“Occupying sixth place in the world for natural gas reserves and having at least five promising gas export routes, today Turkmenistan exports in only one direction – the Chinese one. This sees about 30 billion cubic meters flow annually to China” – states expert Ruslan Izimov in an article written especially for CABAR.asia.

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While the leaders of the four Central Asian republics met in Astana and discussed the future of the unifying region, the president of Turkmenistan preferred to visit more important countries, Kuwait and the United Arab Emirates. It was there, as it seems, Berdimuhamedov was looking for financing opportunities for the vital TAPI gas pipeline. Prospects for regional cooperation in Central Asia for Turkmenistan are not very interesting yet.

Introduction

Despite its strong external transformations, Turkmenistan is still a neutral, semi-closed country. The authorities manage to maintain a balance of external players and do not join any integration associations. Internally, the country’s leadership preserves stability, relative economic steadiness, and does not allow the potential of conflict to get out of control. However, the development of a new set of factors, such as the volatility of hydrocarbon prices, the increase in dependence on China, the difficulty in finding alternative ways of exporting gas, and the slowdown in economic growth and the creation of social tensions, creates risks for Turkmen authorities and will require if not a drastic change in its policy then a significant correction of the future economic and foreign policy course.

UTAPI prospect?

Turkmenistan remained an island afloat after the collapse of the Soviet Union. High revenues from hydrocarbon exports allowed the authorities to create favorable conditions for a relatively small population. With a population of about 5.6 million people, the country’s GDP exceeds $40 billion.

Up until last year, benefits for citizens were a social cornerstone in the country. With the sharp decline in prices for hydrocarbons, the country’s authorities began in turn to rollback all benefits. GDP growth, which reached 10.3% in 2014, slowed to 6.5% in 2017, which was

a result of the decline in oil and gas prices, as well as economic recession.[1]
In light of this, the search for and implementation of new gas export projects has become a top priority of the current regime. Several options are being considered all at once but they are all either exceedingly utopian or implementable only in the long run. At this stage, the Turkmen authorities have the following export routes: TAPI, Trans-Caspian gas pipeline, frozen Iranian, and Russian routes.
Contrary to the longstanding skeptical attitude of some experts, the TAPI project has gained momentum from a dead center with construction of the Turkmen section completed in February of this year. The authorities then announced the launch of pipeline construction in Afghanistan, which the parties plan to complete by the end of 2019.[2]
In an effort to diversify its export options, Ashgabat has long been seeking opportunities to launch TAPI. At all possible levels, other project participants also confirmed their interest in the project. However, the very process of actual construction, or rather of its financing, was hindered and became problematic.
According to recent estimates, Ashgabat needs to attract about $8-10 billion solely for pipeline construction. It's not difficult to guess exactly why Berdimuhamedov went to Kuwait and the UAE in the middle of March. While there the Turkmen delegation signed a package of agreements including some in the energy sector. However, the parties involved did not begin to make specific statements about including Kuwait or the UAE in the financing process. In an official statement, the Turkmen side indicated only the prospect of participation of these regional partners in TAPI's construction.[3]
Furthermore, it should be emphasized that the search for funds for TAPI's implementation is not the only obstacle. Security is the key issue, which in the medium term has no solution. Coincidentally, representatives of the Taliban expressed interest in TAPI and their readiness to provide security for the gas pipeline.[4] But, in this case, one must understand that the position of the Taliban itself remains questionable. Moreover, it seems that the military-political situation in Afghanistan is heading towards escalation, as evidenced by gradual transfer of the fight against terrorism from Syria back to Afghanistan.[5]
Equally relevant is the attitude of regional players towards TAPI. Russia, to put it mildly, does not welcome TAPI's implementation. As experts noted during his visit to Ashgabat, with his last visit being in 2013, Putin raised the issue behind closed doors. Moscow still has strong "resentment" against the Turkmen authorities whose main export vector is towards China, thereby upsetting Moscow's two plans all at once. In particular, export of Turkmen gas to the Chinese led to the complete cessation of the supply of Turkmen gas to Europe via Russia and increased China's leverage when negotiating prices with Russia.
But in the present conditions, when Turkmenistan can open another export route to the south (TAPI), Moscow can demonstrate its readiness to restore gas supplies from Turkmenistan. China's position with respect to TAPI is based on one fact: Beijing intends to

increase the volume of gas imports via the Central Asia-China gas pipelines, for which it is already laying the fourth branch.

