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Iran and Turkmenistan : significant bilateral construction and cooperation in Central Asia?

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Abstract

IRAN AND TURKMENISTAN: SIGNIFICANT BILATERAL CONSTRUCTION AND COOPERATION IN CENTRAL ASIA?

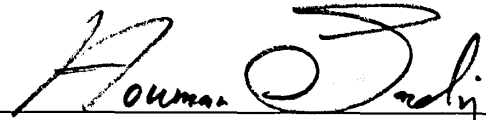
by Craig William Hershberg
Master of Arts in Political Science
Thesis Director: Dr. Houman Sadri
University of Richmond
May 1995

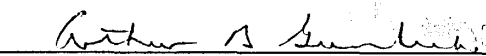
The primary purpose of this thesis is to offer a policy analysis of bilateral agreements between Iran and Turkmenistan from late 1991 to the summer of 1994, the main focus of which is to identify possible gaps between theory and practice or policy making and policy implementation. My hope is to add to our knowledge of the little understood, but nonetheless significant, Central Asian countries and their emerging relationships with neighboring countries.

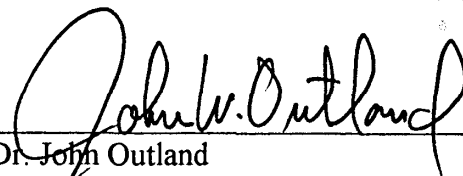
The approach of this paper is based on an extensive chronology, consisting of numerous, detailed examples of cooperation, agreements, contracts, proposals, construction, and other aspects of infrastructure between Iran and Turkmenistan. The majority of the data is found in the Foreign Broadcast Information Service publication (FBIS) and in the various libraries and sources on Lexis/Nexis.

As of the summer of 1994, I have demonstrated that there is a significant gap between theory and practice or policy making and policy implementation with respect to bilateral infrastructure agreements and other cooperation agreements between Iran and Turkmenistan.

I certify that I have read this thesis and find that, in scope and quality, it satisfies the requirements for the degree of Master of Arts.


Dr. Houman Sadri


Dr. Arthur Gunlicks


Dr. John Outland

ACKNOWLEDGMENTS

It is in appreciation that a thank you goes to Dr. Houman Sadri for his guidance and patience throughout this process. Ms. Komal K. Jain is also owed a great deal of gratitude for her support and motivation during this past year.

IRAN AND TURKMENISTAN:
SIGNIFICANT BILATERAL CONSTRUCTION AND
COOPERATION IN CENTRAL ASIA?

BY

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Introduction

Since the disintegration of the Soviet Union in December 1991 and the subsequent formation of several new countries in Central Asia, much discussion about constructing infrastructure has occurred and is continuing to occur among and between the leaders of the Central Asian and peripheral countries. The leaders of two nations in particular, Iran and Turkmenistan, have been especially active in this area. It remains to be seen, however, whether the bilateral discussions and proposals for infrastructure construction are being implemented. Therefore, the purpose of this thesis is to analyze the bilateral agreements forged between Iran and Turkmenistan from late 1991 to the summer of 1994 regarding core infrastructure, i. e., roads, railroads, shipping ports, airports, industry and power plants to determine if there is a gap between theory and practice or policy making and policy implementation.¹

There are three major objectives of this study. First, to establish whether gaps exist between the core infrastructure policy making or theory stage and the policy implementation or practice stage. Second, to describe characteristics of the infrastructure being discussed and implemented. Third, to estimate the implications the infrastructure will have on Iran, Turkmenistan, Central Asia, and other countries involved in this region of the world. The three objectives are summarized by the following questions: What is the infrastructure being discussed in the agreements? If this infrastructure is being built, at what pace is it being constructed--which types of infrastructure are being implemented quickly, moderately, slowly, or not at all? Are

¹ Late 1991 is chosen as a starting point because this date roughly coincides with the admittance of Kazakhstan, Tajikistan, Turkmenistan, Kyrgyzstan and Uzbekistan into the Economic Cooperation Organization and is only months after these republics declared independence from Moscow.

certain types of infrastructure being implemented more than others? What is the percentage of infrastructure agreements being implemented or not implemented? If the construction of infrastructure on a project is not complete, what proportion of the respective project has been completed? How will bilateral cooperation on infrastructure projects affect the Iranians and the Turkmen? And briefly, how will bilateral cooperation on infrastructure projects in Iran and Turkmenistan affect other states which are involved in or interested in this region of the world?

In addition to this study of infrastructure, there are four other sections of the thesis. First, other forms of cooperation (aside from core infrastructure) occurring between Iran and Turkmenistan are discussed to determine what effect, if any, this cooperation may have on the construction of infrastructure and on the Iranian-Turkmen relationship. Legal compatibility, cooperation in the banking/monetary industry, collaboration on cultural activities, cooperation in education and economic cooperation as well as cooperation in agriculture, postal services and mining will be addressed.

Second, six factors are analyzed to determine if they will affect present and future construction of infrastructure and cooperation between the two countries. The factors are (1) ethnicity/culture; (2) location; (3) religion; (4) adjacent countries' lack of ability to construct infrastructure and obstacles to the construction of infrastructure in these countries; (5) relative stability of the two countries; and (6) internal (primarily economic) developments in Iran and Turkmenistan.

The purpose of the third section is to address the literature of the field to which this study may provide some interesting insights. More specifically, a response is given to Samuel P. Huntington's hypothesis that "the fundamental source of conflict in this new world will not be

primarily ideological or primarily economic...but cultural." Moreover, David Mitran's *functionalism* and Kenichi Ohmae's *region state* concept will be addressed.

Finally, I make a few projections for the future relationship between Iran and Turkmenistan and how this relationship could affect Central Asia and other countries with interests in this region of the world.

Infrastructure

Walter F. Williams, Chairman, President, and Chief Executive Officer, Bethlehem Steel Corp., described infrastructure at a 1991 Congressional Hearing as "the facilities that support all of the various activities of our society: manufacturing, transportation of raw materials, distribution of products and energy, travel for business and recreation...[some examples are] highways, airports, harbors, power generation, oil and gas pipelines, rail transportation, water supply and waste disposal."² Obviously, without infrastructure economic development and trade are made more difficult; therefore, the construction of infrastructure is an integral part of the framework from which a region can begin to modernize and eventually grow and flourish. The Turkmen ambassador to Iran, Imangeldi Bayramov, concurs: "In our opinion [Turkmen delegation] the agreements of the two countries that are on paper are not of consequence but it is the follow-up and practical measures...."³ Incidentally, from 1924 (when Turkmenia was incorporated as a Soviet Republic) to the autumn of 1991, (when Turkmenistan declared

² Congress, House of Representatives, Committee on Public Works and Transportation, Our Nation's Transportation and Core Infrastructure, 102nd Cong., 1991.

³ FBIS-NES-94-014, "Turkmen Ambassador on Bilateral Ties" from 4 January 1994 Tehran KEYHAN, Tehran, Iran, 7., 21 January 1994, 58.

independence) the border between Iran and the former Soviet Union Republic of Turkmenia was for all intents and purposes closed; consequently, no significant infrastructure between the two countries was constructed.

The implementation of infrastructure agreements has the potential to increase the significance of the Iranian-Turkmen region in many ways: the foundations of a region able to function in the world's economic and trade system will be developed; a market of millions of Central Asians can be tapped; Russia's stranglehold on Central Asian trade and energy routes can be bypassed if so desired; oil, natural gas, uranium, and other raw materials can be efficiently exported, which will bring substantial foreign currency into Iran and Turkmenistan and possibly generate higher standards of living which may hasten stability and hinder the spread of radical Islam; Turkmenistan and Iran may become conduits for trade traveling north and east to Central Asia, Russia and beyond and trade traveling south to the Persian Gulf nations for export to the world; trade and production routes from Europe to Central Asia, to the Middle East, and to China may also be diverted through Iran and Turkmenistan and vice versa; seeking alternative and perhaps cheaper sources of energy, Europe, Japan and the United States may become further involved in the region; the strategic importance of this area will increase (exports of oil, natural gas, and possibly uranium made possible by infrastructure combined with the proximity to the Persian Gulf and Iran's historical volatility), and friendlier relations with Iran and Turkmenistan may therefore be deemed more desirable by several countries. These are just several of the most plausible scenarios of what may occur if infrastructure is constructed.

Obviously, the far reaching and significant implications of the previous examples warrant a greater knowledge of the area than is now available. Central Asia is becoming an area arousing

wide interest and growing scrutiny. A mix of oil and gas, ethnic conflict, authoritarian governments, Islamic awakening, and a strategic location between Russia, China, South Asia, and the Middle East denotes this region as one that will no longer be referred to as inconsequential.⁴ Additionally, the speculation on, the general lack of knowledge of, and the scarcity of penetrating analyses about the infrastructure, economic activity and development of this raw material rich region consisting of potentially volatile religious and ethnic differences are at worst dangerous and at best unacceptable.

Iran has played a precarious, if not important, role in the Middle East for hundreds of years, and now this role expands to Central Asia. Turkmenistan, with its wealth of resources, not to mention its proximity to revolutionary Iran and the rest of the Central Asian republics, has seen its economic and political stock in the world market rise steadily. Again, the aforementioned factors, combined with the Western world's anxiety over the growing power of Muslim extremists and the West's concern about oil, suggests the lack of a comprehensive study about infrastructure construction between an oil rich fundamentalist Muslim regional power and its raw material rich neighbor is surprising and should be corrected. A study noting if infrastructure is or is not being constructed (and the possible ramifications of the construction or the lack of construction) is necessary to make informed decisions on future policy involving any country, business, or organization in the area.

⁴ According to a April 14, 1993 article in Market Reports, Turkmenistan was the second largest producer of gas in the USSR. The country is now considered to have the fourth largest gas deposits in the world. It is estimated that the territory of Turkmenistan consists of 8.1 trillion tons of gas and 700 million tons of oil. Turkmenistan also contains large deposits of uranium.

Time Period

Because the construction of bridges, railroads, ports, airports, roads, industry, and other core infrastructure often take years to complete, many of the projects begun between Iran and Turkmenistan are incomplete (Turkmenistan declared independence in October 1991 and the thesis research was completed during the summer of 1994). Consequently, because of the two-and-one-half year time period, it is difficult to accumulate complete and comprehensive data (from the beginning of construction to the end of construction); therefore, there is much missing information. The "time problem," however, will not prevent a basis from which to develop hypotheses and to draw conclusions, nor will it impede the impetus for further examinations on the subject. Enough data has been garnered to distinguish regional trends and patterns and to begin the process of analyzing these trends and patterns. The results will provide engrossing clues, if not direct evidence, toward what present and future designs Iran and Turkmenistan have in the area.

CHAPTER 2

Literature review

As previously noted, there is a scant, but rapidly growing, body of scholarly research about the Central Asian region. A few writers and scholars, however, are studying the Central Asian region in depth, although few have commented on the construction of infrastructure and the cooperation occurring between Iran and Turkmenistan. Graham E. Fuller, Shafiqul Islam, Hafeez Malik, Martha Brill Olcott, Daniel Pipes, Patrick Clawson, Eden Naby and David Nissman are several writers and scholars who are researching and writing about Central Asia. Their articles, research and books, especially Malik's book Central Asia, Fuller's article "Central Asia: The Quest for Identity," Olcott's article "Central Asia's Catapult to Independence," Nissman's article "Turkmenistan (Un) transformed," and Islam's article "Capitalism on the Silk Route" are increasing the knowledge of Central Asia and were useful background sources for the writing of this thesis.

The following paragraphs consist of several characterizations about infrastructure from writers, scholars and military personnel familiar with the area. Some of the descriptions are specific to the Iranian-Turkmen region while others are more general, referring to all the Central Asian nations--Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan, and Kyrgyzstan.

General William Odom, former director of the National Security Agency, says, "it is one thing for these [Central Asian] leaders to talk about setting up an organization, but it is another

thing to develop the infrastructure to make it work."⁵ Agreeing with General Odom are many Western experts. These experts argue that it is unlikely Iran could construct any significant infrastructure with the Central Asian states over the next five years.⁶ Furthermore, a writer for the Country Report describes Turkmenistan's attempts to build economic and infrastructural ties with states outside of the former USSR as "suffers [ing] from a tendency to gigantism!"⁷ This same writer has also used the adjective "overblown" and the phrase "so overambitious as to be incredible" when describing infrastructure designs in Central Asia.⁸

Other writers and scholars move beyond the pessimistic arguments about infrastructure and cast doubt on Iran's ability to influence its neighbors. Slovo Kyrghyzstana, a source for the Soviet Press Digest, "doubts that Iran's influence in Central Asia...will amount to much," and Oles M. Smolansky, a Soviet-Arab scholar at Lehigh University, believes Turkey will become more important to the Central Asian countries than will Iran.⁹ Smolansky claims he has the hard evidence to support his claims; for instance, Turkey has the early lead over Iran in extending credit and capital to Central Asia, but it is unknown, of course, whether this situation will last.¹⁰

⁵ Martin Sieff, "Iran Seeks Global Power For Islamic Nations," The Washington Times, 17 February 1992, A8.

⁶ Ibid.

⁷ "The Economy: The caviar cartel is formed," Country Report, 14 September 1993.

⁸ Ibid.

⁹ Alexei Vassilyev, "Will Central Asia Become the Near East?," Soviet Press Digest, 6 June 1992, 11.

Oles M. Smolansky, "Turkish and Iranian Policies in Central Asia," Edited by Hafeez Malik, (New York: St. Martin's Press, 1994), 283-307.

¹⁰ Ibid., 283-307.

Moreover, with respect to extending capital and credit to Turkmenistan, the Iranians are more aggressive. In fact, according to Shafiqul Islam, who is a visiting fellow at the Institute for International Economics, "Turkmenistan has developed the closest economic relations with Iran".¹¹

Unfortunately, much of this commentary is speculation, especially with respect to Mr. Kyrghyzstana's views. This writer, however, seeks to overcome such speculation by examining the construction of infrastructure or the failure to construct infrastructure using actual tangible evidence--the infrastructure data.

Most of the data gathered on infrastructure is found in either the Foreign Broadcast Information Service's Near East/South Asia (NES) or Soviet (SOV) sections or in various newspapers and articles located on Lexis/Nexis. The British Broadcasting Corporation's "Summary of World Reports" and "Middle East Weekly Economic Report," Reuters and Tehran radio and television, all accessed through Lexis/Nexis, provide invaluable information about the construction of infrastructure. Tehran radio and television are Tehran IRNA, Tehran Voice of Iran First Program Network, Tehran KeyHan-E Hava'i , and Tehran IRIB Television First Program Network. The reports from the ITAR-TASS News Agency, the Turan News Agency (Baku), Mayak Radio and the Snark News Agency (Yerevan), from Russia, Azerbaijan, Russia, and Armenia respectively, are also very valuable to the thesis. Appendix I provides an example of how the infrastructure data are collated.

The next several paragraphs are descriptions of several scholars' research and opinions

¹¹ Shafiqul Islam, "Capitalism on the Silk Route?," Current History 93 (April 1994) : 159.

about the six factors--(1) ethnicity/culture; (2) location; (3) relative stability of the two countries; (4) adjacent countries' lack of ability to construct infrastructure and hindrances to the construction of infrastructure in these countries; (5) religion; and (6) internal developments in Iran and Turkmenistan--that may affect present and future construction of infrastructure and cooperation between Iran and Turkmenistan.

Coit D. Blacker, a member of the Cooperative Security Consortium Core Group and affiliated with Stanford University, expresses some of the most pessimistic views about Central Asia. Blacker emphasizes high political volatility and claims, "the trend toward anarchy is almost certain to accelerate over the next several years as economic conditions worsen and political life, both in Russia and elsewhere, becomes more extreme."¹² Blacker also states,

that if economic conditions continue to deteriorate, relations between those local populations and those Russians who elect to stay put will almost certainly take a turn for the worse, as the competition for jobs and resources, already intense, grows furious. This competition could well precipitate a level of violence not seen in these regions since the Russian Revolution and comparable in scope to the kind of devastation that has accompanied the political breakup of Yugoslavia.¹³

Obviously, these conditions would preclude the successful construction of infrastructure; however, while Blacker may be correct in some of his assumptions about certain areas of Central Asia, I do not believe his theories apply sufficiently to Iran and Turkmenistan. Blacker's hypothesis will be thoroughly addressed in chapter seven.

Violence and war have hampered the ability of several countries to compete with Iran and Turkmenistan in building infrastructure. Daniel Pipes, Director of the Foreign Policy Research Institute and its Middle East Council, and Patrick Clawson, affiliated with the Foreign Policy

¹² Coit D. Blacker, "Emerging States and Military Legacies in the Soviet Union," Edited by Janne E. Nolan, (Washington, D.C. : The Brookings Institution, 1994), 356.

¹³ Ibid., 380-381.

Research Institute and the Washington Institute for Near East Policy, give apt descriptions of some of the obstacles to the construction of infrastructure in adjacent countries. For example, in April 1992, the Najibullah regime in Kabul, Afghanistan, which had been in power since 1986, collapsed, exacerbating Afghanistan's civil war.¹⁴ Furthermore, in 1992, civil war in Tajikistan broke out, and fighting between Armenia and Azerbaijan in 1993 and 1994 took thousands of lives.¹⁵ Infrastructure construction with Afghanistan, Tajikistan, Armenia or Azerbaijan would obviously be futile in an environment of violence.

Another factor that will affect the construction of infrastructure between Iran and Turkmenistan is the relative stability of these two countries. The concept of stability is intensely debated among scholars. Those opposed to Blacker's predictions for Central Asia believe that Turkmenistan, at least, is stable. Many scholars also believe that there seems to be a definite movement among the Iranian elite to stabilize their country. With respect to Iran, Daniel Pipes and Patrick Clawson agree, citing evidence they believe proves the Iranians are seeking less isolation and are willing to soften their belligerent rhetoric.¹⁶

Ethnicity, culture and religion are other strong influences in the region and will have an impact on how much infrastructure is constructed and how quickly the infrastructure will be constructed. Religion, according to Slovo Kyrghyzstana, is divisive.¹⁷ Most Iranians and Turkmens are Muslim, but they adhere to different sects. Turkmenistan is 85 percent Muslim

¹⁴ After the mujahadin victory over the Najibullah regime, various ethnic, military, and religious factions continued to compete for power.

¹⁵ Daniel Pipes and Patrick Clawson, "Ambitious Iran, Troubled Neighbors," Foreign Affairs 72 (Spring/Summer 1993) : 124.

¹⁶ Ibid., 125.

¹⁷ Alexei Vassilyev. June 6, 1992, op cit., p. 11.

(predominantly Sunni Muslim), while Iran is 95 percent Shi'a and 4 percent Sunni Muslim. Mr. Kyrghyzstana is correct in his assertion that differences between the sects could disrupt close cooperation; however, he has not taken into account that the Iranians are, in fact, being extremely careful not to alienate the Turkmens. More specifically, President Rafsanjani has downplayed Islamic fundamentalism while acknowledging that economics and trade are very important to him.¹⁸ Martha Brill Olcott, Senior Fellow at the Foreign Policy Institute in Philadelphia, notes this trend and writes, "Iranian leaders appear happy to do business with a secularly oriented Kazakhstan...they [Iranian leaders] take no public notice of the fact that Nazarbaev [the President of Kazakhstan] is an avowed atheist who has banned Islamic parties and groups from registering in his republic."¹⁹

Finally, other literature is examined to further analyze the policy making and policy implementation between Iran and Turkmenistan. First, the literature of international economic development, especially Walter Krause's book, Economic Development, is used to develop criteria and an understanding for what is necessary to develop underdeveloped areas, i. e., Iran and Turkmenistan. Core infrastructure is regarded as very important for development.²⁰ I also examined the beginnings of the European Economic Community for comparative criteria to determine whether the Iranians' and the Turkmens' proposals are compatible with community building. Pierre Maillet's The Construction of a European Community is helpful. In this book,

¹⁸ Martha Brill Olcott, "Central Asia's Catapult to Independence," Foreign Affairs 71 (Summer 1992) : 126.

¹⁹ Ibid.

²⁰ Walter Krause, Economic Development (San Francisco: Wadsworth Publishing Company, 1961).

Maillet lists factors which he believes are necessary for the development of a common market. An increase in trade is one such factor.²¹

Second, my thesis falls within the scope of Kenichi Ohmae's article on the rise of the *region state* and David Mitrany's *functional theory*. Ohmae, Chairman of the offices of McKinsey & Company in Japan, describes the *region state* as a state "with boundaries not imposed by political fiat. They are drawn by the deft but invisible hand of the global market for goods and services. They follow, rather than precede, real flows of human activity creating nothing new but ratifying existing patterns manifest in countless individual decisions."²² In short, region states are natural economic zones.²³ This type of trade is important for several reasons, but primarily because it establishes a foundation from which further trade and infrastructure can be built.

The *functional theory* is relevant because one of this theory's aspects is the development of natural trade or trade that occurs naturally. Mitrany describes this phenomenon as *function before form*, i. e., the trading (function) precedes government control or regulation (form)--it occurs naturally. It will be determined if the natural trade aspect of *functionalism* is developing and if a *region state* is evolving between Iran and Turkmenistan. The impact these factors may have on infrastructure will then be addressed.

Third, the possibility of extensive development of core infrastructure between two Muslim countries falls into the realm of Samuel P. Huntington's hypothesis that "the fundamental source

²¹ Pierre Maillet, The Construction of the European Community (New York: Praeger Publishing, 1977), 27-68.

²² Kenichi Ohmae, "The Rise Of The Region State," Foreign Affairs 72 (Spring 1993) : 78.
David Mitrany, The Functional Theory of Politics (London: Martin Roberson & Company Ltd., 1975).

²³ Ibid.

of conflict in this new world will not be primarily ideological or primarily economic...but cultural."²⁴ Does the construction of infrastructure and cooperation occurring between Iran and Turkmenistan represent the beginnings of a Central Asian Islamic culture or civilization that will eventually clash with Western civilization? Huntington, Eaton Professor of the Science of Government and Director of the John M. Olin Institute for Strategic Studies at Harvard University, believes it does.²⁵ The findings of this study will be applied to Huntington's hypothesis to determine if there is support for his concept.

²⁴ Samuel P. Huntington, "The Clash of Civilizations?," Foreign Affairs 72 (Summer 1993) : 22.

²⁵ These scholars have all published responses to Huntington's overall thesis.

Fouad Ajami. "The Summoning" Foreign Affairs. Vol. 72, No. 4, September/October 1993. pp. 2-9.

Robert L. Bartley "The Case for Optimism" Foreign Affairs. Vol. 72, No. 4, September/October 1993. pp. 15-18.

Liu Binyan. "Civilization Grafting" Foreign Affairs. Vol. 72, No. 4, September/October 1993. pp. 19-21.

Jeane J. Kirkpatrick, Albert L. Weeks, and Gerard Piel. "The Modernizing Imperative" Foreign Affairs. Vol. 72, No. 4, September/October 1993. pp. 22-26.

Kishore Mahbubani. "The Dangers of Decadence" Foreign Affairs. Vol. 72, No. 4, September/October 1993. pp. 10-14.

CHAPTER 3

The Beginnings

During the autumn of 1991, Kazakhstan, Tajikistan, Turkmenistan, Kyrgyzstan and Uzbekistan declared independence from the USSR. Almost immediately thereafter, the formation of a regional Muslim economic bloc was being considered by area Muslim leaders. This bloc was to be an expansion of the Economic Cooperation Organization (ECO) which was revitalized by Pakistan, Iran, and Turkey in 1985.²⁶ As of 1994, this bloc consisted of the five Central Asian nations, (Kazakhstan, Tajikistan, Turkmenistan, Kyrgyzstan, Uzbekistan), the three founding countries (Iran, Pakistan, Turkey) and Afghanistan and Azerbaijan. The 300 million people, seven million square kilometers, and ten nations are eventually supposed to compare with the European Community (EC) as a regional organization, but from the beginning the Economic Cooperation Organization (ECO) has had difficulties pursuing this goal. Viewed from outside the organization, the ideas, proposals, and future designs for the ECO appear congruent, but numerous incompatibilities are the reality, especially among the three founding countries. Differences on the role of religion in government, differences among the founding countries on how to adapt the Central Asian republics to the world economic system, other allegiances, civil wars, and struggles for influence and power primarily among Iran, Turkey and Pakistan have all

²⁶ The roots of the Economic Cooperation Organization (ECO) go back to 1964 with the creation of the Regional Development Cooperation Organization (RDC) by Pakistan, Iran and Turkey. In 1985, the RDC organization was rejuvenated and its name changed to the Economic Cooperation Organization (ECO).

contributed to the inadequacy of the ECO.²⁷ Hafeez Malik sums up the dilemma, writing "while cooperating with each other within the framework of the ECO, Turkey, Iran, and Pakistan are interacting with the Central Asian republics independently, and even in contradiction of each other's policies."²⁸ Consequently, ambitious regional goals have yielded to bilateral talks and agreements, and the Iranians and the Turkmens have pursued these bilateral discussions early and aggressively. An analysis of my ECO study, which includes a description of the shift from regional to bilateral cooperation, is in Appendix II.

Agreements to construct infrastructure--policy making or theory stage

The rest of chapter three consists of three parts. First, the beginnings of infrastructure development between Iran and Turkmenistan are explored. Second, the benefits and advantages the construction of infrastructure will bestow upon Iran and Turkmenistan are examined. Third, a list of core infrastructure agreements between Iran and Turkmenistan from December 1991 to the summer of 1994 is provided.

²⁷ Eden Naby, a specialist on Central Asia affiliated with Harvard's Center of Middle Eastern Studies, explains how competition for the leadership within the ECO may prove the real impediment to the success of the organization. She states that "many of the desperately needed land connections among the countries of the ECO require infrastructure investments that can only be provided through international funders or a coalition of moneyed Arab states. The likelihood that Iran would receive either international loans or Arab investment that would increase its share in the development of Central Asia is slim. Pakistan and Turkey stand a far better chance. For this reason, jockeying for leadership within the ECO may prove the real impediment to the success of the organization rather than whether it harbors Islamic or secular goals." Eden Naby, "Between Market and Mosque," WorldPaper, May 1993, 1.

²⁸ Hafeez Malik, "New Relationships between Central and Southwest Asia and Pakistan's Regional Politics," in Central Asia, ed. Hafeez Malik (New York: St. Martin's Press, 1994), 275.
A list of other allegiances can be found in Appendix IV.

Even before the Turkmen declared independence from the USSR in October 1991, the leaders of Iran were involved in discussions with the Turkmen leadership to commence trade, begin cooperation measures and to initiate the construction infrastructure.²⁹ The shrewd Iranian leadership realized that with Gorbachev's *glasnost*, further contact between the Iranians and the Turkmen would be possible; however, this renewed accessibility to the Soviet Central Asian republics could also lead to a regional power struggle between Russia, Turkey and Iran if those republics gained independence.

Of course, a power struggle did materialize after the Soviet demise and the subsequent independence of the Central Asian republics. The struggle culminated in a contest primarily between Iran and Turkey to influence and gain favors from the newly independent Central Asian republics. Fortunately for Iranian leaders, the early foothold in Turkmenistan and the proximity to the republics gave them a sound initial position in foreign relations with the Central Asian republics, especially with the only Central Asian country that borders Iran--Turkmenistan.³⁰

The Iranian leaders now moved to capitalize on the rapport they had previously established with Turkmenistan. Communications and agreements with the Turkmen leadership (many of which involved infrastructure) were increased because it was understood that the construction of infrastructure between these two countries could serve many useful purposes.

²⁹ On July 20, 1991, Iranian ships are allowed to berth at Krasnovodsk port in Turkmenistan. On September 22, 1991, the 'Baj Giran' passageway in northeastern Iran, bordering the Turkmen republic officially reopens. On October 8, 1991, the President of Turkmenistan arrives in Tehran for a three day visit, and a protocol dealing with various economic, political and religious issues is signed.

Martha Brill Olcott, Summer 1992, op cit., p. 116.

"Relations between Iran and Turkmenistan--a chronology," Moneyclips, from Tehran Times., 24 October 1993.

³⁰ Turkey is also very active in the republics and more so than Iran in some areas.

The Iranians will utilize the construction of infrastructure for five main purposes. First, it will help the Iranian economy still recovering from the seven year war with Iraq. The newly accessible Central Asian countries will provide a market for Iranian goods and services, therefore increasing trade and revenue. Second, it may increase foreign investment. Potential foreign investors will observe that the Iranians are constructing core infrastructure. The construction will convey the message that the Iranians are serious about development and are determined to create a stronger, more stable economy. Third, the construction of infrastructure may be used to spread Shiite Islam, although as of July 1994 there is no evidence of this occurring.³¹ Fourth, an increase in Turkmen trade with Iran, made possible by infrastructure construction, may increase the number of jobs and the standard of living in Turkmenistan, providing for more stability in that country. It is in the interest of the Iranians to have Turkmenistan remain stable, because an unstable Turkmenistan would seriously disrupt Iran's vision of becoming a revitalized leader in the area. The Iranians view Turkmenistan as a conduit for trade, oil, and other materials passing from Central Asia through Iran to Europe and vice versa. The power and prestige of the Iranians being located in the middle of the trade route would be rendered ineffectual if calamities in Turkmenistan unfolded. Lastly, the construction of infrastructure will aid Iran in its competition with Turkey for regional prestige and for regional influence over the Central Asian republics. The Iranians will forge strong physical ties with the Turkmens (bridges, ports, roads), thereby establishing a trust with the Turkmens through their mutual cooperation. Martha Brill Olcott, Senior Fellow at the Foreign Policy Research Institute, notes that "those nearby states [Iran] that

³¹ The more economic ties the Iranians have with the Turkmens, the more control and influence the Iranians will be able to exert over the Turkmens. Consequently, it may be easier to import Shi'a Islam.

help Central Asian republics emerge from that physical isolation will eventually enjoy a foreign policy advantage."³²

The Turkmen will use the newly built infrastructure for five main purposes. First, the infrastructure will be used to increase and expedite trade to Iran and Central Asia. Second, it will connect Iran's large population (63.4 million as of 1993) with Turkmenistan and Central Asia. Third, it will allow the Turkmen to bypass Russia's stranglehold on Central Asian trade and energy routes, thus giving the Turkmen greater de facto independence from Russia.³³ Fourth, an increase in trade with Iran, made possible by infrastructure, may increase the standard of living and the number of jobs in Turkmenistan which may alleviate any economic contentions that might develop between Russian minorities and Turkmen over employment and resources; stability will therefore be promoted. Lastly, it gives the new, inexperienced Turkmen government legitimacy in the eyes of its citizens because it is conducting foreign policy on its own accord, not by Russian coercion.

All of the aforementioned possibilities may be realized if gaps can be avoided between the policy making (theory) stage and the policy implementation (practice) stage of infrastructure construction. Now, the question of what infrastructure agreements have originated from the policy making bodies in both Iran and Turkmenistan must be addressed. The next several pages consist of infrastructure projects that have been signed or agreed to by the Iranian and Turkmen leaders between December 3, 1991, and the summer of 1994 (please consult Appendix VI--map

³² Martha Brill Olcott. summer 1992, op cit., p. 121.

³³ Russia controls Turkmen oil and gas flow because all Turkmen pipelines run through Russian territory. The Turkmen have also tried to distance themselves from the Russian by declining to join the Commonwealth of Independent States. The Russians are the dominant leaders in this organization.

section--as necessary):

DATE
OF ARTICLE

DESCRIPTION OF AGREEMENT AND SOURCE
(December 1991--Summer 1994)

- 12/3/91 The Iranian Ministers in the Department of Agriculture in Khorasan Province signed an agreement with Turkmenistan government officials to build three sugar mills across the northern border in Turkmenistan. *"Relations between Iran and Turkmenistan--a chronology" Moneyclips. (Tehran Times 24 Oct 93).*
- 2/28/92 The Iranians have promised the Turkmens help in building a motor oil plant and a refinery. *Petrosian, Vahe. "Iran at the hub of new trade alliances". MEED Middle East Business Weekly. Vol. 36: No.8. Pg. 13. February 28, 1992. also "Relationships between Iran and Turkmenistan--a chronology" Moneyclips. (Tehran Times 24 Oct 93).*
- 4/92 Tehran and Ashkhabad government officials signed an accord on a gas pipeline to run from Turkmenistan to Turkey. It is to pass through Iranian territory and is to be built by Iranian firms. *Oles M. Smolansky. "Turkish and Iranian Policies in Central Asia" Central Asia. Edited by Hafeez Malik. St. Martin's Press, New York, New York. 10010; 1994. Pg. 287;*
- 5/12/92 Iranian President Rafsanjani and his Turkmen counterpart, President Niyazov, signed agreements for a rail link between the two countries and a deal on fuel exports. *Gerald Nader. "Muslim Republics do deals alone" The Washington Times. Part A, World; pg. A9.*
- 5/14/92 Plans to construct a gas pipeline from Turkmenistan to Europe, passing over the territory of Iran and Turkey, is spelled out in a public accord. *Oles M. Smolansky. "Turkish and Iranian Policies in Central Asia" Central Asia. Edited by Hafeez Malik. St. Martin's Press, New York, New York. 10010. 1994. Pg. 292.*
- 8/25/92 The Iranians and the Turkmens sign an agreement to build a pipeline for shipping Central Asian gas to Europe via Turkey. *Financial Times August 27 1992.*
- 10/9/92 The Turkmen Minister for Construction Materials urges joint ventures with Iran. A proposal to increase cooperation in the fields of tile, ceramic, paint, and construction slab industries was agreed to by both the Iranians and Turkmens. *"Turkmenistan Minister Urges Joint Ventures with Iran" FBIS-NES-92-197 p. 28. (Tehran IRNA 6 Oct. 92).*
- 11/16/92 Turkmen and Iranian officials reviewed issues in connection with the establishment of a joint road transport company to operate between Iran's Khorasan Province and Turkmenistan. *"Vice President, Iranian Minister Discuss Rail Links, Trade" FBIS-SOV-92-221 p. 83. (Tehran IRNA 14 Nov 92).*
- 11/23/92 Turkmen companies signed 17 economic protocols worth 6.76 million with Iranian Provinces. Iran and Turkmenistan will collaborate to build a tin manufacturing factory (with an annual capacity of 40 million tins), a packing factory, a gas heater factory, and foodstuffs and clothing plants. *"Economic Protocols Signed With Turkmenistan" FBIS-NES-92-226 p. 61. (Tehran Voice of Iran First Program Network 20 Nov. 92). AND "Companies Sign Commercial Protocols With Iranian Provinces" FBIS-SOV-92-226 p. 74. (Tehran IRNA 21 Nov. 92).*
- 12/23/92 The Turkmen Foreign Minister confers with Rafsanjani. They agree to construct a railway between the two countries and discuss plans for construction of a gas pipeline to carry Turkmen fuel to third parties

via Iran. *"Confers With Hashemi-Rafsanjani"* FBIS-NES-92-247 p.38. (Tehran Voice of Iran First Program Network 23 Dec 92).

- 12/23/92 Turkmenistan's foreign minister arrives in Iran. Bilateral relations are discussed and it is decided that future joint projects between Iran and Turkmenistan are to include: constructing a railway, laying gas pipelines, planning for water reservoirs, and constructing roads. *"Turkmenistan's Foreign Minister Arrives In Tehran"* FBIS-NES-92-247 p.38. (Tehran IRIB Television First Program Network 22 Dec 92).
- 1/29/93 Iranian and Turkmen Ministers discuss transportation. Expansion of air, land, and sea transport between Iran and Turkmenistan are discussed as is the progress on a railway connecting the two countries. Experts on both sides agreed to facilitate transport of goods between the two countries by land and sea. *"Iranian, Turkmen Ministers Discuss Transportation"* FBIS-NES-93-018 p.60 (Tehran IRNA 26 Jan 93).
- 3/4/93 Iranian and Turkmen officials agree on the establishment of a joint shipping line in the Caspian Sea. The establishment of a company for the transportation of oil products and the reconstruction of Turkmenistan's oil refineries is also agreed upon. *"Relations between Iran and Turkmenistan--a chronology"*. Money clips. (Tehran Times 24 Oct 93).
- 4/15/93 The Turkmen Vice President met with the Iranian First Vice President and the Iranian Foreign Minister. Bilateral ties between the two countries are promoted and the building of roads, railways and a link between the countries' sea ports are discussed. *"Turkmen Official Meets Habibi, Velayati"* FBIS-NES-93-071 p.41 (Tehran IRNA 14 Apr 93).
- 4/16/93 An agreement to connect the Tajan-Sarakhs-Mashhad railway, build a gas pipeline to transfer gas from Turkmenistan to Europe and the Caucasus via Iran, erect an oil manufacturing plant in Turkmenistan, and to transit Turkmen goods through Iran to the Persian Gulf and Iranian goods to Uzbekistan and other Central Asian republics is noted. When the Tajan-Sarakhs-Mashhad line is complete, the Central Asian countries and China will be connected to Southeastern Asia and the Persian Gulf regional states via Iran. *"Economic Committee Meeting Held With Turkmenistan"* FBIS-NES-93-072 p.36 (Tehran Voice of Iran First Program Network 14 Apr 93).
- 4/19/93 It is stated last July that Mercedes Management board Chairman, Werner Niefer, signed letters of intent to open a Mercedes plant in Turkmenistan. The natural resources of the area are a key factor in Mercedes' interest. *"Mercedes plans to build trucks in Uzbekistan"*. Chicago Tribune. April 19, 1993.
- 6/25/93 Negotiations are occurring among the delegations of Iran, Uzbekistan, and Turkmenistan concerning the construction of rail and road links connecting the three countries. *"Delegation Leaves for Tehran Transportation Talks"* FBIS-SOV-93-121. p. 55 (UZBEKISTAN APN 24 Jun 93).
- 7/22/93 A border market project with Turkmenistan is inspected. The Vice President of Turkmenistan inspected a plan for building a joint border market between Iran and Turkmenistan, and he gave the project the go ahead. *"Border Market Project With Turkmenistan Inspected"* FBIS-NES-93-139 p.24 (Tehran Voice of Iran First Program Network 21 Jul 93).
- 7/28/93 Iranians and Turkmens sign agreements to build more dams. Also, bus lines between the two countries are scheduled for August 1993. *"Customs, Transport Agreement Signed With Turkmenistan"* FBIS-NES-93-170 p.54 (Tehran KEYHAN-E HAVA'I 23 Jun 93 p.10).
- 9/3/93 Iranians and Turkmens will establish a joint economic organization. Establishment of a joint industrial enterprise between the two countries is also discussed. *"Joint Industrial Enterprise To Be Set Up With Turkmenistan"* FBIS-NES-93-170 p.39 (Tehran IRNA 1 Sept. 93).

