and the Russian Federation). Without such a new passport, these citizens have been unable to travel abroad since 10 July 2014. The discriminatory practice in issuing passports for Russian-Turkmen dual citizens has in this regard worsened further. Contrary to the terms of an intergovernmental agreement on dual citizenship, Turkmenistan's migration service demands that affected citizens renounce one of their two citizenships. It is improbable that the bilateral agreement will ever be fulfilled. In May 2013, Turkmenistan informed the Russian Ministry of Internal Affairs that the agreement would no longer be valid as of 18 May 2015. Bilateral consultations are currently underway with the goal of clarifying the legal status of citizens with dual citizenship after that date.

4 | Stability of Democratic Institutions

The criterion regarding the stability of democratic institutions is not applicable in Turkmenistan, as there are no institutions that function truly democratically. At best, only assorted "tokens of democracy" exist. Although the constitution formally enshrines a separation of powers, the country's political situation contrasts almost diametrically with this fundamental societal value. The president rules the country autocratically through presidential decrees. The legislature and the judiciary remain subordinated to an executive dominated by the presidential administration.

Performance of democratic institutions

1

The strong presidential power leaves no real room for other political forces. This is also true of the party pluralism that was officially proclaimed in 2012, but not yet practiced. Formal democratic institutions are ultimately only an element of the authoritarian presidential regime, and thus cannot function properly. For instance, although Ashgabat's National Institute of Democracy and Human Rights is concerned with the analysis of the observance of human rights and human-rights violations, its position as a subordinate organization within the presidential administration and the associated high degree of dependence on the Office of the President does not allow it to carry out objective analytical work or reporting. Nevertheless, in certain areas there is hope. For example, a human-rights dialogue initiated with the European Union with the involvement of the Institute could at least contribute to improving Turkmenistan's human-rights trend. The seventh round of this dialogue will take place in Ashgabat in 2015.

Commitment to democratic institutions

1

5 | Political and Social Integration

With the adoption of the “On Political Parties” law on 15 January 2012, the president paved the way for the introduction of a multiparty system in Turkmenistan. The law defines the legal framework for the establishment of parties, their rights and obligations, and the guarantees for their activity, and further regulates their relationships to state organizations. In March 2012, the Union of Industrialists and Entrepreneurs of Turkmenistan decided to establish its own party, the Party of Industrialists and Entrepreneurs of Turkmenistan, led by a close Berdimuhamedov confidant, Ovezmammed Mammedov. The party was officially registered in August. At the end of September 2014, a second new party, the Agrarian Party, was founded under the leadership of Redzhep Bazarov, who had served as agriculture minister since April 2014.

The two organizations that today serve as alternative parties to the absolutely dominant state party, the Democratic Party of Turkmenistan (the former Communist Party of the Turkmen Soviet Socialist Republic), are not opposition parties in the true sense. Rather, they are on the one hand a cover for the officially propagated party pluralism, and on the other hand can be viewed as state governance and control bodies for the slowly expanding private-industry sector (Party of Industrialists and Entrepreneurs) and the implementation of the regime’s programs for the development of rural regions and food production. It thus remains inaccurate to speak of a truly independent party system in Turkmenistan. Looking forward, there is a chance that at least the Party of Industrialists and Entrepreneurs might gain a certain independence from the state and the government, on the basis of its growing links to the expanding private sector and its interests. In the short and medium term, however, any such trend remains rather improbable.

The already-minimal mechanisms of mediation between society and the political system did not improve during the period under review. The parliaments and assemblies of elders that were established at the local, regional and national level in the context of formal democratization serve a merely acclamatory function. There are no independent professional associations or trade unions. Only state-controlled associations and organizations, the Democratic Party of Turkmenistan, and the two new, loyal parties (the Party of Industrialists and Entrepreneurs and the Agrarian Party) are allowed to propose candidates for parliamentary elections.

Party system
2

Certain civil-society interests are being introduced into the political system as a consequence of the demand for the educated elite's expertise. However, as previously, their expertise was employed during the period under observation primarily for the purposes of political legitimation. The arbitrary dismissal and transfer of ministers and other top officials, along with the preference for the recruitment of elites from the Ahal administrative region, limits the ability to secure an informal mediation of regional interests through a clientelistic network.

Interest groups
2

There is no reliable survey data in Turkmenistan on public attitudes toward democracy as a form of government. Research focusing on public Internet comments made by Turkmen citizens, as well as discussions held between foreign and Turkmen participants at the margins of the numerous international forums and congresses now carried out in the country, clearly indicate a growing desire for more democracy among at least part of the population. These wishes are primarily articulated by people with a high level of education who have routine or at least sporadically close contact with foreigners, and particularly those who have become familiar with democratic systems in other countries as the result of a stay abroad. As a result of the one-sided, state-dictated information policy, a large part of the population still simply lacks information about democratic processes and practices.

