



Hyperinflation and hunger: Turkmenistan on 'edge of catastrophe'

Madeline Roache

July 15, 2019

Foreign governments and investors must stop courting gas-rich Turkmenistan, "a country teetering on the edge of catastrophe", according to a new report by the London-based Foreign Policy Centre.

Turkmenistan, second to North Korea in the scale of its isolation according to media watchdog Reporters Without Borders, has long attracted investment from foreign governments.

But the report, which was launched in Westminster on Monday, said the country has a "Potemkin economy" as respectable official gross domestic product (GDP) figures mask a chaotic, black financial system.

As the UK's Department of International Trade wrote, "no reliable economic data are published in Turkmenistan".

Investment risks include "the whims of the president, leading to arbitrary behaviour by a sclerotic bureaucracy", said the report.

"While legislation to protect businesses is there, application isn't. The myriad of risks can't be exaggerated," said Eimear O'Casey, a Central Asia researcher at a political risk consulting agency.

Corruption is endemic to Turkmenistan's economic life, with Transparency International ranking it 161 out of 180 countries surveyed.

Relatives of the country's ruling family have been seen to benefit from state expenditure, the report noted.

Economic crisis

Turkmenistan is facing its worst economic crisis in three decades, which has led to hyperinflation and widespread food shortages, despite the country possessing an estimated 10 percent of all proven natural gas reserves.

Economic turmoil in the hydrocarbon dependent country is driven in part by low gas prices, the suspension of gas exports to Russia between 2016 and 2019 and poor harvests.

Professor Steven Hanke of the Cato Institute, placed the rate of inflation as experienced by consumers outside of the state sector as being as high as 294 percent as of June 2018.

Government resources are strained, which has led to the end of previously free electricity, water and natural gas at the start of 2019.

"At a time when thousands of people are queuing up for basic groceries, the government is spending \$2.3bn on a 'Turkmen Autobahn' motorway," said Luca Anceschi, senior lecturer in Central Asian Studies, University of Glasgow.

The eight-lane motorway between Ashgabat and Turkmenabatis is being supported by Austrian technical advisers Vienna Consulting Engineers (VCE).

Worsening rights situation

The current economic woes have seen the personality cult of its leadership and the intrusion into the lives of its citizens intensify as the regime seeks to maintain its grip on society.

The report highlighted the massive use of forced labour, mass repression of media freedom, and "disappeared" activists in prison.

Ruslan Myatiev, founder and editor of Alternative Turkmenistan News, said: "There is no media landscape in Turkmenistan. All newspapers, radio and TV stations repeat the regime's line. Even in North Korea and war-torn Syria, there is greater press freedom."

There's no way of challenging human rights abuses such as the problem of forced labour in cotton harvesting, added Myatiev.

"People have no choice but to submit because there's no chance of finding another job," he said.

Push for reform

Adam Hug, director of the Foreign Policy Centre and one of the report's authors, said governments and businesses should leverage engagement and investment for vital democratic and human rights reform on a "more for more" and "less for less" basis.

Hug echoed previous demands made by a number of human rights organisations, including Human Rights Watch.

Last January, HRW said the European Bank for Reconstruction and Development should not expand its lending in Turkmenistan until the government shows concrete progress in improving the humanitarian situation.

However last week, the European Union's foreign policy representative, Federica Mogherini, was in Ashgabat to announce the opening of a diplomatic mission in the country, and made no mention of human rights issues.

Turning to relations between the United Arab Emirates and Turkmenistan, the report stated that "Dubai has been a focus for Turkmen migrant workers and the close relations enable Ashgabat to put pressure on migrants to return."

Strong bilateral ties have seen Dragon Oil, owned by the Emirates National Oil Company, became one of the more successful players in the Turkmen energy market.

O'Casey said Turkmenistan so far has not shown any concern for maintaining a positive image on the international stage. "And without this concern, there is no impetus for reform," she said.

After the collapse of the Soviet Union, Turkmenistan remained isolated from the rest of the world under the brutal rule of former president Saparmurat Niyazov.

Little has changed since current President Gurbanguly Berdimuhamedow came to power in 2006 following Niyazov's death.

"The government has to re-think its economic policy. How long can we keep going? For now, I only expect to see the population poorer, and the regime more authoritarian," Anceschi said.