- 9/14/93 Plans to build extensive infrastructure linking Turkmenistan, Pakistan, and Afghanistan, such as a Trans-Asian mainline running to India, were discussed in Istanbul in July 1993. *"The Economy: The caviar cartel is formed" Country Report, September 14, 1993.*
- 9/16/93 The Turkmen President called for speeding up the process being utilized to form the Caspian Sea Organization. Thus far, the agreement to form the Caspian Sea Organization with Iran has been in the discussion phase. *"Niyazov Seeks Increased Cooperation With Iran" FBIS-SOV-93-178 p.50 (Tehran IRNA 16 Sept 93).*
- 9/21/93 A draft agreement on land transport and border and consular cooperation between Iran and Turkmenistan is signed. Furthermore, discussions on the construction of the railway between Kazanjik, Kizil Atrak, and Bandar Torkaman (the first two towns are in Turkmenistan, the last is located Iran) occur. Facilities and border posts for traffic and to facilitate cargo are also to be constructed. *"Memorandum on Cooperation Signed" FBIS-NES-93-181 p.65 (Tehran Voice of the Islamic Republic of Iran First Program Network 20 Sept 93). AND "Niyazov Seeks Increased Cooperation With Iran" FBIS-SOV-93-178 p.50 (Tehran IRNA 16 Sept 93).*
- 9/21/93 Agreements on economic and technical cooperation, particularly the construction of the Sarakhs-Tajan railway and gas pipelines occur. *"President Receives Turkmen Ministers 20 Sep" FBIS-NES-93-181 p. 65. (Tehran Voice of the Islamic Republic of Iran First Program Network 20 Sept 93).*
- 10/25/93 Iranian President Rafsanjani and Turkmen President Niyazov stress good relations in first round of talks. Much talk occurred including the establishment of communication links, air and sea transport, roadways, and railroads between the countries. Proper course for cooperation in science, culture, education, transport, trade, banking, and industry is also discussed. *"Rafsanjani and Turkmen president stress good relations in first round of talks". BBC Summary of World Broadcasts. Sec: Part 4 Middle East; THE MIDDLE EAST; IRAN; ME/1828/MED. (Voice of the Islamic Republic of Iran Network 1, Tehran 22 Oct 93).*
- 10/26/93 The Presidents of Iran and Turkmenistan discussed the ongoing work to implement an agreement on the exploration of Turkmenistan's rich natural gas reserves and to develop the infrastructure to export the gas. *"Central Asia opts for pragmatic approach to ties with Iran". Agence France Presse. Sec: NEWS. (Alma Ata, Kazakhstan 26 Oct 93).*
- 10/26/93 Gas Agreement with Turkmenistan viewed. An Iranian -Turkmen agreement on passing Turkmen gas pipelines through Iranian territory was signed. Rafsanjani claimed implementation was imminent. *"Gas Agreement With Turkmenistan Viewed" FBIS-NES-93-205 p. 53 (Tehran Voice of the Islamic Republic of Iran First Program Network 23 Oct 93).*
- 11/16/93 Iranian-Turkmen provinces sign agreements. 12 economic, commercial, tourist, and trade agreements were included. Furthermore, additional trade facilities are to be built. *"Iranian-Turkmen Provinces Sign Agreements" FBIS-NES-93-219 p. 73. (Tehran Voice of the Islamic Republic of Iran First Program Network 15 Nov 93).*
- 11/19/93 Iranian and Turkmen delegations discuss two border provinces' agreements to establish a common border market. Agreements to build a transit lounge, bus routes, hotels, restaurants, traffic signs, gas stations, and stores to sell fruits are signed. *"Delegation From Turkmenistan Discusses Transportation Issues" FBIS-NES-93-222 p.71 (Mashhad EQTESAD-E KHORASAN ECONOMIC WEEKLY 13 Nov 93).*
- 12/6/93 The Turkmen Vice President is received by Rafsanjani. The establishment of a Caspian Sea Organization is again discussed. Both sides agree that it will be beneficial. *Turkmen Vice President Visits for Talks" FBIS-NES-93-232 p. 67 (Tehran IRIB Television Second Program Network 5 Dec*

93).

- 12/8/93 The Turkmen sign an accord with the Iranians to build a joint industrial plant. The Iranians and the Turkmen are to establish a jointly owned and operated industrial plant in Turkmenistan. Joint mining operations in Turkmenistan are also explored. *"Accord Signed With Iran on Joint Industrial Plant"* FBIS-SOV-93-234 p. 67 (Tehran Voice of the Islamic Republic of Iran First Program Network 7 Dec 93).
- 12/16/93 Iran is setting up a bentonite processing plant, with a capacity of 100,000 tons, in northwestern Turkmenistan. The two countries will cooperate with the raw materials and supplies. Turkmenistan and Iran also agreed to buy and sell stones. *"Processing Plant to be set up in Turkmenistan"* FBIS-NES-93-240 p. 58 (Tehran IRNA 15 Dec 93).
- 12/24/93 Iran and Turkmenistan sign two rail agreements. The construction and modernization of the Trans-Asian railway and the Tajan-Sarakhs-Mashhad railway will be expedited. Railway stations along these lines will be modernized (one at the border town of Sarakhs). Agreements were also reached on cotton and oil products from Turkmenistan being transported to Europe via Iran. Furthermore, the Iranians have agreed to supply and manufacture spare parts and equipment to Turkmenistan for the railways. *"Iran and Turkmenistan sign rail agreement"*. BBC. Sec: INFRASTRUCTURE; TRANSPORT; SU/WO313/WD. (Islamic Republic News Agency, Tehran 19 Dec 93).
- 12/24/93 A gas pipeline from Turkmenistan to Europe is planned to cross over Azerbaijani, Iranian, Nakhichevan and Turkish territory. It is agreed that the best route for the future gas pipeline from Turkmenistan to Europe was via the Caspian Sea and over the aforementioned territory. The Turkmen leaders claim that there will be no difficulties in laying the pipeline through Iran. *"Gas pipeline planned to cross Azerbaijan, Iran, Nakhichevan and Turkey"*. BBC. Sec: Part 1 Former USSR; Weekly Economic Report; INDUSTRY AND INFRASTRUCTURE; ENERGY; SU/WO313/WD. (Snark News Agency, Yerevan 11 Dec 93).
- 1/3/94 The President of Turkmenistan, Niyazov, discusses completing the Tajan-Sarakhs-Mashhad railway and the gas pipeline between Iran and Turkmenistan. *"Niyazov Speaks at Airport Prior to Visiting Iran"* FBIS-SOV-94-001 p. 61 (Ashkabad Radio Ashkabad Network 3 Jan 94).
- 1/4/94 Oil and Gas agreements are discussed. Methods of implementing gas and oil agreements between Iran and Turkmenistan were discussed at a meeting on this day. Turkmenistan is prepared to provide the gas required by the border areas of the two countries and to submit the results of technical and economic studies on pipelines for that country's gas exports to Iran. *"Oil, Gas Agreements Discussed"* FBIS-NES-94-002 p.49 (Tehran Voice of the Islamic Republic of Iran First Program Network 3 Jan 94).
- 1/4/94 Officials from Iran and Turkmenistan are hopeful about an agreement that will set up a shipping link between Iranian and Turkmen ports on the Caspian Sea. *"Visiting Turkmen Delegation Continues Activities"* FBIS-NES-94-002 p.49 (Tehran IRNA 3 Jan 94).
- 1/6/94 The Iranians and Turkmen signed a postal and telecommunications pact. A 480 channel telephone exchange linking Ashkabad and Tehran will be inaugurated soon. Parcel mail between the two cities will also begin. *"Postal, Telecommunications Pact Signed With Turkmenistan"* FBIS-NES-94-004 p.53 (Tehran Voice of the Islamic Republic of Iran First Program Network 5 Jan 94).
- 1/14/94 The Iranians have agreed to the construction of a gas pipeline that will link Turkmenistan and Turkey. They have also agreed to the construction of a Turkmen-Persian Gulf oil pipeline via the territory of Iran. *"Iran agrees to building of gas and oil pipelines from Turkmenistan"*. BBC. Sec: INFRASTRUCTURE; INTER-REPUBLICAN LINKS; SUWO315/WD. (Mayak radio, Moscow 8 Jan 94).

- 1/21/94 An agreement for the construction of an electric power line is signed. The power line will have a voltage of 400 kilovolts. It will supply electricity from the Krasnovodsk power station in Turkmenistan to the city of Aliabad in Iran. Moreover, the Iranian ministry of power engineering estimates that the transmission of electricity by the existing network may have a capacity of 200 megawatts. The Ministry plans to finish the construction of the project in two years and to transmit 1,600 million kilowatt-hours of electricity during the first year of operation. *"Turkmenistan exports electricity via Iran"* BBC. Sec: Part 1 Former USSR; Weekly Economic Report; INDUSTRY AND INFRASTRUCTURE; ENERGY; SU/WO316/WD. (ITAR-TASS News Agency, Moscow. 21 Jan 94). AND *"Turkmenistan to export electricity to third countries via Iran"* BBC. Sec: INFRASTRUCTURE; ENERGY; SU/WO319/WD. (Radio Moscow World Service 11 Feb 94).
- 1/21/94 Factories will be built in Turkmenistan with Iranian help. Products from the factories will be used for domestic consumption as well as for export by Turkmenistan. *"Turkmenistan Ambassador on Bilateral Ties"* FBIS-NES-94-014 p.58 (Tehran KEYHAN 4 Jan 94 p. 7).
- 1/28/94 Kazakhstan and Turkmenistan want to construct the pipeline to Europe through Iran. *"Kazakhstan and Turkmenistan propose pipeline through Iran"*. BBC. Sec: INFRASTRUCTURE; ENERGY; SU/WO317/WD. (Turan News Agency, Baku 17 Jan 1994).
- 1/29/94 Turkmenistan's President said a pipeline to export the Central Asian republics' oil and gas wealth through Iran and Turkey could be ready in 2 to 3 years. *"Turkmen leader sees new pipeline in 2-3 years"*. The Reuters Library Report. (Davos, Switzerland 29 Jan 94).
- 2/11/94 The Turkmenians have embarked on an agreement with the Iranians to supply Turkmen electricity to third countries via Iran. This project provides for the building of a high voltage power transmission line from Krasnovodsk to Iran. By 1996, the line should be commissioned, together with a series of substations, to carry 1.6 billion kWh in the first year that will subsequently increase to 4 billion kWh per annum. *"Turkmenistan to export electricity to third countries via Iran"*. BBC. Sec: INFRASTRUCTURE; ENERGY; SU/WO319/WD. (Radio Moscow World Service 6 Feb 94). AND *"Turkmenistan exports electricity via Iran"* BBC. Sec: Part 1 Former USSR; Weekly Economic Report; INDUSTRY AND INFRASTRUCTURE; ENERGY; SU/WO316/WD. (ITAR-TASS News Agency, Moscow 21 Jan 94).
- 4/1/94 An agreement is reached on laying pipeline to carry Turkmen oil for refining in Iran. The agreement on the construction of an oil pipeline from Turkmenistan to the town of Sari in Iran's Mazandaran province was reached during a visit to Iran by the Turkmen oil minister. *"Agreement reached on laying pipeline to carry Turkmen oil for refining in Iran"*. BBC. Sec: Part 1 Former USSR; Weekly Economic Report; INDUSTRY AND INFRASTRUCTURE; ENERGY SU/WO326/WD. (Turan News Agency, Baku 18 Mar 94).
- 4/15/94 The Turkmen government signed an intergovernmental agreement with the Iranians on the construction of an oil pipeline to Tehran. The pipeline will supply 6m tonnes of Turkmen oil to Iran. *"Turkmen energy council set up; agreements signed with Iran, Russia"* BBC. Sec: Part 1 Former USSR; Weekly Economic Report; INDUSTRY AND INFRASTRUCTURE; ENERGY; SU/WO328/WD. (ITAR-TASS News Agency, World Service, Moscow 5 Apr 94).
- 4/15/94 Further talks on the Iran-Turkey-Europe pipeline occur. An interstate council (formed April 5, 1994 to control activities dealing with the transport of Turkmen oil and gas to the world market) approved the Turkmenistan-Iran-Turkey-Europe gas pipeline scheme. The pipeline will belong to Iran and Turkmenistan and these countries will provide a corridor for its laying and Guarantee exploitation of the gas pipeline for 25-30 years. At an initial stage it is planned to deliver 15bn cubic meters of gas, later increasing to 30bn cubic meters. *"Turkmen energy council set up, agreements signed with Iran, Russia"*. BBC. Sec: Part 1 Former USSR; Weekly Economic Report; INDUSTRY AND INFRASTRUCTURE; ENERGY; SU/WO328/WD. (World Service Moscow 5 April 94).

7/22/94

Plans for Iranian firms to help reconstruct Turkmenistan's Krasnovodsk oil refinery and to develop the Turkmen oil industry are discussed. *"Iranian oil minister in Turkmenistan for talks on pipeline project"*. *BBC. Sec: Part 1 Former USSR; Weekly Economic Report; INDUSTRY AND INFRASTRUCTURE; ENERGY; SU/WO342/WD. (Tehran 18 July 94).*

CHAPTER 4

Construction of infrastructure?--policy implementation or practice stage

This chapter is an exploration of the policy implementation or the practice stage of infrastructure construction. The chapter consists of two sections. The first section includes a list of the agreements in chapter three that have been partly or fully implemented. In the second section, the six questions on pages one and two will be utilized to analyze the results.³⁴ Please consult Appendix VI (map section) as necessary.

<u>DATE OF ARTICLE</u>	<u>DESCRIPTION OF CONSTRUCTION (IMPLEMENTATION OF AGREEMENTS) AND SOURCE</u>
1/24/92	Construction of a border railroad linking Tajan (Turkmenistan) to Sarakhs (Iran) begins. Once completed, the railroad will enable the Iranians to access the rest of Central Asia via former Soviet infrastructure. Moreover, the Turkmens will have access to the Arab states via Iranian infrastructure. <i>"Relations between Iran and Turkmenistan---a chronology" Moneyclips. (Tehran Times 24 Oct 93).</i>
7/24/92	Iranian construction on the 165-kilometer line connecting Mashhad to Sarakhs on the joint border with Turkmenistan has begun. Even though the cities of Mashhad and Sarakhs are located in Iran, their connection by railroad (along the Turkmen border) is important because it provides links to which the Turkmen lines may connect. <i>Petrossian, Vahe. "Iran: MEED special report--construction--foreign funds speed up project work" Middle East Economic Digest. July 24, 1992.</i>
10/13/92	The Turkmen Caspian Sea Shipping Line is inaugurated. The anchoring of an Iranian ship in the Krasnovodsk port in Turkmenistan marks the beginning of consolidated shipping in the Caspian Sea between the Iranians and the Turkmens. <i>"Turkmen Caspian Sea Shipping Line Inaugurated" FBIS-NES-92-198. p.69 (Tehran Voice of the Islamic Republic of Iran 4 Oct 92).</i>

³⁴ The six questions are: (1) what types of the core infrastructure are being constructed---what are the characteristics? (2) are certain types of infrastructure being constructed more than other? (3) if the infrastructure is being built, at what pace is it being constructed? (4) what is the percentage of infrastructure agreements being implemented or not implemented? (5) if the construction of infrastructure on a project is not complete, what proportion of the respective project has been completed? (6) How will bilateral cooperation on infrastructure projects affect the Iranians and the Turkmens, and briefly, how will this affect other states involved in this region of the world?

- 11/16/92 An Iranian minister and a Turkmen official discussed the progress of the on-going railway project which will link the city of Iranian city of Mashhad to the city of Iranian city of Sarakhs. Sarakhs lies on the Turkmen border. *"Vice President, Iranian Minister Discuss Rail Links, Trade"* FBIS-SOV-92-221 p.83 (Tehran IRNA 14 Nov 92).
- 11/30/92 Continuing the implementation of agreements reached between the Islamic Republic of Iran and Turkmenistan on the expansion of bilateral cooperation, the construction of a temporary bridge over the Tajan river, which forms the border between the two countries, has begun in the Sarakhs region. The bridge is 135 meters long, 5 meters wide, and 6.5 meters high. It is capable of carrying a weight of 45 tons. The Ministry of Roads and Transport has provided the allocated cost of 680 million rials. The Tajan border bridge will be built in 45 days to the standards of Iranian roads. It will be able to cope with heavy vehicle traffic and the comings and goings of Turkmen and Iranian nationals. *"Bridge Over River to Turkmenistan Under Construction"* FBIS-NES-92-230 p.78. (Tehran Voice of Iran First Program Network 29 Nov 92).
- 1/16/93 President Niyazov of Turkmenistan announces the beginning of construction on new railway lines to link Turkmenistan with Kazakhstan, Russia, and Iran. The building of new railways is one of the measures provided by the Turkmenistan government to expedite its integration into the world market. It is also expected that the commencement of railway traffic in new directions will give a powerful impetus to the development of the western region of Turkmenistan. Free economic zones are to be established along new railways. *Glazovskaya, Lyudmila. "Railway to link Turkmenistan, Russia, Kazakhstan, and Iran". Tass. (Ashkhabad, Turkmenistan 16 Jan 93)*.
- 1/29/93 Iranian and Turkmen ministers met and discussed the on-going construction of the Tajan-Mashhad-Sarakhs railway. They are pleased with the progress. *"Iranian, Turkmen Ministers Discuss Transportation"* FBIS-NES-93-018 p.60 (Tehran IRNA 26 Jan 93).
- 5/12/93 Regular cargo and passenger shipping lines were set up between Iran and Turkmenistan on the Caspian sea. In forty-nine days, the Iranians carried part of 134,000 tons of goods to Turkmenistan. *"Shipping Organization Earns \$500 million"* FBIS-NES-93-090 p. 67 (Tehran IRNA 10 May 93).
- 9/3/93 A road bridge across the river Tajan (construction began on October 26, 1992), which forms part of the Iran-Turkmenistan border in the city of Sarakhs, was inaugurated today. The bridge took seven months to build, not the expected forty-five days. The city of Sarakhs straddles the two countries' border and forms a vital link with the Central Asian road and railway network. This bridge is specifically built to increase economic relations between the Iranians and the Turkmens. *"Bridge Linking Iran to Turkmenistan becomes Operational"* FBIS-NES-93-170 p.39 (Tehran IRNA 2 Sept 93). AND *"Tajan Bridge to Turkmenistan Inaugurated"* FBIS-NES-93-205 p.52-53 (Tehran Voice of Iran First Program Network 23 Oct 93).
- 9/14/93 This article describes the construction of the Tajan-Mashhad railroad as proceeding slowly. *"The Economy: The caviar cartel is formed"* Country Report. Sept. 14, 1993.
- 9/16/93 Both the Iranians and the Turkmens expressed satisfaction with the progress made on the construction of the Mashhad-Sarakhs-Tajan railroad. *"Niyazov Seeks Increased Cooperation With Iran"* FBIS-SOV-93-178 p.50 (Tehran IRNA 14 Sept 93).
- 11/16/93 According to this article, 20% of the work on the Sarakhs-Mashhad line is now complete. *"Central Asian republics to be connected by rail to Iran's southern ports"* BBC. SEC: Part 4 Middle East; Weekly Economic Report; THE MIDDLE EAST; IRAN; ME/WO308/MEW. (Voice of the Islamic Republic of Iran Network 1, Tehran 5 Nov 93).

- 12/24/93 The Iranians and the Turkmens have discussions about the Mashhad-Sarakhs-Tajan railroad. It is decided that the construction should be expedited. *"Iran and Turkmenistan sign rail agreement"* BBC. *Sec: INFRASTRUCTURE; TRANSPORT; SU/WO313/WD. (Islamic Republic News Agency Tehran 19 Dec 93).*
- 1/7/94 Four hundred and eighty telephone lines were commissioned between Iran and Turkmenistan. Through these lines, the Turkmens will have another connection to the world, albeit via Iran. The telephone link will also provide direct contact between Tehran and Ashkhabad and will provide the other peoples of Central Asia telecommunication contact with Iran and, consequently, with rest of the world. *"Turkmenistan President, Delegation End Visit--Niyazov Signs Agreements"* FBIS-NES-94-005 p.49. *(Tehran Voice of the Islamic Republic of Iran First Program Network 7 Jan 94).*

The list of infrastructure constructed or under construction (policy implementation) is much shorter than the list of agreements to construct infrastructure (policy making). This is, of course, what one would expect from a two-and-a-half year time period. Again, the planning stage for infrastructure construction can be a long, arduous process that often takes longer than two-and-one-half years. In fact, according to Walter Krause, there are many hindrances to the planning stage of infrastructure construction. In Economic Development, Krause notes many obstacles that could affect the construction of infrastructure. For example, a lack of natural resources, political instability, weak public administration, mores, traditions, culture, inadequacies in labor, inadequacies in entrepreneurship and management, a low volume of saving, and a shortage of foreign exchange can all prolong the planning stage. These examples do not even note the requisite engineering, the extension of construction bids, the cutting through bureaucratic red tape, legal contracts and the additional contracting out that can also slow the planning stage of construction.³⁵ Nevertheless, what are the examples of completed core infrastructure or infrastructure that is presently under construction between Iran and Turkmenistan? Please see

³⁵ Walter Krause. 1961, op cit., pp.46-79.

Figure 1 for a list.

Fig. 1.
Examples of completed core infrastructure or infrastructure
that is presently under construction between Iran and
Turkmenistan

<p><u>BRIDGES:</u> Tajan bridge</p> <p><u>RAILWAYS/RAILROADS:</u> (1) Tajan-Sarakhs (2) Mashhad-Sarakhs (3) The connection of the two lines, i.e., the Mashhad-Sarakhs-Tajan railway</p> <p><u>SHIPPING LINES:</u> Caspian Sea Shipping Line</p> <p><u>COMMUNICATION LINES:</u> 480 telephone lines</p>

The results are not impressive.³⁶ In fact, only thirteen of forty-eight agreement entries in chapter four (27.1%) describe completed projects or projects under construction. This percentage drops even further because of entry repetition. If the repeat descriptions are excluded, just six of forty-eight agreement entries (12.5%) are completed projects or projects under construction; see Figure I.

Are certain types of infrastructure constructed more than other types of infrastructure? It seems the Iranian and Turkmen leaders' primary goal is the construction of railroad lines. The

³⁶ Please see Appendix III for additional information on why the author believes the results are not impressive.

Tajan-Sarakhs railroad, the Mashhad-Sarakhs railroad, and the connection of the two lines are frequently mentioned in both the agreement and the implementation lists. The reason for the emphasis on the construction of railroads is that once these railways are complete, they can be used by the Iranians to access the rest of Central Asia and used by the Turkmens to access Iran, the Persian Gulf and Europe. The Tajan-Sarakhs-Mashhad line will connect the Iranian railroads with the Central Asian lines and the Central Asian lines will, therefore, be connected to Iranian railroads which are connected to Persian Gulf rail lines and Turkish rail lines. Consequently, because Turkish rail lines are connected to European rail lines, the Turkmens and the other peoples of Central Asia will gain non-Russian accessibility to the European continent. The Iranians will also gain the capability to increase trade efficiency and expand its influence with all the Central Asian countries via the railroads. Moreover, the railways will enable the Turkmens to increase trade and decrease its dependence upon the former Soviet rail infrastructure.³⁷

If the infrastructure is being constructed, at what pace is the construction occurring-- quickly, moderately, slowly, or not at all? Construction on the Tajan bridge began on October 26, 1992. At this time it was stated that construction will be completed in forty-five days; however, the bridge was finished on September 3, 1993. Using the Iranians' and Turkmens' own timetable, the bridge was completed approximately eight-and-a-half months late.³⁸ The Tajan-Sarakhs,

³⁷ Incidentally, the Caspian Sea shipping lanes, the Tajan bridge connecting the two countries, and the direct telephone lines also provide a fundamental connection between Iran and Turkmenistan that, in addition to the railroads, will strengthen Iranian and Turkmen ties.

³⁸ FBIS-NES-92-230, "Bridge Over River to Turkmenistan Under Construction" from 29 November 1992 Tehran Voice of Iran First Program Network., 30 November 1992, 78. It is possible that the initial forty-five day construction period was highly ambitious and not reasonable; however, using strictly the data given, the bridge is not completed according to the schedule the Iranians purported.

Mashhad-Sarakhs, and the connection between the two railroads (the Mashhad-Sarakhs-Tajan railroad) are by some accounts proceeding on schedule and by other accounts proceeding slowly. The following consists of descriptions of the construction rates for these railroad lines; Construction of the Tajan-Sarakhs railway began on January 24, 1992, and according to Martha Brill Olcott, the bridge is to be finished in late 1993. Construction of the Mashhad-Sarakhs line began on July 24, 1992.³⁹ On January 29, 1993, a report from Tehran indicated that Iranian and Turkmen ministers were pleased with the progress on the Tajan-Mashhad-Sarakhs railway, which seemed to indicate that the railroad was proceeding according to schedule.⁴⁰ On September 14, 1993, a writer from the Western oriented Country Report described the construction of the Tajan-Mashhad railroad as proceeding slowly.⁴¹ A report two days later from Tehran declared that both the Iranians and the Turkmen were expressing satisfaction with the progress made on the construction of the Mashhad-Sarakhs-Tajan railroad.⁴² On November 16, 1993, the British Broadcasting Corporation published a report it received from Tehran on the 5th of November 1993, that affirmed 20 percent of the work on the Sarakhs-Mashhad railway was now complete.⁴³ But on December 24, 1993, the *Islamic Republic News Agency* in Tehran reported that Iranian

³⁹ Moneyclips. 24 October 1993, op cit.

Vahe Petrossian, "Iran: MEED special report--construction--foreign funds speed up project work," Middle East Economic Digest (24 July 1992).
Martha Brill Olcott. summer 1992, op cit., p. 122.

⁴⁰ FBIS-NES-93-018, "Iranian, Turkmen Ministers Discuss Transportation" from 26 January 1993 Tehran IRNA., 29 January 1993, 60.

⁴¹ Country Report. September 14, 1993, op cit.

⁴² FBIS-SOV-93-178, "Niyazov Seeks Increased Cooperation With Iran" from 14 September 1993 Tehran IRNA., 16 September 1993, 50.

⁴³ British Broadcasting Corporation, "Central Asian republics to be connected by rail to Iran's southern ports," from 5 November 1993 Voice of the Islamic Republic of Iran Network 1, Tehran., 16 November 1993.

and Turkmen leaders decided the Mashhad-Sarakhs-Tajan railway had to be expedited.⁴⁴ Finally, Oles M. Smolansky reported that "a published accord spelled out plans to complete the construction of the Mashhad-Sarakhs-Tajan railroad by 1995.⁴⁵ After evaluating the previous statements, it seems the description in the Country Report article may be the most accurate, especially considering the President of Iran's February 1994 declaration that the Tajan-Sarakhs-Mashhad railroad will be completed in March 1996 and the fact that the Tajan to Sarakhs section of the Tajan-Sarakhs-Mashhad railroad or 132 kilometers of the 308 kilometer line was just completed on December 14, 1994.⁴⁶

In 1992 the Iranians and Turkmen discussed frequently the establishment of a Caspian Sea Shipping Line. On October 13, 1992, the shipping line was inaugurated and by May 12, 1993, regular cargo and passenger lines were initiated.⁴⁷ During the first forty-nine days, Iran carried a majority of the 134,000 tons of goods that were delivered to Turkmenistan via the Caspian Sea shipping line.⁴⁸ Thus, as of the summer of 1994, the development of the Caspian Sea shipping line was proceeding auspiciously. Furthermore, only seven months elapsed from the inauguration of the shipping line to the regularity of cargo and passenger lines. Unfortunately,

⁴⁴ British Broadcasting Corporation, "Iran and Turkmenistan sign rail agreement," from 19 December 1993 Islamic Republic News Agency, Tehran., 24 December 1993

⁴⁵ Oles M. Smolansky. 1994, op. cit., pg. 292.

⁴⁶ British Broadcasting Corporation, "Turkmen-Iranian railway reaches border town," from 14 December 1994 Turkmen Radio, Ashkhabad., 23 December 1994.

⁴⁷ FBIS-NES-92-198, "Turkmen Caspian Sea Shipping Line Inaugurated" from 4 October 1992 Tehran Voice of the Islamic Republic of Iran., 13 October 1992, 69.

FBIS-NES-93-090, "Shipping Organization earns \$500 million," from 10 May 1993 Tehran IRNA., 12 May 1993, 66-67.

⁴⁸ Ibid.

though, one should not be deceived by the quick development of the shipping line. Much of the materials, i. e., the ports and the ships, were already in place. Only agreement and planning (not construction) between the two countries was needed.

On January 6, 1994, the Iranians and the Turkmens signed a telecommunications pact. It was agreed that a 480 channel telephone exchange linking Ashkhabad and Tehran would be inaugurated very soon.⁴⁹ The next day, January 7, 1994, 480 telephone lines were commissioned between Iran and Turkmenistan. Through these lines, the Turkmens have another method of telecommunication connection with the world, and the capital cities of Tehran and Ashkhabad are now directly connected by telephone.⁵⁰ Furthermore, because the former Soviet Central Asian republics are connected to Turkmenistan's telecommunication networks which, as of January 7, 1994, are connected to the Iranian system, these telephone links will provide the other Central Asian peoples telecommunication contact with Iran and another telecommunication access to the world⁵¹ Figure 2 illustrates the complete or partially completed infrastructure and the degree of completion and the rate of construction for each.

⁴⁹ FBIS-NES-94-004, "Postal, Telecommunications Pact Signed With Turkmenistan," from 5 January 1994 Tehran Voice of the Islamic Republic of Iran First Program Network., 6 January 1994, 53.

⁵⁰ The first is through Russia.

⁵¹ FBIS-NES-94-005, "Turkmenistan President, Delegation End Visit--Niyazov Signs Agreements," from 7 January 1994 Tehran Voice of the Islamic Republic of Iran First Program Network., 7 January 1994, 49.

Fig. 2.
Complete or partially completed infrastructure and the degree of completion and the rate of construction for each

INFRASTRUCTURE**DEGREE OF COMPLETION &
RATE OF CONSTRUCTION**

Tajan Bridge	completed/slow
Mashhad-Sarakhs-Tajan Railroad	not complete/building probably slow
Caspian Sea Shipping Line	completed/moderate to quick
Commissioning of Telephone Lines	completed/quick

What is the percentage of completion for these infrastructure projects? The Tajan bridge was finished on September 3, 1994 (100%).⁵² As of November 16, 1993, work on the Mashhad-Sarakhs railroad, according to the Voice of the Islamic Republic of Iran Network I, is 20 percent complete.⁵³ The Caspian Sea shipping line is inaugurated and being utilized (100%), and the 480 telephone lines were connected on January 7, 1994 (100%).⁵⁴

What are the characteristics of the infrastructure being constructed? The Tajan bridge was built with Iranian materials. The bridge is 135 meters long, five meters wide, and six-and-one-half meters high. It is capable of carrying a weight of forty-five tons. It can cope with heavy vehicle traffic and the comings and goings of Iranian and Turkmen nationals. The bridge was built to the

⁵² FBIS-NES-93-170, "Bridge Linking Iran to Turkmenistan Becomes Operational," from 2 September 1993 Tehran IRNA., 3 September 1993, 39-40. FBIS-NES-93-205, "Tajan Bridge to Turkmenistan Inaugurated," from 23 October 1993 Tehran Voice of Iran First Program Network., 3 September 1993, 52-53.

⁵³ British Broadcasting Corporation. 16 November 1993, op cit.

⁵⁴ FBIS-NES-92-198, 13 October 1992, op cit., p. 69.

FBIS-NES-93-090, 12 May 1993, op cit., p. 66-67.

FBIS-NES-94-005, 7 January 1994, op cit., p.49.

standards of Iranian roads.⁵⁵ The railroads are also Iranian, built to Iranian railroad specifications. Neither the Caspian Sea Shipping line nor the telephone lines consist of any foreign materials or technology; however, when or if construction begins on the Turkmen oil and gas pipeline projects, both the Japanese and French intend to be involved.⁵⁶

For both the Turkmen and Iranians to persuade the developed countries they are serious about constructing infrastructure, maintaining stability, and initiating economic development and trade, they must demonstrate to the interested parties (France and Japan; see footnote 56) that they are beginning this process themselves. And, as is evident from the data, the Iranians and the Turkmen *have begun* this process, thus demonstrating their willingness and resolve to increase development and better economic conditions in their respective countries.⁵⁷ As mentioned, this desire to improve their societies has already established a confidence with France and Japan;

⁵⁵ FBIS-NES-92-230, 30 November 1992, op cit., p.78.

⁵⁶ As of the summer of 1994, French and Japanese firms have shown great interest in developing and constructing Turkmenistan oil and gas pipelines. Both countries are touting their superb engineers and technology, and both are using persuasive dialogue to convince the Turkmen to contract with their respective firms. For example, French President Francois Mitterrand directed the following statement to Turkmen leaders: "You know that with such oil and gas wealth you can hold talks from a position of strength with French industrialists and major companies which have acquired an international reputation and which possess great technological resources...[French companies] will make it possible for your country to get over its geographical isolation and export its gas directly to Western Europe."

British Broadcasting Corporation, "Mitterrand: French companies ready to participate in Turkmen pipeline project," from 27 April 1994 BBC in Paris., 6 May 1994.

Vladimir Kuleshov, "Japan intends to take part in Turkmenistan's oil and gas projects," The Current Digest of the Post Soviet Press XLV (31 March 1993): 19.

⁵⁷ The economic condition issue will be thoroughly addressed in chapter six.

consequently, other sources of technology and materials should be expected.⁵⁸

⁵⁸ Because of potential economic benefits, the French and Japanese may have been involved in the Turkmen and Iranian oil and gas sectors regardless of whether the Iranians and the Turkmens had shown a willingness to improve their economic conditions. However, future business outside the gas and oil sectors will probably depend more heavily upon the Iranians and the Turkmens demonstrating a willingness to improve economic conditions.

CHAPTER 5

Other Bilateral Cooperation

To recapitulate, the Iranians and the Turkmens have constructed or are in the process of constructing significant infrastructure projects; however, their record of implementing agreements, as of the summer of 1994, is poor. The most important project--the railroad--is proceeding slowly, and only three other examples of infrastructure (the bridge, the shipping line, and the telephone lines) are completed or under construction. However, other bilateral cooperation that should facilitate the implementation of infrastructure agreements is occurring. For example, instances of legal compatibility, cooperation in the banking and monetary industry, collaboration on cultural activities, and economic cooperation are all increasing.

Chapter five consists of two sections. The first section is a list of other bilateral cooperation and agreements between Iran and Turkmenistan from July 1991 to the summer of 1994. The purpose of the second section is to determine if this bilateral cooperation will have any effect on the construction of core infrastructure and on the Iranian-Turkmen relationship. Please consult Appendix VI (map section) as necessary. Section one is as follows:

DATE
OF ARTICLE

CATEGORY, DESCRIPTION OF COOPERATION OR
AGREEMENT AND SOURCE

Economic Cooperation/Trade

7/20/91

Iranian ships are allowed to berth at Krasnovodsk port in Turkmenistan. "*Relations between Iran and Turkmenistan*" *Moneyclips*. (Tehran Times 24 Oct 93).

