



## Spinning Its Wheels: With Turkmenistan In A Skid, Berdymukhammedov Pedals On

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Turkmenistan's president proudly led 3,246 bicyclists as they pedaled to a Guinness world record on June 1, a few days before World Bicycle Day, which was established by the UN General Assembly on Ashgabat's initiative.

But even as President Gurbanguly Berdymukhammedov was saddling up for the spectacle, statisticians were grinding out the latest sign of a bumpier ride for most of Turkmenistan's 5 million citizens -- annual inflation of a whopping 357 percent, second only to Venezuela in free fall.

Faced with such price rises, unemployment estimated at more than 50 percent, and severe food shortages, how long can Turkmen endure the dismal conditions?

"It can't be forever," says Luca Anceschi, professor of Central Asian Studies at Glasgow University. "It depends on the resilience of the people, it depends on how much money they are actually making, it depends also somewhat on the elite and how much they are willing to tolerate."

There are signs that Turkmenistan's public is growing increasingly impatient.

Authorities are already clamping down on citizens' attempts to find work abroad, with hundreds of ticketed passengers blocked in recent months from boarding outwardly bound flights.

In April, a woman prevented from boarding a plane for Turkey was filmed yelling at airport officials in Ashgabat and angrily shouting antigovernment slogans.

Weeks later, a 31-year-old man hanged himself after his third thwarted attempt to fly to Istanbul. Relatives in the northern Dashoguz Province told RFE/RL's Turkmen Service that he had been unemployed for an extended period and had borrowed money for the flights in pursuit of work.

In May, a woman reportedly died of a stroke at the airport shortly after being refused permission to board a plane.

## **Downward Spiral**

In an effort to press for reform, World Bank and International Monetary Fund (IMF) representatives this month called for the Turkmen government to devalue the national currency, the manat, and enact economic change.

But previous attempts by those same institutions to dispense advice to Ashgabat have largely fallen on deaf ears.

Steve Hanke, professor of applied economics at Johns Hopkins University in Baltimore and head of the Troubled Currencies Project at Washington's Cato Institute, says the manat is "sinking and extremely volatile."

Turkmenistan "is now on hyperinflation watch" on a scale that it hasn't been seen in decades, he warns. Shortly after independence from the Soviet Union, Turkmenistan experienced hyperinflation -- defined as 30 straight days of at least 50 percent daily inflation -- in 1992-93 and 1995-96.

The unofficial exchange rate for the dollar has skyrocketed since the beginning of the year, from about 10 Turkmen manats to the U.S. dollar to 29 manats to the dollar on June 3. The government has stubbornly kept the official rate at 3.51 manats since 2015.

"The economy has slowed down a lot and there have been aggravations associated with not being able to export gas to Russia and Iran," Hanke says. "But the acute tension is obvious -- they have a very limited amount of foreign exchange."

## **'Breaking Down'**

The Turkmen government has long sought IMF help but was told it must make serious changes - - including devaluing its currency -- before it can receive any funds.

"They will have to [devalue the manat] eventually," says Hanke, who has helped set up currency boards in such countries as Bosnia-Herzegovina, Bulgaria, Estonia, Indonesia, Lithuania, and Yugoslavia to help stabilize their currencies.

He calls the discrepancy between the official exchange rate and the black-market rate "very extreme," adding, "When the gaps are that extreme, the [currency] will be devalued."

The problems for ordinary Turkmen include state workers going unpaid and delayed pension payments to retirees.

"They're running big arrears now, they're not paying their workers," Hanke says. "If you kind of connect the dots, it's breaking down. There is a real serious economic crisis going on."

Long lines for bread, sugar, cooking oil, and other goods are frequent, even in the capital, Ashgabat. Riots have even broken out over food supplies.

Turkmen line up outside food stores in Ashgabat waiting to buy vegetable oil, sugar, and flour.

To compound the situation, state banks in Turkmenistan are not always disbursing funds to clients outside the country, a situation that has affected thousands of Turkmen students abroad -- resulting in university expulsions and evictions.

The interruption of funds is compounded by the falling manat.

"Salaries are going down if you look at the dollar equivalent of what they are receiving in the local currency," Ruslan Myatiyev, the editor of the Brussels-based Alternative Turkmenistan News, says. "Basically that means that those who are studying overseas, for example, the families, their parents, have a hard time supporting their children."

There have been multiple reports in Turkmenistan of officials pressuring the relatives of people abroad for work or study to convince their loved ones to return home.

The government's cash crunch is due in part to a government failure to successfully export Turkmenistan's predominant resource: natural gas.

China began construction on the Turkmen portion of a China-Central Asian Pipeline in 2007 and signed a lucrative deal with Ashgabat to receive greatly reduced prices on gas in exchange for financing the pipeline and operating the Bagtyyarlyk gas fields.

Plans to export gas to Iran have proven unreliable.

"The deal with Iran has been problematic -- very small volume and intermittently -- because the [Turkmen and Iranian] governments couldn't agree on many things," Central Asian analyst Anceschi says.

Gazprom stopped buying gas from Turkmenistan in 2016 -- a big blow to Ashgabat's coffers considering the Russian gas giant was buying as much as 40 billion cubic meters of gas from Ashgabat as recently as 2008.

"Turkmenistan is pretty much a one-resource economy -- all the revenues come from gas exports," Anceschi says, noting that the revenues from its biggest customer, China, don't appear to be increasing.

Anceschi also points to the drain on the Turkmen economy of massive corruption among Turkmenistan's elite. He says grand architecture, airports, and other construction projects in the 11 years since Berdymukhammedov took power appear to have served as a way to dole out lucrative contracts to loyal elements.

"[Why would] a country that doesn't have the money to actually feed its own people...need an airport for 1.5 million people, especially when they only issue visas for about 1,000 [tourists] a year?" Anceschi asks.

Reuters has quoted representatives from Turkish-based companies with a history of major projects in Turkmenistan as saying that their companies have halted work there because of

arrears problems that they trace back to the government. The problem has put on hold at least some work on a planned highway linking Ashgabat to the Caspian port city of Turkmenbashi.

### **No Alternative In Sight**

Myatdiyev says people in Turkmenistan are "desperate" but says there is no realistic political alternative in a country where every aspect of society is tightly controlled by Berdymukhammedov.

"Political opposition in Turkmenistan or outside Turkmenistan...does not exist," he says.

Aneschi predicts no major changes in the country so long as Berdymukhammedov is in power. "Unless you touch the core of the issue here, which is authoritarian management of energy resources, you are not going to be able to change the flow of things," Aneschi tells RFE/RL from Glasgow.

Meanwhile, back in the white-marbled Turkmen capital, the president known by the honorific Arkadag (Protector) busily praises his government for its success in getting World Bicycle Day onto the UN calendar.

"This historic event testifies to the growing international authority of our state," Berdymukhammedov said on June 5, "adhering to the principles of peacefulness, humanism, and fruitful cooperation; striving to use its geopolitical and geoeconomic potential in the interests of all mankind."

Berdymukhammedov then ordered a government commission to erect another memorial, this one in honor of World Bicycle Day.