Turkmenistan-Iran pipeline: progress toward the Eurasian Land-Bridge

by Muriel Mirak-Weissbach

On Dec. 29, Iranian President Seyyed Mohammad Khatami joined with Turkmen President Saparmurad Niyazov, in western Turkmenistan, to turn a huge valve, starting the flow of natural gas from the Central Asian republic, into Iran. This, the first such pipeline from one of the former Soviet republics of Central Asia that does not traverse Russian territory, has been hailed in the Western press as a mortal blow to Moscow's stranglehold on the vast natural resources of the region. By a similar token, since the pipeline does link up with Iran, the event has been characterized as a blow to Washington's foreign policy ambitions, narrowly defined as excluding Iran from participation in the region.

In reality, the pipeline represents a small, but strategically important step forward in the Eurasian Land-Bridge project, to integrate the economic potential of the vast continent. The ceremony opening the gas flow is in some respects comparable to the inauguration in May 1996, of the rail stretch between Mashhad in Iran, and Tajan in Turkmenistan, via Sarakhs; that line, though small in length, provided the missing link in a transcontinental rail connection, which would make it possible to travel from China's port of Lianyungang all the way to Rotterdam, via central Asia, Iran, and Turkey. In both cases, the infrastructure links thus established, have greatly enhanced the role of both Turkmenistan and Iran in the project of the century.

The pipeline is 200 kilometers (120 miles) long, and will carry natural gas from Korpedzhe in west Turkmenistan, to Kord Koy in the Kurdhue region of Iran. The cost of construction, $195 million, was covered almost entirely by Iran, which deliberately excluded any financing from outside agencies, like the International Monetary Fund (IMF) or the World Bank. Turkmenistan will export initially 3 billion cubic meters of gas to Iran per year, and will increase the flow to 12 billion cubic meters later. The first three years of gas will constitute payment for the Iranian financing of the pipeline.

Just days earlier, on Dec. 27, the energy ministers of Iran, Turkmenistan, and Turkey held final talks on a gas cooperation deal at the Iran-Turkmenistan Joint Economic Commission in Teheran. The protocol signed, regards the plan for a 1,500-kilometer pipeline which would transport Turkmen gas via Iran and Turkey to Europe. The project, which will cost $1.6 billion, will be able to transport 900,000 cubic meters of gas per day.

Further, a bilateral accord with Turkmenistan was finalized, and signed by Turkish Prime Minister Mesut Yilmaz, according to which Turkey will purchase 15 billion cubic meters of Turkmen gas per year, beginning in 2000. The question still left open, according to wire reports, is the means of transport for this gas: It could reach Turkey either through a trans-Iranian pipeline, or through a pipeline to be built under the Caspian Sea. The latter option, which is being pushed by those interests eager to exclude Iran, would cost $1 billion more than the overland route. The fact that Iran has just completed the pipeline section linking Turkmenistan to northern Iran, means that the trans-Iranian option would be more rapidly available.

Finally, the Presidents of Iran and Turkmenistan inaugurated a fiber optic network project, on Dec. 28. The 715-km network is part of the 17,000-km network that links Shanghai to Frankfurt, which is an integral part of the Eurasian communications project.

Economic reality, geopolitical maneuvering

Thus, the nested agreements concluded and projects inaugurated in the closing days of 1997, contribute significantly to progress in implementing the Eurasian Land-Bridge. That the happy events should be reflected in the Western press, in terms of geopolitical jockeying for regional strategic hegemony, comes as no surprise. The mindset of the financial and political circles behind the *Wall Street Journal,* London *Times,* and so on, is that of the British geopolitical school, which views developments on the Eurasian continent from the historical vantage-point of British imperial interests: how to thwart such cooperative efforts, and rather pit one nation against the other, and, in the process, loot the raw materials. For this reason, coverage of the pipeline's opening focussed on the fact that this new gas transport route bypasses Russia, and that it effectively ignores the sanctions regime embodied in the infamous D'Amato legislation, forbidding vast economic deals with Iran.

The only sensible reportage to appear thus far in Europe, has been in *Handelsblatt,* a German economic newspaper. *Handelsblatt* highlighted the simple fact that the pipeline represents salvation for Turkmenistan, which for the first time since its independence in 1991, has the possibility to export its gas and oil. The only export routes it had access to previously, were through Russia, into the Caucasus and Ukraine, and the problem therein was not geopolitical, but economic: Due to the breakdown in trade and production following the collapse of the Soviet Union, and the subsequent destruction of the formerly communist economies by the IMF's shock therapy, none of these customers were able to pay for the gas from Turkmenistan. As a result, in March 1997, Turkmen President Niayzov stopped supplies to them. Over $2 billion in debt is outstanding, half of it from Russia. Turkmenistan's production collapsed, down from 89.6 billion cubic meters in 1989, to 26 bcm in 1996, and 13.9 bcm in the first nine months of 1997, which is 48.6% less than in the comparable period of the year before.