- 9/22/91 The 'Baj Giran' passageway in northeastern Iran, bordering the Turkmen Republic officially reopens. *"Relations between Iran and Turkmenistan" Moneyclips. (Tehran Times 24 Oct 93).*
- 12/31/91 A consignment of citrus fruits is exported to Turkmenistan via the 'Pol' border crossing, the first in 70 years. The 'pol' border point is located at 'Inche' Broun' of Gonbad in Mazandaran Province. The border checkpoint can also link Iran to other Muslim Republics in Central Asia. *"Relations between Iran and Turkmenistan" Moneyclips. (Tehran Times 24 Oct 93).*
- 1/2/92 According to an agreement signed by the Iranians and the Turkmens, Turkmen oil will be shipped via Iran to other parts of the world by way of the Persian Gulf. Iran will also buy oil from that republic for consumption in Khorasan Province and several other provinces. *"Relations between Iran and Turkmenistan" Moneyclips. (Tehran Times 24 Oct 93).*
- 1/10/92 Eight memorandums are signed between the Turkmen Republic and the neighboring Iranian province of Khorasan. According to the memorandums, bilateral trade will include leather, textile, thread, synthetic carpet and blankets. *"Relations between Iran and Turkmenistan" Moneyclips. (Tehran Times 24 Oct 93).*
- 2/11/92 Last month, Iran promised to sell Turkmenistan 45 million barrels of oil in return for 3 billion cubic meters of natural gas and 150,000 tons of diesel oil. *"Iran courts investment from U.S. oil industry" Proprietary to the United Press International 1992. Sec: International. (Dubai, United Arab Emirates 11 Feb 92).*
- 3/92 The Iranians and the Turkmens entered into an economic agreement valued at over \$80 million. The agreement provides for the barter of Turkmen "goods and raw materials" for use in Iranian industry for 250,000 tons of foodstuffs. Seven agreements and two memorandums of understanding in the fields of commerce, industry, and transportation were also signed between Turkmenistan and the adjacent Iranian province of Khorasan. *Oles M. Smolansky. "Turkish and Iranian Policies in Central Asia" Central Asia. Edited by Hafeez Malik. St. Martin's Press, New York, New York. 10010; 1994. Pg. 287;*
- 5/12/92 Iranian President Rafsanjani and Turkmen President Niyazov signed a deal on fuel exports. *Gerald Nader. "Muslim Republics do deals alone" The Washington Times. Part A, World; pg. A9.*
- 10/6/92 The Iranian Oil Minister stated that Turkmenistan had chosen to export its gas through Iran because of Iran's proximity to Europe and because of the economical aspects of the project. *"Turkmenistan to distribute gas via Iran" FBIS-NES-92-194 p. 41-42 (Tehran IRNA 30 Sept 92).*
- 11/13/92 Iranian trade of non-oil items with Turkmenistan is noted. A total of 18,000 tons of non-oil commodities are traded between the northeastern Iranian province of Khorasan and the neighboring Republic of Turkmenistan (through the Baj-giran border) during the first half of the current Iranian year (March 21-September 22, 1992). Economic and trade exchanges between Khorasan Province and Turkmenistan have increased by 250% as of last November. *"Trade with Turkmenistan of Non-Oil Items Noted" FBIS-NES-92-220. p.53 (Tehran IRNA 11 Nov 92).*
- 11/16/92 Iranians have organized the second exhibition of Iranian products in Ashkhabad, Turkmenistan. Iranian and Turkmen officials also reviewed a joint road transport company to operate between Iran's Khorasan Province and Turkmenistan. Furthermore, since August 23, as much as 500 million roubles worth of various commodities produced or manufactured in the Khorasan Province have been exported to Turkmenistan. Many of the commodities include textiles, industrial products, and agricultural produce. During the same period, the Iranian province imported as much as 18,500 tons of products from Turkmenistan, most of which included cement, industrial quality wood, tractors and motor bikes. *"Vice President, Iranian Minister Discuss Rail Links, Trade" FBIS-SOV-92-221. p. 83 (Tehran IRNA 14*

Nov 92).

- 11/16/92 The volume of trade exchanges between the Islamic Republic of Iran and Turkmenistan increased two and a half fold in the first six-months of the current calendar year (March 21, Sept. 22, 1992) compared with the same period last year. *"Officials Report Increase in Trade With Iran"* FBIS-SOV-92-221. p. 83-84 (Tehran IRNA 12 Nov 92). AND *"Relations between Iran and Turkmenistan"* Moneyclips. (Tehran Times 14 Nov 92). October 24 1993.
- 11/23/92 Seventeen economic and commercial protocols valued at \$6.76 million were signed by industry directors from the Iranian provinces of Khorasan and Mazandaran and by executives from ten reputable Turkmen companies. This signing occurred at the second exclusive Iranian exhibition in Ashkhabad. Two of the protocols involve a gas heater production company and a packing factory in Turkmenistan. Turkmenistan, in return, will export cement, iron, wood, motorcycles, tractors, chemicals, fertilizers, cotton seed, matches, and honey to Iran. *"Economic Protocols Signed with Turkmenistan"* FBIS-NES-92-226. p. 61 (Tehran Voice of the Islamic Republic of Iran First Program Network 20 Nov. 92). AND *"Companies Sign Commercial Protocols with Iranian Provinces"* FBIS-SOV-92-226. p. 74 (Tehran IRNA 21 Nov 92).
- 1/29/93 The Turkmen Foreign Minister met with the Iranian Majles (Parliament) Speaker, Nateq-Nuri. The two exchanged views on expanding bilateral ties and cooperating in regional and international fields. *"Turkmen Foreign Minister Meets Nateq-Nuri"* FBIS-NES-93-018. p. 60 (Tehran IRIB Television First Program Network 26 Jan 93).
- 5/12/93 Regular cargo and passenger lines are set up between Iran and the republic of Turkmenistan. Iranian ships carried a majority of 134,000 tons of goods in 49 trips within a short period in the Caspian Sea. *"Shipping Organization Earns \$500 Million"* FBIS-NES-93-090 p. 66-67 (Tehran IRNA 10 May 93).
- 7/22/93 Plans for a joint border market between Iran and Turkmenistan are discussed. When established, the market will play a important role in the economy of the border inhabitants. *"Border Market Project With Turkmenistan Inspected"* FBIS-NES-93-139. p. 24 (Tehran Voice of the Islamic Republic of Iran First Program Network 21 Jul 93).
- 9/3/93 The Iranians and the Turkmens will establish a joint economic organization. Establishment of a joint industrial enterprise between the two countries is also discussed. Moreover, the Turkmens expressed readiness to accept investment by Iranian industrialists. *"Joint Industrial Enterprise To Be Set Up With Turkmenistan"* FBIS-NES-93-170 p.39-40 (Tehran IRNA 1 Sept. 93).
- 9/14/93 The Turkmens and the Iranians are working together to found a Caspian Sea caviar cartel. The cartel is needed to prevent the hard-currency starved Caspian Sea states from driving down the Caviar price by increasing exports. The Iranians and the Turkmens will engage in closer cooperation through working together in the cartel. *"The Economy: The caviar cartel is formed"* Country Report. September 14, 1993.
- 11/16/93 An electric plant in Turkmenistan is under contract with Iran. The plant will counterbalance normal Turkmen winter demand with Iranian summer needs. *"Turkmenistan-Mary Economic Profile"* Market Reports. (American Embassy Ashkhabad 12 Nov. 93).
- 12/6/93 The Iranians and the Turkmens agreed that a meeting of the Organization for Cooperation between Caspian Sea Littoral Countries will be held as soon as possible. This is another example of increased cooperation between the two countries. *"Turkmenistan Vice President Visits for Talks"* FBIS-NES-93-232. p. 67-68 (Tehran Voice of the Islamic Republic of Iran First Program Network).
- 12/16/93 In return for the Iranians building a bentonite processing plant in Turkmenistan, the Turkmens will

provide the Iranians with sodium sulphate and magnesium chloride. The Turkmenistan Republic also concluded a contract with Iran's Mines and Metals Ministry to purchase 100,000 sq. m. of dimensional stones which include granite and marble. *"Processing Plant To Be Set Up in Turkmenistan"* FBIS-NES-93-240, p. 59 (Tehran IRNA 15 Dec 93).

- 12/16/93 Turkmen and Iranian officers called for the strengthening and broadening of relations between the two countries. Officials from both countries agreed on the formation of six committees to follow up implementation of previous agreements and to formulate plans for future bilateral cooperation. *"Visiting Turkmen Official Urges Expanded Ties"* FBIS-NES-93-240, p. 58 (Tehran IRNA 15 Dec. 93).
- 12/24/93 Iranians and Turkmens have reached agreements on Turkmen cotton and Turkmen oil products being transported to Europe via Iran. The Iranians also agreed to manufacture and supply Turkmenistan with the equipment and spare parts it needs for railways, if the republic gives details of what it needs by early 1994. *"Iran and Turkmenistan sign rail agreement"* BBC, Sec: INFRASTRUCTURE; TRANSPORT; SU/WO313/WD. (Islamic Republic of Iran News Agency, Tehran, 19 Dec. 93).
- 1/21/94 Factories are to be built in Turkmenistan with Iranian investment. Products from these factories will be for domestic consumption as well as for export by Turkmenistan. For example, Turkmenistan has rich mines that yield construction stones, and the Iranians are able to set up factories to polish these stones, thus preparing them for decorative use. Numerous other factories are also to be built in Turkmenistan, and the Iranians will provide the technology and machinery for these factories. Furthermore, it is claimed that the waiving of visa requirements, used in travel between the countries, are in progress. *"Turkmenistan Ambassador on Bilateral Ties"* FBIS-NES-94-014, p. 58-59 (Tehran KEYHAN 4 Jan 94 p. 7).
- 1/21/94 Pursuant to the Tehran interstate agreement, Turkmenistan is starting exporting electricity to third countries via Iran. *"Turkmenistan exports electricity via Iran"* BBC, Sec: INFRASTRUCTURE; ENERGY; SU/WO316/WD. (ITAR-TASS News Agency, Moscow, 17 Jan 94).
- 4/15/94 During the first meeting of the new interstate council, the Iran-Turkey-Europe gas pipeline scheme is approved. The pipeline will belong to Turkmenistan, and the Iranians will provide a corridor for its laying and guarantee exploitation of the gas pipeline for 25-30 years. *"Turkmen energy council set up, agreements signed with Iran, Russia"* BBC, Sec: Part 1 Former USSR; Weekly Economic Report; INDUSTRY AND INFRASTRUCTURE; ENERGY; SUWO328/WD. (World Service 5 Apr 94).

Legal/Transportation

- 4/13/92 The Iranians and the Turkmens agree to remove visa requirements for citizens of both countries holding political and service passports. It is also agreed that two checkpoints on their common border, one at 'Baj giran' and the other at 'Istgah-e pol, will be activated'. *"Relations between Iran and Turkmenistan"* Moneyclips. (Tehran Times 24 Oct 93).
- 7/28/93 The Iranians and the Turkmens sign custom and transport agreements. Pursuant to the agreement, passenger bus lines will be established, and a six month visa with a fifteen day residence permit will be issued to drivers of international vehicles who are engaged in the hauling of merchandise. Personal vehicles will be allowed to pass between the two countries with a transit card, an international drivers license, and a technical booklet for the vehicle. Within ten days of the agreement, the Iranians and the Turkmens promised to process applications for merchant and commercial visas and to inform their ministries and their chambers of commerce. Border customs offices between the countries will operate every day of the week and all freight loads will conform to international shipping standards. All bills of

loading for the freight will give the particulars for all the freight. Both countries also agreed to the establishment of a Supreme Border Commission and both also agreed to fight smuggling. Moreover, the Iranians offered to train Turkmen customs workers. *"Customs, Transport Agreement Signed With Turkmenistan"*. FBIS-NES-93-143. p. 54 (Tehran KEYHAN-E HAVA'I 23 Jun 93 p. 10).

9/21/93 A memorandum of understanding was signed. It includes the finalization of the draft agreement on land transport between the two countries, a finalization of border and consular cooperation between Iran and Turkmenistan for the purpose of creating facilities for the traffic of vehicles and visas to drivers from other countries, and a finalization of the agreement erecting border posts to facilitate cargo transport. *"Memorandum on Cooperation Signed"* FBIS-NES-93-181. p. 65 (Tehran Voice of the Islamic Republic of Iran First Program Network 20 Sep 93).

Culture/Education

11/9/92 A group of agriculture experts from Turkmenistan have completed a course in mechanized cultivation in Iran. Turkmen leaders thanked the Islamic Republic for creating facilities to train experts from Turkmenistan. *"Kalantari Offers Agricultural Aid to Central Asia"* FBIS-NES-92-217 p. 64-65 (Tehran IRIB Television First Program Network 8 Nov. 92)

12/23/92 Turkmen diplomats are attending a three month training course in Iran. Iranian Foreign Minister Velayati stressed that the training courses provide an opportunity for Turkmen diplomats to become further acquainted with Iran. *"Velayati Calls Turkmenistan Relations Important"* FBIS-NES-92-247. p.39 (Tehran IRNA 12 Dec 92).

3/4/93 The Iranians and the Turkmens ink a 16-point agreement stipulating cooperation in various cultural fields. *"Relations between Iran and Turkmenistan"* Moneyclips. (Tehran Times 24 Oct 93).

10/26/93 Initial plans between the Iranians and the Turkmens for the exchange of students and scholars and the establishment of libraries and book exhibitions have been laid. *"Turkmenistan warned against ties with West"* FBIS-NES-93-205. p. 53 (Tehran Voice of the Islamic Republic of Iran First Program Network 23 Oct. 93).

1/4/94 Iranian and Turkmen delegations meet. The Turkmen Minister of Culture and Tourism called for cultural cooperation, especially the exchange of books and scientific information between the two countries. It was also agreed that the Iranians can help the Turkmens develop libraries and cultural centers. *"Visiting Turkmen Delegation Continues Activities"* FBIS-NES-94-002. p. 49 (Tehran IRNA 3 Jan 94).

Miscellaneous

(Includes cooperation in banking/monetary, security/military, drugs/crime, mining, communications, agriculture, science, industry, energy, postal services, training, border, commodities or a combination of the other categories)

10/8/91 The President of Turkmenistan, Niyazov, heading a 65-member political, economic, cultural, and religious delegation arrived in Tehran for a three day visit. During the visit, the Iranians and the Turkmens inked a protocol dealing with various economic, cultural and political issues. *"Relations*

- between Iran and Turkmenistan" Moneyclips. (Tehran Times 24 Oct 93).*
- '92 Leaders in Tehran and Ashkhabad sign accords agreeing to expand scientific and cultural relations. *Oles M. Smolansky. "Turkish and Iranian Policies in Central Asia" Central Asia. Edited by Hafeez Malik. St. Martin's Press, New York, New York. 10010; 1994. Pg. 287;*
- '11/92 President Rafsanjani and President Niyazov sign a letter of understanding on economic, trade, and cultural cooperation. *"Relations between Iran and Turkmenistan" Moneyclips. (Tehran Times 24 Oct 93).*
- '12/93 Iranian Interior Minister, Nuri, returns from Turkmenistan. He announced that the two countries signed a note of understanding concerning border and security issues. According to the agreement, the two sides will exchange information about criminals, campaign against drug dealers and further develop the level of mutual scientific and technological ties. *"Interior Minister Nuri Returns From Turkmenistan" FBIS-NES-93-007. p. 68-69 (Tehran IRNA 9 Jan 93).*
- '15/93 Turkmenistan's Vice President expressed Ashkhabad's willingness to cooperate with Iran in various fields such as oil, gas, commerce, agriculture, transportation, and banking. Turkmen officials stated that the Iranians enjoy priority and importance in Turkmenistan's foreign policy. Iran is the only country with which the Turkmens have held a joint commission. *"Turkmen Official Meets Habibi, Velayati" FBIS-NES-93-071. p. 41 (Tehran IRNA 14 Apr 93).*
- '16/93 The first session of the Iranian-Turkmen joint economic committee was held this morning. It was chaired by Iran's transport minister and Turkmenistan's vice president. The two countries agreed to form a number of committees to cooperate in transport, communications, industries, mining, agriculture, banking, and trade. *"Economic Committee Meeting Held With Turkmenistan" FBIS-NES-93-072. p.36 (Tehran Voice of the Islamic Republic of Iran First Program Network 14 Apr 93).*
- '30/93 Outlooks for Iranian-Turkmen cooperation in the agro-industry is discussed. A Turkmen official proposed that Iranian farmers in the Mazandaran province offer their expertise to Turkmen farmers across the border. Cooperation in agricultural machinery, horticulture, and development of tropical and desert type plants is also discussed. *"Iranian Ambassador Discusses Agricultural Cooperation" FBIS-SOV-93-145. p. 53 (Tehran IRNA 29 Jul 93).*
- '10/25/93 President Rafsanjani and President Niyazov stress cooperation between their countries. During their meetings, nine committees were formed on the following: political affairs, transport, oil and gas, trade and banking, culture, science and education, industry, mining and metals, customs, post and communication, and energy. The committee members will study the expansion of cooperation in these areas. *"Rafsanjani and Turkmen president stress good relations in first round of talks" BBC. Sec: Part 4 Middle East; THE MIDDLE EAST; IRAN; ME/1828/MED; (Voice of the Islamic Republic of Iran Network 1, Tehran, 22 Oct 93).*
- '11/16/93 Twelve economic, commercial, and tourism agreements were signed between the Iranians and the Turkmens. The agreements were signed toward the end of talks between the officials of the Mazandaran Province in Iran and the Balkan Province in Turkmenistan. Furthermore, it was decided that more trade facilities will be extended to residents of the two provinces and that pavilions will be provided to individuals and companies from Mazandaran Province to offer Iranian goods in the Balkan Province. *"Iranian-Turkmen Provinces Sign Agreements" FBIS-NES-93-219. p. 73-74 (Tehran Voice of the Islamic Republic of Iran First Program Network 15 Nov 93).*
- '11/19/93 Ministers from two border provinces, one in Iran and one in Turkmenistan, signed a protocol regarding appropriate facilities in the border regions. It is envisioned that a common border market, a joint transit lounge for passengers from the two countries and a Sari-Gonbad-Ashkhabad-Naftdagh bus route will be

built. Other facilities such as filling stations, restaurants, hotels, and traffic signs are included in the protocol. Opening stores for the sale of fruits and vegetables from Mazandaran Province to the city of Naftdagh in Turkmenistan are also to be discussed. *"Delegation From Turkmenistan Discusses Transportation Issues" FBIS-NES-93-222. p. 71 (Mashhad EQTESAD-E KHORASAN ECONOMIC WEEKLY 13 Nov 93 p. 1).*

- 12/8/93 The Iranians and the Turkmens emphasize cooperation in mining operations. *"Accord Signed With Iran on Joint Industrial Plant" FBIS-SOV-93-234. p. 67 (Tehran Voice of the Islamic Republic of Iran First Program Network 7 Dec. 93).*
- 1/4/94 Iranian leaders expressed their readiness to supply knowledge and experience to Turkmenistan in the fight against drugs; contraband might be flowing over their common border. *"Interior Ministers Meet" FBIS-NES-94-002. p. 49 (Tehran Voice of the Islamic Republic of Iran First Program Network 3 Jan 94).*
- 1/6/94 The establishment of regular postal services between Iran and Turkmenistan occurred yesterday. The air services organization of the Ministry of Post, Telegraph & Telephone will handle letter and parcel mail between Tehran and Ashkhabad. The first postal service flight between Turkmenistan and Iran also occurred yesterday. *"Postal, Telecommunications Pact Signed with Turkmenistan" FBIS-NES-94-004 p. 53. (Tehran Voice of the Islamic Republic of Iran First Program Network 5 Jan 94).*
- 1/7/94 The presidents of the Islamic Republic of Iran and the Republic of Turkmenistan signed eleven agreements in the fields of economics, politics, trade, banking, training and culture. Several other letters of understanding for political, military and border cooperation were also inked. For example, surplus Turkmen electricity to other countries is agreed to be run through Iran, joint drug trafficking is agreed upon, the transit of goods and custom affairs is agreed upon, and banking relations are to be improved. *"Turkmenistan President, Delegation End Visit" and "Cooperation Agreements Signed" FBIS-NES-94-005 p. 49-50 (Tehran Voice of the Islamic Republic of Iran First Program Network 6 Jan 94 and Tehran IRNA 6 Jan 94).*
- 1/13/94 This article reaffirms the January 7, 1994 article. This article also discusses the many agreements signed between the Iranians and Turkmens including exchanges of agricultural products, commodities and visitors and the establishment of libraries, book fairs, and cultural contacts. *"Tehran-Turkmenistan Ties Viewed" Middle East Intelligence Report. January 13, 1994.*
- 1/19/94 The Iranian Parliament (Majles) approved a bill on a cultural, scientific, and educational agreement between the governments of the Islamic Republic of Iran and the Republic of Turkmenistan. *"Majles Approves Bill on Accords With Turkmenistan" FBIS-NES-94-012. p. 69 (Tehran IRIB Television First Program Network 19 Jan 94).*

Obviously, there are other examples of policy making and policy implementation occurring between the Iranians and the Turkmens aside from the construction of core infrastructure. But, how can cooperation in these other fields affect the implementation of core infrastructure? Three hypothesis are suggested. First, it could be hypothesized that the increased Iranian-Turkmen cooperation in economics, trade, transportation, agriculture and the many other areas will increase

contact between these peoples; consequently, a growing trust which may facilitate an increase in the construction of infrastructure could develop.⁵⁹ Second, it could be hypothesized that increased cooperation in the areas of economics, trade, and the development of legal and transportation fields could entice foreign investment and foreign business ventures which would bring to Iran and Turkmenistan the requisite money for additional implementation of core infrastructure agreements. Third, if the implementation of these types of cooperation is high, the lessons learned from and the methods and strategies used to create this successful level of implementation could be applied to the core infrastructure policy implementation stage.

These hypotheses, however, can not be confirmed because of the low implementation rates for these non-infrastructure types of cooperation. Of the fifty entries in the above list, only thirteen are examples of policy implementation (26.0%).⁶⁰ Seventy-six percent of the entries (38 of 50) are descriptions of events still in the policy making stage.⁶¹ Thus, even though the level of

⁵⁹ Increased contact may also assuage Turkmen worries about questionable Iranian intentions. Consistent trade and good economic relations, but not so much that the Turkmens become beholden economically to Iranians, would seem to decrease the possibility of Iranian aggression.

⁶⁰ The thirteen examples of policy implementation correspond with these dates:

- | | | |
|-----------------------------|--------------|---------------------|
| 1) 7/20/91 (Economic/Trade) | 8) 9/14/93 | |
| 2) 9/22/91 | 9) 1/21/94 | |
| 3) 12/31/91 | 10) 11/9/92 | (Culture/Education) |
| 5) 11/16/92 | 11) 12/23/92 | |
| 4) 11/31/92 | 12) 10/25/93 | (Miscellaneous) |
| 6) 11/16/92 | 13) 1/6/94 | |
| 7) 5/12/93 | | |

⁶¹ The two percentages (72% and 30.0%) do not equal 100% because three entries include examples of both policy making and policy implementation. Consequently, the three entries are used in both the policy making and policy implementation calculations. The three entries correspond with these dates: November 23, 1992, October 25, 1993, and November 16, 1993.

trust between the Iranians and the Turkmens is probably rising because of the increased frequency of contact (policy making), it does not seem that this increased contact and the subsequent increase in trust will have an immediate positive effect on the construction of core infrastructure. Moreover, if percentages for less complicated cooperation, (non-infrastructure cooperation generally do not require as many prerequisites--money and time--to come to fruition as does the construction of infrastructure) remain rather low while contact and trust are probably increasing, can it be expected that a greater percentage of core infrastructure agreements which require more prerequisites will be implemented?

In addition to low implementation rates, there may be other reasons that explain why increased trust may not lead to a higher percentage of core infrastructure construction (the first hypothesis). First, the trust that is established results from the more successful policy making stage, not the policy implementation stage. For trust to be garnered from the completion of infrastructure projects, more infrastructure projects must be completed. Second, the trust is uneasy. Both sides are still familiarizing themselves with one another and will not move hastily. Trust will not be at an optimum level until both countries are confident that neither country's cooperation with the other hides ulterior motives.⁶² Consequently, the construction of infrastructure will remain slow. Finally, other variables, for example, a lack of funding for the infrastructure projects, will obviously have a great impact on the relationship between trust and infrastructure construction.

With respect to the second hypothesis, countries interested in investing or conducting

⁶² Given the Iranian's past expansionist desires, fears of an ulterior motive is primarily a Turkmen concern.

business in the region may be discouraged by the lack of fully implemented agreements because many of these agreements (improved communications, improved transportation and lessened legal restrictions) would render it easier to conduct business in the area. Finally, (the third hypothesis) if the cooperation agreements continue to be plagued by a low rate of implementation, the immediate effect on core infrastructure will be minimal; there will be no carry over effect (useful lessons or strategies learned) from implementation in one area to another. Overall, it seems any trust or foreign interests that might further develop core infrastructure or any lessons that might be learned from policy implementation and applied to core infrastructure are hindered by slow implementation.

In summation, these non-infrastructure types of bilateral cooperation will probably not have an immediate positive effect on the construction of infrastructure. However, because these non-infrastructure cooperation agreements (security, trade, economics, agriculture, energy, science, etc.) are generally simpler to implement, they will probably have a more immediate positive effect on the Iranian-Turkmen relationship than will the construction of core infrastructure. In fact, at this early stage in Iranian-Turkmen development agreements in areas excluding infrastructure construction are implemented more often than infrastructure construction agreements (26 percent to 12.5 percent). Consequently, the implementation of these non-infrastructure agreements should at least lay a foundation of trust and example to be followed which will probably increase further cooperation (including infrastructure construction) between the two countries.

It is also important to note that progress is being made outside the realm of the more frequent economics and trade accords (see miscellaneous section). Efforts are being undertaken

to increase the compatibility of the border region's legal and transportation systems, to coordinate education and cultural activities, and to cooperate and exchange services in the agricultural, banking, security, and local (provincial) government areas. If the agreements are implemented, further cooperation can be expected which may lead to increased trade and economic activity; consequently, the economies of both countries will be aided. Trust, an integral part of any future agreement, whether infrastructure construction or bilateral cooperation, will also be heightened.

CHAPTER 6

Six factors that may affect the present and future construction of infrastructure and cooperation between Iran and Turkmenistan

Six factors will be examined to determine what effect they may have on the present and future construction of infrastructure and cooperation between the Iranians and the Turkmen. The six factors are as follows: (1) ethnicity/culture; (2) location; (3) religion; (4) adjacent countries' lack of ability to construct infrastructure and hindrances to the construction of infrastructures in these countries; (5) relative stability of the two countries; and (6) internal developments in Iran and Turkmenistan.

Ethnicity/Culture

The differences between Turkmen ethnicity and culture and Iranian ethnicity and culture will not greatly hinder the present and future construction of infrastructure and other bilateral cooperation between those countries. Although the majority of Iranians are Persian and the majority of Turkmen are of Turkic descent, these people have lived close enough to one another over the centuries that racial intermixing, cooperation and sharing of customs have occurred.⁶³ In fact, most Iranian influence with the Turkmen is due to proximity and ethnic spillover. Consequently, culture and ethnic differences will not be disruptive with respect to cooperation

⁶³ Graham E. Fuller, "Central Asia: The Quest for Identity," Current History 93 (April 1994): 148. Sixty-three percent of Iranians are Persian. The remaining thirty-seven percent is composed mostly of Turks and Arabs. The largest Turkic-speaking group are the Azerbaijani. The Iranians of Turkic descent are closely related to the ethnic Turkmen. This circumstance also closes the gap between differences in Iranian and Turkmen ethnicity and culture.

between the countries. Furthermore, this ethnic spillover will accelerate as the former Soviet Turkmenia border with Iran becomes more permeable and the seventy years of religious, cultural, and psychological separation enforced by the USSR continues to deteriorate. The Tajan bridge, the Tajan-Sarakhs-Mashhad railroad, the telephone connections, the many border agreements, the less strict visa requirements, and the anticipated bus routes between the countries, for example, will result in more frequent border crossings and will further increase contact between the two peoples. As the contact increases, more agreements can be expected. In other words, as cooperation between the two peoples increases, the implementation of core infrastructure should be positively influenced, possibly not in the short term but in the long term, the impact should be greater.

It is possible, however, that if Turkmen leaders decide to embrace fully Turkish aid or decide to emulate the Turkish secular model of government, the Iranian government may try to force the Turkmen to modify their decision by reneging on agreements beneficial to Turkmenistan. This scenario is unlikely, though, because the Turkmen do not want to alienate a natural trading partner with whom they have many pending projects, nor do the Turkmen want to anger a powerful neighbor with whom they have enjoyed a good rapport since independence. Likewise, the Iranians do not want to alienate a natural trading partner with whom they have many pending projects, nor do the Iranians wish to disturb a nascent relationship with a country it sees as a cornerstone in its regional foreign policy. Moreover, the Turkmen are still in their early years of independence and welcome most offers that will enable them to escape from the burdens of political obscurity and economic isolation; consequently, the Turkmen are not likely to embrace fully just one country's aid (Turkey). On the other hand, the Iranian reaction to the

Turkmens fully embracing Turkish aid or emulating the Turkish model of government may not be to force the Turkmens to modify their decision, but to do quite the opposite. The Iranians may increase agreements and expedite construction between the countries to remain competitive with Turkey.

Location

Geographic location is conducive to further cooperation and infrastructure construction between the Iranians and the Turkmens. Iran is located in the center of the Middle Eastern and the Central Asian nations, and Turkmenistan is the only Central Asian republic that shares a border with Iran; therefore, Turkmenistan will most logically be a bridge--a conduit for trade and development--to the other Central Asian republics. Furthermore, and perhaps more importantly, is the location of Turkey which lies to the northwest of Iran. The Turks provide an access to the European continent; consequently, trade and pipelines originating from Central Asia destined for Europe will most likely pass through Iran and Turkmenistan. European products and materials will also pass through Iran and Turkmenistan on their route to Central Asia. Moreover, the passage of raw materials and other products over Iranian and Turkmen soil can benefit the economies of both countries. For example, economic activity will increase because of the trade and materials passing over Iranian and Turkmen territory, and markets and service oriented enterprises will develop to meet the demand increased activity causes. Foreign investment in pipelines and trade related business may also occur. Most importantly, though, is the possibility that the money derived from this trade and economic activity will be funneled to companies or government agencies involved in the construction of infrastructure.

The Iranians and the Turkmen are indeed blessed with a central location in this region of the world, and both countries intend to make the most of it. The Iranian Foreign Minister, Ali Akbar Velayati, alludes to his country's intentions when he describes his country as a "bridge linking the republics of Central Asia and Transcaucasus with the rest of the world."⁶⁴

Furthermore, Velayati describes "Iran's unique geopolitical status in Central Asia" in the following manner: "If the Central Asian republics with gas and oil resources seek to export them to the world through the Persian Gulf, they must either use [our] pipelines or our road and rail links."⁶⁵

The Turkmen leadership also realizes the economic potential that being directly involved in trade lanes, and oil and gas lines can bring to their country. Increased demand for Turkmen goods, an influx of hard currency and more money for economic development and infrastructure can all result. The Turkmen, however, are confronted with an obstacle that the Iranians are not confronted with--the unfortunate circumstance of not having access to an ocean or a body of water that leads to an ocean. If the Turkmen want to increase trade and increase its income through exports, then access to the Persian Gulf is a necessity. Access can be obtained through Iran and to a lesser degree through Pakistan by way of Afghanistan. Again, as Hafeez Malik notes, "the Iranian leadership is keenly aware of this [Turkmen] geographic imperative; consequently, Iran has proposed to the Central Asian leaders [beginning with the Turkmen leadership] the revival of the silk route'. "⁶⁶

⁶⁴ Oles M. Smolansky. 1994, op cit., pg. 284.

⁶⁵ Ibid., 292.

⁶⁶ Hafeez Malik. 1994, op cit., pg. 18.

The silk route is an ancient trade route which ran from China through Central Asia and Persia to Europe. The revival of the silk route would consist of infrastructure building, i. e., the road links, bridges, railroads and ports between the Central Asian states and Iran with links eventually reaching Europe

To conclude, geographical location will enable Iranians and the Turkmen to finance further construction of infrastructure, albeit indirectly. Furthermore, because trade, economic activity, and pipelines will cross the two countries' borders and money will be lost if the route is inefficient, more bilateral cooperation aside from core infrastructure can be expected.

Religion

Fig. 3.

Religion in the Islamic Republic of Iran

Source: Central Intelligence Agency (August 30, 1993)

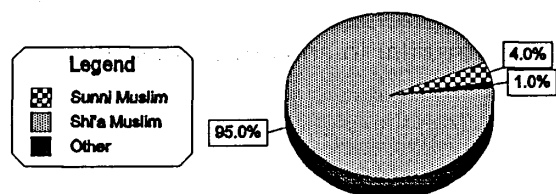
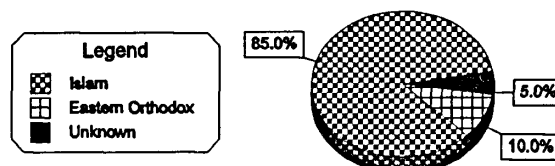


Fig. 4.

Religion in Turkmenistan

Source: Facts on File, Inc., (1993)



Although both Turkmenistan and Iran are predominately Muslim states, they adhere to different sects. The Turkmen are predominately Sunni Muslim, and the Iranians are predominately Shi'a Muslim. The types of government in Turkmenistan and Iran are also different. The Turkmen head a secular state and the Iranians govern over a religious state. These religious and governmental differences, claim Slovo Kyrghyzstana, are divisive.⁶⁷ In other

and China.

⁶⁷ Alexei Vassilyev. June 6, 1992, op cit., p. 11.

words, the differences could preclude or disrupt cooperation and infrastructure construction between the Iranians and the Turkmens. Kyrghyzstana's assumption, however, is not well researched. The Iranian leadership, for instance, is being extremely careful not to alienate the Turkmens because the Iranians do not want to disrupt their regional designs. Also in disagreement with Kyrghyzstana is Oles M. Smolansky, who writes that "Iranian policy...has been much more restrained and circumspect. Aware of the atheist upbringing and secular outlook of many of the region's leaders, Tehran has...refrained from advocating the spread of a militant form of Islam."⁶⁸ A comment from the Iranian Foreign Minister supports Smolansky's beliefs. Velayati states that "Iran's improving relations with...Central Asian countries does not mean we force them to accept our standards. We advise them on methods we prefer."⁶⁹

President Rafsanjani has also downplayed Islamic fundamentalism while acknowledging that economics and trade are a priority in his government. In fact, "Iranian leaders appear happy to do business with a secularly oriented Kazakhstan...they [Iranian leaders] take no public notice of the fact that Nazarbaev [the President of Kazakhstan] is an avowed atheist who banned Islamic parties and groups from registering in his republic."⁷⁰ Furthermore, in 1992, during an evaluation of recent accords between Iran and Turkmenistan, the Turkmen Vice President, Atta Charyev, noted that "the groundlessness of the widespread opinion about Iran's desire to export fundamentalism to Turkmenistan."⁷¹ Robin Wright, writing for Foreign Affairs, explains why,

⁶⁸ Oles M. Smolansky, 1994, op cit., p. 304.

⁶⁹ Ibid., 304.

⁷⁰ Martha Brill Olcott, summer 1992, op cit., p.126.

⁷¹ Oles M. Smolansky, 1994, op cit., p. 288.

stating that "[Iran] does not have the resources or even the will to meddle significantly in Central Asia. After two wars in the Persian Gulf and another in neighboring Afghanistan, its interests are very specifically focused on economic development."⁷² Iran has thus "preferred cooperation, [not religious influence] even with the current [secular] Central Asian leadership."⁷³ It is evident that the Iranians are not allowing differences in sects and differences in types of government to interfere with trade and other economic activities.⁷⁴

Kyrgyzstana has also overlooked the stable religious situation in Turkmenistan, a situation conducive to economic activity and infrastructure construction with Iran. To achieve this stability, the Turkmen leaders are doing the opposite of what one might expect from a secular state--they are being extremely careful not to disassociate themselves from the leaders of the Turkmen Islamic community. Disassociation from the Islamic community will cause this group to perceive they are being ignored which may result in a public display of disorder which could degenerate into chronic violence as it has in other Central Asian countries. Martha Brill Olcott notes the union of the Turkmen Islamic community and the Turkmen government in the following quote about clerics who formally participate in the government: "Islamic clerics rather than party ideologists now head state departments of religious affairs, where part of their task is to introduce

⁷² Robin Wright, "Islam, Democracy, and the West," Foreign Affairs 71 (summer 1992): 143.

Iran is also being forced to look inward (economic change) rather than to regional expansion because of its troubled economy. In short, the Iranians can not afford regional expansion of any sort.

⁷³ Ibid.

⁷⁴ The Iranians may have no other choice but to overlook religious differences. Their economy has been in dire straits since the Iran-Iraq war and income from economic activities and trade with Turkmenistan will help rebuild their country. In short, the Iranians cannot afford not to overlook religious differences.

limited formal Islamic instruction in state schools."⁷⁵ President Niyazov has also recognized the major Islamic holidays as state holidays and his government has endorsed an aggressive policy of mosque construction.⁷⁶

There are two other reasons for the affiliation between the government and the Islamic clerics, both of which are inextricably tied with stability. First, the leaders of Turkmenistan, not to mention the other Central Asian countries, are using their "Muslimness" as a "trump card in the international community, allowing them to trade on their religion in order to receive massive amounts of credits, grants, and aid."⁷⁷

Second, the Turkmen government is courting the Islamic elite in an effort to control it. "Those Central Asian leaders who believe themselves capable of dominating the relationship remain on cordial terms with the local religious leaders."⁷⁸ President Niyazov thus remains on amicable terms with the clerics because he believes he can dominate their relationship. What better means to dominate than to placate with the aforementioned government posts and responsibilities.