Approval of
democracy
n/a

Self-organization within civil society remains at an extremely low level. It is not welcomed by the state, which seeks to hold it at the lowest possible level, while strictly controlling its various manifestations. Services in the education, health care and social-service areas are provided almost exclusively by state-funded institutions and organizations. Even the farmer's cooperatives, founded in 1996, remain forced into a straitjacket of state regulation. Tenants on state land and farmers are required to relinquish quantities of grain and cotton stipulated from above. Self-help groups, usually informal networks based on personal relationships, tend to form in response to specific events in order to provide services formerly handled by the state or collective farms, such as housing construction and maintenance.

Social capital
2

Independent groups, including unrecognized religious communities, are subjected to state repression. Private institutions financed from abroad may fundamentally act only under state control. The state's fear of increased Islamization among Turkmen youth forced the few remaining approved Turkish-sponsored educational institutions to discontinue their activities in 2014. Only one Turkish school remains, for the children of Turkish embassy staffers and Turkish businesspeople.

Levels of societal trust remain very low; indeed such trust exists only within networks of personal relationships. The president's increasingly unpredictable personnel policies, which have involved significantly rising numbers of dismissals and transfers and/or repeated prosecutions of top functionaries, have led to a further strengthening of mistrust and insecurity within the administrative and security apparatus.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Socioeconomic
barriers
4

Turkmenistan's 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. Social exclusion exists particularly due to the poverty experienced by a large portion of the population, as well as the ethnic discrimination faced by the Uzbek, Russian, Kazakh and other minorities. Turkmenistan's status on the Human Development Index (HDI) welfare indicator remained unchanged during the review period. The Central Asian republic is classified as a country with a medium level of development. The unchanged status is somewhat surprising given the many years of double-digit growth as reported by the official statistics, but this can be easily explained.

Because the official data is tampered with, is defective, and is not prepared in accordance with internationally accepted collection methods, no objective assessment of the level of prosperity achieved is possible. International observers agree that the macroeconomic indicators, and even many data points at the micro level, are significantly exaggerated, and thus lack credibility. At the same time, the large and growing gray market, including production in homes and other sideline activities, is not reflected in the official figures. Even today, there remains no reliable official statement regarding the country's population. Largely untrustworthy internal statements from the state's statistics office estimate about 6.7 million people at the end of 2013. However, the same statisticians corrected the population figures for 2007 by subtracting 1.3 million from the 2006 figures, giving a total of just 5.3 million for the year. An official census was held at the end of 2012. As of the time of writing, the publication of the census' results, announced for late 2013, had still not taken place. Allegedly, certain documents at the regional level have been lost. It may also be that the census results do not correspond with the president's expectations (a decline in population rather than growth, for example), and the data must therefore remain under lock and key.

Large gaps exist in income levels among the republic's population, which has grown rapidly in recent years. However, it cannot be quantified due to defects in the data and a lack of transparency with respect to official and, in particular, unofficial income sources. Officially, monthly gross wages have rose annually between 2011 and 2014 by an average of more than 11% in nominal terms, and about 5% in real terms. The average monthly wage of around \$400 reached in 2014 is skewed strongly upward by a few major earners in the oil and gas sectors and in the state apparatus. For normal

earners, the above-average recent increases in food prices and the elimination of some previous state-granted benefits (120 liters of free gasoline per month; reduction of the subsidies for gas and electricity) has led to painful gaps in their pocketbooks. Only one in five of the country's employed population earns regular wages. By far the largest portion of the working population is that of the so-called self-employed, who often earn only sporadic and seasonal incomes. However, this group also includes registered individual companies, the number of which has risen significantly in the last two years. These represent the slowly evolving real private sector, and often achieve high income levels through trade, construction and, to some extent, manufacturing activities.

Economic indicators		2005	2010	2013	2014
GDP	\$ M	8104.4	22148.1	41013.0	47931.9
GDP growth	%	13.0	9.2	10.2	10.3
Inflation (CPI)	%	-	-	-	-
Unemployment	%	11.0	10.9	10.6	-
Foreign direct investment	% of GDP	5.2	16.4	7.5	-
Export growth	%	25.0	-	-	-
Import growth	%	-4.9	-	-	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	5.4	4.1	21.1	16.8
External debt	\$ M	1157.8	529.1	501.9	-
Total debt service	\$ M	310.4	154.7	49.3	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	13.2	9.5	-	-
Public expnd. on education	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.0	1.2	1.3	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

Turkmenistan fundamentally lacks the basis for fair market competition. At most, first approaches can be observed in some sectors of the gradually emerging, but still minor, private-sector economy. The state continues to control all key sectors of the economy. State-owned enterprises are exclusively responsible for the production and export of oil, natural gas, electricity, raw cotton, oil-based products, and other raw and semi-finished products, and even most finished products within the manufacturing sector. For cotton and grain, the state's purchasing and trade monopoly produces prices under world market levels.

