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Opportunities and risks in Turkmenistan's quest for diversification of its gas export routes

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HIGHLIGHTS

- This paper examines Turkmenistan's policies of diversifying its gas export routes.
- Turkmenistan's diversification policies carry both opportunities and risks.
- Turkmenistan has the opportunity to enhance its bargaining power.
- Turkmenistan faces the risk of replacing an old master, Russia, with a new one, China.
- This opportunity and risk have varying implications for Turkmenistan's security of demand.

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ABSTRACT

This paper applies two hypotheses regarding weak state foreign policy to analyze the opportunities and risks in Turkmenistan's quest to diversify its gas export routes, especially since 2006. The first hypothesis, related to opportunities, is that competition among major powers over the allegiance of weak states strengthens their bargaining power. The second hypothesis, related to risks, is that the diversification policies of weak states in times of decreasing competition among great powers incur the danger of simply replacing an old master with a new one. I argue that while the first hypothesis is useful in explaining the opportunities of Turkmenistan's diversification policies, especially before early 2009, the second hypothesis is helpful in accounting for the risks of these policies after early 2009. In other words, competition among four major powers, Russia, China, the EU, and India, over Turkmenistan's gas pipeline system before early 2009 strengthened the country's bargaining power. In contrast, Turkmenistan's diversification policies in times of fading competition after early 2009 have left it increasingly exposed to the potential risk of replacing its old master, Russia, with a new one, China.

1. Introduction

Turkmenistan is undoubtedly a weak state. Indeed, the country exhibits the following features of weak states, as described in the literature on weak state foreign policy: small population, small GDP, and weak military (see for instance Rothstein, 1977; Papadakis and Starr, 1987; Handel, 1990; Elman, 1995; Knudsen, 1996).[1] Moreover, commenting on the characteristics of economically weak states, prominent weak state foreign policy theorist Handel (1990) notes that these states tend to produce a narrow range of products and export these products to quite a few states. Accordingly, weak states "often become dependent on the goodwill of one great power, and thus a single state can have an extraordinary impact on their economic well-being" (p. 224). This description excellently captures Turkmenistan's situation. The country's economy has relied too heavily on gas exports, which have historically accounted for up to two thirds of its total export revenues and have gone to only a few states such as Russia, Iran, and China (Pirani, 2012, pp. 6–8). The description also perfectly explains the relationship between Turkmenistan and "one great power," namely, Russia, for most of the period after the collapse of the Soviet Union in that the economic well-being of the former was dependent on the latter (Vasanczki, 2011, pp. 6–14).

Naturally, Turkmenistan has consistently sought to diversify its gas export routes since 1991. These diversification efforts are closely related to enhancing the country's energy security. This concept of energy security has often been associated with the security of supply. However, from the perspective of producers, this concept implies security of demand (Umbach, 2011, p. 25; Boussena and Locatelli, 2013, p. 183). As a producing country, Turkmenistan can enhance this security by having diverse sources

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[1] The terms "weak state" and "small state" are often used interchangeably.

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of demand, which allows the country to achieve several goals including reducing its vulnerability to economic pressures, decreasing the impact of any particular disruption, and providing an opportunity for compensating demands. Through achievement of these goals, Turkmenistan can ensure the stability of its national income from gas exports.

This paper examines Turkmenistan's diversification policies, especially since 2006. In particular, it analyzes the opportunities and risks involved in these diversification policies, relying on two hypotheses regarding weak state foreign policy. The remainder of this paper is divided into four sections. The second section provides a theoretical framework and discusses the data sources. The third section presents the results. The fourth section offers a detailed discussion of the opportunities and risks in Turkmenistan's diversification policies and explores the implications of these opportunities and risks for the country's security of demand. The final section concludes the study.

2. Methods

2.1. Theoretical framework

This paper applies two hypotheses regarding weak state foreign policy to analyze the opportunities and risks in Turkmenistan's quest to diversify its gas export routes. These two hypotheses deal with different outcomes of Turkmenistan's diversification policies: the first hypothesis is related to opportunities, whereas the second one is concerned with risks. However, these two hypotheses share a critical similarity in that they consider an external factor, the degree of competition among major powers, as the most important variable in deciding the outcome of Turkmenistan's policies. This paper takes this approach especially because a crucial principle of these policies has been that Turkmenistan sells its gas on its border and does not assume any risks associated with transporting its gas abroad. This principle implies that major powers such as China, India, and the EU must resolve the issue of building transportation infrastructure and take all transit risks (Petersen, 2012; Pirani, 2012, p. 99).