The effect on Turkmenistan has been positive. Credits, grants, aid and the inclusion of clerics in the government has helped Turkmen leaders to control their economy, their society and therefore, Turkmenistan's stability. Furthermore, because "the spread of political Islam is a response to the leaders' "inability to control their economies, their societies, and their states", the

⁷⁵ Martha Brill Olcott. summer 1992, op cit., p. 125.

⁷⁶ Martha Brill Olcott, "Central Asia's Islamic Awakening," Current History (April 1994) 93: 154.

⁷⁷ Ibid., 152.

⁷⁸ Ibid., 153.

state of Turkmenistan does not have a tense relationship with Islam which could disrupt economic activity and infrastructure cooperation with Iran.⁷⁹ In fact, according to Martha Brill Olcott, all the Central Asian states have strained relationships with Islam except Turkmenistan.⁸⁰ Graham E. Fuller, Senior Political Scientist at RAND, concurs, stating that "political Islam or Islamic fundamentalism is a less likely threat in Turkmenistan...where Islam has been less developed."⁸¹

To conclude, the Turkmen and the Iranian leaders are successful in preventing religious differences from disrupting economic affairs, construction of infrastructure, and cooperation between their two nations. The many cooperation and infrastructure agreements, and the fewer, but concrete acts of construction are evidence of this fact. Subsequently, religion does not seem to be as divisive as is suggested by Kyrghyzstana.

Adjacent countries' lack of ability to construct infrastructure and hindrances to the construction of infrastructures in these countries

Wars, conflicts, separatist movements, geography and financial relationships are variables that are having a positive influence on the construction of infrastructure and degree of cooperation between the Iranians and the Turkmen.

The civil war in Afghanistan has made it impractical for the Turkmen and the Iranians to establish roads, rail lines and other aspects of core infrastructure with the Afghans, and because Turkmenistan does not border Pakistan as Iran does, the Turkmen would have to cross

⁷⁹ Ibid.

⁸⁰ Martha Brill Olcott. April 1994, op cit., p. 154.

⁸¹ Graham E. Fuller. April 1994, op cit., p. 147.

Afghanistan to reach Pakistan.⁸² The Afghan Civil War is also quite obviously affecting that country's ability to conduct agreements with the Iranians and the Turkmen. Turkmen leaders have thus concentrated on infrastructure construction and cooperation with Iran.

The Azerbaijani-Armenian conflict over the Nagorno-Karabakh region has disrupted oil flow and transportation between Iran and Azerbaijan since 1990.⁸³ A refugee crisis caused by the ethnic fighting has prompted Iran to become involved in the conflict, thus ceasing or minimizing further economic development and non-military cooperation with the region. Moreover, several other violent disputes and separatist movements in the Caucasus are disrupting railways, endangering the flow of Russian oil and jeopardizing oil and gas pipelines upon which Turkmenistan relies.⁸⁴ A pipeline to Turkey via Iran would bypass these disturbances and calamities. External variables beyond Turkmen and Iranian control are thus benefitting ties between the countries.

⁸² Pakistan lies to the South/Southwest of Turkmenistan. These countries are separated by the country of Afghanistan. The route to the Arabian Sea via Afghanistan and Pakistan will allow Turkmenistan to lessen its heavy reliance on the Iranian access to the sea.

⁸³ Nagorno-Karabakh is an ethnic Armenian enclave in Azerbaijan. The enclave is seeking independence or union with Armenia.

⁸⁴ The violent disputes and separatist movements referred to are: 1) the Karachay-Cherkessia region in the Caucasus seeks independence from Russia 2) the Kabardino-Balkaria region in the Caucasus seeks independence from Russia 3) the Ingushetia region in the Caucasus has declared its independence from Russia; fighting is occurring between Ingushetia and neighboring North Ossetia over disputed territory is occurring 4) Chechenya, also located in the Caucasus, has declared its independence from Russia, and on December 11, 1994, Russian leaders dispatched heavy forces to quell the Chechen's efforts to secede. Brutal and vicious battles erupted in and around the urban Chechen capital of Grozny during the first months of 1995. Many lives (both Russian and Chechen) have been lost. Furthermore, the Chechen capital has been virtually destroyed as have vital oil pipelines and railroad lines that link Russia with the Caucasus region--George J. Church, "Rebellion in Russia," *Time*, 26 December 1994, 116-119. 5) Abkhazia, a largely Muslim region in Georgia, seeks independence or union with Russia; armed conflict erupted in 1992 6) A violent secessionist movement in South Ossetia in Georgia is fighting for union with North Ossetia in Russia.

Geography is also influencing Iranian and Turkmen ties. The virtually impregnable Hindu Kush mountain range which stretches through central Afghanistan renders the construction of road, railways, and pipelines between Turkmenistan and Afghanistan more difficult and more expensive than the construction of this same infrastructure would be between Iran and Turkmenistan; an area where the terrain is not as imposing.⁸⁵

Distance is another factor influencing the construction of infrastructure. The Turkmen leadership's desire to develop ties with the powerful (aid giving) regional states, more specifically, Pakistan, Iran and Turkey, is affected by distance from one another. Again, "Iran's influence lies primarily with the Turkmen due to *proximity* and ethnic spillover, and because Iran is the only country of the three that borders Turkmenistan it is, therefore, the only country with which direct infrastructure can be constructed."⁸⁶ In fact, Shafiqul Islam notes that Turkmenistan has developed the closest economic relations with Iran."⁸⁷

Distance also affects the financial relationships between the countries in the region. For example, even though the financial coffers of Iran, Pakistan and Turkey are not deep, (at present, Turkey and Iran have a limited financial capacity and Pakistan is financially bankrupt) Pakistan and Turkey endure a greater burden because of distance.⁸⁸ It is cheaper to conduct business with

⁸⁵ The Hindu Kush mountain range is the second highest in the world. Its mean elevation is 15,000 feet.

⁸⁶ Graham E. Fuller. April 1994, op cit., p. 148. Pakistanis may be further hindered in the cooperation aspect, at least in the initial stages, because of their lack of ethnic affinity with either the Iranians, the Turkmen, or the Turkish. The Iranians and the Turkish are ethnically closer to the Turkmen.
Hafeez Malik. 1994, op cit., p. 273.

⁸⁷ Shafiqul Islam. April 1994, op cit., p. 159.

⁸⁸ Ibid.

someone of a close proximity, and again, the Iranians are taking advantage of this situation. Thus, the combination of distance and financial relationships represent another variable that enables the Iranian and Turkmen leadership to achieve cooperation and construction of infrastructure with greater ease and fewer financial resources than other countries in the region.

Iranian ability to enact regional designs, as opposed to Afghanistan's inability (because of civil war) is also positively influencing cooperation and infrastructure construction between the Iranians and the Turkmen. If Iran desires to be the "bridge linking the republics of Central Asia and Transcaucasus with the rest of the world" then Turkmenistan, being the country linking Iran with the rest of Central Asia, will benefit.⁸⁹

The Iranians, however, do not have a monopoly on advantages that will make it easier for them to construct infrastructure and implement cooperation agreements with Turkmenistan. For instance, their fundamentalism and certain financial aspects are disadvantages. The Turkmen leaders are wary of Islamic fundamentalism and must constantly evaluate the Iranians' motives and aspirations in the region. And, even though there is no evidence, as of yet, of the Iranians attempting to export Islamic fundamentalism to Turkmenistan, the possibility continues to strain their relationship.

The Iranians alone cannot aid Turkmenistan, not to mention the other republics, for a long period of time. Consequently, these two reasons (finances and fundamentalism), have persuaded the Turkmen to forge other cooperation agreements. Many of these agreements are with the

⁸⁹ Oles M. Smolansky, 1994, *op cit.*, p. 284

The Iranians view the Central Asian republics as a large and potentially profitable market which could bring economic activity and trade to their country. The Iranians have therefore been anxious to help in exporting Central Asian products over their territory.

secular state of Turkey.⁹⁰

To conclude, adjacent countries' lack of ability to construct infrastructure and hindrances to the construction of infrastructures in these countries produce several variables positively affecting the construction of infrastructure and cooperation between the Iranians and the Turkmen, but there are also variables that have a negative impact. Generally, though, because two and one half years of cooperation on agreements and construction of infrastructure have familiarized the leaders of Iran and Turkmenistan with one another and that there is no evidence of the Iranians trying to export or support militant forms of Islam, it can be expected that these variables will continue to incur more positive affects than negative affects on the Iranian-Turkmen relationship.

Relative stability of Iran and Turkmenistan

The relative stability of both Iran and Turkmenistan will promote present and future construction of infrastructure and cooperation between the countries. In Iran, for example, there is evidence of a definite movement among the Iranian elite to stabilize their country. For instance, the Iranians are seeking internal stability, less isolation and are willing to soften their belligerent

⁹⁰ Several other factors may cause the Turkmen to forge cooperation agreements (primarily with Turkey) are: first, the common Turkic heritage, (including history, ethnicity and language) that the Turkmen share with the Turkish establishes a bond between the countries and may quicken cooperation on joint projects. Second, both countries are predominately Sunni Muslim. In fact, according to Oles Smolansky, "most Central Asian leaders prefer Ankara's low key brand of state-controlled Islam to the radical, fundamentalist brand of Shi'a Islam propagated by Iran. More specifically, it is the secularism of Kemalism, combined with free market economy and extended political and commercial ties with the West." Third, "the secular Turkish model of political and socioeconomic development is found to be more attractive in the Muslim republics than its Iranian counterpart." Fourth, Turkey, with Western help, may be in a position to offer more monetary aid than Iran. Ibid., 305.

rhetoric. Daniel Pipes and Patrick Clawson cite several other examples of this Iranian effort to stabilize their country. First, a notable moderating trend is evident. In fact, in the 1992 Majlis (parliament) election "less than a quarter of the candidates endorsed by the radical Islamic Clergy won...President Rafsanjani apparently has a mandate to bury revolutionary rhetoric and to improve relations with Iran's neighbors and the West."⁹¹ Second, ties with IMF resumed and the World Bank's resources and guidance were utilized. After the latter institution's recommendations were implemented, the budget deficit was cut and exchange rates were modernized.⁹² Third, the aforementioned steps led to a twenty percent increase in per capita real income, and imports rose from \$11 billion a year to \$25 billion a year from 1989-1992.⁹³

Furthermore, in January 1990, the pragmatists in the Iranian government (led by Rafsanjani) seemed to have won their battle over the hard line radicals. The pragmatists were able to approve the Five-Year Development Plan which is the core element of President Rafsanjani's program for reconstruction. The plan allows the use of foreign credits, aims to lower the inflation rate from twenty-eight percent to eight and nine-tenths percent, and aims for an annual growth rate of eight percent.⁹⁴ The Iranian government has also implemented a new export strategy

⁹¹ Also in 1992, Rafsanjani introduced a screening process to end the opposition against opening up Iran's economy and foreign policy. The screening process disqualified one-third of the more than 3,000 candidates, including 40 incumbents from Majlis (parliament) elections. "Most were revolutionary hard-liners blocking economic reforms, such as privatization, foreign investment and overtures to the West; several were associated with the revolution's early judicial excesses and the 1979-81 takeover of the American embassy. Not surprisingly, the new Majlis is filled with supporters of market reforms and diplomatic initiatives." Daniel Pipes and Patrick Clawson. Spring/Summer 1993, op cit., P. 124.

⁹² Ibid.

⁹³ Ibid.

⁹⁴ S.S. Jafri, "Economic Reconstruction of Iran," Economic Review 21 (May 1990): 28.

which should diversify and, therefore, strengthen its economy. For instance, the leaders plan to export products other than oil, particularly petro-chemical products. The following list notes other improvements in the Iranian economy which should facilitate the construction of infrastructure and should expedite cooperation between the Iranians and the Turkmen:⁹⁵

- * some companies with 50% state ownership will be put up for sale--privatization
- * guarantees to foreign investors will attract between 15-20 billion dollars of foreign investment
- * the government is beginning to overlook a ban on foreign borrowings. This has interested many foreign nations and businessmen formerly wary of the Iranian economic situation.
- * in an attempt to put some order to open market dealings in foreign exchange the Central Bank of Iran recently launched an all out campaign by offering U.S. dollars at a highly competitive rate to certain sections of trade and even to the general public.
- * The Iranians plan to spend much of its foreign exchange earnings on importing food and consumer goods
- * major industrial plants starved of raw materials are receiving foreign exchange to increase their output above their present 40% capacity
- * of \$345 billion invested in the Five-Year Plan, the Transport sector would get an extra two billion dollars, telecommunications 1 billion dollars, and agriculture 1.5 billion dollars
- * as approved by the Parliament, the Government has been allowed to use foreign credits of 9 billion dollars and 3 billion dollars of foreign investment to build four dams for irrigation and electricity
- * 3.2 billion dollars will be used to develop a joint gas field with Qatar in the Gulf
- * 2.2 billion dollars is earmarked for petro-chemical projects
- * 10 billion dollars will be used for buy back schemes to increase utilization of industrial capacity

These drastic economic changes have greatly altered how foreign businessmen perceive Iran.

Many of these businessmen now view Iran as a country to be considered in their investment portfolios. S.S. Jafri, of the Economic Review, notes the modified economic climate writing:

⁹⁵ Ibid., 27-28.

the signals have gone round to foreign investors and a growing number of foreign investors are going to Iran to study prospects in the light of the Plan and liberalized foreign exchange procedures and import and export regime. A fair number of Japanese, South Koreans and East European businessmen are travelling to Iran.... Investment mood is gradually becoming active, particularly in Japan with which there has been a 30% increase in trade. The utilization of 4.9 billion dollars of foreign reserves has given confidence and has greatly improved the confidence of foreign credits, investors and traders. Western companies are watching the situation and would move in a big way as soon as they realize that these [liberalized] policies and programs have become irreversible.⁹⁶

Moreover, according to Political Risk Services 1994, the five year Iranian regional turmoil risk (low), global direct investment risk (B+), and regional direct investment risk (B+) are favorable.⁹⁷

Although improvements in the Iranian economy are underway, the conflict between radicals who advocate a state-run economy and reject foreign borrowings and the pragmatists who favor a market-oriented policy could be politically and economically destabilizing. Consequently, cooperation and the construction of infrastructure with the Iranians may be hindered. In short, President Rafsanjani's foremost problem is "how to allow the western firms to resume operations without alienating [and causing an unstable political situation] hardline radicals."⁹⁸ According to the 1994 edition of Political Risk Services, however, chances are that the Rafsanjani-Khamenei regime will survive for at least five more years (45%).

⁹⁶ Ibid., 28.

⁹⁷ William D. Coplin and Michael K. O'Leary. Country Forecasts. Vol. XIII, No. 1. January 1994. Pp. 417, 420-421.

⁹⁸ S.S. Jafri. May 1990, op cit., p. 28.

Table 1.
Iranian Political and Economic Stability
Source: Political Risk Services 1994⁹⁹

Country, Regimes and Probabilities	Date of chart	Transfer Turmoil	Export			Real GDP Growth %	Inflation %	
			Investment	Time Period				
Iran	9/93					1989-1993	7.9	26.0
Rafsanjani-Khamenei 60%		Moderate	C	B-	B-	1994	7.0	50.0
Rafsanjani-Khamenei 45%		Low	B	B+	B	1995-1999	5.0	25.0

From September 1993, when this Political Risk Services' chart was created, to the beginning of 1995 (approximately 18 months), the Rafsanjani-Khamenei regime is given a sixty percent probability of remaining in power while the fundamentalists and the moderates (not on Table one) receive thirty percent and ten percent respectively. During the five year (1995-1999) span, the most likely regime scenario is again the Rafsanjani-Khamenei regime; a forty-five percent probability with a thirty five percent probability for the fundamentalists and a twenty percent probability for the moderates.

It is also important to note that the five year forecast (1995-1999) for turmoil (not in Table one) levels will be *less* if the Rafsanjani-Khamenei regime remains in power. Turmoil levels will be *more* with a fundamentalist regime and the *same* with a moderate regime.¹⁰⁰ During a

⁹⁹ This chart was reprinted from William D. Coplin and Michael K. O'Leary's "Country Forecasts" in Political Risk Services. Vol. XIII, No. 1. January 1994. p. 422.

It is important to note that the Five Year Development Plan's objectives for inflation and growth are expected to fall short of projected goals. Inflation was to be decreased from twenty-eight percent to eight and nine-tenths percent; it is predicted to run at twenty-five percent until 1999. The target annual growth rate is eight percent; it is predicted to hover around five percent until 1999.

¹⁰⁰ Ibid., H-2.

Rafsanjani-Khamenei regime, there will be less turmoil because the two leaders will have support of the majority of the population and of the armed forces.¹⁰¹ Furthermore, "economic development will improve the lot of most of the population, and the liberalization of political and social restraints will be gradual enough to satisfy most moderates without angering the extreme Islamic fundamentalists."¹⁰² A fundamentalist ascension to power would "provoke increased turmoil among those who favor relaxation of economic, political, and cultural controls, [and] the economy would also be hurt by this regime, provoking increased opposition."¹⁰³ A moderate regime "would encounter some opposition from Muslim fundamentalists, who would object to what they would regard as abandonment of the goals of the Islamic revolution."¹⁰⁴ Table two lists additional data on how each regime will affect certain economic factors. These factors are directly associated with economic stability and therefore, the ability to construct infrastructure.

¹⁰¹ Ibid.

¹⁰² Under the pragmatist Rafsanjani-Khamenei regime, the "private sector will expand as some relaxation of government regulation occurs. The government will seek to encourage this sector, and more harmonious relations with business will develop." Furthermore, the "government's relations with the international financial community will improve, in part because of its willingness to follow the recommendations of the IMF and the World Bank. Letters of credit delinquencies will decline, foreign debts will be serviced on schedule, and the government will enjoy an improved international credit rating."
Ibid.

¹⁰³ Ibid.

¹⁰⁴ Ibid.

Table 2.
How different regimes will affect economic factors
Source: Political Risk Services, 1994¹⁰⁵

Regime	Investment Restrictions	Trade Restrictions	Domestic Economic Problems	Int'l Economic Problems
Base (9/1/93)	Very High	Very High	Moderate	High
Rafsanjani-Khamenei	Less	Slightly less	Less	Less
Fundamentalists	Slightly less	Same	Slightly less	Same
Moderates	Less	Less	Less	Less

¹⁰⁵ This chart was reprinted from William D. Coplin and Michael K. O'Leary's "Country Forecasts" in Political Risk Services. Vol. XIII, No. 1. January 1994. p. H-1. The remainder of this footnote provides additional information for Figure four.

Investment Restrictions: The Rafsanjani-Khamenei (R-K) regime (less); this government will continue to ease restrictions on private foreign investment in order to spur economic progress. moderate regime (less); this regime would go further than the present government in relaxing restrictions.

Trade restrictions: R-K regime (slightly less); Relaxation of import restrictions will occur gradually as the economy improves and as reconstruction projects require essential imports. The government's interest in expanding non-oil imports will incline it to favor requests from trading partners to ease its own import restrictions. The moderates (less) would go further toward eliminating restrictions than the current government.

Domestic Economic Problems: R-K regime (less); real GDP growth and the inflation rate will average 5 percent and 25 percent, respectively, through 1999. The private sector will expand and more harmonious relationships with business should develop. fundamentalist regime (slightly less); real GDP growth and the inflation rate will average 3.5 percent and 30 percent, respectively, through 1999. The inflation rate will average 30 percent because of deficit spending. This regime would pursue policies less favorable to the private sector, and strict adherence to Islamic principles would reduce efficiency and foreign investment. moderate regime (less); real GDP growth and the inflation rate will average 6 percent and 18 percent, respectively, through 1999. The moderates would be the most effective in resolving economic problems and in attracting foreign investment.

International Economic Problems: R-K regime (less); The government's relations with the international community will improve, in part because of its willingness to follow the recommendations of the IMF and the World Bank. The fundamentalists (same) would be less responsive to advice from the IMF and the World Bank. It would borrow less abroad and import and export less. The moderates (less) would have fewer international economic problems than the other two regimes. It would be most responsive to the recommendations from the IMF and the World Bank.

Foreign borrowing would be higher, as would exports and imports.
Ibid.

It is important to note that the Rafsanjani-Khamenei regime will continue to develop a better environment for cooperation and construction of infrastructure (the moderates score "less" in all categories, but remember, turmoil will be less under a Rafsanjani-Khamenei regime). Moreover, although construction of infrastructure and cooperation with Turkmenistan will not cease if the fundamentalists gain power (chances are they will not gain power), it will slow. As a consequence, Turkmen leaders will be cautious of increasing cooperation with a fundamentalist regime for fear of greater Islamic influence and lessened economic opportunity.¹⁰⁶ The differences in religion, ethnicity, and type of government (secular v. religious) may also be exacerbated by a fundamentalist regime less inclined to disregard such differences.

To conclude, the pecuniary liberalization initiated by the Rafsanjani-Khamenei regime has helped the Iranians to regain some economic respectability. Foreign investors and foreign businessmen are interested in Iran once again and this bodes well for Iran's economic future. Consequently, the construction of infrastructure and cooperation with Turkmenistan should benefit.

The Turkmen leadership is also diligently working towards improving their country's stability, a condition favorable to further cooperation and construction of infrastructure with Iran. Coit D. Blacker, however, would not agree. Blacker, as previously mentioned, refers to the Central Asian republics as an area of high political volatility and claims that "the trend toward anarchy is almost certain to accelerate over the next several years as economic conditions worsen

¹⁰⁶ The economy under a fundamentalist regime would "benefit from the reforms instituted under its predecessor and the regime's probable willingness to further ease restrictions in some areas, although at a slower pace. Ibid., 175.

and political life, both in Russia and elsewhere, becomes more extreme."¹⁰⁷ Blacker also states that "if economic conditions continue to deteriorate, relations between those local populations and those Russians who elect to stay put will almost certainly take a turn for the worse, as the competition for jobs and resources, already intense, grows furious. This competition could well precipitate a level of civil violence not seen in these regions since the Russian Revolution and comparable in scope to the kind of devastation that has accompanied the political breakup of Yugoslavia."¹⁰⁸ Obviously, these conditions would preclude the successful construction of infrastructure and positive cooperation; however, although Blacker may be correct in some of his assumptions about certain areas of Central Asia, I do not believe his theories sufficiently apply to Turkmenistan.

My analysis indicates that Blacker's "anarchy" proposal or any other instability will not develop in Turkmenistan for several reasons. The first concerns Turkmenistan's external stability. The Turkmens are attempting to shield themselves from a possible re-emergence of Russian hegemony. For example, the Turkmens have tried to distance themselves from Russia by not joining the Commonwealth of Independent States, through increased trade and cooperation with Iran, and through seeking out foreign partners to help them develop their economy in ways that are beneficial to their own republic, but of little advantage to Russia.¹⁰⁹ The Turkmens are hopeful that these actions will dissuade the Russians from meddling in their affairs, especially now that the Iranians have a growing interest in their country and would be very concerned if the

¹⁰⁷ Coit D. Blacker. 1994, op cit., p. 356.

¹⁰⁸ Ibid., 380-381.

¹⁰⁹ Martha Brill Olcott. summer 1992, op cit., p. 116.

Russians reasserted control over Turkmenistan. Incidentally, the Turkmen also have a buffer against possible Iranian aggression via a pact that places Turkmen arms under joint control with Russia. This circumstance should deter any Iranian military aggression because of the high stakes of a Russian--Iranian confrontation.¹¹⁰

Fig. 5.
Population in Turkmenistan
Source Facts on File, Inc. 1993

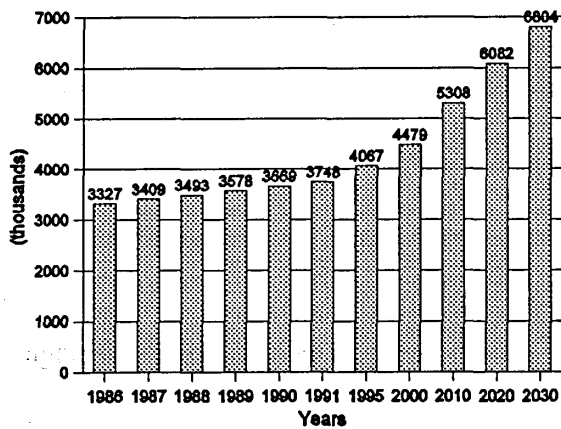
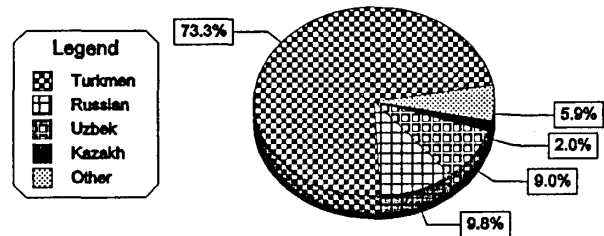


Fig. 6.
Ethnicity in Turkmenistan
Source: Facts on File, Inc. 1993



Second, the expectant improvement of economic conditions in Turkmenistan, the small population of Russians in Turkmenistan (9.0 percent--9.8 percent or 315,000 to 382,200 using the 3.9 million figure for population in Turkmenistan), and the small population of Turkmenistan will cause Blacker's notion of "furious competition for jobs and resources" to be averted. A small Turkmen population and a rather small ethnic population (primarily Russian), will alleviate the pressure and competition for jobs. In contrast, Russians in Kazakhstan amount to 38 percent--40

¹¹⁰ There is no evidence of the possibility of Iranian military action against Turkmenistan; however, past Iranian volatility demands prudence.

percent of a total population (1992) of 17,103,927.¹¹¹ Third, according to Joseph Hulings III, the American Ambassador to Turkmenistan, the President of Turkmenistan, Saparmurat Niyazov, "is very popular and a skilled politician." Stability is thus a primary consideration for President Niyazov, and he will do his best to promote it.¹¹²

Fourth, increased trade and cooperation between the Iranians and the Turkmens has the potential to increase the number of jobs in both Iran and Turkmenistan. These new jobs would serve to alleviate the contentions that might develop between the Russian minorities and the Turkmens and, therefore, promote stability.

Lastly, it is in the interest of the Iranians to have Turkmenistan remain stable. The Iranians view Turkmenistan as a conduit for trade, gas, and other materials from Central Asia through Iran to Europe and vice versa. An unstable Turkmenistan would hinder the trade and economic activity crossing Iranian territory. Consequently, the necessity of reconstructing the Iranian economy and the paramount Iranian vision of becoming a revitalized leader in the area would be seriously disrupted. In short, the power and prestige of Iran being located in the middle of the trade route would be rendered ineffectual if instability or calamities unfolded; therefore, the Iranians will exhaust all its diplomatic means and possibly even its military resources to assure Turkmen stability. In summation, the combined influence of these several factors and several scenarios should preclude the occurrence of Blacker's "trend toward anarchy" concept or any

¹¹¹ The population (1992) of the other Central Asian countries and percentage of Russians in these countries are as follows:
 Uzbekistan---21,626,784---8.3% Russian or 1,745,000 Russians
 Tajikistan---5,680,242---7.6% Russian or 420,000 Russians
 Kyrgyzstan---4,567,875---21.5 % Russian or 967,000 Russians

¹¹² Daniel Sneider, "Turkmenistan: Slow Reforms, No Dissent," The Christian Science Monitor, 25 March 1993, 7.

other instability that may develop.

Several scholars also disagree with Blacker with respect to Turkmenistan and stability. David Nissman writes, "There is no doubt that independent Turkmenistan is the most stable of the new Central Asian republics...factors creating tension and conflict in other former Soviet republics are not present in Turkmenistan: there is no ethnic imbalance, there are no serious territorial claims by other former republics on it, and Turkmenistan's profitable natural resources are sufficient to fend off economic disasters."¹¹³ Hard currency reserves also supplement Turkmenistan's profitable natural resources, thus providing another guard against instability. As of April 1994, Turkmenistan boasted \$3 billion in hard currency reserves.¹¹⁴ Furthermore, Turkmenistan, with huge petrochemical reserves, is one of two countries best placed economically of the five Central Asian countries.¹¹⁵

It has been shown from the data that Turkmenistan is a relatively stable Central Asian nation; however, the question of whether Turkmenistan will remain a stable country is highly dependent upon infrastructure. In fact, in the long term, both outdated infrastructure and the lack of it will be detrimental to Turkmen stability. Martha Brill Olcott considers why in the following quote: "it remains to be seen whether they can build the infrastructure necessary to export Turkmenistan's oil and gas quickly enough to forestall a mass economic crisis."¹¹⁶ More specifically, Turkmenistan's profitable natural resources will not be sufficient to fend off economic

¹¹³ David Nissman, "Turkmenistan (Un)transformed," Current History 93 (April 1994): 186.

¹¹⁴ James Chavin, "Independent Central Asia: A Primer," Current History 93 (April 1994): 163.

¹¹⁵ Ibid., 162. The other is Kazakhstan.

¹¹⁶ Martha Brill Olcott. Summer 1992, op cit., p. 128.

disasters if these resources can not be exported and profits can not accrue. Consequently, this possible dilemma dramatically increases the importance of Turkmen-Iranian infrastructure. The construction of infrastructure or the renewal of older infrastructure will attract foreign investment, trade and economic activity which will provide the capital (hard currency) to construct the infrastructure necessary to export oil and gas, thus averting an economic disaster. As of now (the short term), though, because of a small population, high wages, hard currency reserves, inflows of foreign capital and the use of Russian pipelines, Turkmenistan has averted an economic crisis.¹¹⁷ Nevertheless, in the long term, further construction of infrastructure is needed to expedite exports, thus maximizing profits which will act as insurance against economic and political instability.

Four other factors that could produce instability in Turkmenistan but most likely will not are political Islam, nationalistic movements, internal ethnic problems, and an unreformed political system. Graham E. Fuller states, that "Political Islam is a less likely threat in Turkmenistan...where Islam has been less developed."¹¹⁸ Furthermore, conditions under which destabilizing Political Islam flourishes are not prevalent in Turkmenistan. Mr. Fuller provides examples of these conditions in the following quote: "political repression; economic hardship and

¹¹⁷ Turkmen workers are the best paid wage earners in the CIS (monthly wages of 370-400 manat or 37-40 US dollars). According to the embassies located in Washington D.C., the average monthly wages in Kazakhstan, Uzbekistan and Kyrgyzstan for December 1994 are approximately 21 US dollars, 12-16 U.S. dollars and 10-30 US dollars respectively. Moreover, Aleksandr Bushev notes that the Turkmens inherited a large natural gas industry, plenty of oil, a 3.1 million kilowatt-hour capability, and the Kara-Kum Canal which irrigates boundless cotton plantations. Mr. Bushev also states if these resources are utilized properly they could be used to feed and clothe Turkmenistan's relatively small population of 3.9 million. Aleksandr Bushev, "Turkmenistan--A Kind Of Prosperity," The Bulletin Of Atomic Scientists 50 (Jan/Feb 1994): 46.

¹¹⁸ Graham E. Fuller, "Central Asia: The Quest for Identity," Current History 93 (April 1994): 147.

social grievance; regimes beholden to non-Muslim states to help maintain power; state suppression of Islamist political activity; and repression of all alternative political movements that might also express economic, political, and cultural grievances--thereby giving the Islamists a de facto monopoly on opposition and the sole voice of cultural-religious legitimacy."¹¹⁹ As previously noted, Turkmen President Saparmurad Niyazov has been extremely careful not to suppress Islamic activities, and as of late 1994 economic hardship, political repression, and social grievances have been avoided. Furthermore, Niyazov is not beholden to any non-Muslim state to remain in power.

Destabilizing nationalist movements, the second factor that could produce instability but most likely will not, are weakly developed in Turkmenistan and other states with a nomadic heritage.¹²⁰ And, the low percentage of ethnic groups in Turkmenistan (see page 69) curbs the probability of internal ethnic instability. Several countries in Central Asia are dealing with the dilemma of "ethnically distinct populations for whom continued incorporation within the larger polity constitutes, in their judgment, a denial of their basic human rights and a form of political subjugation and cultural repression" (this is especially acute with the Russian minority in Kazakhstan).¹²¹

Finally, even though the Turkmen government "has signed complex long-term investment deals with North American, European, and Middle Eastern oil companies, and enjoys healthy inflows of foreign capital, its unreformed political system...provides no guarantees that this natural

¹¹⁹ Ibid.

¹²⁰ Ibid.

¹²¹ Coit D. Blacker. 1994, op cit., p. 379.

wealth will serve as the basis for sound, long term economic development and not simply high living for a privileged inner circle."¹²² If realized, this "high living" scenario, in the long run, could disrupt stability; however, it will be some years before one can judge if long term economic development will affect the lives of all Turkmen or just a select few. Nevertheless, for the time being, the Turkmen political system is stable and functioning successfully which is conducive to construction of infrastructure and cooperation with Iran.

Internal developments in Iran and Turkmenistan

The following lists consist of economic developments and governing methods that will positively affect the construction of infrastructure and cooperation between the Iranians and the Turkmen. It should be obvious from the lists that both countries desire to progress and *are progressing* in the economic realm. The internal environments of Iran and Turkmenistan, therefore, are favorable toward further Iranian-Turkmen cooperation and are favorable toward the construction of infrastructure between the two countries.

The following section of chapter six consists of two parts. The first part pertains to Iran and the second part pertains to Turkmenistan. Furthermore, the first part (the Iranian part) is divided into two segments. The first segment is a description of economic developments and governing methods, and the second segment discusses weaknesses of implementation. Please consult Appendix VI (map section) as necessary.

¹²² James Chavin. April 1994, op cit., p. 162-63.

The unreformed political system to which Chavin is referring dates to the Soviet period.

Part 1; Segment 1 (economic developments and governing methods)

<u>DATE OF ARTICLE</u>	<u>DESCRIPTION OF DEVELOPMENTS AND SOURCE</u>
2/11/92	<p>The Iranians are courting investment from the U.S. oil industry as economic barriers in Iran fall. A.H. Ghaemi, an oil and natural gas consultant with an Iranian firm, urges U.S. companies to invest in Iran's petroleum sector. Ghaemi stated, that "I am telling American companies...that now there is a new political era and that to some extent the bans are loosening. This is a new era of reconstruction and a lot of investment opportunities in oil and gas sectors." Basically, obstacles to overseas investment are being removed. In fact, McDermott International, a New Orleans engineering company that builds pipelines and offshore platforms, is working in Iran "under the umbrella" of a Japanese firm. Moreover, Texaco is buying Iranian oil. The very fact that American companies are even doing business with Iran (albeit somewhat clandestinely; through third parties or depositing the money into an escrow fund as Texaco does) is evidence that the Iranian leadership is serious about improving their economic position. <i>"Iran courts investment from U.S. oil industry" Proprietary to the United Press International 1992. Sec: International. (Dubai, United Arab Emirates).</i></p>
5/15/92	<p>According to Radio Tehran, when the Mashhad-Sarakhs railroad is completed, it will carry 3 million tons of goods and 500,000 passengers. In time, these numbers are expected to increase to 10 million and 2 million, respectively. <i>Oles M. Smolansky. "Turkish and Iranian Policies in Central Asia" Central Asia. Edited by Hafeez Malik. St. Martin's Press, New York, New York. 10010. 1994. Pg. 288.</i></p>
7/24/92	<p>Helped by easier access to finance from abroad and more flexible regulations, the Iranian government and the private sector are finally moving ahead with a wide range of construction schemes outside the traditional oil sector. For example:</p> <ul style="list-style-type: none"> * Massive housing projects have been announced * The World Bank is assuming an even greater role in generating funds for construction activity -- possibly up to \$1,000 million within a couple of years * Because of Iranian good behavior and willingness to follow U.N., IMF, and World Bank guidelines, these organizations may offer billions in concessionary loans and international grants; for example, (1) In 1992, the World Bank approved the first of two of a series of development loans, together worth \$134 million. A \$77 million loan goes to a water drainage project for Tehran and a \$57 million loan is for rehabilitation of the Sistan river flood works. (2) In 1993, the World Bank is expected to approve a loan for a sewer network in Iran, and another package to upgrade four power plants, two of them hydroelectric dams. (3) Also due for approval in 1993 is a \$250 million loan to the National Iranian Oil Company to help with a program to harness associated gas flared off from offshore and onshore oil fields. "The availability of World Bank finance is one of the more significant boosts to the construction industry in Iran. But, also important is the greater Iranian official flexibility in dealing with foreign firms." * Projects underway are offering a considerable scope of work for foreign and local contractors: (1) the Tehran International Airport (Imam Khomeini International Airport) has invited foreign companies to express interest in participating in upcoming tenders, as well as providing finance through straight loans, partnership, or build-operate-transfer (BOT) deals (2) the 730 kilometer Bafq-Bandar Abbas railway is being completed by Korean and local firms (3) another railway is planned from Mashhad

to Bafq to allow the Turkmens direct access to the Gulf (4) 21 new airports are supposedly being built around the country and modernization is occurring at 42 existing airports (5) a short railway is to be built to Pakistan and some work has reportedly started on double-tracking lines from Tehran to Tabriz and to Ahwaz, and adding a second track to the Bafq-Bandar Abbas line itself (6) all of Iran's major cities are scheduled to have their own urban rail networks (7) many road and bridge projects are being planned; for example, a road from Tehran to the Caspian Sea via the Alborz mountain range and a twin deck bridge to connect Qeshm island in the Gulf to the mainland (8) many ports are planned; for example, Qeshm is to be the site of a large port to service the minerals, metals, and other industries planned for the island. Talks have already taken place with Takraf of Germany. Other port facilities are planned near Bandar Abbas, Bandar Khomeini, and Bandar Taheri. (9) the Bandar Abbas shipyard is issuing tenders for sheds and warehouses. Qatar's Manni Corporation won the contract to supply and install machinery and the UK's Cleveland Bridge is completing installation of ship lifting equipment. (10) substantive moves have been made on construction of several large dams, mostly on the Karun river. A Zurich based company, an Austro-Iranian based company and Japanese based companies have all been involved in dam construction. (11) in the oil and gas sector Italy's TPL should soon finalize a contract to start developing the South Pars gas field. A number of damaged oil platforms are to be rebuilt over the next two years, primarily by French and Japanese companies. On the main oil export terminal on Kharg island, France's ETPM Entrepote has finally started reconstruction of war damaged facilities. (12) In power generation, a Canadian-European consortium was awarded the \$770 million contract for a 1,1000-MW plant in Arak. Germany's KWU/Siemens won a contract for a south Tehran plant. (13) the UK's Ove Arup has been appointed to design and engineer a 100-bed hotel. Other hotel schemes are being considered in Tehran and Isfahan—including a large entertainment complex near Tehran. (14) the World Bank has become much more involved in Iranian affairs (15) the Iranian government has lifted a 49% ceiling on foreign stakes in joint ventures and eased repatriation of profits and capital. Foreign investors are now free to bring in and take out funds using the free market exchange rate. *Vahe Petrossian. "Iran: MEED Special Report--Construction--Foreign Funds Speed Up Project Work" Middle East Economic Digest. July 24, 1992.*

9/25/92

This article discusses how the upcoming trade fair in Iran will mark a new stage in the economic transformation of Iran. Ms. Pamela Ann Smith claims that "Iran is confidently overcoming its international isolation and recovering from the eight year war with Iraq." For example, according to Ms. Smith, "the government is implementing comprehensive economic and financial reforms that are helping to generate impressive growth. Foreign credits and investment are helping to develop Iran's important oil, gas and petrochemical sectors, as well as private industries, while substantial aid packages are being provided by agencies such as the World Bank and the U.N." The following is a list of reforms designed to attract investors, trading partners and in general to modernize the country of Iran (all of these plans signify the Iranian leadership's desire to move their country forward; this mind set can only benefit the Iranian -Turkmen relationship)

- * Reforms to effectively value the rial (Iran's basic monetary unit) by phasing out the official rate of \$ 1=IR 70 rials for imported goods in favor of a competitive rate of 1=IR 600. There is also a free market rate, currently about \$ 1=IR 1,440 which is used by the private sector and some government agencies.
- * Plans to deregulate the dominant state sector have gathered pace. Price and trade controls are being dismantled and state industries, many of which were nationalized after the 1979 revolution, are being returned to the private sector.
- * Foreign companies have been invited to explore and develop Iran's huge offshore crude oil and gas reserves, while private entrepreneurs are being encouraged to participate in the petrochemicals sector. Private banks and financial institutions will also be allowed to enter the state monopoly in these areas imposed after the revolution.