Market-based
competition
2

The state monopolizes all strategic resources such as the promotion and export of natural gas and oil, the production and export of petrochemical products, additional chemical products (fertilizers, iodine/bromine, chemical salts) and cotton and grain, as well as the electricity industry, the banking sector and the publishing and tourist industries (hotels/hostels and travel agencies). Trade in luxury goods is mostly concentrated within the families of the highest government officials. Trade in other goods can take place relatively freely, but remains regulated in many ways by the state.

Anti-monopoly
policy
2

Foreign trade is controlled by the state to a significant degree. Working through the State Commodity Raw Material Exchange of Turkmenistan, the government holds a state foreign and wholesale trade monopoly, as well as control over goods that flow through the export and import sector more generally (type of items, volumes and price levels). Liquid products can be exported only through the exchange. According to official figures, the share of the non-state sector in total imports is as high as 70%. In reality, it is little more than 30% to 35%. Due to the substantial regulatory burden and often lengthy bureaucratic procedures affecting foreign trade, not least with regard to customs clearance and the still difficult and often time-consuming process of obtaining a visa, Turkmenistan remains far from an open trading partner.

Liberalization of
foreign trade
2

In the course of the cautious policy of opening up following Gurbanguly Berdimuhamedov's accession to office, investment legislation was gradually improved. Furthermore, due to reductions in import tariffs, fees and taxes, as well as the continuous promotion of small and medium-sized (private) enterprises, particularly in the context of the expansion of the agro-industrial complex, positive developments to international trade are evident. The many large construction projects, with contracts frequently awarded to Turkish construction firms, have helped drive growing imports of construction materials and building and construction technologies for years. An increase in internationally financed projects and projects realized in cooperation with foreign partners has taken place in the fields of gas chemistry, the chemical industry, and the textile and food industries. True direct investment continues to be limited almost exclusively to a few projects in the oil and gas industry. In all other sectors, the investment risk remains very high.

On a purely formal level, Turkmenistan has a two-tier banking system with a central bank and 14 commercial banks, including the State Development Bank of Turkmenistan, founded in 2011 for the financing of large state projects, as well as two very small foreign institutions that handle business with Pakistani and Iranian firms (National Bank of Pakistan, Ashgabat branch; Bank Saderat Iran, Turkmenistan branch). Turkmenistan's banking system has shown a significant rise in total assets in recent years (an average increase of more than 40% annually from 2009 to 2013); however, the ratio of assets to the country's gross domestic product is still comparatively very low, at just one-third. In addition, the banking system suffers from a large cash shortage, due in part to the lack of public trust in the domestic banks.

The banking sector is dominated by six state banks specializing in particular economic sectors (Turkmen Vnesheconombank for foreign trade and project finance; Dayhan Bank for the agricultural sector; Turkmenbashi Bank for extraction and heavy industry, transport, telecommunications, construction and retail trade; Turkmen Bank for the public sector including education, health care, light industry; Halkbank for pension payments; and Prezidentbank for real estate). The other banks that serve commercial structures are also partly state-owned and subject to the broad state control that applies across Turkmenistan's banking system. In addition, the only private credit institution in Turkmenistan, the Rysgal Credit Institute, founded exclusively by private investors under the auspices of the Association of Industrialists and Entrepreneurs, is unable to escape the government's influence.

The misuse of banks by the state administration and the sociopolitical elite is no longer comparable with the extent seen in the years up to 2006/2007; however, abuse continues to be widespread. The practice of financing state institutions and enterprises through credit institutions continues today. The central bank remains far removed from a truly independent status.

The president or the state embodied by him ultimately determines the central bank's guidelines and sphere of activity. To some extent, it also continues to manage the accounts of key state actors in the oil and gas industries.

8 | Currency and Price Stability

The currency is not freely convertible. On 1 May 2008, Turkmenistan introduced a single exchange rate between the manat (TMM) and the U.S. dollar, with a fixed rate to the dollar. From the January 2009 manat reform through to the end of 2013, the exchange rate remained unchanged at \$1 to TMM 2.85, despite an estimated annual real inflation rate of around 10%. This uniform rate, on which the exchange rates of all other international currencies are based, applies to all legal and natural persons for cashless transactions on the interbank foreign-exchange market, as well as cash transactions in commercial banks' exchange offices. On 1 January 2015, as a result of the pricing turbulence in the international oil and gas markets, and particularly because of the massive depreciation of the Russian ruble (Russia accounts for one-fifth of Turkmenistan's exports, including the export of finished goods in particular), the manat was devalued by around one-fifth to a new fixed exchange rate (\$1 = TMM 3.50). On 1 January 2014, the central bank introduced an upper limit of \$1,000 per exchange transaction, justifying this step on the basis of the state's "desired" expansion of cashless payments.