The first hypothesis is that competition among major powers over the allegiance of weak states strengthens their bargaining power. Several foreign policy theorists (Fox, 1959, pp. 3–4; Handel, 1990, pp. 194–195; Mouritzen, 1991, pp. 219–221; Hey, 2003, p. 1) argue that the greatest opportunities for weak states arise in times of competition among great powers over their allegiance. Handel (1990, pp. 194–195), among several theorists, provides the most specific hypothesis regarding this phenomenon. He posits that an increase in the degree of competition among great powers enhances the bargaining power of weak states because the great powers are willing to pay a higher price to obtain cooperation from weaker states. This price includes guaranteeing security, providing economic aid, and improving the terms of trade. Handel (1990, pp. 173–175) offers several examples to support the hypothesis. Latin America is a case in point. Before the Cuban revolution, the continent was under the exclusive influence of the U.S. During this period the statement by the country's Secretary of State J. Dulles best summarized the attitude of Washington toward it. He stated in his inauguration speech in 1953 that "I want an imaginative program for Latin America, but one that does not cost any money." After the revolution, however, this attitude changed because the Soviet Union began to penetrate the continent. This led to increasing competition between the two superpowers, which in turn bolstered the bargaining position of the Latin American states.

Handel (1990, pp. 176–180) suggests, however, that the degree of competition among great powers can decrease at any time depending on their needs. For example, the level of competition decreases abruptly if the great powers see no need to obtain the cooperation of weak states. Competition between the U.S. and China over Taiwan best illustrates this. In this case, competition was suddenly reduced because of Washington's need to seek rapprochement with Beijing in the 1970s, which constrained Taiwan's bargaining position. Many Third World countries experienced a similar fate after the end of the Cold War because two superpowers, the U.S. and the Soviet Union, no longer saw a need to recruit as many allies as possible (Hey, 2003, p. 1).

The second hypothesis is related to these risks. Handel (1990) suggests that the diversification policies of weak states incur the danger of simply replacing an old master with a new one. He provides an example of Cuba. Before 1960, the U.S. used to be Cuba's main trading partner. However, the U.S.'s imposition of total sanctions against Cuba after Fidel Castro's revolution left it with two options: concede or defy. Havana chose the latter and its search for alternative markets allowed the Soviet Union to gradually become Cuba's main trading partner in place of the U.S. In this process, according to Handel (1990), Cuba "traded masters, becoming as economically dependent upon the Soviet Union as they had been on the United States" (p. 240). Handel does not explicitly identify the reason why the process of "trading masters" occurs. But it is possible to attribute this process to the decreasing competition among great powers over the allegiance of weak states. Indeed, the U.S. had not lifted sanctions against Cuba until the collapse of the Soviet Union and therefore the level of competition between these two superpowers had not increased. This had significantly weakened Cuba's bargaining power.

2.2. Data

This paper is a qualitative case study that relies heavily on the data from primary sources such as newspaper articles and electronic materials, as well as from secondary sources including policy briefs, working papers, academic journals, and books. Moreover, it utilizes experts' opinions in these sources to bolster its argument.

3. Results

This paper demonstrates that while the first hypothesis is useful in explaining the opportunities of Turkmenistan's diversification policies, especially before early 2009, the second hypothesis is helpful in accounting for the risks of these policies after early 2009. In other words, competition among four major powers, Russia, China, the EU, and India, over Turkmenistan's gas pipeline system before early 2009 strengthened the country's bargaining power in the process of diversifying its gas export routes. However, Turkmenistan's diversification policies in times of decreasing competition among the four major powers after early 2009 have increased the potential risk of replacing its old master, Russia, with a new one, China. These different outcomes have had varying implications for Turkmenistan's security of demand. The increase in the country's bargaining power had the effect of enhancing its security of demand. In contrast, the potential risk of trading masters is likely to have a negative impact on Turkmenistan's security of demand.

4. Discussion

This section first provides a brief survey of Turkmenistan's gas pipeline system. It then discusses Russia's role in Turkmenistan's gas exports by highlighting the change in Russia's role from a transit state of Turkmen gas to a major buyer around the mid-2000s. Finally, it analyzes the opportunities and risks in Turkmenistan's diversification

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