- * In May 1992, the government announced that virtually all restrictions on foreign investment would be lifted and the ceiling on foreign shareholding would be raised to 49% in a joint venture. The pre-revolutionary regime restricted foreign shareholding to no more than 35%.
- * According to Economy and Finance Minister Mohsen Noubakhsh, partners from outside the country will be free "to invest...their capital at floating rates" with the government guaranteeing compensation in the unlikely event of nationalization.
- * Iran's gross domestic product which fell throughout most of the 1980's has recovered strongly. During the fiscal 1992 year ending in March 1992, the GDP grew 10%. In 1993, despite slow growth among Iran's trading partners, the GDP is expected to grow by 8%.
- * The Iranian leadership's goal is to be among the top 25 global steel producers by 1995.
- * On the island of Qeshm off Bandar Abbas a free trade zone is established. On the island (where most of the ventures are in heavy industries) 100% ownership by foreign partners is permitted.
- * Trade with Iran is booming; an unprecedented \$28,000 million worth of imports during the 1992 fiscal year.
- * The Germans, Japanese, Italians, British, and French top the list (in that order) of suppliers---goods and services---to Iran. In 1991, the Germans provided \$4,000 million in goods and services, up 60% from 1990. The Japanese and Italians provided \$2,525 million and \$1,800 million, a 56% and 57.2% increase respectively.
Pamela Ann Smith. "Iran: Trade Fair Preview Tehran--Iran Opening Its Doors to the World" Middle East Economic Digest. September 25, 1992. Pg. 9.

10/13/92

* Austrian engineers are likely to work on technical aspects during the building of the Mashhad-Sarakhs railroad. A joint transportation commission was agreed to be formed and an agreement in principle on the transfer of technology was reached. *"Sa'idi-Kia, Austria's Kilma on Railroad Project" FBIS-NES-92-198 p. 72 (Tehran IRNA 6 Oct 92).*

10/29/92

This article discusses the airport industry in Iran. To summarize, Iran is taking great strides to better this industry, therefore, upgrading its standing and accessibility to the rest of the world. However, \$350 million in foreign currency is needed to complete the projects. Currently, there are 26 domestic airports operating round-the-clock, and six international airports. Another eight airports are being built by private investments, and at least 100 new licenses for establishing travel agencies have been issued. Seventeen planes were recently bought from France. *"Officials say \$350 Million Needed for Airports" FBIS-NES-92-210. p. 54 (Tehran IRNA 24 Oct 92).*

11/23/92

A new wharf enables port operations to resume. The Iranians have added a new wharf to the Khorramsharh port. Khorramsharh's new port is 800 meters long. It includes an adjacent warehouse measuring 4,000 sq. meters. The port facilitates loading and unloading operations for vessels having a draft of 2 meters. All customs services and facilities are offered at the port. *"New Wharf Enables Port Operations To Resume" FBIS-NES-92-226. p. 65 (Tehran Voice of the Islamic Republic of Iran First Program Network 15 Nov 92).*

12/1/92

The Iranians are modernizing free trade port areas. The Iranian's realize they must modernize to handle the cargo which is expected to be exchanged over their territory by the Central Asian and Persian Gulf states. The Anzali port on the Caspian Sea was declared a free trade zone (free commercial port) as were the Persian Gulf Islands of Kish and Qeshm and the mineral rich city of Sirjan. *"Free Trade Zone Planned for Caspian Port" FBIS-NES-92-231. p. 70 (Tehran IRNA 29 Nov 92). AND "Anzali To Become Free Commercial Port" FBIS-NES-92-004. January 7, 1993 p. 50-51 (London KEYHAN 17*

Dec 92 p. 4).

12/28/92

The Iranian government is emphasizing development of the Mazandaran Province, a border province with Turkmenistan. A 50,000-ton silo was just completed (which can store up to 100,000 tons of grain) to complement the other area silos. 60,000 telephone lines to subscribers in 28 location (in the province) were inaugurated---240,000 subscribers in Mazandaran now have telephone facilities at their homes. Furthermore, twelve large dams are to be built in the province. Because Turkmenistan borders the Mazandaran Province, the Iranian improvements will make increased activity between the two countries' border regions less complicated. President Rafsanjani hopes that cooperation between the two nationalities in this region will blossom. Rafsanjani has also stated that the two provinces should build transit roads and that they may be able to share water from the water rich Mazandaran province. Such cooperation is a positive example to be followed by the other regions of both Iran and Turkmenistan. *"President Urges City To Cooperate With Turkmenistan" FBIS-NES-93-247. p. 47. (Tehran IRNA 24 Dec 93)*

5/12/93

The Iranian shipping organization earned \$500 million and transported 10.6 million metric tons of cargo last year (ending March 20, 1993). These figures are the highest ever. Furthermore, a new shipping line is to be set up between Iran and Kazakhstan, and from its Persian Gulf ports, Iran has also started a new shipping line to East African Ports. Plans are also underway for a link with Brazil. *"Shipping Organization Earns \$500 Million" FBIS-NES-93-090. p. 66-67 (Tehran IRNA 10 May 93).*

6/2/93

According to Business Economic Forecasting, Iran's business climate is improving. For example:

- * There is a new policy toward privatization, mainly in the petrochemical sectors and electricity-distribution system.
- * increased development of the Tehran Stock Exchange
- * With respect to the exchange rate policy, a single exchange rate will be implemented. The Central Bank will control approvals for hard currency imports and oversee hard currency earnings. Moreover, subsidies will be reduced, but will be retained on key food items.
- * With respect to policy toward investment, expect legal clarification on foreign investment. Iranian leaders will place great emphasis on Iran as a base for investment in Central Asia. Watch for greater encouragement of foreign investment, especially in pharmaceutical and petrochemical industries and possible joint ventures in the oil and gas sector.
- * Oil and petrochemicals---emphasis on the development of gas with exports to the Far East and Europe. Closer economic cooperation with Turkmenistan will occur and development of Caspian Sea resources, especially hydrocarbon in the Caspian Sea is planned. The completion phase of a domestic gas distribution pipeline, while projects to extend the pipelines east and west are developed, will be implemented.
- * Free-trade zones: the islands of Kish and Qeshm will continue to develop, although the trend will be to establish free-trade zones (FTZ's) on the mainland. Foreign industrial development will be encouraged on Qeshm, and other ports specified as FTZ's will be encouraged to compete with nearby Arab entrepots.
- * Legal system: Corporate law may become more comprehensive and refined, but it will remain complex.
- * Infrastructure: roads, ports, and railways have priority. Telecommunications are to be improved, including links with the ex-Soviet republics. Implementation of World Bank projects will increase and nationwide information-technology project will be extended and developed. Furthermore, Tehran

metro will be developed and power generation will be stressed. *"The Business Environment: Iran's Business Climate At A Glance"* Business International Forecasting.

- 6/11/93 The new Tehran airport (see 7/24/92 entry) is being built to handle a maximum of 30 million passengers a year by 2012. The first phase of the airport is to be complete in 1994. *Liz Kirkwood. "The time is ripe for expansion"* Middle East Business Weekly (Middle East Economic Digest). Vol. 37; No. 23. Pg. 12.
- 7/2/93 Iran "formally opened areas of the country for foreign investment under terms so liberal that they would have been inconceivable even before the 1979 revolution." The new law "allows unrestricted foreign investment (free zones) and trading on the Gulf Islands of Qeshm, Kish and Hormuz, and on the mainland in Sirjan and Chah Bahar. The government has been promoting the free trade zones [free trade zone legislation exempts the free zones from restrictive national laws] as an important vehicle for opening up the economy to foreign capital, technology, skills, and for providing international access to landlocked Central Asian republics. The government hopes the free trade zones will not only attract billions of dollars of foreign investment to develop untapped resources, but will also provide a model for development on the mainland." How do the free trade zones work? According to Mr. Petrossian, the zone authorities are free to set their own commercial and legal codes according to international guidelines. There are provisions against nationalization and international arbitration in case of disputes. Corporate and individual taxes are waived for 15 years, with reduced taxes applying thereafter. Customs duties for free zone products entering Iran are also waived or are minimal. Capital movements are unrestricted, and there are no apparent limits on ownership except for land which foreigners can lease. National labor and social security codes do not apply, and the authorities can issue their own visas to foreigners. Qeshm island, (foreign investment projected at 15,000 million over the next decade) whose vast natural gas resources are being offered to energy-intensive industries at 10% of the international gas prices, is considered to be the most promising free trade zone. Sirjan is also attracting attention because of its location in Kerman with direct access to central Iran. Several Hong Kong based companies are known to have commissioned feasibility studies for Qeshm and Sirjan, and Kobe Steel of Japan has been conducting business on Qeshm since 1992. Companies from Italy, China, Sweden, Germany, Cyprus, and the UK are also working on possible projects on Qeshm. Consultants from the UK were recently commissioned to build a 2.5-kilometer road and rail bridge connecting the island to the mainland, and Germany's Siemens is under contract to build a 1,400-MW power plant and a 15,000 line telephone system. *Vahe Petrossian. "Iran: Free Trade Zones Open To Foreigners"* Middle East Economic Digest. Pg. 28.
- 7/28/93 The Iranian government has decided to privatize air, sea, and land transportation. "The government will allow the private sector to engage in feasibility studies and set up necessary industries for producing related equipment and hardware. *"Iran to Privatize Transportation Industry"* The Xinhua Overseas News Service. (Tehran; July 28 1993).
- 9/1/93 A free trade zone is being established at Sarakhs in north-eastern Iran (on the border with Turkmenistan). It is expected to act as an entrepot for Iranian transit and trade moving to Turkmenistan and other Central Asian republics. *"Iran: Foreign Funds Sought"* Euromoney. September 1, 1993. Pg. 278.
- 12/3/93 A multipurpose Caspian Sea port (Fereydun Kenar) is being built. This port will play an effective role in broadening commercial exchanges between Iran and the Caspian Sea littoral states. The docking capacity is four vessels with a maximum capacity of 4000t at a time. It is being constructed in 14 phases at an estimated cost of 17,120,000 rials. As of December 1993, the sixth phase was complete. *"Caspian Sea port to link Iran with Central Asia"* BBC. Sec: Infrastructure; Transport; SU/W0310/WD. (Voice of the Islamic Republic of Iran Network 1, Tehran, 27 Nov 93),
- 1/14/94 The Iranian port of Char Bahar (situated on the Gulf of Oman) has been designated as a free trade zone;

consequently, all economic activities are exempted from tax. Iranian leaders believe the port will develop into a major economic center because of its excellent infrastructure facilities as well as its easy access to [the east Iranian cities of] Zahedan, Mashhad, Sarakhs, and Central Asia. *"Iranian Port Offers Transport Facilities To Central Asia"* BBC. *Sec: Infrastructure; Transport; SU/WO315/WD. (Islamic Republic News Agency, Tehran, 9 Jan 94).*

2/13/94 The Sirjan free trade zone is performing well. Trade agreements worth \$85.5 million have been reached so far. Sirjan also has good road and rail links and is only 300km from Bandar Abbas, Iran's most active port. There are no banking formalities in Sirjan and the zone offers 20-year tax exemptions and renewable 35-year leases to foreigners. "Trade At Iran Free Zone So Far At \$85.5 Million" Reuters. (Nicosia 13 Feb 94).

3/15/95 According to the Washington Post, Houston based Conoco, Inc. had a deal to develop two of that country's Persian Gulf oil fields until President Clinton banned American companies from producing oil in Iran on March 15. Ironically, "American companies are permitted to purchase Iranian oil---indeed, they are believed to be the World's biggest purchasers of Iranian crude---although they are forbidden by law to import it into the United States." "Oil industry analysts said Conoco's investment in the two Iranian oil and gas fields might have totaled as much as \$1 billion." Conoco's contract with Iran's National Oil Co., would have permitted it to install platforms and wells, and to pump oil and gas from two fields located just south of a small Iranian island in the Persian Gulf." "Under the agreement with Iran, Conoco's Dutch affiliate, Conoco Iran NV, would have installed the platform and other equipment." "As part of the deal, Conoco then would have bought the oil from the Iranians at favorable prices and resold it abroad." "Oil industry sources said canceling the Iran deal is not likely to punish Iran commercially and financially because a French company---Total SA---that was competing with Conoco for the deal could step in and do the job." Politically, though, "a contract with Conoco held many advantages for Iran." For example, "the Iranians could test the waters in Washington and send a signal that they are ready to do business with U.S. companies." Daniel Southerland and Ann Devroy. "Clinton Bans U.S. Oil Pacts with Iran" The Washington Post. March 15, 1995. Pg. A1.

Part I; Segment II (weaknesses of implementation)

Notwithstanding the Iranians' having instituted many economic improvements, thus demonstrating they are serious about progressing toward a sound, stable society that will positively affect the construction of infrastructure and cooperation between Iran and Turkmenistan, there are several weaknesses with implementation. For instance, it seems that the Iranians need to coordinate development projects.¹²³ Unfortunately for the Iranians, many projects have taken longer than envisaged. For example, construction on the Mobarakeh Steel

¹²³ FBIS-NES-93-005, "Need to Coordinate Development Projects Viewed" from 4 January 1993 Tehran Voice of the Islamic Republic of Iran First Program Network., 8 January 1993, 48.

Project began in 1978 and trial production started in 1991. Construction of the Saveh Dam---to be inaugurated next year---started in 1975, and construction of the economically important railway linking Bafq to Bandar-e 'Abbas remains incomplete after seventeen years. Moreover, of the 8,600km of road under construction in Iran, approximately 10 percent will be completed next year, and of the fifty cement plant projects being implemented, only two will become operational in 1993 (the Urumiyeh cement plant, however, was constructed between 1982 and 1986). Furthermore, over forty percent of Iranian petrochemical plant capacity is not being used, putting about three million tons of petrochemical products costing around \$2 billion a year beyond the reach of the Iranian economy. The gas distribution network, however, has filled ninety-five percent of the first Five Year Plan's objectives. Yet, just sixty-five percent of the gas transfer project and sixty-four percent of the branch pipeline construction project have been completed.¹²⁴ Consequently, it is imperative that the Iranian leadership coordinate their development projects; "hundreds of millions of dollars in foreign exchange capital and billions of rial capital are affected by lack of coordination."¹²⁵ Moreover, "prolonging the projects may have inflationary impacts. The demand for and increased expenditure on construction material and manpower services see inflation rise, while the capacity necessary to increase supply is not created on time."¹²⁶

Nasser Hompour, chief economist at London-based Iran Overseas Investment Bank, also notes that several economic and financial considerations are hindering foreign investment. "Direct

¹²⁴ Ibid.

¹²⁵ Ibid.

¹²⁶ Ibid.

foreign investment remains negligible," he claims. "Other things need to be implemented before it reaches an eye-catching number. Foreign investors are taking a wait and see approach."¹²⁷

Foreign investors want a more flexible labor market, less uncertainty over tax, assurances that the Islamic court will not nullify a law safeguarding investors' rights and a general acceptance that the unified exchange rate is fully absorbed by companies.¹²⁸ Daniel Pipes, a leading expert on Islam who edits the Middle East Quarterly, is more succinct in his opinion. Pipes writes that the Iranian leadership is "trying--and failing--to marry market economics and fundamentalist ideology."¹²⁹

To conclude, although there are many areas in the Iranian government and many Iranian economic policies that can be improved upon, the numerous and progressive changes have brought a "new spirit of entrepreneurial initiative [which] is spreading across the Islamic Republic of Iran."¹³⁰ In fact, the Europeans, the Japanese and other U. S. allies have enough confidence in this present quasi-entrepreneurial Iranian regime and its new policies that they are providing the Iranians with billions each year in government-backed loans and access to advanced technology, some even with military applications.¹³¹ Again, it is evident that the Iranians are concentrating their efforts upon reforming their country and that many countries support this process.

¹²⁷ "Iran: Foreign Funds Sought," Euromoney, 1 September 1993.

¹²⁸ Ibid.

¹²⁹ Michael Kramer, "The Cost of Removing Saddam," Time Magazine, 24 October 1994, 39.

¹³⁰ Pamela Ann Smith, "Iran: Trade Fair Preview Tehran--Iran Opening Its Doors to the World," Middle East Economic Digest, 25 September 1992, 9.

¹³¹ Daniel Pipes and Patrick Clawson. Spring/Summer 1993, op cit., p. 128.

Cooperation and infrastructure construction with the Turkmenians can only benefit.

Part II (Turkmenistan)

The economic and governing aspects of Turkmenistan are such that they will also affect positively the construction of infrastructure and cooperation between the Iranians and the Turkmenians. This second part is divided into two segments. The first segment consists of economic and governing aspects of Turkmenistan, and the section segment notes weaknesses in the Turkmen leaderships' economic methods and governing methods. Please consult Appendix VI (map section) as necessary.

Part II; Segment I (economic and governing aspects of Turkmenistan)

<u>DATE OF ARTICLE</u>	<u>DESCRIPTION OF DEVELOPMENTS AND SOURCE</u>
6/24/92	<ul style="list-style-type: none"> * In May 1992, the Italian fashion chain Benetton opened a hard-currency franchise in Ashkhabad which is turning over \$ 1,000-worth of business each week. * Ashkhabad's mayor authorized the French advertising agency, Optimal Conseil, to construct citywide billboard advertising for foreign companies setting up shop in the republic. * The Turkmen government is buying a new telephone system from the Belgian telecommunications firm, Lenbell. <i>Colin Barraclough. "Turkmenistan Ripe for Capitalism" The Christian Science Monitor. Sec: Economy. Pg.7.</i>
3/31/93	<p>The Japanese are becoming very interested in doing business with the Turkmenians. Japanese technicians are ready to provide assistance in the oil and gas industries, and they will extend nonrepayable financial assistance in oil exploration, in the reconditioning of wells that are out of service and in restoring production at depleted fields. The Japanese also offered to assist with pipeline projects. <i>Vladimir Kuleshov. "Japan Intends To Take Part In Turkmenistan's Oil and Gas Projects" The Current Digest of the Post-Soviet Press. Sec: The News of the Week; International News; Far East; Vol. XLV, No. 9; Pg. 19.</i></p>
4/14/93	<p>To attract foreign investment to Turkmenistan, city officials in Ashkhabad have prioritized opportunities as:</p> <ul style="list-style-type: none"> * acquisition of a larger water desalinization plant

- * renovation of the oil refineries
- * increasing the depth of current oil drilling in the Caspian Sea
- * expansion of the port facility to include container handling capacity and the expansion of railyard operations
- * expanding the salt processing facility in the region and acquiring the facilities to process Karakul wool into fabric
- * development of the tourism industry
- * the procurement of correspondent bank arrangements have been set up through the Riggs Bank of New York. *"Turkmenistan --Country Profile--Economic and Trade Overview" Market Reports.*

- 5/3/93 Turkmenistan is working on plans to double gas production from 65 billion cubic meters last year (1992) to 120 billion cubic meters by 1995. *John Roberts. "Central Asia: Wars Prevent Leaders From Cashing In On Oil" Inter Press Service. (Istanbul).*
- 6/10/93 Turkmen leaders invited foreign bidders to an international tender to develop several oil deposits in the Central Asian republic. *Ian McWilliam. "7 Major Oil Firms Sign Pact To Explore Caspian; Energy: Preliminary Agreement with Kazakhstan Would Trigger Drilling IN One Of The World's Potentially Largest Fields" Los Angeles Times. Sec: Business; Part D; Page 1; Column 5; Financial Desk. (Alma -Ata, Kazakhstan).*
- 8/16/93
- * political stability, attributed to Niyazov's leadership style, has attracted many foreign investors interested in the Turkmen energy sector and other industries
 - * the World Bank is helping the Turkmen leadership develop an energy program
 - * former U.S. Secretary of State, Alexander Haig, was hired by Ashkhabad as an advisor to attract American investment to Turkmenistan
 - * the French company, Elf Aquitaine, signed a protocol for cooperation in oil and gas exploration and production in Turkmenistan. This is considered the first step before a production-sharing contract.
 - * Technology Progetti Lavori (TPL), based in Rome, has started work on a \$1 billion oil refinery to be located 300 km north of Ashkhabad. This same company has also signed a contract to build a \$250 million textile plant in Ashkhabad. It is to be completed by October 1994.
 - * Several German companies are becoming involved in the Turkmen energy sector as well. The Ruhrgas and Verbundnetzgas companies have agreed with the Turkmen Gas Corporation to evaluate the possibility of a deal involving exports of "major amounts" of gas to West Europe. *"Central Asia -Part 7-- Turkmenistan Has Good Long Term Potentials" APS Diplomat Operations In Oil Diplomacy. Sec: No. 2, Vol. 26.*
- 8/27/93 The Dutch agency and forwarding company HMT has been appointed general agent for Turkmenistan Transport and Trading Co (TTT) of Ashkhabad. TTT is a joint venture company between the Turkmenistan government and the Rusflot/Arabesque group, which also owns HMT. One of the main activities at present is exporting cotton from Turkmenistan to the Mediterranean through Mariupol in the Ukraine. *Ian Cochran. "Turkmenistan: Dutch Firm Appointed As Agent For TTT" Lloyds List. (Reuter Textline).*

- 11/93 The Turkmens are renovating and modernizing their Ashkhabad airport.
- * a \$80 million joint venture with a Turkish and British company will help complete a new passenger line at the airport (Lockheed Air Terminal is the project engineer)
 - * a control center, radar and a navigation aid will also be provided
 - * a new Boeing 747 was added to the airport's repertoire.
"Regional rivalries" Reed Business Publishing, Ltd. Sec: Airline Business; Pg. 41.
- 11/5/93 Construction firms from Italy, Turkey, and Austria have built several five-star hotels on the outskirts Ashkhabad that offer Western-standard accommodation for 250 dollars a night. *"Turkmenistan's energy deals yield little for people" Agence France Presse. Sec: News (Ashkhabad).*
- 11/16/93 The second largest city in Turkmenistan, Mary, is preparing aggressively for privatization. In the gas-driven electric generating complex, nine subsidiaries have already been spun off as private firms and six more are semi-privatized. A Canadian firm with German equipment is actively developing export markets for its sixty styles of coats and gloves. With the assistance of General Electric, and the follow through of recent Turkmen agreements with the Iranians and with the Uzbeks, the local electric plant will triple output. *"Turkmenistan--Mary Economic Profile" Market Reports. (American Embassy--Ashkhabad 12 Nov 93).*
- 11/18/93 The Turkmens awarded two tenders to western companies to explore and develop some of its oil fields. The first tender was awarded to Occidental Petroleum of the U.S., and the second went to a U.S.--Turkish consortium. Occidental was reported to have paid a bonus of more than \$20 million to develop the Burun oil field. *Leyla Boulton. "Turkmenistan awards two tenders to western companies" The Financial Times. Sec: Commodities and Agriculture; pg. 34. (Moscow).*
- 12/3/93 In May 1993, the Netherlands' Larmag Energy Company became the first foreign offshore oil company in former USSR. Larmag established a 50:50 owned joint venture with Turkmenistan's state oil company Cheleken. The joint venture is obligated to invest a minimum of 60 million U.S. dollars over the next five years, although this figure is likely to increase tenfold during the 25-year life of Larmag's concession. By 1997, output of oil will be 60,000 barrels of oil and 100m cubic feet of gas per day. *"Turkmenistan: Netherlands' Larmag Energy becomes first foreign offshore company in former USSR" Financieele Dagblad.*
- 12/20/93 Ultrapro International Consulting, Inc., is preparing a feasibility study for the Turkmen telecommunications modernization project. Great attention is also being paid to the transportation sector. This sector's main project is to renovate the sea port in the city of Turkmenbashi on the Caspian Sea. Plans are being made for containerization, oil/gas transport, and rail expansion. This port already has railroad connections linking all the CIS (Commonwealth of Independent States) states. *"Turkmenistan--Port Renovation Project" Market Reports. (American Embassy--Ashkhabad).*
- 1/194 The Turkmen Port of Krasnovodsk is to be extended. *"Transport and Communications" Country Profile.*
- 4/5/94 Contracts on exploration and production of Turkmenistan's precious mineral wealth have been signed with companies from Argentina, the Netherlands, the United Arab Emirates, Turkey, and from the United States.
- * President Niyazov plans to increase the 1992 oil production of 5 million tons 50% by 1995.
 - * The Turkmen workers are the best paid wage earners in the CIS. Their monthly wages are 370-400

manat.

Andreas Rueesch. "Turkmenistan's Dream of Rapid Riches" *Swiss Review of World Affairs*. April 5, 1994.

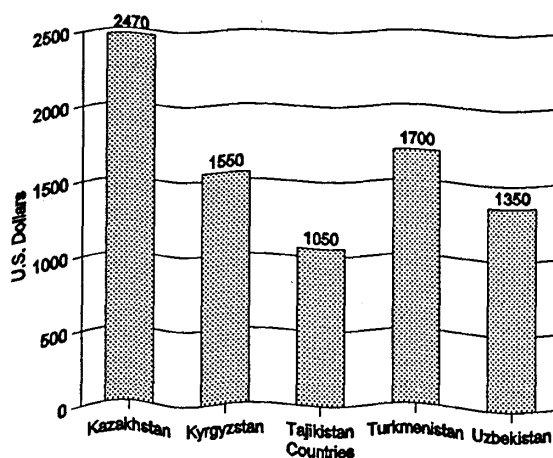
5/6/94

French President Francois Mitterand visited Turkmenistan and offered the assistance of French companies to help construct the proposed gas and oil pipelines. "Mitterand and French Companies Ready to Participate in Turkmen Pipeline Project" *BBC. Sec: Part 1 Former USSR; Weekly Economic Report; Industry and Infrastructure; Energy; SU/W033/WD*. (Paris 27 Apr 94).

Part II; Segment II (weaknesses in the Turkmen leaderships' economic methods and governing methods)

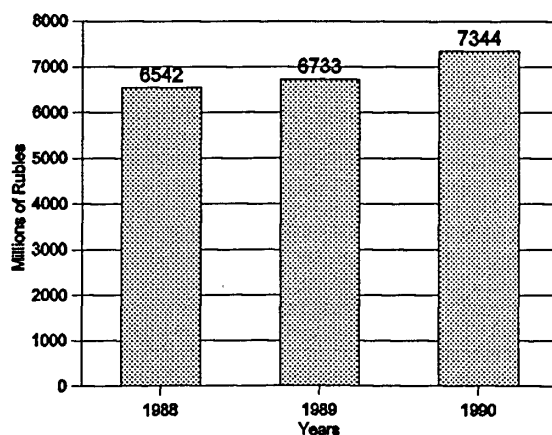
Much of this Turkmen economic progress and stability is attributed to President Niyazov, although, according to several scholars, there are still several problems in the economic and financial sectors and with Niyazov's governing tactics. These problems, it is claimed, could negatively influence (slow) the construction of infrastructure and cooperation between Iran and Turkmenistan.

Fig. 7.
Central Asian States: GNP per capita 1991
Source: Facts on File, Inc., 1993



For example, according to Market Reports, a chemical plant in the city of Mary "does not benefit from energetic management. The plant is only working at one-third of capacity."¹³² Public transportation and telecommunications are described as "in a catastrophic state" by Andreas Rueesch.¹³³ And, price deregulation has not worked. All are factors contributing to the lowering of President Niyazov's high popularity ratings.¹³⁴ But President Niyazov, the only leader of a Central Asian republic who did not allow bloodshed or nationalistic strife during his country's transition to independence, is attempting to make the necessary adjustments toward eliminating these obstacles and, incidentally, raise his popularity ratings.¹³⁵

Fig. 8
Turkmenistan---GDP Growth
Source: Facts on File, Inc., 1993



¹³² "Turkmenistan--Mary Economic Profile," Market Reports, from 12 November 1993 American Embassy, Ashkhabad., 16 November 1993.

¹³³ Andreas Rueesch, "Turkmenistan's Dream of Rapid Riches," Swiss Review of World Affairs, 5 April 1994.

¹³⁴ Ibid.

¹³⁵ Aleksandr Bushev. January/February 1994, op cit., p. 45.

In 1993, Turkmenistan was the only one of the fifteen former Soviet republics to enjoy any economic growth.¹³⁶ Moreover, continued growth is dependent upon the Turkmen leaders' ability to overcome infrastructure problems, overcome cash shortages, to introduce market reforms successfully, to increase manufacturing (in 1991, ten and six-tenths percent of Turkmenistan's population worked in the manufacturing sector; manufacturing was responsible for only nineteen and six-tenths percent of the GDP), to increase productivity, to improve telecommunications, and to improve export capabilities.¹³⁷

President Niyazov has tackled these problems which has resulted in his making many difficult decisions, many of which are not popular with economists and other advisors. One of Niyazov's most criticized decisions is his method of keeping his constituents content through grants of free bread, free water, free gas, and free electricity. The experts claim, however, that the money spent on these controversial subsidies (which consume forty to fifty percent of the annual budget) would be better invested in infrastructure. Brian Aldiss suggests, however, that the decision to invest in infrastructure is not an easy one: "but the West, with its more favorable geography, geology, and climates, finds it all too easy to advise those living in harsher environments."¹³⁸ Niyazov also counters asserting,

The state is not wasting money.... We have cut our investment in industry. We have told industry to develop itself through its profits. We provide assistance only to projects of national importance and

¹³⁶ Julie Corwin, "Central Asian Republics," U.S. News & World Report, 7 February 1994, 43.

¹³⁷ KCWD/Kaleidoscope 1994 ABC-Cilo, Inc, "Country--Turkmenistan," 14 April 1990.

¹³⁸ Brian Aldiss, "Travel: Hope Springs Eternal in Nowhere City Ashkhabad," The Daily Telegraph, 30 July 1994, 29.

profitability, such as the building of a railway from Turkmenistan to Iran, another railway from western Turkmenistan along the coastline to Russia, and another one from eastern Turkmenistan to Afghanistan, the building of new airports, new sea ports, and communications systems. I think Turkmenistan will continue to develop its infrastructure.... as for heavy machine-building, it does not make sense to build a tractor or car plant, or an aircraft plant in Turkmenistan.¹³⁹

Niyazov has also been criticized for not investing hard currency earnings (or not investing enough earnings) in the repair of roads and bridges, to increase the educational standards, or to improve water cleanup. The Deputy Prime Minister, Valery Urshesov, claims that "we are trying to increase our currency fund instead of spending it."¹⁴⁰ Again, the leaders find themselves in a predicament. They are being criticized for not doing enough even though they provide extensive subsidies and are ardently working on infrastructure construction. Generally, though, it is difficult to argue against Turkmenistan's not having an auspicious first two-and-one-half years. For example, during the past two-and-one-half years, Turkmenistan is described by the Japanese as "in comparison with other states of the former USSR, Turkmenistan is moving toward a market economy more actively and is a more stable country." And, according to David Nissman, "rationing and galloping inflation, which have become a fact of life in Russia and the other former republics, have not occurred to any serious degree here [Turkmenistan]." Furthermore, prices in Turkmen stores also run a tenth of what they do in Russia. Lastly, Daniel Snider of The Christian Science Monitor writes that "Turkmenistan basks in sunny stability."¹⁴¹

¹³⁹ "Russian Reporters Question Turkmen President on Economy, Personality Cult" BBC. Sec: Part 1 Former USSR; Central Asia; Turkmenistan; SU/2009/6. May 30, 1994. (Ostankino Channel 1 TV, Moscow 22 May 1994).

¹⁴⁰ "Turkmenistan's energy deals yield little for people," Agence France Presse, from Ashkhabad., 5 November 1993.

¹⁴¹ Vladimir Kuleshov. March 31, 1993, op cit., p 19.

David Nissman. April 1994, op cit., p. 185.

Daniel Snider. March 25, 1993, op cit., p. 7.

Two other criticisms of the Niyazov regime are the absence of political pluralism and limits on the freedoms of speech and the press. Daniel Sneider writes that "the price of stability [in Turkmenistan] is the absence of political pluralism. The Communist Party, which Niyazov has headed since 1985, remains in place, having only changed its name to the Democratic Party of Turkmenistan." Furthermore, Sneider states that "also reminiscent of the Soviet era is the systematic suppression and harassment of the small opposition movement, Agzybirlik."¹⁴² In his own defense, President Niyazov asks, "why should I create something [democratic society] just so you can tell me I am a democrat. This society is not yet ripe enough for creation of political parties...such changes must wait until economic reforms create a new class of private owners and a new generation free of the communist mentality. The Turkmen Constitution [does] guarantee the right to private ownership of land."¹⁴³

The Turkmen constitution also guarantees freedom of speech and the press, but in reality "freedom of speech is limited and freedom of the press is nonexistent."¹⁴⁴ For example, opposition newspapers published abroad are routinely confiscated, newspapers funded by Turkmenistan's government are permitted to publish articles critical of Turkmen policy only if the government has decided beforehand to change its policy, and Russian television and radio broadcasts deemed critical of Turkmenistan or Niyazov are jammed or denied cable access.¹⁴⁵ Niyazov says he supports political criticism, but opposes personal criticism: "personal insults

¹⁴² Ibid.

¹⁴³ Ibid.

¹⁴⁴ David Nissman. April 1994, op cit., p. 185.

¹⁴⁵ Ibid.

should not be used to pad out public criticism."¹⁴⁶ He also adds that "a strong leader is needed in this traditional nomadic society, [a society that is] organized in tribes without any real concept of a single Turkmen nation...after being a colony of the Russian Empire in the late nineteenth century followed by seventy years of Soviet rule, the Turkmen have lost their identity."¹⁴⁷

Notwithstanding these criticisms, there is no doubt that independent Turkmenistan is the most stable of the new Central Asian republics and perhaps "as international influences begin to seep into the Turkmen population through television, travel, and education a greater diversity will manifest itself openly in Turkmen society" and assuage the Western critics.¹⁴⁸ Furthermore, considering the sometimes harsh criticism levied against President Niyazov, he continues to remain very popular with his people.¹⁴⁹ Most importantly, though, for the purposes of this study, the Turkmen leaderships' desire to progress combined with stability will serve to continue infrastructure construction and cooperation with Iran. The problems in the economic and financial sectors, however, may hinder Turkmenistan's ability to *maximize* cooperation and construction of infrastructure.