Anti-inflation /
forex policy

2

According to Turkmenistan's government, consumer prices have risen by an annual average of 5 to 7% over the last four years (2011 through 2014). In reality, price increases have been in the double digits, ranging between about 12% and 14%. The basket of goods used to determine the price indices does not correspond to the needs of the population, in particular encompassing too few services and imported consumer goods. Recently, the rapidly rising food prices and the clear reductions in state subsidies (for natural gas, electricity and gasoline) have proven a heavy burden for the majority of the population. The trend line for these strains continues to rise, while real wages are stagnant at a low level.

Macroeconomically (with regard to budget balance and debt), Turkmenistan is in a comfortable position due to its revenues from the export of natural gas, oil, and oil products. Surpluses have been accumulated in a stabilization fund, established in 2008, on the basis of a number of extra-budgetary funds. The fund may prove to be a good basis for a balanced and long-term investment policy in the interests of economic diversification. However, no credible information exists about the fund's income or its working methods, much less about the use of its accumulated revenues. According to reports, the president continues to have access to nontransparent extra-budgetary funds that he can use for his own purposes, particularly for the discretionary establishment of prestige projects. China's increasing role as a natural gas customer, which has led to long-term binding contracts, as well as expanded activities in the export-oriented petrochemical and gas chemistry sectors, has prompted expectations that Turkmenistan's macroeconomic situation will continue to develop in a fundamentally positive manner.

Macrostability

5

9 | Private Property

A guarantee of property rights and the acquisition of property is enshrined in law in Turkmenistan. The practice, however, is somewhat different. Forced relocations and even expropriations without compensation in the “national interest” are not uncommon, and stand in stark contrast to the proclaimed private-property guarantees. For example, in early 2014, the residents of Tschuli (Ahal region) were resettled without their consent in another village, in unfinished houses. The rural residents were required to make way for the construction of a new presidential residence. Expropriation and forced resettlement are particularly evident in the high-demand construction zone of Ashgabat. Old houses and other properties here often have to give way to new prestige projects with no or only minimal advance notice.

Property rights

4

Due to the country’s political environment, domestic and foreign investors alike must fundamentally reckon with the potential expropriation of their businesses or assets at any time, without compensation. This real danger, which increased still further during the review period, is reflected in the Heritage Foundation’s Property Rights Index. In 2013 and 2014, Turkmenistan received one of the lowest scores worldwide for the protection of property rights (five out of a possible 100 points); in previous years, it was awarded 10 out of 100.

The environment for the protection of intellectual property rights is similarly dire. A law implemented in early 2012, “On Copyright and Related Rights,” offers copyright guarantees in accordance with analogous international regulations. The practical implementation of this measure remains solely on paper, or is employed only against certain companies in the interest of the state.

The Turkmen economy is a strong centrally controlled state economy, and will remain so in the foreseeable future. However, the role of the private sector is rising slowly from its low base. During the period of review, the volume of small and medium-sized economic entities that constitute the private sector, outside of the many small merchants in the bazaars and marketplace, has clearly grown, both in terms of absolute numbers and in terms of turnover. The new private entities are usually members of the Union of Industrialists and Entrepreneurs of Turkmenistan (with around 12,000 members as of the end of 2014:), and are active primarily in the retail trade/distribution and construction sectors or the agro-industrial complex. The Union is officially independent. In practice, however, it is coordinated and regulated by the state.

Private enterprise

3

The Union’s activity and the year-to-year growth in its membership is based on the 2011 implementation of the country’s medium-term program for state support of small and medium-sized private enterprises, slated to last through 2015. However, the positive commercial-development trend cannot disguise that the business

environment for private-sector activities remains very difficult. Project-related business decisions of all kinds remain politically motivated, and require the mastery of myriad bureaucratic hurdles. Young entrepreneurs need relatives and/or close friends in official agencies, connections to networks, and access to funding sources. The overall 2013 Index of Economic Freedom produced by the Heritage Foundation think tank shows that the free development of private-sector economic activity is nearly impossible in Turkmenistan.

The privatization program announced by the government for the 2013 to 2016 period was barely visible during the period under review. To date, only a few unprofitable companies and unfinished construction properties have been sold. The majority of enterprises within the manufacturing sector will most probably remain in state hands for years to come. There is no effective policy in place to transform the state economy to one based on private property.

10 | Welfare Regime

Turkmenistan has recorded a generally positive trend in the last two to three years regarding its welfare regime, which has been the target of a bundle of reforms developed by the government. These measures include legislation to establish a new social security system that went into effect on 1 January 2013 (Law on Social Safety Nets), the introduction of a pension plan (Law on State-funded Pensions) as well as a pension fund at the Ministry of Labor and Social Welfare, the adoption of programs designed to develop health care, education, the labor market, child care, and sport for children and youth, the reduction of prices for pharmaceuticals and other medical items, and attempts to facilitate home ownership.