As can be seen, despite two out of four sections of the gas pipeline already under construction, skepticism regarding the project remains. The issues of further exploitation and protection of the pipeline in Afghanistan and, probably, Pakistan remain open.

Alternative gas export projects

The Trans-Caspian gas pipeline, designed to open Ashgabat to new markets, also remains elusive. In the second half of 2017, top Turkmen diplomats made a series of visits to neighboring countries where the key talking point was energy. Following the results of the trip to Azerbaijan in August 2017, Baku and Ashgabat outlined the possibility of resuming work on the Trans-Caspian gas pipeline project.

In this project, each side has its own interests. In the light of the expected commissioning of the Southern Gas Corridor, Azerbaijan needs spare gas volumes. Baku intends to increase the capacity of the South Gas Corridor (TANAP and TAP) to 23 billion cubic meters by 2023. However, the resource base of the Azerbaijani Shah Deniz field may not be sufficient for long-term continuous fuel supplies to the EU.

In turn, connection to the Southern Gas Corridor is a priority for Turkmenistan because of its almost total dependence on supplies to China. But the most important obstacle is the unsettled legal status of the Caspian Sea. Coincidentally, it is this situation that can push Ashgabat to change its position on the Caspian in the direction of an early determination of its status. As you know, the summit of the heads of state of the Caspian countries is postponed for the third year in a row. But this year, according to experts, there is every reason to believe that the summit will take place.

Iran remained an important importer of Turkmen gas until a conflict arose between the countries recently. Iranian debt for supplied Turkmen gas came about in the winter of 2007-2008, when due to unusually cold weather; Iran was forced to increase Turkmen gas imports. Ashgabat, taking full advantage of the situation, raised prices from $40 per 1,000 cubic meters to $360. Thus, according to the Turkmen side, Iran had an outstanding balance of $2 billion.[6] Tehran suggested recalculating the additional gas volumes received at the previous price, but Ashgabat refused, and in January 2017 unilaterally cut off gas supplies to Iran.

Numerous attempts by the parties involved to resolve this issue have not yielded tangible results. During the March visit of Hasan Rouhani to Ashgabat, the parties returned to this issue again. However, apparently, they never came to a decision. As a result, Turkmenistan lost one of its important gas export options. The Druzhba gas pipeline and the second Dovletabad-Serakhs-Hangeran gas pipeline commissioned in 2010 made it possible to export about 9 billion cubic meters of gas to Iran. Now this direction is frozen and has no prospect for resuscitation in the near future.

As for the Russia, gas supplies via the Central Asia-Center (CAC) gas pipeline were halted as early as January 2016 and have not been renewed.

Turkmenistan today needs an alternative route for the export of its strategic raw materials thereby reducing its one-sided dependence on Beijing. In this respect, TAPI, strangely enough the loftiest of projects, has become one of the most promising.

Do not stray from the path

While Turkmen authorities continue to fail to wean themselves from China, this very dependence is growing and is turning a critical point. The Turkmen authorities are taking measures to diversify their gas buyers yet nothing has come to fruition. Ashgabat’s dependence on Beijing will only increase with the 4th branch of the gas pipeline to China being built at an accelerated pace. Its commissioning, which is planned for 2020, will increase gas supplies by 25 billion cubic meters.

At the same time, it is important to emphasize that Turkmenistan’s leadership not remain aloof from participating in China’s One Belt One Road. In recent years, Ashgabat has increasingly claimed a freight flow from China. Last September, the parties signed the Ashgabat Agreement, which provides for the construction of a transport corridor between Beijing and London. In parallel, Turkmenistan is accelerating the integration of its transport complex into international systems and is becoming a party to international agreements on transport within the Trans-Asian Railway.