To conclude chapter six, ethnicity/culture, location, religion, adjacent countries' lack of ability to construct infrastructure and hindrances to the construction of infrastructure in these countries, relative stability of Iran and Turkmenistan, and internal developments in Iran and

¹⁴⁶ British Broadcasting Corporation, "Russian Reporters Question Turkmen President on Economy, Personality Cult," from 22 May 1994 Ostankino Channel 1 TV, Moscow., 30 May 1994.

¹⁴⁷ Daniel Sneider. March 25, 1993, op cit., p. 7.

¹⁴⁸ David Nissman. April 1994, op cit., p. 186.

¹⁴⁹ Ibid.
Daniel Sneider. March 25, 1993, op cit., p. 7.

Turkmenistan favor closer Iranian/Turkmen infrastructure construction and cooperation. It must be noted, however, that favorable does not imply rapid. It remains in the hands of Iranian and Turkmen leaders to utilize these advantageous variables and expedite all forms of cooperation.

CHAPTER 7

Ramifications of this study on contemporary literature

The purpose of this chapter is to apply this study's findings to the relevant literature.

Three theories and/or ideas in the literature are addressed. First, Kenichi Ohmae's concept of the rise of the *region state* is analyzed. Second, David Mitrany's *functional theory* is addressed and third, Samuel P. Huntington's theory, espoused in his essay "The Clash of Civilizations," is examined.

Does the border region between Iran and Turkmenistan represent a *region state*? As previously noted, Ohmae describes the *region state* as an area "with boundaries not imposed by political fiat. They are drawn by the deft but invisible hand of the global market for goods and services. They follow, rather than precede, real flows of human activity creating nothing new but ratifying existing patterns manifest in countless individual decisions."¹⁵⁰ In short, region states are natural economic zones.¹⁵¹

The development of a *region state* is important to this study because it establishes a foundation from which further trade, cooperation and infrastructure can be built. If a *region state* is developing or has developed between the Iranian border provinces of Mazandaran and Khorasan and the Turkmen border provinces, it will facilitate prospective trade, prospective cooperation, and prospective infrastructure construction between the countries because the underpinnings for this cooperation (the region state) are already in place. A natural economic

¹⁵⁰ Kenichi Ohmae. Spring 1993, op cit., p. 78.
David Mitrany, 1975, op cit.

¹⁵¹ Kenichi Ohmae. Spring 1993, op cit., p. 78.

zone, therefore, would blaze a path that structured trade and cooperation--trade and cooperation imposed by political fiat--could follow.

Although this study has shown that cooperation, infrastructure construction and trade are increasing between the border provinces of Iran and Turkmenistan, much of the cooperation has occurred by agreement and treaty; little has occurred naturally. Therefore, it would seem that this region is not naturally active enough to be considered a *region state*. Further examination of Mr. Ohmae's definition of a *region state* corroborates this opinion:

The primary linkages of *region states* tend to be with the global economy and not with their host nations. *Region states* tend to have between five million and 20 million people. A *region state* must be small enough for its citizens to share certain economic and consumer interests but of adequate size to justify the infrastructure communication and transportation links and quality professional services---necessary to participate economically on a global scale." Ohmae continues, stating [a *region state* must also have] at least one international airport and, more than likely, one good harbor with an international-class freight handling facilities. A *region state* must also be large enough to provide an attractive market for the brand development of leading consumer products.¹⁵²

The Iranian-Turkmen border region is not yet linked with the global economy. The region's population is smaller than required and the area's infrastructure (international airport, communication/transportation links) is either underdeveloped, incomplete or does not exist. The region state is, however, what is envisaged for the region by Iranian and Turkmen leaders. The Tajan bridge, the Sarakhs-Mashhad-Tajan railway, the 400 new telephone lines, Iranian development of the Khorasan and Mazandaran provinces, the protocols and agreements signed between the countries to develop trade, cooperation and construction of infrastructure in the border region, and Rafsanjani's urging that Iranians living in the border provinces trade and cooperate with their Turkmen brethren should move the Iranian-Turkmen border region closer to a *region state* type area. Yet, because it seems 70 years of Soviet forced separation have all but

¹⁵² Ibid., 80.

destroyed any trading and development zones that might have developed regardless of the Iranian and Turkmen border, it will probably take decades.

An aspect of David Mitrany's *functional theory* also addresses the development of natural trade. Mitrany describes this aspect as *function before form*, i. e., the trading or cooperation (function) precedes government control or regulation (form).¹⁵³ In other words, trade and cooperation occur naturally. Has function been preceding form in the Iranian-Turkmen border region? If it has, the natural trade will serve as a foundation for trust, communication, and relationships--both business and personal--(as the *region state* would do) which may lay a groundwork for the permeation of trade and cooperation into other areas of Iran and Turkmenistan. Again, natural trade in the border region would blaze a trail for structured trade, thus possibly circumventing the many initial stages of trade development that would have to be undertaken if there were no prior activity in the border area. Consequently, additional forms of cooperation can be implemented more quickly than they would have been implemented without the framework that the natural activity provides. Moreover, Mitrany notes that this natural cooperation will "bring them [the countries] actively together."¹⁵⁴

To determine if the natural trade aspect of *functionalism* is occurring, one must ask how much trade and cooperation occurred between the border region of Iran and Turkmenistan before Turkmenistan declared its independence (October 1991) or before the demise of the USSR (December 1991). In other words, before the Turkmen government was free to develop trade and cooperation independently--the form aspect of the *functional theory*. Because the Soviet

¹⁵³ Patrick M. Morgan, Theories and Approaches to International Politics (New Brunswick, New Jersey: Transaction Publishers, 1990), 207-239.

¹⁵⁴ David Mitrany. 1975, op cit., p. 126.

Union's border was essentially impregnable (large, well organized trade and cooperation initiatives from Iranian businessmen and their corporations faced many regulations and restrictions when trading with or entering the Soviet Union), one may expect that if trade and cooperation did transpire between the peoples living in the border region before December 1991, some would be of the natural variety.

According to Oles M. Smolansky and Hafeez Malik, cooperation between the Iranians and the Turkmens (the former Soviet republic of Turkmenia) *did begin* in advance of the collapse of the Soviet Union and before the Turkmens declared independence. For instance, in late 1990 and early 1991, the Iranians signed agreements with the former Soviet Republic of Turkmenia (with Moscow's consent) for border exchanges, in agriculture, for water resources and irrigation, on the environment, on solar energy, and for protection of cultural heritage, linguistics, literature, and the humanities.¹⁵⁵ Moreover, on September 1991, President Niyazov opened a border checkpoint with simplified procedures between Turkmenistan and Iran; on July 20, 1991, Iranian ships were allowed to berth at Krasnovodsk port in Turkmenistan; on September 22, 1991, the 'Baj Giran' passageway in northeastern Iran, bordering the Turkmen republic, officially reopened; on December 3, 1991, the Iranian Department of Agriculture in Khorasan Province agreed to build three sugar mills across the northern border in Turkmenistan and on December 31, 1991, a consignment of citrus fruits was exported to Turkmenistan via 'Pol' border crossing (the 'Pol' border point is located at 'Inche' Broun' of Gonbad in Mazandaran Province), the first in 70 years.¹⁵⁶ This cooperation, however, was not natural. Turkmen officials and the Iranian

¹⁵⁵ Oles M. Smolansky. 1994, op cit., p. 285.
Hafeez Malik. 1994, op cit., pg. 267.

government facilitated it even before Turkmenia was independent of the USSR. It seems, therefore, that once again, 70 years of Soviet forced separation all but destroyed the development of natural trading and cooperation zones in the Turkmen-Iranian border region.

There is still hope, however, that the natural trade aspect of *functionalism* may develop in this region. Because of loosening border restrictions and regulations and better transportation facilities in the border region, the Iranian and Turkmen peoples will be able to trade and cooperate with much greater ease. Consequently, though, it will be many years before it can be determined if the natural trade aspect of *functionalism* is developing--if trade and cooperation in the border region are occurring without government control or when corporations in the border provinces of both countries do not need governmental direction or governmental prodding to do business.

Finally, Samuel P. Huntington believes the construction of infrastructure and other aspects of cooperation between Iran and Turkmenistan (not to mention the other Central Asian republics and the Economic Cooperation Organization) represent the beginnings of a Central Asian Islamic culture or civilization that will eventually clash with Western civilization. Furthermore, according to M.J. Akbar, an Indian Muslim author whom Huntington quotes in his essay "The Clash of Civilizations", the West's "next confrontation is definitely going to come from the Muslim world."¹⁵⁷ Huntington's hypothesis, however,--that "the fundamental source of conflict in this new world will not be primarily ideological or primarily economic...but cultural"--is not congruent with the findings of this study.¹⁵⁸

¹⁵⁶ "Relations between Iran and Turkmenistan," Moneyclips. October 24, 1993, op cit.

¹⁵⁷ Samuel P. Huntington. Summer 1993, op cit., p. 32.

¹⁵⁸ Ibid., 22.

From the period of 1991-1994, my analysis suggests that primarily economics, not culture or religion, motivates the policies of the Iranian and the Turkmen governments. The Iranians and the Turkmen remain on amicable terms with one another (as well as with the rest of the Central Asia republics) because the realization of their respective regional desires is largely contingent on economic coordination and economic compatibility between their two nations.

In conjunction with rebuilding their economy and trying to re-establish themselves as a leader in the Middle East, the Iranians are also attempting to establish themselves as leaders of Central Asia. The Iranians are again opening their country to the West and have, in fact, instituted many liberal economic reforms. Subsequently, in light of these uncharacteristic fiscal maneuvers by the Iranians, religion and culture do not seem to be foremost determinants for Iranian foreign and domestic policy, although they are still important.

The Turkmen rely upon the Iranians for development between the two countries. Infrastructure, trade and other aspects of cooperation will hopefully help Turkmenistan escape its Russian attachments. An oil or gas pipeline through Iran would allow the Turkmen to circumvent Russian territory and, therefore, terminate Russian control over its gas and oil exports (at present Turkmen oil and gas is shipped over Russian territory).

Consequently, as with Iranian policy, expediency and self interests seem to be paramount on the Turkmen leadership's agenda, not unity or cohesiveness through shared civilization. Fouad Ajami, Majid Khadduri Professor of Middle Eastern Studies at the School of Advanced International Studies, The Johns Hopkins University, concurs: "But let us be clear: civilizations do not control states, states control civilizations. States avert their gaze from blood ties when

they need to; they see brotherhood and faith and kin when it is clear in their interest to do so."¹⁵⁹

Shafiqul Islam also agrees: "Economics--not geography, culture, or religion--is the primary philosophy guiding Central Asia's foreign economic policy"¹⁶⁰

Huntington also uses the religious and culturally based Economic Cooperation Organization (ECO), which consists of ten non-Arab Muslim countries working for economic coordination and cooperation, as an example to support his beliefs that civilization identity is stirring in this region of the world. The ECO, however, is a microcosm of why unity in the Muslim world, more specifically, the Central Asian region, will be difficult to achieve. The ECO has been considered a failure by many experts. Differences in religion, differences in government, differences of opinion on how the ECO should develop, and power struggles have resulted in the ECO having a very poor record of actual accomplishments. In fact, according to Hafeez Malik, Turkey's, Iran's, and Pakistan's (the three founders of the ECO) "movements in Central Asia have been unilateral. No evidence has surfaced indicating any coordination among these three states."¹⁶¹ Shafiqul Islam also writes that "by now it is clear that the organization [ECO] does not have the political coherence and financial resources to help Central Asia build its market economy."¹⁶² To conclude, it seems it is *the lack of civilization identity*--a lack of cooperation and compatibility--among this Muslim bloc known as the ECO that is responsible for this

¹⁵⁹ Fouad Ajami, "The Summoning," Foreign Affairs 72 (September/October 1993) : 9.

¹⁶⁰ Shafiqul Islam. April 1994, op cit., pg. 159.

¹⁶¹ Hafeez Malik. 1994, op cit., pg. 273.

¹⁶² Shafiqul Islam. April 1994, op cit., pg. 159.
There are still numerous proposals and designs for the ECO, but many of the members found that bilateral cooperation, rather than the ECO's regional cooperation, was more productive.

organization's failure. It seems evident that religion and culture are not as cohesive as Huntington believes them to be, at least not among the countries of the ECO.

Huntington may have also underestimated the effect 70 years of secularization, Soviet control, and Soviet education requirements would have on the development of a Muslim civilization identity. For example, because the people of the Central Asian countries are better educated than those who did not benefit from the Soviet educational system, and because the influence of secularization runs deeper than many suspected, differences between peoples of the Central Asian/Middle Eastern region abound. Moreover, unruly Muslim elements have not swarmed the republics, with the possible exception of Tajikistan, for these same reasons. Decades of the Soviets' repressing a way of life has disrupted the religious cohesiveness in the Central Asian region, if cohesiveness among 300 million people (the combined population of the countries having membership in the ECO) is even possible.

Another complication with Huntington's theory is his failure to recognize what Jeane J. Kirkpatrick, professor of government at Georgetown, refers to as the "modernizing imperative". The "modernizing imperative" refers to how "modernization changes people, societies, and politics [and] how powerful is the momentum of modern, Western ways of science, technology, democracy and free markets."¹⁶³ The Turkmens and the Iranians are both now being exposed to Western ideas, Western business practices and Western companies; consequently, it will be extremely difficult for unity to subsist with the many different influences permeating Central Asia. And although this Western influence can produce "backlash and bitter hostility" or "exacerbate

¹⁶³ Jeane J. Kirkpatrick, "The Modernizing Imperative," Foreign Affairs 72 (September/October 1993) : 24.

conflict by bringing diametrically opposed values and life-styles into direct contact with one another," it will not to any great extent affect Turkmenistan or Iran because these countries can not afford not to control influences that may disrupt cooperation--if both Rafsanjani and Niyazov want to maintain stable leaderships and realize their countries' regional imperatives, then both countries' economies need the benefits of Western technology and capital.¹⁶⁴ Again, economic obligations are of the utmost concern for both the Iranians and the Turkmens.

Finally, returning to the explanation of Huntington's hypothesis, Huntington claims that "civilization identity" will be increasingly important in the future, and the world will be shaped in large measure by the interactions among seven or eight major civilizations. These include Western, Confucian, Japanese, Islamic, Hindu, Slavic-Orthodox, Latin American and possibly African civilization.¹⁶⁵ Moreover, Huntington gives six explanations why civilizations will clash. The reasons are as follows: First, "differences among civilizations are not only real; they are basic. Civilizations are differentiated from each other by history, language, culture, tradition, and, most important, religion. These differences are the product of centuries. They will not soon disappear and over the centuries differences among civilizations have generated the most prolonged and the most violent conflicts." Second, "the world is becoming a smaller place. The interactions between peoples of different civilizations are increasing; these increasing interactions intensify civilization consciousness and awareness of differences between civilization and commonalities within civilizations." Third, "the processes of economic modernization and social change throughout the world are separating people from longstanding local identities. They also

¹⁶⁴ Ibid.

¹⁶⁵ Samuel P. Huntington. Summer 1993, op cit., p. 25.

weaken the nation state as a source of identity. In much of the world religion has moved in to fill in this gap." Fourth, "the growth of civilization-consciousness is enhanced by the dual role of the West. In the past, the elites of non-Western societies were usually the people who were most involved with the West, had been educated at Oxford or the Sorbonne, and had absorbed Western attitudes and values. At the same time, the populace in non-Western countries often remained deeply imbued with the indigenous culture. Now, however, these relationships are being reversed. A de-Westernization and indigenization of elites is occurring in many non-Western countries at the same time that Western, usually American, cultures, styles and habits become more popular among the mass of the people." Fifth, "cultural characteristics and differences are less mutable and hence less easily compromised and resolved than political and economic ones. Even more than ethnicity, religion discriminates sharply and exclusively among people." Finally, "economic regionalism is increasing. The proportions of total trade that were intraregional rose between 1980 and 1989 from 51% to 59% in Europe, 33% to 37% in East Asia, and 32 % to 36% in North America. On the one hand, successful economic regionalism will reinforce civilization consciousness. On the other hand, economic regionalism may succeed only when it is rooted in a common civilization. As people define their identity in ethnic and religious terms, they are likely to see an "us" versus "them" relation between themselves and people of different ethnicity and religion."¹⁶⁶

Huntington's first reason why civilizations will clash is suspect with respect to Central Asia, because even though differences among civilizations are real and basic, there are too many disruptive differences *among the Central Asian countries* that will prevent the development of a

¹⁶⁶ Ibid., 25-27.

unified Muslim civilization able to clash as a single entity with the West. For example, the differences between the Sunni Muslims and Shi'a Muslims are probably preventing the maximization of the cooperation agreements between the Iranians and the Turkmens as are the differences in the forms of government (secular v. religious).¹⁶⁷ Moreover, several Central Asian countries belong to regional organizations or alliances, many of which have conflicting interests.¹⁶⁸ In fact, even the members of the Economic Cooperation Organization who purport to have the same interests, can not seem to cooperate. Obviously, these memberships also contribute to differences between and among the Central Asian countries. Inis Claude, Jr., formerly of Harvard University and a seminal thinker on international organization, states this point more succinctly writing that "several regional groupings will be competitive, and that the task of bringing them into either unity or harmony will be... difficult." Moreover, in an analogy to a snowman, Claude states: "the makers of several snowballs are as likely to throw them at each other as to use them for creating a single snowman."¹⁶⁹ Claude also notes that "rational regional divisions [for example, the Central Asian/Middle Eastern Muslim region] are difficult to establish, boundaries determined for one purpose are not necessarily appropriate for other purposes, and the most carefully chosen dividing lines have a perverse way of changing or coming to require change, and

¹⁶⁷ These differences cause the Turkmens to be wary of Iranian motives, primarily the possibility of the intentional spread of religion by the more extremist (Iranian) followers of Shi'a Islam. These worries carry over into the Turkmen economic and cooperation sectors.

¹⁶⁸ Please consult Appendix IV for examples of regional organizations and the possible conflicting alliances membership in these organizations may bring.

¹⁶⁹ Inis Claude, Jr., Swords into Plowshares (New York: Random House Inc., 1956), 116.

of overlapping,"¹⁷⁰

Although the world is becoming a smaller place (Huntington's second explanation of why civilizations will clash) and the interactions between peoples of different civilizations are increasing, it does not suffice to reason that the increasing interactions will *completely* intensify civilization consciousness and awareness of differences, as Huntington seems to suggest. These interactions may, in fact, bring about another, quite opposite, result. An increase in knowledge and therefore, a greater understanding of the many different cultures may also occur as a consequence of these increased interactions. Subsequently, the fear and hostility begot from the less than informed interactions between peoples of different civilizations, which causes the intensifying of civilian consciousness, may lessen.

In examining Huntington's third reason why civilizations will clash, Huntington claims that the revival of religion "provides a basis for identity and commitment that transcends national boundaries and unites civilizations".¹⁷¹ Although religion has perhaps moved in to fill the gap left by local identities and the weakening identity with the nation state, it probably will not provide a basis for identity and commitment that transcends national boundaries and unites civilizations. As the reader has probably observed throughout this paper, the followers of Islam are not unified. The different sects (Sunni and Shiite), the different belief (Wahhabi) of some Sunni Muslims, religious and secular states, the severity in which one practices the religion (extremists versus the "average" Muslim) and different state allies (the U.S. counts Turkey, Kuwait and Saudi Arabia among its allies in this region, not Iran and Iraq), all work against religious unity. In fact, during

¹⁷⁰ Ibid., 113.

¹⁷¹ Samuel P. Huntington. Summer 1993, op cit., p. 26.

the chaos following the 1991 Persian Gulf War the Sunni Muslim led Iraqi government persecuted many Shi'a Muslims in southeastern Iraq for allegedly attempting to break away from Iraq to become part of the Iranian Shiite state. Furthermore, being followers of Islam did not stop Iraq and Iran from fighting an eight year war (1980-1988) and it did not stop the Iraqis from invading Kuwait in 1990.

The response to Huntington's fourth reason why civilizations will clash is similar to the response for reason three. Because, "a de-Westernization and indigenization of elites is occurring in many non-Western countries at the same time that Western, usually American, cultures, styles and habits become more popular among the mass of the people", an increase in knowledge and understanding of American culture may proliferate throughout these countries causing the populace (not the leadership, according to Huntington) to understand or at least refrain from hostility toward Western ideas.¹⁷² This scenario, however, could unleash the wrath of the leadership (who, according to Huntington, are no longer receptive to Western ideas) upon the people and cause disorder in those countries, not unlike the circumstances in China which precipitated the 1989 massacre in Beijing's T'ien-an-Men Square.

Huntington's fifth reason why civilizations will clash--"cultural characteristics and differences are less mutable and hence less easily compromised and resolved than political and economic ones. Even more than ethnicity, religion discriminates sharply and exclusively among people"--seems to have a weakness because although religion may discriminates sharply and exclusively between peoples of different civilizations, it can also (as previously discussed) discriminate sharply and exclusively among peoples within the same civilization, thus preventing

¹⁷² Ibid., 26-27.

the cohesion necessary for civilizations to clash.¹⁷³

Finally, Huntington's claims that because economic regionalism is increasing, civilization consciousness will be reinforced; consequently, people will define their identity in ethnic and religious terms and begin to view an "us" versus "them" relation between themselves and people of different ethnicity and religion. However, any cohesive economic regionalism that may occur (involving all the Central Asian nations) will probably occur so far into the future as to render any speculation about how civilization consciousness may be reinforced as useless. Moreover, according to Huntington, economic regionalism may succeed only when it is rooted in a common civilization. Will the Central Asian region, with all its differences, ever develop into a common civilization?

¹⁷³ Ibid., 27.

CHAPTER 8

Conclusion

This conclusion is divided into two sections. The first section consists of a summary of this study's findings, and the second section consists of projections for the future relationship between Iran and Turkmenistan. A brief description of how this relationship will affect other countries involved or interested in this region of the world is also included in the second section.

Summary

In the introductory chapter, the was asked whether bilateral infrastructure agreements occurring between Iran and Turkmenistan are being implemented. The research in this study shows that an inadequate number of agreements are being implemented. Only 12.5 percent of the entries from the list in chapter four--agreements to construct infrastructure; the policy making or theory stage--are completed projects or projects under construction.

Therefore, as of the summer of 1994, there *is* a gap between theory and practice or policy making and policy implementation with respect to bilateral infrastructure agreements between Iran and Turkmenistan. Of course, the results of this aspect of the study are limited because of the two-and-one-half year period of examination. Obviously, and as previously noted, the planning and construction of infrastructure can take much longer than a couple of years. Perhaps, the gap between policy making and policy implementation will lessen in the future. On the other hand, though, the results are very useful because they provide preliminary evidence of *what is under construction, what has been constructed, what is not being constructed and the rate of*

construction. Many important inferences about what the future holds for Iran, Turkmenistan and the rest of Central Asia (not to mention the other countries that hold interests in Central Asia and the Middle East) can therefore be made.

The Tajan bridge, the Caspian Sea Shipping Line, and the 480 telephone lines are completed projects. They were completed slowly, moderately to quickly, and quickly, respectively. The Mashhad to Sarakhs railway, the Tajan to Sarakhs railway, and the connection of the two lines have not been finished. Moreover, construction of the rail lines is occurring at a slow rate.

Also, as is evident from this study, numerous projects and agreements are neither being constructed nor implemented. For example, new and improved roads linking the countries have not come to fruition; oil and gas pipelines that would link Turkmenistan and the rest of the Central Asian Republics to Europe via Iranian territory are still in the discussion stage, and the building of industrial plants, motor oil plants, refineries, manufacturing plants, processing plants, dams, border infrastructure, trade facilities, and electric power lines have not commenced or are being constructed slowly. It is vital that these projects are constructed, for they provide invaluable services to both the Iranians and the Turkmens. Furthermore, if both countries want to modernize and realize their regional desires, these projects must be completed.

It is important to note that construction of the two most important projects--the railroads and the oil and gas pipelines--are not completed and have not begun, respectively. This is quite unfortunate because the Tajan-Mashhad-Sarakhs railroad will connect the country of Iran with the country of Turkmenistan and the rest of the Central Asian republics. Moreover, because of Iran's rail connection with Turkey, the Central Asian republics will have access to the European market.

Also, any revenues derived from rail commerce over Iranian and Turkmen territory and from the additional areas to market goods and services could be reinvested in infrastructure or other projects between the countries.

The construction of oil and gas pipelines will allow Turkmenistan to circumvent Russian control of its oil and gas exports and provide another option (other than over Russian territory) for these exports. Furthermore, increases in Turkmenistan oil and gas exports, will expand this country's supply of hard currency. Construction of oil and gas pipelines is thus integral to Turkmenistan's goal of overcoming its economic obscurity.

The Iranians will also benefit from oil and gas pipelines passing through their territory. Taxes and construction will bring in revenue, but more importantly, the Iranian's power and prestige will increase. Iran will again become a nation essential to the goings-on in Central Asia and the Middle East. Consequently, it is imperative that the Iranian and the Turkmen leaders make the completion of the rail lines and the construction of the pipelines a priority.

In addition to the examination of core infrastructure, other forms of cooperation and six variables were analyzed to determine what affect they might have on core infrastructure. In chapter five (**Other bilateral cooperation**), economic cooperation/trade, legal/transportation, culture/education, and several other examples of cooperation (in the miscellaneous section) are discussed. It seems probable that these other forms of cooperation will not have an immediate positive affect on the construction of core infrastructure. Any immediate positive influences are hampered primarily by the low rate of implementation. Remember, of the fifty entries in chapter five, only thirteen (26%) are examples of policy implementation.

In chapter six, (**Six factors that may affect the present and future construction of**

infrastructure and cooperation between Iran and Turkmenistan) six variables--

ethnicity/culture, location, religion, adjacent countries' lack of ability to construct infrastructure and hindrances to the construction of infrastructure in these countries, relative stability of the two countries, and internal developments in Iran and Turkmenistan--are examined to determine what affects they may have on the construction of core infrastructure. Generally, it was found that these variables will *positively affect* the construction of core infrastructure between the Iranians and the Turkmen.

The differences in ethnicity and culture that might disrupt the construction of infrastructure were found to be minimal, therefore, infrastructure construction should not be hindered by these variables. Geographical location was also found to be conducive to infrastructure construction and other forms of cooperation. Furthermore, after a cursory review, the differences between the Shi'a and Sunni branches of Islam and the differences between a religious government and a secular government may seem to divide Iran and Turkmenistan causing cooperation and infrastructure construction between the countries to be difficult and inefficient. However, although religion is far from bringing the countries very close together, it is found not to be the divisive force some scholars suspect.

Adjacent countries' lack of ability to construct infrastructure and hindrances to the construction of infrastructure in these countries has produced factors that will have both positive and negative affects on infrastructure construction and cooperation between Iran and Turkmenistan. Wars, conflicts, separatist movements, geography and financial relationships are having primarily positive affects, however, religion and certain financial variables may have negative influences. In the long term, though, it can be expected that these variables will incur

more positive than negative effects on the Iranian-Turkmen relationship.

With respect to the relative stability of Iran and Turkmenistan, economic and political stability were emphasized. It is found that the Iranian leadership is striving for and initiating reform which has helped them gain economic respectability. This renewed economic respectability will aid economic stability; consequently, infrastructure construction and cooperation between Iran and Turkmenistan will be positively influenced. Furthermore, the Rafsanjani-Khamenei regime and the two possible other regimes are analyzed to determine what the political landscape offers until 1999. Most importantly, it was learned that cooperation and infrastructure construction will not cease (it may slow) regardless of which regime holds power.

We now conclude that Turkmenistan is a satisfactorily stable country, a condition conducive to infrastructure construction and cooperation with Iran. However, continuation of this present stability depends upon further cooperation and construction of infrastructure with Iran. Moreover, in addition to the broad economic and political aspects of stability, political Islam, nationalistic movements, internal ethnic problems, and an unreformed political system are more specifically addressed. It is determined that these factors could produce instability, but most likely will not.

The last variable in chapter six considers internal developments (economic development and governing methods) presently occurring in Iran and Turkmenistan. In Iran, it is found that even though there are numerous areas to be improved upon, many efforts are being made and implemented to reform their country. Consequently, cooperation and infrastructure construction with the Turkmens can only benefit. The Turkmen leadership is also making economic progress and governing tactics, although criticized, are maintaining stability. To conclude, although there

are problems in the economic and financial sectors that may hinder Turkmenistan's ability to maximize cooperation and construction, infrastructure construction and cooperation with Iran will continue.

Finally, we concluded that a *region state* and the natural trade aspect of *functionalism* do not exist in the Iranian-Turkmen border region. We found, however, that the beginnings of a *region state* and *natural trade* may be appearing. Furthermore, Samuel P. Huntington's hypothesis was found to be incompatible with this study. Economics, not culture or religion (as Huntington theorizes) motivates the policies of these governments. Moreover, Central Asia does not seem to qualify as a region where "civilization identity" is occurring.

Projections for the future relationship between Iran and Turkmenistan

This section consists of projections for the future relationship between Iran and Turkmenistan. A brief description of how this relationship will affect other countries which are involved in or which have interests in this region of the world is also included.

According to Shafiqul Islam's article published in April 1994, "Turkmenistan had developed the closest economic relations with Iran"--it should be expected that this relationship remain intact.¹⁷⁴ The relationship between Iran and Turkmenistan will remain steady because of the reliance both the Iranians and the Turkmens have levied upon one another to achieve their respective economic and political goals. In other words, for both the Iranians and the Turkmens to realize their regional and internal goals, the relationship between them must be maintained.

That this relationship will be maintained, however, has no significant bearing upon

¹⁷⁴ Shafiqul Islam. April 1994, op cit., p.159.

whether the gap between theory and practice or policy making and policy implementation will narrow. The rates of infrastructure construction and implementation of cooperation agreements will probably not increase and remain slow for at least the next decade because of unrealistic goals in relation to funding. Neither the Iranians nor the Turkmen have the financial capacity to implement all the projects they propose; therefore, the percentages for infrastructure construction and implementation of cooperation agreements will remain low. Moreover, the low rate of implementation and construction may actually be by design. For instance, while the Turkmen are enjoying a close economic relationship with Iran, they may be simultaneously taking precautions against possible Iranian hegemony. For example, the Turkmen are utilizing their ties with Iran to increase trade, infrastructure, cooperation, access to other markets and to decrease dependence on Russia. But, they may also be practicing caution (slow implementation) so as not to become susceptible to possible overbearing Iranian influence which may occur if the countries become inextricably tied through trade and economic agreements. Thus, the slow rate of construction and implementation is perhaps an intentional action by the Turkmen to monitor possible Iranian aggression, religious or otherwise.

Furthermore, it seems many proposals for construction and cooperation are not well thought out; for example, the Iranians and Turkmen may be trying to attract Western investment by currently emphasizing economic potential they know is not attainable (because of the lack of finances) for many years. This strategy, however, will backfire when the West discovers that the advertised economic potential will not be realized in the short term. For example, according to the July 24, 1992 article by Vahe Petrossian (part I segment I in chapter six), the Iranians are supposedly building twenty-one airports, many of which involve foreign contractors. However, it

is noted in the October 29, 1992 FBIS article (part I segment I in chapter six) that \$350 million in foreign currency is needed to complete, i. e., compensate the contractors, the projects.

Consequently, many western businesses may become adverse to conducting business with the Iranians because the twenty-one new airports--that would render travel and, subsequently, the conducting of business easier--are not finished. Foreign contractors will also be disinclined to conduct business with the Iranians if setbacks such as the previous example are frequent.

Of the most important infrastructure, the Tajan-Mashhad-Sarakhs railway, but not the oil and gas pipelines, will most likely be completed soon. Sections of the railway have already been completed, and this project is deemed a priority by both governments. Unfortunately, however, the vital oil and gas pipelines' future is not as apparent. Alternate routes are still being discussed and construction has not yet begun.¹⁷⁵

In summation, infrastructure construction and the implementation of cooperation agreements between the Iranians and the Turkmen will remain slow, and there will continue to be many more proposals and agreements than tangible progress. Moreover, the relationship between the Iranian and the Turkmen leadership will remain cordial, but the Turkmen will continue to be wary of their powerful neighbor, given the Iranians' past and present ambitions.¹⁷⁶

¹⁷⁵ One alternate route would have the pipeline run through Kazakhstan, Russia, the volatile Caucasus region and onward to Turkey where, of course, the European continent can be accessed. Remember, it is very important that the Turkmen are able to export gas and oil because of the hard currency the exports will generate. Medium to long term stability may depend on the inflow of hard currency into Turkmenistan.

¹⁷⁶ The Iranians have demonstrated regional supremacy tendencies in the past, and it is not a secret that they are once again attempting to become a major player on the Central Asian/Middle Eastern scene. In fact, just recently there were assertions made by U.S. officials that the Iranians were building up their military capability (Hawk anti-aircraft missiles, chemical weapons, 6000 troops) on Iranian held Persian Gulf islands. These reasons, in conjunction with the continuous allegations of Iranian support for militant Islamic groups and terrorism, give good cause for the Turkmen to remain cautious.

To conclude, the question of how the Iranian-Turkmen relationship will affect other countries which are involved or which have interests in this region of the world must be addressed. As the reader should have comprehended at this point in the thesis, the Central Asian region is being transformed rapidly. Reforms and other aspects of economic liberalization instituted by the both the Iranian and Turkmenistan governments in conjunction with infrastructure construction are creating an area that will soon (if not already) have a profound effect on other countries' Asian and energy policies. Europe, for example, will be affected by the opportunity of a huge new market with plenty of economic incentives for investment and business, including, obviously, construction opportunities. Furthermore, both Japan and Europe are interested in alternative sources for oil and gas, and both have offered to help construct and engineer the pipelines.¹⁷⁷

The Central Asian region is not, however, on the verge of developing into the foundations of a region able to function in the world's economic and trade system (see page 4). It may take many decades for the Iranians and the Turkmen to construct the infrastructure necessary for their respective countries to become the conduits for trade they envision, especially at the present pace of construction.

The strategic importance of the area is increasing, though, because there is the *potential* for this region to develop into the foundations of a region able to function in the world's economic and trade system and there is the *potential* for the countries of Iran and Turkmenistan to develop

Douglas Jehl, "U.S. Says It's Worried About Iranian Military Buildup in Gulf," The New York Times, 23 March 1995, A9.

¹⁷⁷ Vladimir Kuleshov. 31 March 1993, op cit., p. 19.

British Broadcasting Corporation. 6 May 1994, op cit.

into the conduits for trade the leaders of these countries envision. As more gas, oil, and possibly uranium are exported from Central Asia, and the stability of the whole of the Central Asian and the Middle Eastern region remains uncertain, and competition for influence and power between Russia, Iran, Saudi Arabia, Turkey, and Pakistan continues, this region, with its differing styles of government and different sects or types of religion, will grow in significance.¹⁷⁸ Moreover, a strengthening Iran will always be of interest to the United States, although, as of yet, the U.S. has not sought to improve or alter relations with the Iranians or deepen relations with the Turkmens as have the Japanese and the French.¹⁷⁹

Obviously, the greatest effects will be experienced in Central Asia. If the proposed infrastructure, especially the railroads and pipelines, is constructed, Turkmenistan, Uzbekistan, Tajikistan, Kazakhstan and Kyrgyzstan will have the ability to overcome their economic obscurity and political isolation. These countries can use the infrastructure connecting Turkmenistan with Iran to export their products to the Middle East and Europe, thereby opening their countries to the world and its opportunities. If the core infrastructure between Iran and Turkmenistan is not

¹⁷⁸ Not yet noted in this paper, is that the country of Pakistan is an Islamic state. Most Pakistani Muslims (Islam, the official religion, is professed by about 97 percent of the population) are members of the Sunnite sect of Islam, but economically significant minorities, such as the Ismailis, are Shiites. The people of Saudi Arabia are 85 percent Sunni Muslim, most of which are of the Wahhabi sect. These Wahhabi Muslims hold firmly to the doctrine that God is one, the only one (Wahid).

¹⁷⁹ The infrastructure construction, economic reforms, and most recently, the deal with the Houston, Texas based Conoco, Inc. seems to be solid evidence of the Iranian leaders trying to regain a power that they and their country once held. The recent headlines (New York Times March 23, 1995) over the alleged Iranian buildup (Hawk anti-aircraft missiles, chemical weapons and 6,000 troops) on islands in the Persian Gulf is, at least partially, probably an example of the Iranians attempting to determine how far they can take the rebuilding of their country and how the United States, in particular would react.

The U.S., however, does support Turkey in that countries desire to influence the Central Asian republics with its secular governing methods. Douglas Jehl. 23 March 1995, op cit., p. A9.

completed (primarily the railroads, roadways and the oil and gas pipelines), the Central Asian nations will remain dependent upon decaying Russian infrastructure, and their desire for modernization and a role in the larger community of nations will be greatly hampered.¹⁸⁰

¹⁸⁰ It is documented that Russian road conditions are of poor quality and that these poor road networks have resulted in losses to the Russian economy of 7 to 17 billion rubles. The caliber of Russian oil pipelines does not fare much better. Mr. Nogotkov, the Energy Minister spokesman, notes, "there are about 400,000 small or medium-sized accidents every year on Russian pipelines and total annual losses from spills come to 500,000 tons on lines from wellheads, and 1 million tons on other major lines." Mr. Nogotkov also admits, "there is rust, there are bad valves, joints come unwelded, and some pipelines are so worn-out they come apart the whole length of the line when [oil pumping] pressure is increased." Furthermore, please consult Appendix five for recent developments in the region.