During the period under review, Turkmenistan's state invested significantly more in health care than in previous years. Current health care initiatives derive from a medical care program (2012–2016), a strategy targeting the development of the country's health economy (2012–2020) and the country's first regional development program (2012–2016). Each year, throughout the republic, nearly three dozen large medical facilities are either built, thoroughly modernized or expanded. However, these typically serve as showcase and prestige properties, and have little in common with genuine improvements in health care. The current state of health care in Turkmenistan is, for most of its population, and for those living outside the capital in particular, far from satisfactory. As before, a large share of the population has only limited access to medical services, and corruption and bribery are everyday practices in both social spheres.

Medical and health care continues to suffer considerably from the sweeping cutbacks made under former president Niyazov, who shut down hospitals outside Ashgabat and dismissed thousands of skilled workers in the sector. Currently, health care in

Social safety nets
4

Turkmenistan suffers from an acute shortage of skilled workers. By the end of 2013, there were only 13,000 doctors (i.e., 2.4 doctors per 1,000 inhabitants) compared with 14,200 doctors in 2000. Annual per capita spending for health care in Turkmenistan is low (\$120).

Turkmenistan's labor market continues to face considerable challenges, including high unemployment rates, overemployment in government agencies and state-owned businesses, and major shortages of engineers and other tech-skilled workers. Just over one-quarter of all people officially registered as employed have a formal contract. This low figure, or high rate of unregistered "enterprises" by which many people earn their living either through ongoing or intermittent employment in the agricultural, retail or transport sectors, underscores the lack of regular jobs in the country. The United Nations' Committee for Economic, Social and Cultural Rights estimates Turkmenistan's real unemployment rate at anywhere from 50% to 60%. Of particular concern are unemployment rates in rural areas and among the youth.

Equal opportunity
4

Aside from a few initial successes, little progress has been recorded in the education sector. The share of salaried personnel with a higher education degree and professional training among those employed by SMEs is declining. Only 30% to 45% of all SME employees (excluding the education and administration services sectors) attain intermediate-level education or higher. This state of affairs is attributed primarily to the limited capacity of the country's educational institutions and the acute shortage of qualified educators and academic teaching materials.

Despite the timid reforms introduced by the government, and the expansion of activities in the education sector, almost three-fifths of secondary-school graduates have no real chance to continue with substantial further education. In the five regions outside the capital, in which 85% of the population live, there is only one university, with only just over 3,000 students.

Diplomas acquired in foreign countries after 1993 can now, following a seven-year freeze, be recognized. However, getting a diploma recognized is a highly bureaucratic and murky process that involves submitting several documents to the Ministry of Education and Science. Applicants must also pass two state exams (a general and subject-specific exam) in the Turkmen language. The number of lectures and seminars attended at a foreign educational institution must precisely match those of a Turkmenistan institute. There is no recognition process for those individuals living in Turkmenistan who have completed a course through distance learning. International experts estimate the number of those citizens affected by this discrimination to be 10,000.

Thus far, the country has made little headway in terms of battling corruption in the social, education and official employment sectors. As a result of the Turkmenization of society, minorities (i.e., citizens with Russian, Uzbek, Kazakh and other non-

Turkmen backgrounds) are finding it increasingly difficult to take advantage of their rights guaranteed in the constitution. This is true in particular for the higher and vocational education sectors, with regard to jobs in the public sector and, to some extent, even freedom of movement.

The state of affairs for women in society remains difficult. In formal terms, women are treated as legal equals in all social and economic realms but, as a result of cultural bias, have far fewer opportunities than do men. Women are rarely appointed to high positions in the public or private sectors, are often employed in poorly paid and low-skilled jobs, and must frequently sell household goods, textiles or handmade piecework in order to ensure a minimum standard of living for their families.

11 | Economic Performance

In 2012 and 2013, annual investments flowing into the gas industry averaged \$3.9 billion, and an average of \$2.6 billion went into oil production. Together the two sectors accounted for 80% of investments in industry made in 2012 and 2013. The gas industry makes up a steady 50% of the value of industrial production, with oil production ranging between 12 and 14%. Returns from oil and gas exports form the basis of all state income (estimate for 2014: \$33 billion).

Output strength
7

The oil and gas sector, along with the construction industry which is financed by export returns, have been the motors of the sustained and powerful economic growth in recent years. According to official statistics, the average annual GDP increase between 2008 and 2014 was 10.9%. This performance increase is primarily attributable to the government's successful diversification of gas export channels, which has helped reduce the country's dependence on gas trading with Russia.