Thus, as a Turkmen official stated recently, the pipeline is a "matter of life or death" for the country. Turkmenistan has been exploring multiple pipeline possibilities, to be able to access world markets. These include the deal made by the California-based Unocal and Saudi Delta companies, with the Taliban insurgency in Afghanistan, to run a pipeline from Turkmenistan through Afghanistan, into Pakistan, and thence, to international markets. For the same reason, the Turkmen government has been discussing with Turkey, the pipeline option along the Caspian Sea bed. In short, for Turkmenistan, the overriding consideration, is finding the means to make available its enormous wealth in gas and oil. It has from 13 to 21 trillion cubic meters of natural gas, making it the world's fourth largest producer.

The real question to be addressed, is: How will Turkmenistan, and, by implication, the other central Asian republics which became independent in 1991, utilize their immense raw materials wealth? Will they follow the sad precedent set by some Arab Gulf states, and use their raw materials export revenues, to enrich a tiny oligarchy, and limit their economic activity to exploitation of resources? Or will they utilize those revenues to finance the development of a well-rounded national economy, based on modern infrastructure, in transportation, energy, water management, education, sanitation, and so forth?

Regional cooperation

This was the question dealt with at an international seminar, in Ashkhabad, the capital of Turkmenistan, on Nov. 26-28, 1997. The conference, entitled "Central Asia: Regional Cooperation for Peace and Development," was organized by the Foundation for Research on International Environment, National Development and Security (FRIENDS), a strategic think-tank founded in 1991 by Gen. Mirza Aslam Beg, former Chief of Staff of the Pakistani Army. It was co-sponsored by the government of Turkmenistan, UNESCO in Bangkok, and the Hanns Seidel Stiftung, a think-tank associated with the Christian Social Union (CSU) in Bavaria, Germany. FRIENDS was the agency which conceived of the idea of Asian Regional Cooperation (ARC) in 1992, which would include countries from East Asia (China), South Asia (India and Pakistan), West Asia (Afghanistan, Iran, Turkey, and Azerbaijan), and Central Asia (Tajikistan, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan). On the basis of this conception, FRIENDS organized a seminar in Pakistan in 1992, on regional economic cooperation as the foundation of security and peace.

The central issue of the seminar, which General Beg identified in his keynote, was the challenge for the states of Central Asia, which had emerged from the collapse of the Soviet Union, as independent republics, to gain real nationhood, which means to build viable national economies, and to shape national identities, through the development of the rich cultural heritage they have preserved from the precommunist era. General Beg presented the Eurasian continental transportation network as the proper context in which both economic and cultural progress could be achieved. Lauding the "historic achievement . . . made by the two great leaders of Moscow and Beijing, Yeltsin and Jiang, by signing a framework agreement to construct a $12 billion, 3,000-km (1,860-mile) gas pipeline from Siberia to North China," General Beg characterized the treaty as a "giant step in determining the contours of the continental geo-economic strategy, to unshackle the world economy and progress which has remained marine-oriented as part of the Great Game of the colonial era—through Great Britain." Beg emphasized that "a counter-strategy, to integrate people through a network of land communication, under a brilliant and innovative idea of the Euro Asian Continental Bridge, was propounded by China last year." General Beg, who has campaigned internationally for the third, southern route of the Eurasian Land-Bridge, through Southeast Asia, across the subcontinent and through Iran and Turkey into Europe, as well as into Africa, stressed, "If these bridges are built, an unprecedented economic momentum would be generated," and concluded, "It is therefore necessary that the Central Asian Republics join and cooperate in such ventures."

At the same time, the geopolitical struggle which is raging, precisely around this vision, was identified by the speaker. Beg denounced the ideologues like Samuel Huntington ("front-man for the merchants of death"), and Zbigniew Brzezinski, who have propagated the thesis of a clash of civilizations, or the balance of power, in the interests of thwarting such Eurasian cooperation. In contrast, Beg insisted on the imperative of cooperation with all major powers for the Central Asian Republics: "Building cordial ties with Russia, is as important as seeking the help and cooperation of America. . . . China is a dependable neighbor with no hegemonic aspirations. It has the empathy for the anguish of the Third World nations, and with the pace of its economic development it can serve as a beacon for strength. . . . Iran, Turkey, and Pakistan . . . can only serve as facilitators of growth and development of Central Asia."