Denis Shaw, "Road Building in the Russian Federation," Post-Soviet Geography 33 (October 1992) : 552.

Peter Ford, "Not Enough Fingers to Swiftly Plug All of Russia's Leaky Oil Pipelines," The Christian Science Monitor 20 October 1994, 3.

APPENDIX I

CHRONOLOGY OF INFRASTRUCTURE DATA

For the purpose of order and analysis, the infrastructure data are represented in a continual chronology. The chronology consists of numerous, detailed examples of cooperation, agreements, contracts, proposals, construction completion, and other aspects of infrastructure between Iran and Turkmenistan.¹⁸¹ The monitoring of the chronology will then allow one to determine if Iran and Turkmenistan have acted upon what has been agreed to in speeches, contracts and agreements, i. e., the construction of roads, airstrips, railroad lines, ports, and other core infrastructure. An example is as follows: in January 1994, a British Broadcasting Corporation article stating that the Iranians and the Turkmens had agreed to the construction of a bridge on September 19, 1992, is found. This date was then entered into the Iranian-Turkmenistan chronology with a brief description of the article. The bridge's construction is monitored (if this was happening) by frequently checking Lexis/Nexis, FBIS, and other sources. Finally, a full incorporation of all construction details has been added to the appropriate chronology until the bridge has been completed or until summer 1994, when the research concluded.¹⁸²

¹⁸¹ To ensure accuracy in my research, I have, whenever possible, used data found in at least two sources.

¹⁸² If at all possible, I noted the approximate target date for completion in the description of the article. If I knew when the bridge was supposed to be completed, it was much easier to verify or refute the completion of the bridge. If there was no completion date given, I continued to search for updates on the bridge until the construction was finished or until I concluded my research.

APPENDIX II

ECONOMIC COOPERATION ORGANIZATION

Did the founding members of the ECO---Iran, Pakistan, Turkey---provide a solid foundation for trade and cooperation from 1985, the year of the ECO's reorganization, to 1992, the year the Central Asian republics were admitted to the Economic Cooperation Organization? If these three countries did provide a sound example that Kazakhstan, Turkmenistan, Tajikistan, Afghanistan, Azerbaijan, Kyrgyzstan, and Uzbekistan could follow, it would give the organization positive momentum and perhaps successful longevity; if not, the organization's chances of success probably decrease. More specifically, is there a positive difference in imports and exports (did imports and exports increase between Iran, Turkey, and Pakistan) for the years 1985 to 1992, as opposed to the years before 1985?

The 1971-1992 issues of the Direction of Trade Statistics Yearbooks (DOTS) for Pakistan, Iran, and Turkey are used to address this question. Six charts are presented: one export and one import chart for each country's trade with the other two. The pre-1985 data was then compared with the post-1985 data and the results analyzed. The results were marginally promising and very erratic (exports and imports among these three countries did increase somewhat after 1985, but negative fluctuations are numerous). Please see Figures nine--fourteen. The charts seem to reflect the historical fact that although these countries have a desire to trade, it is intermixed with a distrust borne from years of political and economic competition, an element that can only discourage consistent trade. In my opinion, the future of the Economic Corporation Organization does not look bright; no sound foundation for further trade, trust, and cooperation has been laid. In other words, the ECO did not develop and has not developed a vigorous

infrastructure construction (implementation) record.

Furthermore, research from Lexis/Nexis and FBIS corroborates this viewpoint. For example, throughout this research, I monitored agreements to detect if construction or building followed. I found much more talk than action; many more signatures than tangible accomplishments, therefore, it has been my finding that the ECO's implementation record is poor.¹⁸³ This excerpt from the July 7, 1993, Teheran Voice of the Islamic Republic of Iran First Program Network broadcast supports this contention: "despite the ECO's emphasis on advancing its programs and despite its long record in the region, it does not have a very bright record in implementing its programs. Among the massive list of approved joint industrial ventures, only three have been implemented. And despite members' constant emphasis on the need to expand communications, ECO transit routes are not complete."¹⁸⁴ Martha Brill Olcott supports my beliefs, asserting that "regional cooperation in Central Asia was always more ideal than real...the post-Soviet diplomatic strategies of the Central Asian leaders have pushed their republics even

¹⁸³ Although my research showed a gap between theory and practice or "talk and action" within the ECO, this is not to say that nothing has been accomplished. There are a few examples of ECO sponsored construction; but unfortunately, it seems that there are many more agreements that have not been acted upon.

¹⁸⁴ Moreover, there seems to have been no "start small and build up" mentality in the ECO to provide a firm base from which the new members could possibly expand. The EC used this method, (the European Coal and Steel Community) and it has worked for this organization. The ECO might have missed this opportunity when from 1964 to 1984, the founding members of the ECO-- Pakistan, Turkey, and Iran--failed to really develop a firm base from which it could lead and provide a sound example of the benefits of trade to the seven other members of the ECO.

Thus, it seems almost inevitable, and contrary to what is being proposed at various ECO conferences, that smaller, better organized alliances will develop within the ECO countries. Even more credence is bestowed upon this theory because the frustrating political/religious/ethnic hurdles (civil war in Afghanistan, Armenian-Azerbaijan conflict, the mistrust between Shi'a Iran and secular Turkey, civil war in Tajikistan, Russian minorities, Kurds, struggle for power in the region among Iran, Turkey and Pakistan which discourages unity in the ECO) will probably not be alleviated anytime soon.

farther apart." In fact, "when Central Asian leaders meet among themselves, as they did in April 1992 in Bishek, they find little substance on which to agree."¹⁸⁵ Eden Naby, however, believes that ECO may still be a viable organization. Naby considers the "very fact that a regional organization has formed that includes all of the Central Asian republics could in the long run prove helpful to all of them. She believes,

[the] ECO can still become a powerful tool for regional development, as well as a means for maintaining the political integrity of the newly independent states. Expertise in banking, construction, communications, markets and agriculture can be transferred to Central Asia from Turkey, Iran, and Pakistan with less cultural shock than from the West or Japan and Korea. Turks, Iranians and Pakistanis do not require the Russian intermediate that Westerners must have on hand to do business.¹⁸⁶

I agree with Naby's assertion that expertise in the aforementioned fields can be transferred to Central Asia from Turkey, Iran, and Pakistan, however, my research suggests the ECO will not be involved in this process. The transfers will occur and continue to occur between countries bilaterally, not under the auspices of the ECO.

The slim chances of a successful ECO were further decreased in 1992 when seven countries, all Muslim but with many different views, were admitted. The admission of Kazakhstan, Turkmenistan, Tajikistan, Afghanistan, Azerbaijan, Kyrgyzstan, and Uzbekistan brought to the ECO an "unpredictable interplay of large scale and extremely powerful economic, social, ethnic, and religious forces that are beyond the ability of governments in the region to control."¹⁸⁷ Needless to say, the admission of the new members probably signaled the beginning of the end to any future viability in the organization.

Moreover, my hypothesis that the Economic Cooperation Organization would not flourish

¹⁸⁵ Martha Brill Olcott. summer 1992, op cit., p. 126.

¹⁸⁶ Eden Naby. May 1993, op cit., p. 1.

¹⁸⁷ Coit D. Blacker. 1994, op cit., p. 356.

was all but confirmed during a "mini" interview with Dr. Khadisha N. Dairova, the Third Secretary of the Kazakhstan Embassy for press, culture, education, and sport.¹⁸⁸ When asked how dedicated Kazakh leaders are to the success of the ECO, Dr. Dairova stated that Kazakhstan is not fully supportive of the ECO.¹⁸⁹ De facto membership would, she claimed, pigeonhole her country as subjugated by Islam or as "too Islamic." This type of excess association, noted Dr. Dairova, would obviously hurt ongoing and prospective relations with the West, particularly with the United States.

When the aforementioned research was concluded, an examination was begun to determine what pattern or patterns of interaction would develop in Central Asia after the ECO's decline. What type of organization or types of alliances will emerge to circumvent the ECO's weaknesses? Research showed that bilateral alliances may be the key because several pockets of economic, cultural, and political cooperation were already developing.¹⁹⁰ Eden Naby, a Harvard specialist on Central Asia, also notes this occurrence, stating that "for the present, the Central

¹⁸⁸ In late April, 1994, I attended Dr. Sadri's class in which Dr. Dairova lectured. It was after class that I conducted this "mini" interview. It lasted from five to ten minutes, but it was very enlightening.

¹⁸⁹ Kazakhstan is regarded by many Western leaders as the most important Central Asian republic because of oil, nuclear weapons, access to more western technology than other republics, its present stability, and its relatively extensive infrastructure. It is assumed by many that Kazakhstan will undertake the regional leadership role. The United States is one of the Western powers that views Kazakhstan as the most important Central Asian Republic. Consequently, the Nunn-Lugar program, sponsored by Senators Sam Nunn and Richard Lugar, has committed \$900 million for assistance projects in Russia, Ukraine, Belarus and Kazakhstan. "Russia not keeping pace, so U.S. to slow arms cuts," Richmond Times Dispatch, 21 September 1994, A12.

¹⁹⁰ The monitoring of chronologies has allowed me to determine which countries or organizations have acted upon what has been espoused to in speeches, contracts, and agreements. The pockets of development are Turkey with the Central Asian republics and Iran with Turkmenistan.

Asian states continue to build their alliances on a bilateral rather than a regional basis."¹⁹¹ In fact, in mid 1992, Martha Brill Olcott observed bilateral agreements between the states of Iran and Turkmenistan. She noted then that "since 1990, the two states have signed nine bilateral agreements... for joint development in some of Turkmenistan's oil and gas reserves."¹⁹²

Bilateral cooperation may not have been touted as highly as regional cooperation, nevertheless, it seems to have supplanted many of the Economic Cooperation Organization's aspirations. In fact, according to Shafiqul Islam, "the bilateral track appears to be yielding the most useful and concrete results"¹⁹³

¹⁹¹ My hypothesis that bilateral agreements are gaining in importance is corroborated by several sources including one from the May, 1993, edition of the WorldPaper.
Eden Naby. May 1993, op cit., P.4.

¹⁹² Martha Brill Olcott, Summer 1992, op cit., p. 116.

¹⁹³ Shafiqul Islam. April 1994, op cit., p. 159.

APPENDIX III

IMPRESSIVE RESULTS?

The results are regarded as not impressive because the percentage of projects completed or under construction as a percentage of the projects planned is low. The writer realizes this designation begs further explanation, and he will try to clarify it by asking the following question: what are the criteria used for judging the results? For example, have I looked at percentages for other countries? The answer to this question is yes. In fact, before the writing of this thesis, I studied the former Central Asian countries' trade and infrastructure construction with one another and trade and infrastructure construction with Pakistan, Iran and Turkey (trade and infrastructure within the Economic Cooperation Organization). I found that the most proposed trade and infrastructure (not aid or financial incentives) and the most actual progress--construction and trade--*was occurring* between the Iranians and the Turkmen. In fact, as of the summer of 1994, the percentage of projects completed or under construction as a percentage of the projects planned is even lower between the Pakistanis and the Central Asian republics, between the Turks and the Central Asian republics, between the Iranians and the Turks, between the Turks and the Pakistanis, amongst the Central Asian republics, between OPEC countries and the Central Asian republics, between the Iranians and the Pakistanis, and between the Iranians and the Uzbeks. However, although Iranian-Turkmen trade and infrastructure construction is more impressive in comparison to the aforementioned countries, it is not when compared with the Iranians' and the Turkmen's own deadlines and timetables (as will be apparent as the reader reads further), nor is it impressive when compared to the beginnings of the European Economic Community.

During this study, the Iranians and the Turkmens have discussed or agreed to hundreds of proposals. They have even sets dates for implementation and completion. Unfortunately, though, even of the few proposals and agreements set in motion, many of the implementation and completion dates have not been met.

With respect to trade and infrastructure comparisons to Western countries, the EEC was examined. I found that because of differences in pre-existing infrastructure and differences in the history of the two regions, solid criteria that may be used compare the EEC (considered by many scholars to be a successful organization) with the ECO are difficult to determine. Nevertheless, an example of my attempt to compare the two organizations and their respective member states is as follows. First, I found instances of early accomplishments within the EEC, and second, I contrasted these early EEC accomplishments with early ECO accomplishments. For example, within the EEC, intra nation institutions were formed (commission, court, parliament), immediate discussions and implementation dates for a common currency (ECU) took place and were set, and the dismantling of trade tolls and barriers were begun. I concluded, judging from the low rates of construction, low rates of implementation and, most importantly, financial limitations, that most of the EEC's early accomplishments could not be met by the ECO during this organization's early years.

APPENDIX IV

REGIONAL ALLIANCES AND POSSIBLE REGIONAL ALLIANCES IN THE CENTRAL ASIAN REGION

- 1/27/94 Kazakhstan, Uzbekistan, and Kyrgyzstan have decided to form an economic union. The antagonisms from Zhirinovskiy, who insists on reclaiming the former Soviet empire and the spoils that go with it, are a main reason for the union. In loosening ties with Moscow, these three countries have also moved away from Tajikistan and Turkmenistan, both which have elected to remain as either economic or political satellites. Another motive is to erect a front line defense against Moscow's growing political demands; for example, the dual nationality problem. Thus, this is an economic union for political purposes and probably little will come of it.
Financial Times
- 9/14/93 An alliance (cartel) of the nations exporting caviar is formed. Iran and Turkmenistan are among the countries involved. *Country Report*
- 9/3/93 A joint economic organization between Iran and Turkmenistan was called for. I believe this has developed into the noticeable amount of cooperation now occurring especially between the two northeastern provinces. *FBIS-NES-93-181 p. 39 (Tehran IRNA 2 Sept 93)*. A common market was inaugurated on the border (12/28 *FBIS---NES; 61*).
- The Economic Cooperation Organization (ECO) is the biggest organization in this area. It consists of 10 states with a total of 300 million people.
- Another organization is the Islamic Conference Organization (ICO)
- 6/25/92 The Black Sea Economic Cooperation Organization (BSEC) also consists of many of the countries of this area. Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Turkey, and Ukraine signed this declaration. (6/26 *Washington Post*).
- Turkey is an associate member in the European Community (EC)
- There are also committees within organizations that may divide and weaken cooperation; for example, the COMEC (standing committee for economic and commercial cooperation of the organization of the Islamic Conference).
- A Caspian Sea Cooperation Organization has also been formed. Member

countries are Iran, Turkmenistan, Azerbaijan, Russia, and Kazakhstan.

- 1/4/93 The leaders of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, met to discuss the establishment of a Central Asian Common Market (*1/5 Wall Street Journal*).
- 11/5/92 Azerbaijan, Kazakhstan, Turkey, Turkmenistan, Kyrgyzstan signed agreement establishing a Turkic Common Market. (*11/6 FBIS-Cen. Europe*)
- 12/31/91 The 5 central Asian republics agreed to join the CIS. This action exhibits that the Central Asian republics realize the need for mutual dependence on one another and a non-isolationist foreign policy in regards to the region. (*12/14 Washington Post*).
- Kazakhstan recently considered joining the Arab League.

INTERGOVERNMENTAL REPRESENTATION

Turkmenistan-----	CIS, CSCE, EBRD, ECO, IC
Turkey-----	CSCE, ECO, WEU, EEC, IC, BSEC
Uzbekistan-----	CCC, CIS, CSCE, EBRD, ECO, NAM
Kazakhstan-----	CIS, CCC, ECO, CSCE, EBRD, Arab League?
Kyrgyzstan-----	CIS, CSCE, EBRD, ECO, IC, PCA
Pakistan-----	SAARC, ECO, CP, CCC, ABD, IOM
Iran-----	OPEC, IC, ECO, IDB, CP, CCC, PCA
Tajikistan-----	CIS, CSCE, EBRD, ECO, IC
Azerbaijan-----	BSEC, ECO, CIS (membership status uncertain as of mid-1993), IC
Afghanistan-----	ECO, ADB, CP, IC, IDB, NAM, IntelSat

* This list is not exhaustive and all organizations do not conflict; some are complementary.

* As one can see, there are many crosscutting alliances in the Central Asian area.

KEY:

CIS-----Commonwealth of Independent States
CSCE-----Conference on Security and Cooperation in Europe
EBRD-----European Bank for Reconstruction and Development
ECO-----Economic Cooperation Organization
IC-----Islamic Council
WEU-----Western European Union
EEC-----European Economic Community
BSEC-----Black Sea Economic Cooperation Organization
CCC-----Customs Cooperation Council
NAM-----Non Aligned Movement
PCA-----Permanent Court of Arbitration
SAARC-----South Asian Association for Regional Cooperation
CP-----Colombo Plan (cooperative economic and social development in
 Asia and the Pacific)
ABD-----Asian Development Bank
IOM-----International Organization Migration
OPEC-----Organization of Petroleum Exporting Countries
IDB-----Islamic Development Bank

APPENDIX V

FINAL DEVELOPMENTS

This appendix provides the reader with a final examination of infrastructure construction or other cooperation occurring between the Iranians and the Turkmen and economic developments occurring within Iran and Turkmenistan after the summer of 1994, when the thesis research was concluded. A few concluding comments and observations from the author are also submitted.

The appendix consists of four sections. The first concerns Iran and Turkmenistan; the second concerns Iran; the third concerns Turkmenistan; and the fourth section consists of regional observations.

Section I (Iran and Turkmenistan)

Turkmen Radio in Ashkhabad reported, through the British Broadcasting Corporation, that on December 14, 1994, the railway link from Tedzhen, Turkmenistan to the Iranian city of Mashhad reached the Turkmen border town of Sarakhs. Thus, it is confirmed that the Tedzhen-Sarakhs-Mashhad railway has reached Sarakhs or that 132 kilometers of the 308 kilometer Tedzhen-Sarakhs-Mashhad railway is complete. It is also noted that when the railway reaches Mashhad, freight trains will be able to run from Iran, through the capitals of Turkmenistan, Uzbekistan, and Kazakhstan, and on to China and other Asian countries.¹⁹⁴ Moreover, it is

¹⁹⁴ British Broadcasting Corporation, "Turkmen-Iranian railway reaches border town" from 14 December 1994 Turkmen Radio, Ashkhabad., 23 Dec 1994.

reported that rail stations (along the partially completed Tajan-Sarakhs-Mashhad railway) have already been built in the Turkmen towns of Gulanly, Ata, and Sarakhs.¹⁹⁵ Of further interest, according to the Russian newspaper *Rossjyskaya Gazeta*, is speculation of a deal between the Russians and the Turkmen over the Turkmen stretch of the railroad line. Writers from the paper claim that Russians may have helped the Turkmen build this stretch of railroad which will eventually enable freight from the Russian Far East to travel to Iran via Turkmenistan, thereby further securing Russian interests in the region.¹⁹⁶ Finally, it is noted in a December 1994 article that during the month of February 1994, Iranian radio reported that the Tajan-Sarakhs-Mashhad railway would reach Mashhad, Iran by March 1996.¹⁹⁷

With respect to oil and gas lines, it was reported by the Islamic Republic News Agency (IRNA) on January 30, 1995, that "Turkmen President Saparmurat Niyazov and his Iranian counterpart Rafsanjani have agreed to speed up work on a Turkmen gas export pipeline via Iran."¹⁹⁸ Rafsanjani said, "Speeding up the technical studies on the plan to transfer Turkmen gas to Europe via Iran was stressed in talks with President Niyazov" and that "a pipeline would be built in the near future to transfer Turkmen oil to a Tehran refinery under an agreement signed by

¹⁹⁵ Ibid.

¹⁹⁶ Ibid. This Russian "securing of interests", is another example of the continuing battle among the Iranians, Turkish, and the Russians for control and influence in the region.

¹⁹⁷ Ibid.

¹⁹⁸ British Broadcasting Corporation, "Turkmenistan and Iran to Speed Up Gas Pipeline Project" from 30 January 1995 Tehran IRNA., 3 February 1995.

the two sides."¹⁹⁹

Section 2 (Iran)

According to a October 27, 1994 *Agence France Presse* article in which Iranian Oil Minister, Gholamreza Aghazadeh, is quoted, Iran's earnings from oil exports in the last six months were 20 percent above the projected figures. Furthermore, several infrastructure projects in the oil and petrochemical sector will be built in Iran by Iranian firms; for example, the South Pars gas field in the Persian Gulf is to be developed by Iranian experts over the next four-and-one-half years at a cost of 900 million dollars. Tehran cancelled a preliminary contract last November with an Italian-Russian-Japanese consortium to develop the deposits at Pars because the consortium was unable to find the cash.²⁰⁰

According to a March 17, 1995 *Vision of the Islamic Republic of Iran Network 2* (Tehran) article, received through the British Broadcasting Corporation, President Rafsanjani announced the opening of the Bafq-Bandar Abbas (both cities are Iranian) railway. President Rafsanjani notes the regional benefits of the Bafq-Bandar Abbas line (please consult maps for location of railroad) in the following quote:

"regarding the newly-independent countries to our north, Central Asia and the Caucasus, I think we should attach great deal of importance in the project to connect them to the rest of the world which would free them from the single-route option. Of course, they are already connected to the outside world but it would be better to have two routes. This routes is [now] at their disposal. We shall welcome you and place it at your disposal to use your own domestic transport. Of course, it is to be

¹⁹⁹ Ibid.

²⁰⁰ "Iranian oil revenue 20 percent higher than forecast," *Agence France Presse*, 27 October 1994.

expanded into the next stages. It will be a dual-track and will be electrified"²⁰¹

Furthermore, in the near future, remarks Rafsanjani, "Iran's east-west railway will be completed. He continues, stating "Iran's railway is connected to Europe via Turkey, at present", and "We are working on the section between Kerman and Zahedan so that Pakistan and the Indian subcontinent as a whole are connected to Europe." Finally, Rafsanjani asserts "This dependable railway network could provide a great service to the economy of the whole region."²⁰² It is also noted in this same article that the Southern Persian Gulf states can be connected to the countries north of Iran in two ways, the Bandar Emam railway and the Bandar Abbas railway. Moreover, in a passing reference to the Tajan-Sarakhs-Mashhad railway, Rafsanjani stated that within a year, Iran will be connected via the Caucasus and Central Asia to the vast northern railway network and to China.²⁰³

The completion of the Bafq-Bandar Abbas line is a major accomplishment for the Iranians. It will, as Rafsanjani notes, provide a great service to the economy of the whole region, especially to the Iranian economy. The completion is representative of the Iranian determination to reconstruct their country and realize their regional desires. Finally, and of further interest, is the Mobarakeh steel project (on which construction began in 1978, but trial production did not begin until 1991; see page 80-81 of thesis) which is now in the full production stage. The

²⁰¹ British Broadcasting Corporation, "Rafsanjani Opens Bafq-Bandar Abbas Railway, Explains Regional Benefits" from 17 March 1995 Vision of the Islamic Republic of Iran Network 2., 17 March 1995.

²⁰² Ibid.

²⁰³ Ibid.

Mobarakeh steel plant produces 2.5 m tonnes of sheet steel per day.²⁰⁴

Section 3 (Turkmenistan)

According to a November 14, 1994 *Business Eastern Europe* article, there is a slight recovery in the 1994 Turkmen economy, after three years of recession. For example, the EIU (Economist Intelligence Unit) is forecasting 3 percent growth in 1995, accelerating from around 1.7 percent predicted by the IMF this year. Production is also up in the two sectors that "remain [according to *Business Eastern Europe*] the only moderately promising sectors of the economy"-cotton and gas.²⁰⁵ The writers of the *Business Eastern Europe* article claim, however, that although Turkmenistan's trade surplus looks good on paper, in reality much trade occurs by way of the barter system and purchasing power is weak.²⁰⁶

Foreign investment in Turkmenistan is also up (mostly Iranian and Turkish investment), nevertheless, high inflation, although predicted to be down to 800 percent in 1995 from 1,608 percent in 1994, and debt (mostly unpaid energy bills to Russia) cripple policy. Consequently, Turkmenistan is considered uncreditworthy by many in the international financial community.²⁰⁷

Overall, the writers of the *Business Eastern Europe* article claim that Turkmenistan "is

²⁰⁴ Ibid.

²⁰⁵ "Business Outlook In Turkmenistan," *Business Eastern Europe*, November 14 1994.

²⁰⁶ Ibid.

²⁰⁷ Ibid.

little better off than its neighbors, despite its natural riches."²⁰⁸ Thus, it seems that although Turkmenistan continues to show promising signs for the future, these signs are coupled with negative signals. Of primary importance to the Turkmen, though, is the necessity to efficiently export its raw materials as a means to garner hard currency, thereby gaining the capability to counter the dilemma suggested by Martha Brill Olcott in the following quote: "it remains to be seen whether they [the Turkmen] can build the infrastructure necessary to export Turkmenistan's oil and gas quickly enough to forestall a mass economic crisis."²⁰⁹ Incidentally, it has been reported that since the Russians partially cut off the Turkmen from access to Russian pipelines, the Turkmen have not received as much gas generated hard currency as expected. Consequently, it has become more imperative that the Turkmen increase their hard currency reserves. To help compensate for the lower than expected amount of hard currency the United States' Eximbank has given 75.7 million in short term cover and will make medium-term credits available soon. The French are also doing the same.²¹⁰

Of further notability, are reports that President Saparmurat Niyazov has ordered a company to finance and manage the construction and use of a pipeline to be developed. This pipeline will transport Turkmen gas to Europe via Iran and Turkey.²¹¹ Furthermore, on March 24, 1995, it is reported by the British Broadcasting Corporation that several British companies

²⁰⁸ Ibid.

²⁰⁹ Martha Brill Olcott. summer 1992, op cit., Pg. 128.

²¹⁰ Business Eastern Europe, 1994, op cit.

²¹¹ British Broadcasting Corporation, "Turkmen Decree on Turkmen-Turkish Gas Pipeline" from Turkmen Press News Agency, Ashkhabad 6 March 1995., 10 March 1995.

are interested in the Turkmen oil and gas sector. These companies include Rolls Royce, Monument Oil, Gas plc, and Penspen Ltd. Monument has put forth a plan to boost output from the near-exhausted Kumdag and Vyshka oil and gas fields.²¹²

Section 4 (Regional Observations)

To conclude, several observations based on reports from the past several months are made. With respect to Turkmenistan, the construction of infrastructure and economics are the most important factor to this country's survival. The oil and gas pipelines and the completion of the railroads are vital to the welfare of the Turkmen people and the stability of the country. President Niyazov must continue to press for the quick construction of the infrastructure required to export Turkmen raw materials and goods for if he fails, he will be responsible for his country's undoing.

It has also become apparent to this writer that the Iranians have moved decisively down a path toward rebuilding their country and increasing their regional power. The Iranian leadership must be extremely pleased with the possibility of their country being utilized as a central location in the Middle Eastern and Central Asian region. The construction of the railroad with Turkmenistan (Tajan-Sarakhs-Mashhad railroad), the trade with the Turkmen and the other Central Asian countries via Turkmenistan, the possible testing of military strength on Persian Gulf Islands, the possibility of oil and gas lines crossing their territory and all the internal economic and infrastructure developments point to a nation poised for a strong revitalization.

²¹² The British Broadcasting Network, "British Companies Eye Turkmen Oil and Gas Sector" 24 March 1995.

Thus, it seems the Iranians are doing a brilliant job of slowly, but solidly rebuilding their country; a fact that the United States, Saudi Arabia, Russia, and the other regional countries can not overlook. This revitalization, however, will portend either positive or negative views depending upon the perceptions other countries harbor of Iran. The United States will, for instance, view the changes in Iran with suspicion and therefore, look negatively upon the transformations occurring in Iran. Nevertheless, notwithstanding how certain leaderships perceive the Iranians and their regional desires, most governments, if not all governments, will find it necessary to make decisions on or clarify their Iranian policy in the near future because of the growing Iranian strength and the potentiality of conflicting national policies or conflicting policies within a government.²¹³ For example, senior U.S. administration officials must decide what the U.S. position on the Turkmen's decision to move gas to Turkey via Iran will be. This position is important because, according to a *Reuter's* report, "the plans for building oil and natural gas pipelines from the Central Asian republics through Iran may soon put U.S. policies toward Iran and the former Soviet Republics in conflict."²¹⁴ The United States Congress, for instance, has blocked the United States from backing lending to Iran by international financial institutions, and the Clinton administration has made it difficult for Tehran to obtain credit. On the other hand, however, the administration has supported the Central Asian republics' efforts to

²¹³ The Clinton Administration must decide if the double containment policy for Iran and Iraq will continue to work. If the double containment policy is deemed a failure, does the U.S. fall back to the "play Iran and Iraq off on one another policy"? Will the U.S. be forced to choose between supporting Iran or Iraq, a lesser of "two evils" scenario. Will the U.S. increase its pressure on allies not to do business with Iran, and will the U.S. escalate its insistence that the IMF and other agencies not help Iran (both sensitive issues)?

²¹⁴ Paul Sonali, "Pipeline Puts U.S. Goals on CIS, Iran at Odds," *Reuters*, 23 January 1995.

boost their exports.²¹⁵ How will the U.S. resolve the dilemma of conflicting Central Asian and Iranian policies? Moreover, how will the U.S. and its allies react to the growing Iranian power in the region? Will there be a cohesive response or a fragmented response which may strain allied relationships?

It is obvious that the Turkmen development of a new export pipeline may be seriously disrupted if the U.S. considers the Iranian route a hurdle, which according to former Secretary of State Alexander Haig, who is advising Turkmenistan on the pipeline, it does.²¹⁶ American opposition to the Iranian pipeline route will cause the U.S. to withdraw finances for the construction of the pipeline and will prompt the U.S. to lobby and pressure its allies not to build the line through Iran, thus jeopardizing Turkmen export opportunities. Mr. Haig noted, however, that the project would be boosted if the Clinton administration "took at least a neutral role on Iran's role in it."²¹⁷

Although the American banks most likely will withdraw funding for the construction of the pipeline because of the Iranian involvement, it is not certain that the pipeline project over Iranian territory will be killed. It has been reported that as of April 1995, commercial lenders in Turkey, Europe, the Middle East and possibly Asia are expected to largely finance the project.²¹⁸ Financing by the aforementioned lenders, however, may conflict with U. S. policy and,

²¹⁵ Ibid.

²¹⁶ The U.S. has objected to any plan that might leave Europe depending on a pipeline that could be controlled by Iran, opposition that has made potential investors wary.

²¹⁷ Paul Sonali. January 23, 1995, op cit.

²¹⁸ Ibid.

subsequently, incite severe problems in state relationships as did the Russian sale of a light water nuclear reactor to the Iranians in early April 1995. After the confirmation of the sale, U.S. Secretary of State, William Christopher, stated Russia "will rue the day" if the sale proceeds.²¹⁹

²¹⁹ "Clinton to Pressure Russia," The Richmond Times Dispatch, 5 April 1995, A

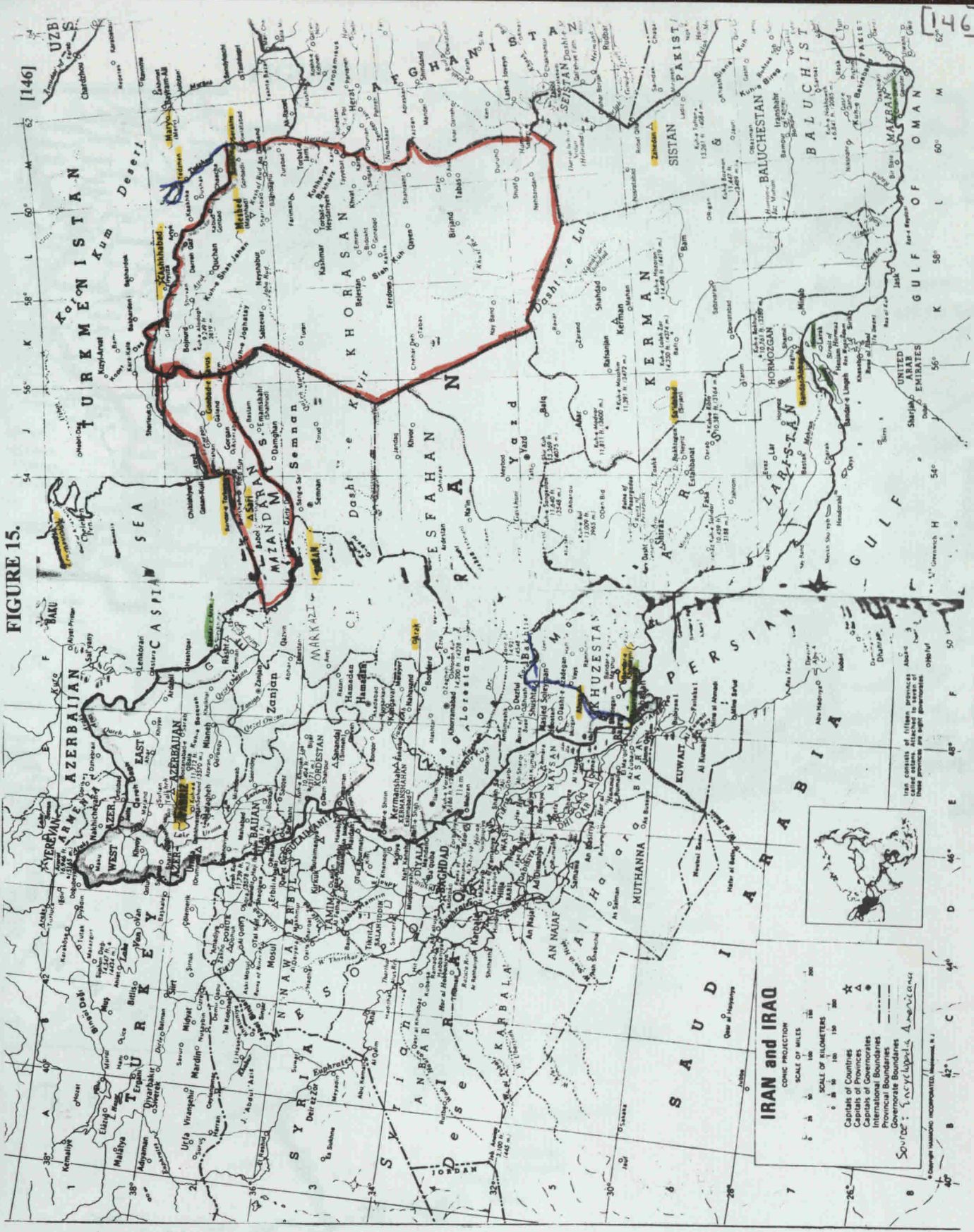
APPENDIX VI

MAPS I & II

Maps I

The following maps will help the reader locate the ports, rivers, cities, seas, railroads, provinces, bus routes and border crossings cited in this thesis. Four maps are provided because several of the maps provide greater detail than others and not all cities, ports, and rivers are found on each map. The maps are color coded: (1) on several of the maps, red is used to outline Iran and orange is used to outline Turkmenistan. On the provincial map, red outlines the principle provinces discussed in this paper. (2) the color blue highlights the rivers (3) the color green highlights free trade zones, some of which are islands, ports, or cities (4) the color yellow highlights cities (5) The map with *The Middle East* in the upper left hand corner has several individual designations. The red lines signify future railroad lines; the orange line a future bus route; the brown line represents the complete Tajan-Sarakhs-Mashhad railroad line, and the blue dotted line represents the proposed railway between Kerman and Zahedan. Finally, it must be noted that the future bus route, the future railways and the Tajan-Sarakhs-Mashhad railroad are not drawn to exact dimensions.

FIGURE 15.



IRAN and IRAQ
 CONIC PROJECTION
 SCALE OF MILES
 0 50 100 150 200
 SCALE OF KILOMETERS
 0 50 100 150 200
 ★ Capitals of Countries
 ☆ Capitals of Provinces
 △ Capitals of Governorates
 --- Provincial Boundaries
 - - - - - Governorate Boundaries
 Source: Encyclopaedia Americana
 © Copyright Macmillan, Incorporated, 1964



Iran consists of fifteen provinces and three autonomous cities. Attached to seven of these provinces are eight governorates.

FIGURE 16.