The Turkmenistan–Uzbekistan–Kazakhstan–China natural gas pipeline commenced operation in late 2009, and by mid-2014 around 80 billion cubic meters (bcm) of Turkmenistan natural gas was delivered to Chinese clients. In line with a 2013 contract agreed at the highest government level, the annual delivery volume to China will rise to 65 bcm (from 2018/19). The target for 2015 gas deliveries to China is 40 bcm. Three legs of the Turkmenistan–China pipeline are already in place and a fourth is currently in planning. Other customers of Turkmenistan gas include Russia and Iran. The two pipelines that supply Iran and the Central Asia–Center gas conduit (Russia) are currently only used to a fraction of their capacities.

Another construction project currently underway is the new TAPI (Turkmenistan – Afghanistan – Pakistan – India) pipeline. Construction of the 1,735 km long gas pipeline, at an estimated cost of around \$8-9 billion, should commence in 2015, with operations scheduled to begin in 2018/2019. The plan is for a first phase to deliver

up to 27 bcm natural gas from Turkmenistan (the Galkynysh gas field) to client countries taking part in the project, later rising to 33 bcm. However, unstable political conditions in Afghanistan mean that the fate of the TAPI project still hangs in the balance. Meanwhile, construction has begun on an Iran-Pakistan pipeline, which is sure to have an impact on the project.

Aside from the hydrocarbon industry, the other business sectors worth mentioning are agriculture (cultivation of cotton, grains, fruits and vegetables), food, textiles and clothing, a handful of product groups in the chemical and building material industries and, particularly, construction. However, these industries are marred by inefficiency. Most companies can only manage minimal profits and some even operate at a loss. This state of affairs is caused by the state dirigisme, which prevails in most business sectors, and a lack of development opportunities for private business initiatives.

The remarkable development of gross capital investment continues, and it is exerting an ever-increasing influence on the economic development of the country, climbing to around 20 billion in 2014. The investment share in GDP is above average by global standards. In the period under review, it regularly exceeded 40%. According to official Turkmenistan figures, foreign investment in the five years to 2013 held steady at an annual \$2.6 billion to \$2.8 billion. This was almost entirely attributable to the natural gas and oil sectors. However, the proportion of overall foreign contributions to investment in the country has dropped by about half, from around 30% (2009) to less than 15%. The UNCTAD (United Nations Conference on Trade and Development) estimates the annual average inflow of foreign direct investment higher, at \$3.7 billion, however they too point to the proportional drop in foreign investment within the overall investment picture.

Starting from a low base, Turkmenistan's economy appears to have advanced to an enviable position. However, in reality, the country's wealth has done little to raise living standards. Unemployment rates are still high, poverty – particularly in rural regions – remains problematic, and the trend toward emigration continues.

12 | Sustainability

The government has increasingly articulated an environmental consciousness, but in both the executive branch and legislature this remains at a fairly low-level priority. The country has ratified a number of international environmental agreements, and thus committed itself at least formally to environmental protection. Environmental interests, however, will continue to be subordinated to the interests of growth in the country. Primarily due to a lack of new advanced technologies, the degree of pollution in Turkmenistan remains comparatively high. Some of the measures initiated in recent years designed to improve the situation in regions and locations particularly affected by environmental pollution have already been implemented (e.g. the Aral

Environmental
policy

3

Sea and the Turkmenbashi Oil Refinery), but the accumulated needs remain very large.

Many towns and cities still lack a guaranteed continuous water supply. There are often also major problems with water quality. The vast majority of the distribution networks and pumping stations in use today are worn out, while desalination plants operate poorly. More than three-quarters of the irrigation systems currently in operation urgently need to be replaced or at least generally overhauled. Much of the equipment requires optimization through improved routing, concrete beds and covering. As a result of nonexistent or inefficient bedding seals and high levels of evaporation, far less than 50% of the water diverted from the Amu Darya and channeled through man-made canals reaches the fields. Only a fraction of the surface area intended to be served by irrigation (1.4 million hectares) receives efficient water delivery.

Thus far, there has been little activity to implement the 2012 and 2013 National Strategy for Climate Change, developed by the president's Supreme Council for Science and Technology. The plans provide for an accelerated deployment of energy-efficient and energy-saving technology, as well as the utilization of renewable energy in state-controlled industries, in the public transportation sector, and in the local housing industry.

Turkmenistan inherited an educational system with a comparatively high standard and relatively good access for all social strata from the Soviet Union. After the collapse of the USSR, and the country's subsequent years-long transformation crisis, thousands of Russian educators who comprised a mainstay of skilled support for educational institutions permanently left the country, as did many representatives of the Turkmen intelligentsia. The education sector suffered a serious decline, which was exacerbated by the massive reduction in the period allotted for study and schooling ordered by former President Niyazov.