Apparently in the hopes to attract Chinese cargo traffic, Ashgabat expects the appearance of an additional railway link with China that would bypass Kazakhstan. The issue of laying an alternative route of the China-Kyrgyzstan-Uzbekistan railway with a connection to Turkmenistan is becoming urgent. Not without purpose, 2018 happens to be the year “Turkmenistan is the Heart of the Great Silk Road”, which is a reflection of Ashgabat’s desire to fit into the Chinese project.[7]

Central Asia: priority or conjuncture?

The Turkmen authorities should not ignore changes in Central Asia’s regional atmosphere. By taking advantage of significantly warming relations, Ashgabat began to intensively contact neighbors in order to solve its problems. First, the Turkmen leadership does not exclude the possibility of joint efforts to counter further expansion of Chinese capital and political influence in the region.

Secondly, against the backdrop of transitioning to the practical stage of the China-Kyrgyzstan-Uzbekistan railway project, an opportunity to join arises. In particular, both Beijing and Tashkent openly admit that they would like to continue the railway to Turkmenistan and through it to reach the Caspian and through Iran to the Persian Gulf.

Thirdly, if talks about the resuscitation of the Unified Energy System of Central Asia progress to the practical stage, Ashgabat certainly would not want to stay away. Today, all countries in the region openly admit that the actions taken in previous years to solve water and energy problems have not yielded tangible results. If we do not agree with our neighbors, a water-use crisis, especially in Kazakhstan and Uzbekistan, is inevitable. Therefore, launching a full-fledged dialogue on the partial restoration of a unified energy system would be relevant. At this stage, the initiative to restore the unified system and to assist those suffering from energy shortages in winter, i.e. Tajikistan and Kyrgyzstan, will also be supported by Uzbekistan and Turkmenistan. Ashgabat, amid falling into one-sided dependence on China, has recently demonstrated a keen interest in closer integration with its Central Asian neighbors.

Ashgabat is especially interested in projects in the transit and transport sectors. The China-Kazakhstan-Turkmenistan-Iran railway, opened in 2015, has become the shortest way to deliver goods from China to Persian Gulf countries. Turkmenistan receives significant dividends from transit fees via this route.

In addition to the already implemented railway project, increasing roadway capacity from Turkmenistan into Kazakhstan looks promising. In this plan, the project of expanding the transport corridor “Western Europe – Western China” in the direction of Persian Gulf countries is on the agenda. For this purpose, the construction of additional roads between Kazakhstan and Turkmenistan is planned. Currently there is only one, the Temir-Baba checkpoint on the Kazakh-Turkmen border.

Nevertheless, the future does not guarantee that Ashgabat will sharply change its foreign policy course and will make a significant rapprochement with its neighbors. During the meetings of regional leaders in Astana, it became clear that the openness of Turkmen foreign policy has clear motives and limits. While the other four Central Asian leaders met and discussed the possible future of a unified region, the president of Turkmenistan preferred to visit more important countries such as Kuwait and the United Arab Emirates. Turkmenistan’s appetite for regional cooperation remains half-hearted at best.

Conclusions

So-called “neutrality” allows the Turkmen regime to survive and remain afloat but at the same time it strongly restricts further development. Occupying sixth place in the world for natural gas reserves and having at least five promising gas export routes, today Turkmenistan exports in only one direction – the Chinese one. This sees about 30 billion cubic meters flow annually to China. And this is an objective reality. In an environment where the implementation of TAPI and the Trans-Caspian gas pipelines are a matter of distant hope and export routes to Iran and Russia have been frozen, China remains the sole market. The latter are skillful at not only significantly reducing the price of raw materials but also at increasing their presence in other sectors of the Turkmen economy. Such a situation cannot naturally suit Ashgabat. Advancing from this, it is possible that the policy of self-isolation carried out by the current authorities of Turkmenistan will gradually decline. In conditions of isolation and limitation, as well as the failure of numerous foreign economic projects, the alternative to “opening” the country grows less attractive. A more open foreign policy would provide an opportunity to significantly improve the economic climate in the country and offer the occasion to find new drivers of growth. A successful example in this case can be Uzbekistan’s “opening”, which skillfully adapts to the new realities of regional development.

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