The other threat to fruitful cooperation, identified by General Beg, is the institutions of free-market economic liberalism. "Perhaps the basic impediment is the neo-colonial economic hegemony exercised through multinationals and world organizations—IMF, World Bank, and World Trade Organization," he said. "The colonial legacy which persisted over the two quarters of this century has now been passed on to these powerful organizations. They, in turn, have denied transfer of technology to these nations and also utilized their labor on cheap rates to maximize their profits." Citing the warnings issued by Malaysian Prime Minister Dr. Mahathir bin Mohamad against the abuses of liberalism, Beg denounced globalization as "a license for unbridled exploitation of the economies of the developing world," and charged that the free market "is not that free as often professed," and works to the disadvantage of the developing economies.

From the Soviet system to national economy

Building national economies in Central Asia is no mean task. The five republics in question, under the Soviet system, were treated as sectors of a Soviet-wide economy, not as national economies. Their function was to export either raw materials, or products, like cotton, from their agricultural sectors, which were strictly monocultural. Goods required for domestic consumption, as well as industrial goods, had to be imported. Thus, when the Soviet Union collapsed, and the Comecon trade arrangements broke down, it was as if the single components of an integrated economic process had been isolated, and, without connection, left to rot. The figures on the collapse of trade and production, mentioned for Turkmenistan, are typical of all.

It was in this catastrophic breakdown condition, that the IMF offered to help them jump from the frying pan into the fire, demanding across-the-board privatization, free convertibility, etc. This meant laying the groundwork for raw materials looting, and eliminating the social safety net. For good reason, several Central Asian countries have resisted these "reforms." Uzbek President Karimov has refused to introduce convertibility of his currency, a condition posed not only by the IMF, but also by the European Union, which has specified that the Partnership and Cooperation Agreements (PCA) are accorded on three conditions: "upholding democracy and respect for human rights and introducing a currency which is convertible," as Rainer Freitag-Wirminghaus of the German Oriental Institute explained at the Ashkhabad conference. Neither Uzbekistan nor Turkmenistan has acquiesced, and therefore both have been denied IMF loans. As for demands that the economy be opened up for takeovers by foreign interests, the Uzbek President issued a decree in March 1997, which stated that 25% of privatized firms could be sold to investors from abroad, which is nowhere near the percentage the IMF would like to see. Furthermore, no raw materials or basic infrastructure may be privatized. The regulations governing joint ventures with foreign firms, are also stringent. The government must hold over 50% of any such joint venture, and foreign firms are bound to conditions regulating their profit-taking.

Similarly, in Turkmenistan: If President Niyazov has presented a plan for the privatization of 330 of 375 large state industries, he has ensured that the strategic sectors in raw materials (oil and gas) and transportation infrastructure (rail and air) remain under government control. Turkmenistan has also maintained its social safety net, by maintaining services for the population of over 4 million, free of charge. These include electricity, gas, water, salt, education, and medical facilities.

In Kyrgyzstan, where state support for pensioners, the unemployed, etc., have been eliminated, there is grave danger of unrest, as mentioned in a paper presented to the conference by Prof. Piadukhov Akinovich. "Social consequences of growing property differentiation and mass impoverishment," he said, "acquire critical significance for member countries. [The] phenomenon of humiliating poverty is new for Central Asia of the last two decades and provokes steady growth of discontent, irritability, and aggression."

Rebuilding the Silk Road

Those governments of Central Asia which have most vehemently resisted pressures to adopt IMF policies, are the ones which have the clearest sense of their own economic role in the context of the Eurasian Land-Bridge. Dr. A.N. Amandurdyev, the head of the Asia-Pacific Department of the Ministry of Foreign Affairs of Turkmenistan, for example, presented to the seminar the role of Turkmenistan in regional development. His country, he said, lies along the great Silk Way from China to the West, and therefore constitutes a bridge between East and West. Dr. Amandurdyev expanded the notion of "Central Asia" to include the ten members of the Economic Cooperation Organization (ECO), which are the cofounders, Pakistan, Iran, and Turkey, as well as Azerbaijan and Afghanistan, and the five Central Asian Republics. Dr. Amandurdyev stated, "Turkmenistan attaches much importance to the development of railway, auto, sea and air transport, telecommunications, and other means of communications aimed at speedy integration into [the] Central Asian and world economic system." He announced, "In the sector of railway transport, Turkmenistan plans to construct a 2,000-km steel railway, which amounts to what has been constructed for the last 100 years starting from the year 1880. Moreover, Turkmenistan is constructing the railway network (including electrification) using the latest achievements of world technology." Speaking in terms that have become typical of many of the governments of the region, Dr. Amandurdyev said, "Thus, Turkmenistan has made the revival of the great Silk Way an integral part of the country's external economic strategy."

The new pipeline just inaugurated in Turkmenistan, is what should make this possible.