As one of his measures following his accession to office, current President Gurbanguly Berdimuhamedov retracted his predecessor's drastic education-system reductions, which had limited compulsory general schooling to only nine years (down from 10 years), and reduced theoretical university education to just two years (down from five to six years). As of the 2013/2014 school year, the general duration of primary and secondary education is 12 years instead of the previous 10-year structure. The opening of several new universities and vocational schools in 2012/2013 is a positive sign for the current educational system reforms, as is the renewed possibility of utilizing foreign lecturers and language teachers in the country's schools and universities. The new educational institutions offer study courses and training for the sectors that have shown particular dynamism in recent years (oil and gas extraction, geology, oil processing, energy, agriculture, textiles and chemicals, railway transport, and construction and construction engineering). In the absence of skilled workers and

Education policy /
R&D
4

instruction materials, and as a result of the overloading of virtually all study and training courses with ideological “social science” curricula, the situation regarding study and training content remains precarious.

Berdimuhamedov has reestablished the Academy of Sciences abolished by his predecessor, and has initiated measures for the first new activities in a research-and-development sector that is today all but moribund. Thus, the first technology center in Turkmenistan opened on 12 June 2014 on the grounds of the Ashgabat technology park under the patronage of the Academy of Sciences. The Center for Science/Technology and Research/Development, which will house up to 200 scientists and researchers in fields such as industrial agriculture, environmental production, energy efficiency/renewable energy, as well as chemical, construction, information and communication technologies, is composed of three departments with 10 laboratories.

Transformation Management

I. Level of Difficulty

Turkmenistan possesses certain basic preconditions for the successful 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 natural 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, the landlocked location of the country and the president's absolute control over government revenues and the state apparatus. Taken together, the structural conditions affecting the political process and thus the degree of difficulty for transformation in comparison to other Central Asian countries must be rated as moderate.

Structural
constraints
4

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 splits into different regions that identify 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 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 gradually dismantled the personality cult of his predecessor, but cautiously increased 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 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 Turkmenistan achieved some foreign-policy goals, the republic's internal affairs' reforms, namely the professionalization of state administration, hit severe roadblocks due to pushback from the elite, as well as discrimination of national minorities, and 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 to 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. 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. The state's problem-solving capacity is weak and decision-making, based almost entirely on the president's will, is capricious. While a cursory analysis 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 its 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 mismanage available human and economic resources. For example, personnel expenses are very high relative to services offered. A relatively high number of government employees offer little service to the population and stimulate corrupt practices. In addition, because top officials continue to be hired and fired arbitrarily by presidential decree, officials hire subordinates on the basis of loyalty and patronage rather than merit, which greatly hampers efficiency.

Efficient use of
assets
2

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 Awaza 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.

While the government continues to spend large sums of money on expensive and inefficient prestige construction and transportation-infrastructure projects, a qualitative improvement in resource efficiency can be noted at least in the purely economic sector. This applies particularly to the major gas and petrochemical projects first launched in 2014.

Moreover, cosmetic projects in the education and health care sectors, such as new hyper-modern 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 by 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 to implement serious anti-corruption policies. In addition, the regime lacks the desire to combat this issue. 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 were only partly developed and implemented. Anti-corruption policy has only been carried out through the public trials of ministers and other state administrators, though the aim was to vacate positions for new appointees, rather than 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 willing and in a position to establish democracy or a free market economy. The current president does not allow any opposition group to form that could challenge his authority. 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" but are not related to - or portrayed as - conflicts over basic political goals.

Consensus on goals
2

There is also no class of independent Turkmen businessmen to 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 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.

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

Some 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 different tribal factions, the prospect of conflict remains low.

Cleavage / conflict management
4

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 current 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 the past and present treatment of political opposition and 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 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. In light of this practice, reconciliation cannot be said to be on the political agenda of the current regime.

Reconciliation
3

17 | International Cooperation

Turkmenistan is a member of the United Nations and also cooperates with other international organizations to provide support for economic and social development. However, although the president, the government and the Turkmen partners of these organizations have declared their support for the implementation of reforms for more democracy and openness in all spheres of social life, this has had little impact in practice. However, the president and his followers increasingly feel the responsibility to develop and promote a market economy in the country. This requirement is driven by the steadily growing demand for new products and services coming in the wake of the desired economic diversification, which cannot be satisfied solely by the state-controlled economic sector.

Effective use of
support
4

International donor banks withdrew from the country in the mid-1990s, chiefly due to the steadily increasing state regulation of their activities and the absence of virtually all information regarding the real state of the economy in Turkmenistan. In recent years, thanks to the country's tentative opening up, the slow development of small and medium-sized private companies, and slightly improved access to economic data at the highest level, these institutions have increasingly begun to reengage in activities in Turkmenistan. The European Bank for Reconstruction and Development (EBRD) funded initial projects by private companies (from the packaging industry and supermarket chains), and at the end of 2013 launched a \$10 million program for the support of micro, small and medium-sized enterprises (with Garagum shareholder bank as a Turkmen partner institute), and financed a study on municipal infrastructure. The Asian Development Bank (ADB) recently provided technical assistance on a small scale, and for the medium-term plans larger projects

in the energy sector (electricity transmission to Afghanistan) and transportation. At the beginning of November 2014, Turkmenistan and the World Bank agreed to open a permanent World Bank office in Ashgabat. The first cooperation projects should follow.

Turkmenistan's government is making major efforts to present itself as a reliable and dependable partner for international organizations. The country can point to some recent foreign-policy successes within international organizations. For example, Turkmenistan is a member of the U.N. Economic and Social Council for the 2013–2015 period, as well as of the executive board of the United Nations Educational, Scientific and Cultural Organization (UNESCO) from 2013 to 2017. In May 2014, the U.N. General Assembly unanimously adopted a draft resolution submitted by Turkmenistan on the international importance of reliable and stable energy transit.

Credibility
3

The country's greater involvement in international organizations and other bodies can be seen as a reflection of Turkmenistan's growing strategic and geopolitical significance. This is based on its location in Afghanistan's immediate neighborhood (sharing a 744 km border), and its growing role as an energy provider to China. At the U.N. General Assembly on 29 September 2014, Turkmenistan's Minister of Foreign Affairs and Deputy Prime Minister Rashid Meredov declared that his country was prepared, under the aegis of the United Nations, to promote a process of dialogue within Afghanistan. Turkmenistan maintains fairly close political and economic relations with Afghanistan, and is engaged in the country particularly in economic fields such as electric power provision, rail transportation, and natural gas provision.

The country's exuberantly positive self-presentation as an emerging and opening market economy combined with increasing political freedom stands in stark contrast with the reality outlined in the preceding paragraphs. However, given Turkmenistan's deepening role as a strategic player in Central Asia, this is increasingly being given a hearing by decision-makers in the European Union and the United States. Overall, the government's credibility remains low, but has shown a slight tendency toward improvement during the period under review.

A positive development can be observed in Turkmenistan's regional political and economic relations with neighboring Caspian states, as well as with the other Central Asian and South Caucasus countries of the CIS, including Georgia. The country is a member of the Economic Cooperation Organization, and an associate member of the CIS. The president has called Russia and China the country's most important strategic partners, followed by Turkey, the United States, and the European Union. Turkmenistan seeks regional partnerships in order to expand cooperative ventures in international transportation, and energy and industrial production. Turkmenistan's capital, Ashgabat, was host to the CIS Heads of Government Council in November 2014. Five of 10 preparatory meetings for the last summit of the Caspian-region states in Astrakhan (Russia, September 2014) took place in Turkmenistan. Relations with

Regional
cooperation
5

Kazakhstan and Uzbekistan, the country's two major Central Asian neighbors, gained significant momentum during the period under review.

The increasingly dynamic revival of bilateral contacts with Azerbaijan is particularly noteworthy. These contacts were wholly frozen up to the time of Berdimuhamedov's accession to office, primarily due to a (still unsettled) 2001 conflict over the ownership of the Kapaz/Serdar offshore Caspian Sea fields. An agreement signed at the highest levels in 2008 on cooperation in the fuel, energy, and transportation sectors was further fleshed out in subsequent years, particularly between 2012 and 2014. The realignment of bilateral relations can be seen from the perspective of the Trans-Caspian Gas Pipeline, which was planned for the long-term and has been an increasingly important policy focus within Turkmenistan in recent years. This roughly 300-kilometer long gas pipeline transiting through the Caspian has the potential to bring natural gas from Turkmenistan to Western European customers via Azerbaijan, Georgia and Turkey. However, the implementation of the project, which has been discussed since the mid-1990s and has an estimated price tag of around \$5 billion, is predicated on an as-yet-elusive consensus between the Caspian littoral states on the legal status of the Caspian Sea and national borders. Moreover, Russia and Iran have set themselves increasingly vehemently against this gas route, on both legal and environmental grounds. The national East Turkmenistan – West Turkmenistan pipeline (766 km), under construction since 2010, forms the basis for the intended construction of an export route toward Western Europe. An agreement between Turkmenistan and Turkey signed on 7 November 2014 on Turkmen gas deliveries in Turkey shows both countries' interest in the construction of the Trans-Caspian Gas Pipeline. Only shortly afterward, during a visit to Turkmenistan on 19 November 2014, President Rovnag Abdullayev of Azerbaijan's state oil company, SOCAR, announced that his company was ready to make its infrastructure available to Turkmenistan for the Trans-Caspian Gas Pipeline. This visit in 2014 was the third meeting between Abdullayev and Berdimuhamedov within the course of a year.

Strategic Outlook

President Berdimuhamedov successfully managed to consolidate his power, 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 inter-regional 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.