POPULATION OF CITIES AND TOWNS

1,000,000+	500,000+	100,000+	10,000+
2,000,000+	1,000,000+	250,000+	5,000+
1,500,000+	750,000+	200,000+	1,000+

Hammond Atlas



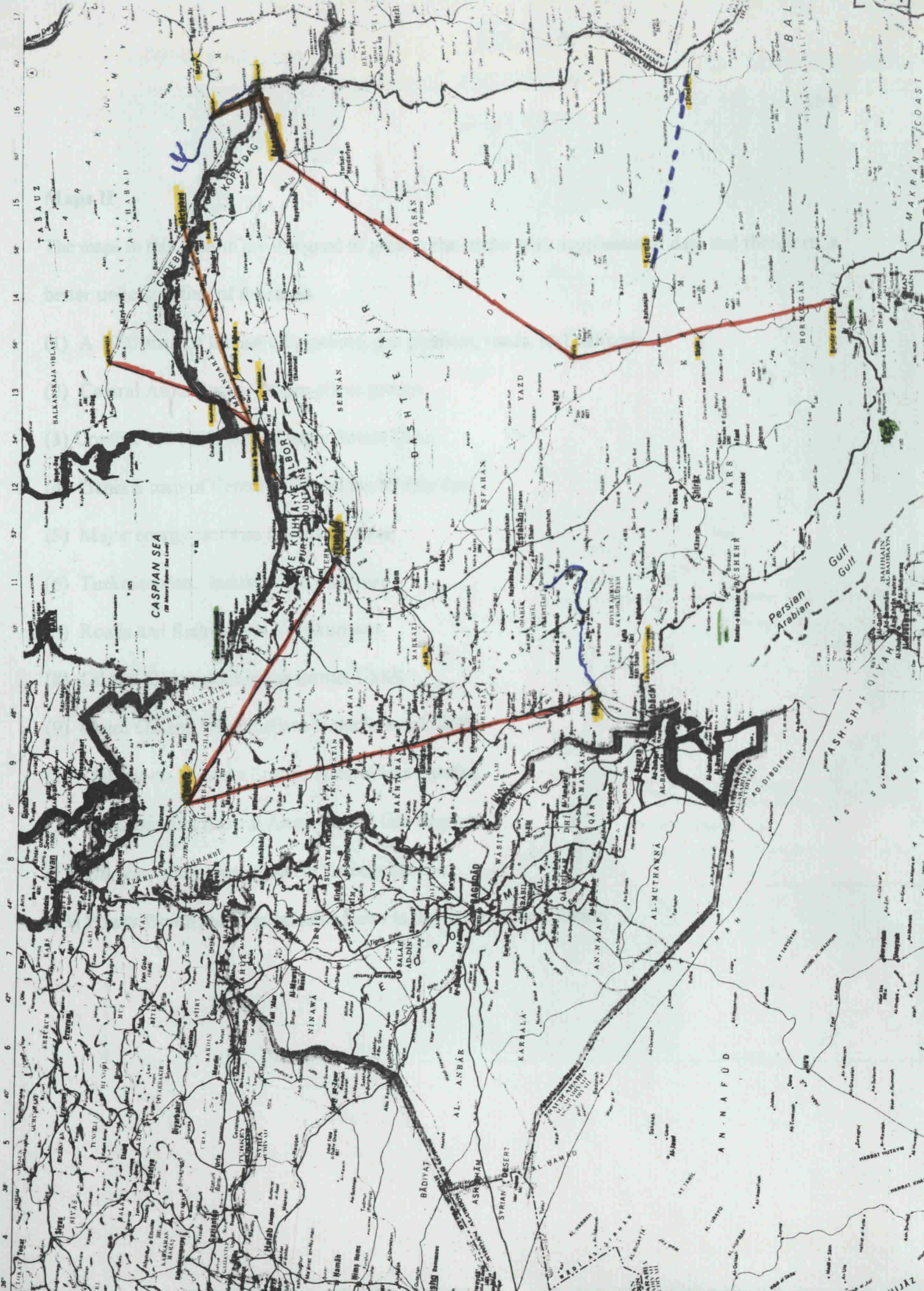
The boundary between India and Pakistan through the disputed state of Jammu and Kashmir follows the line of control agreed upon by both countries in 1972.

Kilometers
Statute Miles
Scale 1:12,000,000
One centimeter represents 120 kilometers.
One inch represents approximately 190 miles.

Reind M. Gally

the Middle East

FIGURE 18.



Maps II

The maps in this section are designed to present the reader with supplemental data and therefore, a better understanding of the thesis.

- (1) A 1993 map of Iranian oil pipelines, gas pipelines, roads, and railroads
- (2) Central Asian States: Major ethnic groups
- (3) Conflict and strife in the former Soviet Union
- (4) General map of Central Asia and the Middle East
- (5) Major energy facilities in Turkmenistan
- (6) Turkmenistan: Industry and Materials
- (7) Roads and Railroads in Turkmenistan
- (8) Oil and Gas regions in the former USSR
- (9) Major Oil and Gas Pipelines in the former USSR
- (10) Siberia-to-Western Europe Natural Gas Pipeline
- (11) Caucasus and Central Asian Oil and Gas Regions
- (12) Oil, gas, and power plants in Eastern Europe
- (13) Power Plants and Transmission Lines in the former Soviet Union

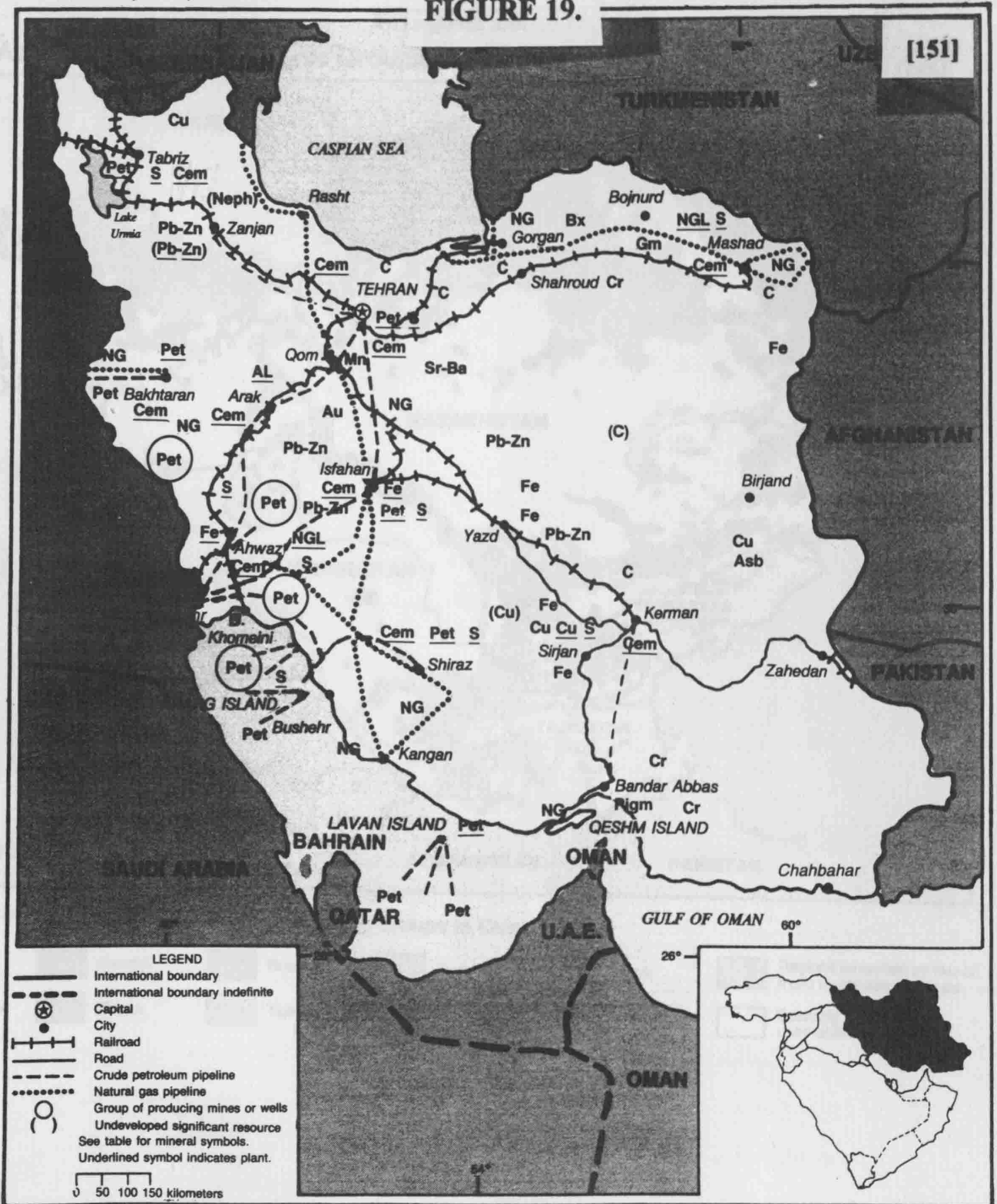
IRAN

AREA 1,648,000 km²

POPULATION 63.4 million

FIGURE 19.

[151]



Source: Mineral Industries of the Middle East

1973 International Year of the United States, Department of the Interior Bureau of Mines Vol. III.

FIGURE 20.

Central Asian States: Major Ethnic Groups



Source: Facts on File p. 7.46

Major Ethnic Groups in Central Asia












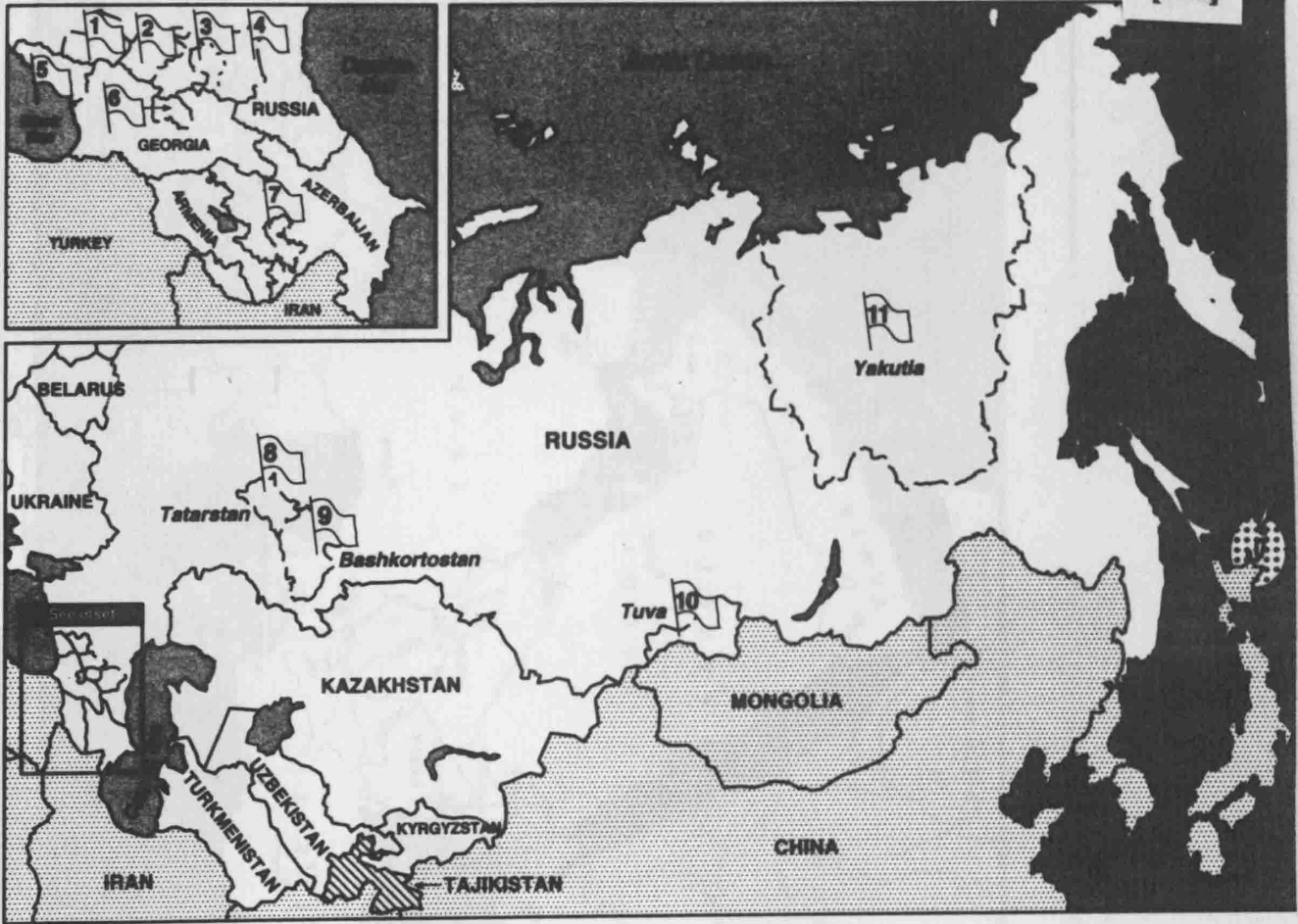
- | | | | | | |
|---|---|---|---|--|--|
|  German |  Kazakh |  Russian |  Turkmen |  Uzbek |  Regions inhabited by two or more major ethnic groups |
|  Karakalpak |  Kirghiz |  Tajik |  Ukrainian |  Sparsely populated or uninhabited area | |

FIGURE 21.

Conflict and Strife in the Former Soviet Union

[153]



Border disputes

Kuril Islands disputed between Russia and Japan



Separatist movements

- 1 Karachay-Cherkessia region in the Caucasus seeks independence from Russia
- 2 Kabardino-Balkaria region in the Caucasus seeks independence from Russia
- 3 Ingushetia region in the Caucasus has declared its independence from Russia; fighting between Ingushetia and neighboring North Ossetia over disputed territory
- 4 Chechnya in the Caucasus has declared its independence from Russia
- 5 Abkhazia, a largely Muslim region in Georgia, seeks independence or union with Russia; armed conflict erupted in 1992
- 6 Violent secessionist movement in South Ossetia in Georgia fighting for union with North Ossetia in Russia



Separatist movements (continued)

- 7 Nagorno-Karabakh, an ethnic Armenian enclave in Azerbaijan, seeks independence or union with Armenia; armed clashes between Armenia and Azerbaijan over the region since 1990
- 8 Tatarstan Republic seeks greater autonomy in the Russian Federation
- 9 Bashkortostan Republic seeks greater autonomy in the Russian Federation
- 10 Republic of Tuva seeks greater autonomy in the Russian Federation
- 11 Republic of Yakutia seeks greater autonomy in the Russian Federation

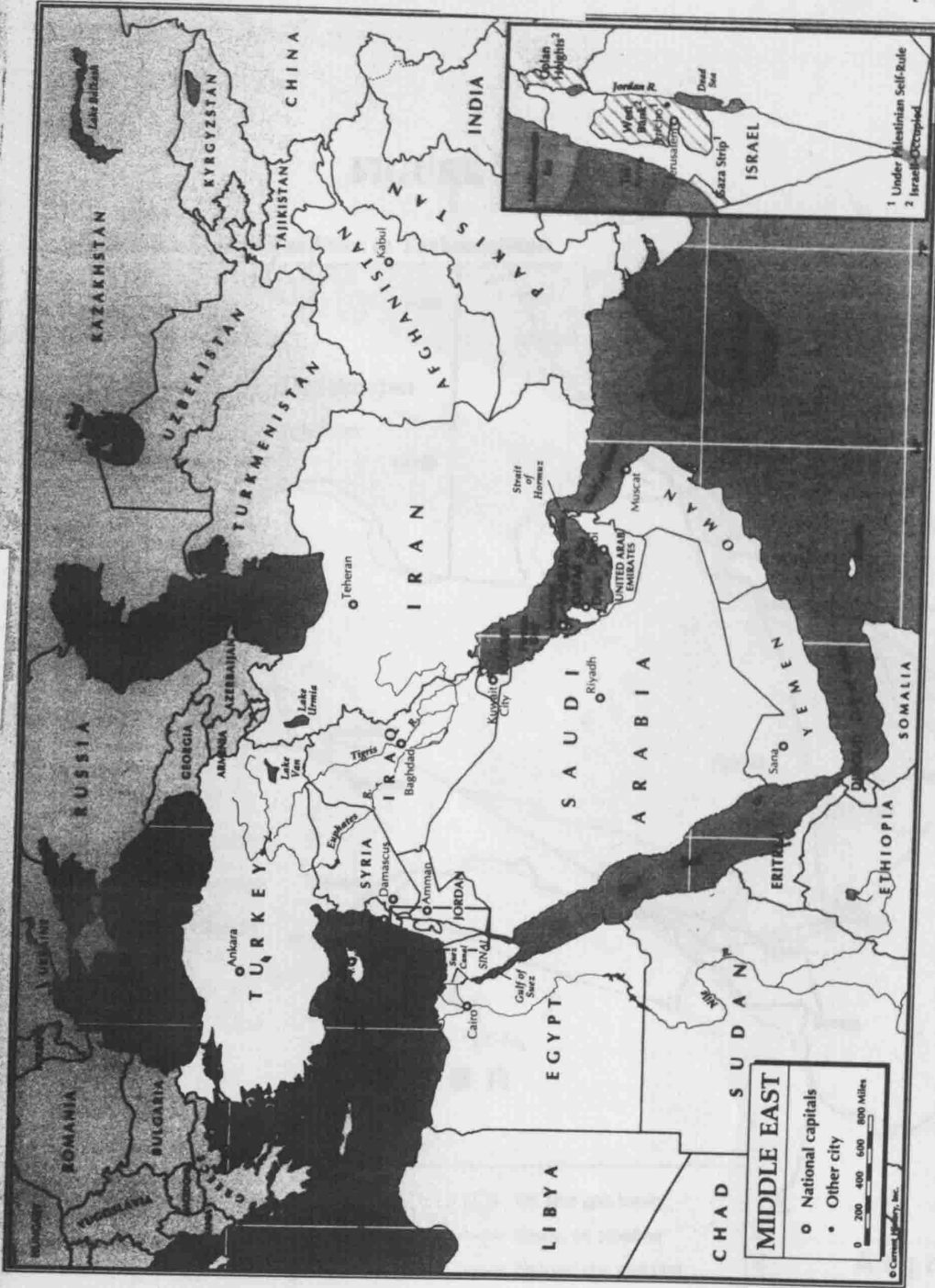


Wars

Civil war in Tajikistan since 1992 between ex-Communist government forces and alliance of democratic and Islamic rebels

Source:
Factson File
P. 8.06

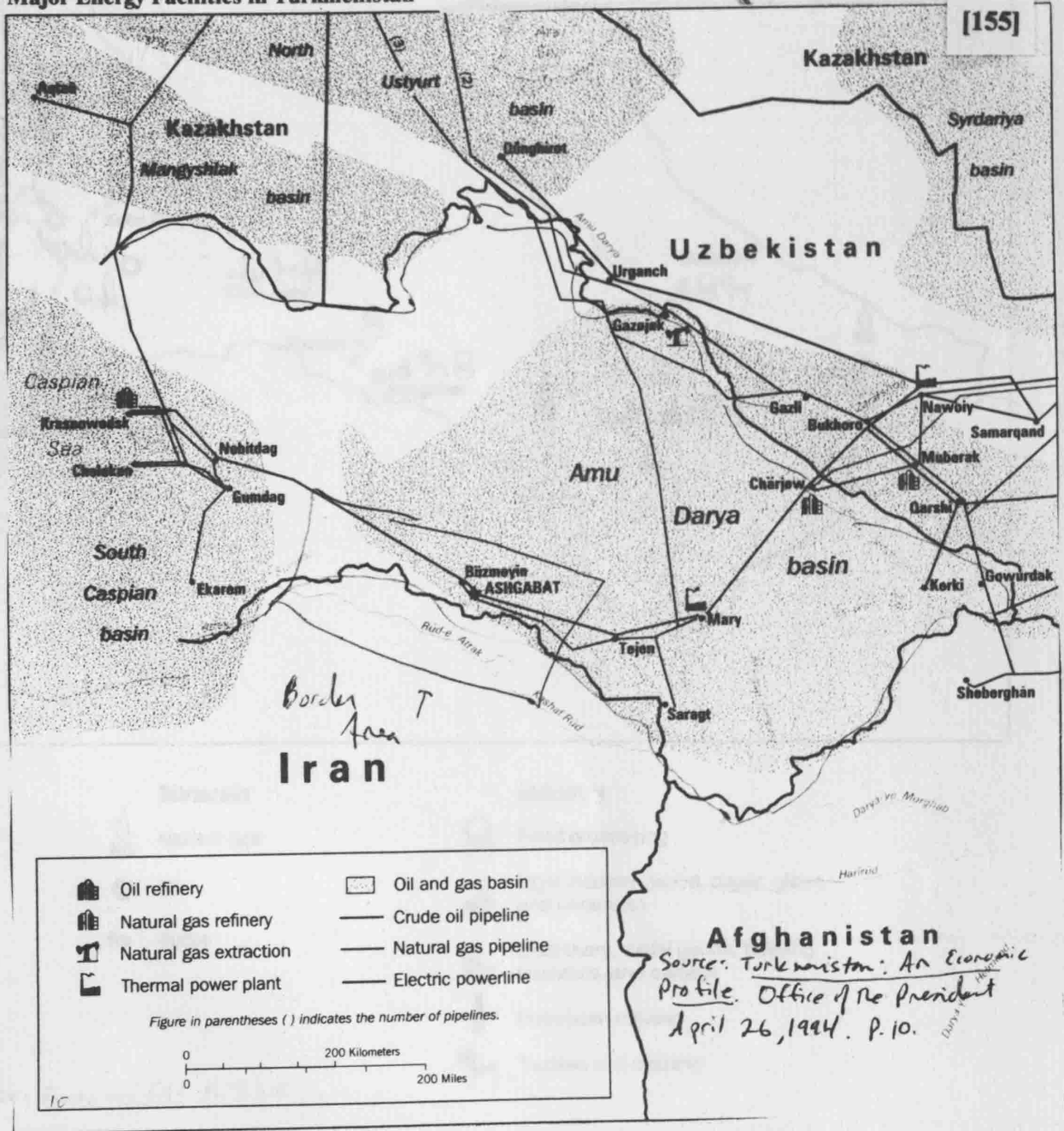
FIGURE 22.



Source: *Current History*. Vol 94, No. 588
January 1995. Pg 49.

FIGURE 23.

Figure 4
Major Energy Facilities in Turkmenistan



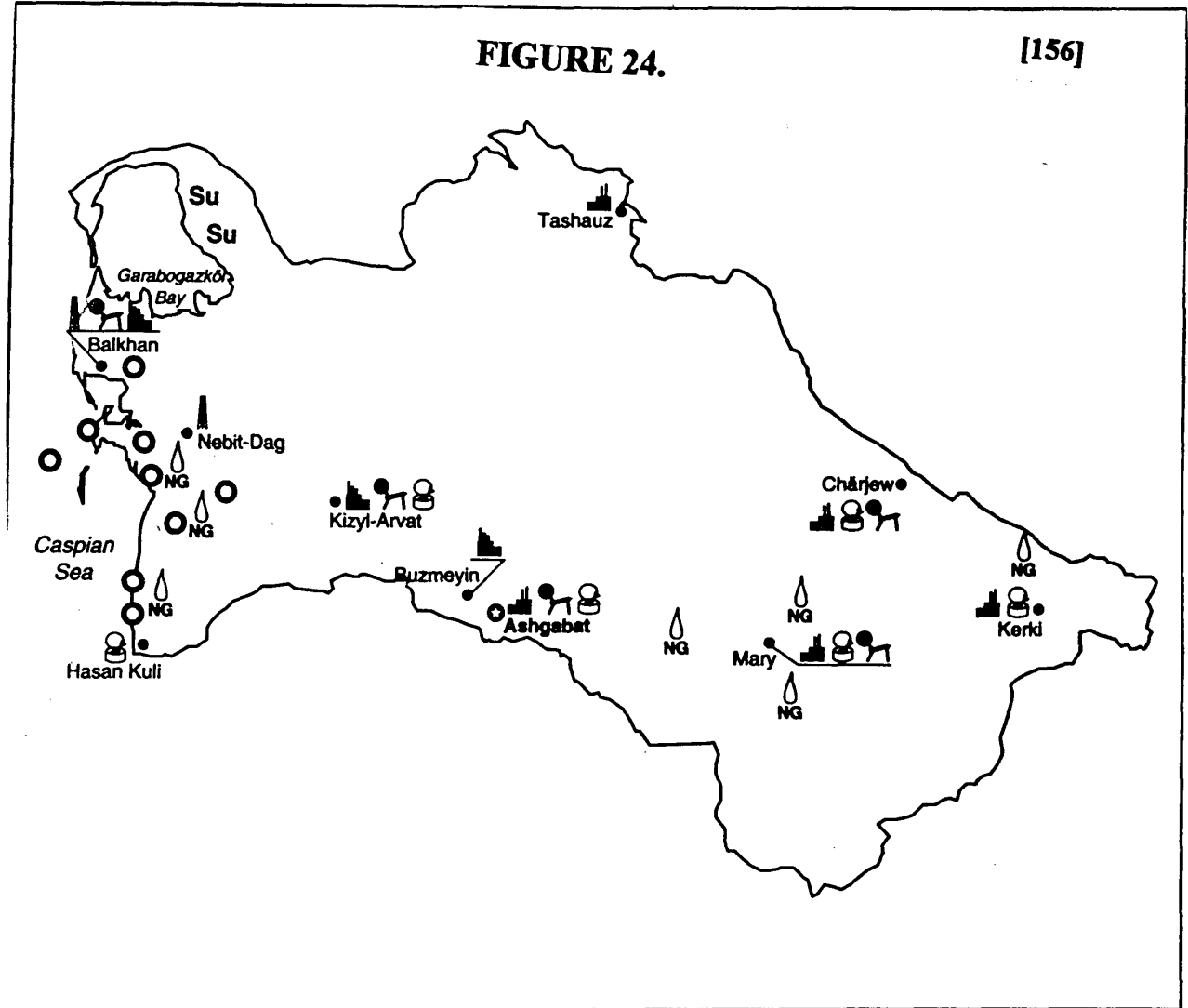
[155]

border area T
Iran

Turkmenistan: Industry and Minerals

FIGURE 24.

[156]



- | Minerals | | Industry | |
|-----------|-------------|----------|--|
| | Natural gas | | Food processing |
| | Oil | | Light industry (wood, paper, glass, and ceramics) |
| Su | Sulfur | | Machinery, metal goods, building materials, and cement |
| | | | Petroleum refining |
| | | | Textiles and clothing |

Source: *Facts on File* p. 7.35

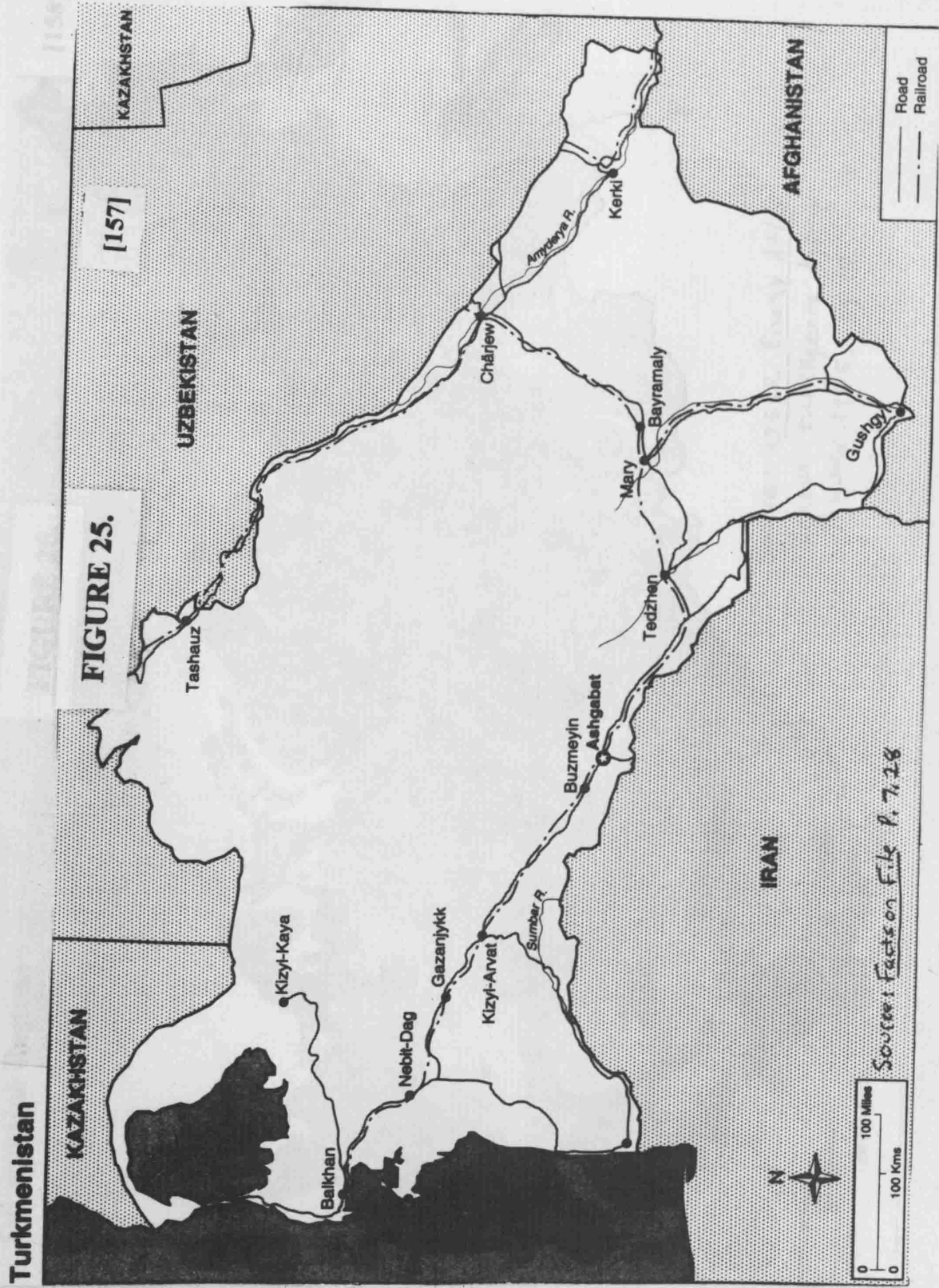


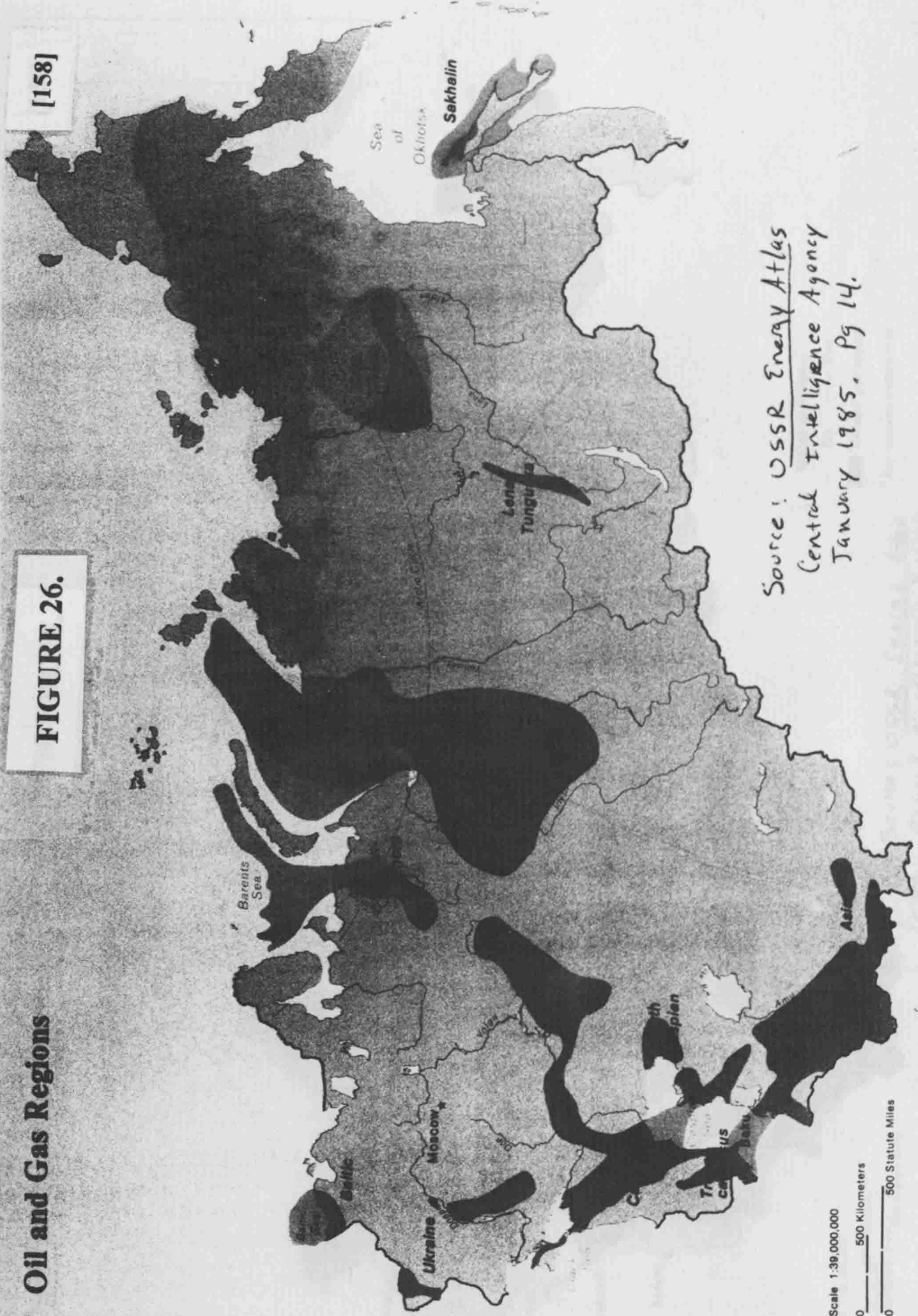
FIGURE 25.

[157]

Source: Factson File P. 7.28

Oil and Gas Regions

FIGURE 26.



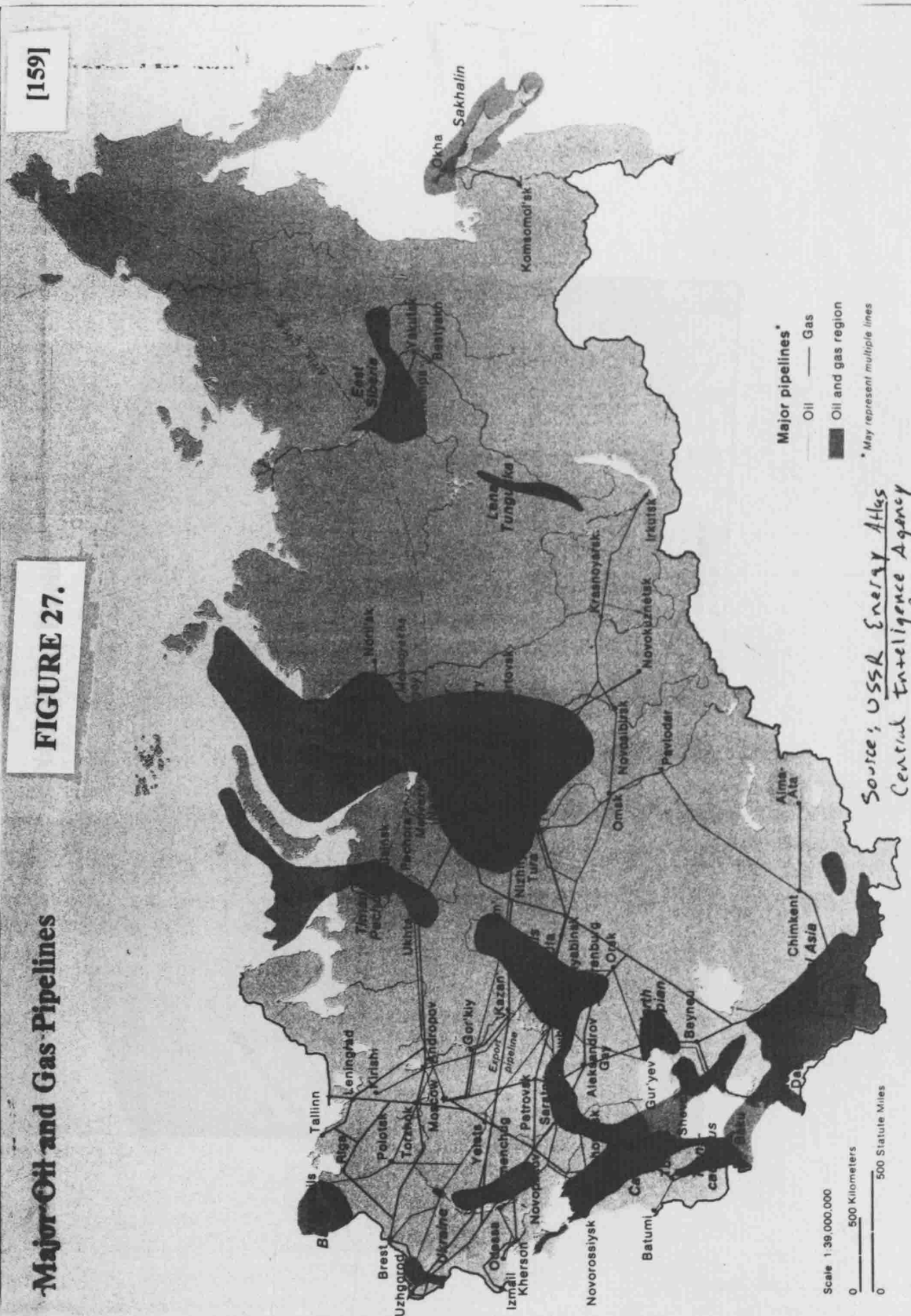
Source: USSR Energy Atlas
 Central Intelligence Agency
 January 1985, Pg 14.

Scale 1:39,000,000
 0 500 Kilometers
 0 500 Statute Miles

Major Oil and Gas Pipelines

FIGURE 27.

[159]



Source: USSR Energy Atlas
 Central Intelligence Agency
 January 1985. Pg. 32

[160]

Siberia-to-Western Europe Natural Gas Pipeline

FIGURE 28.

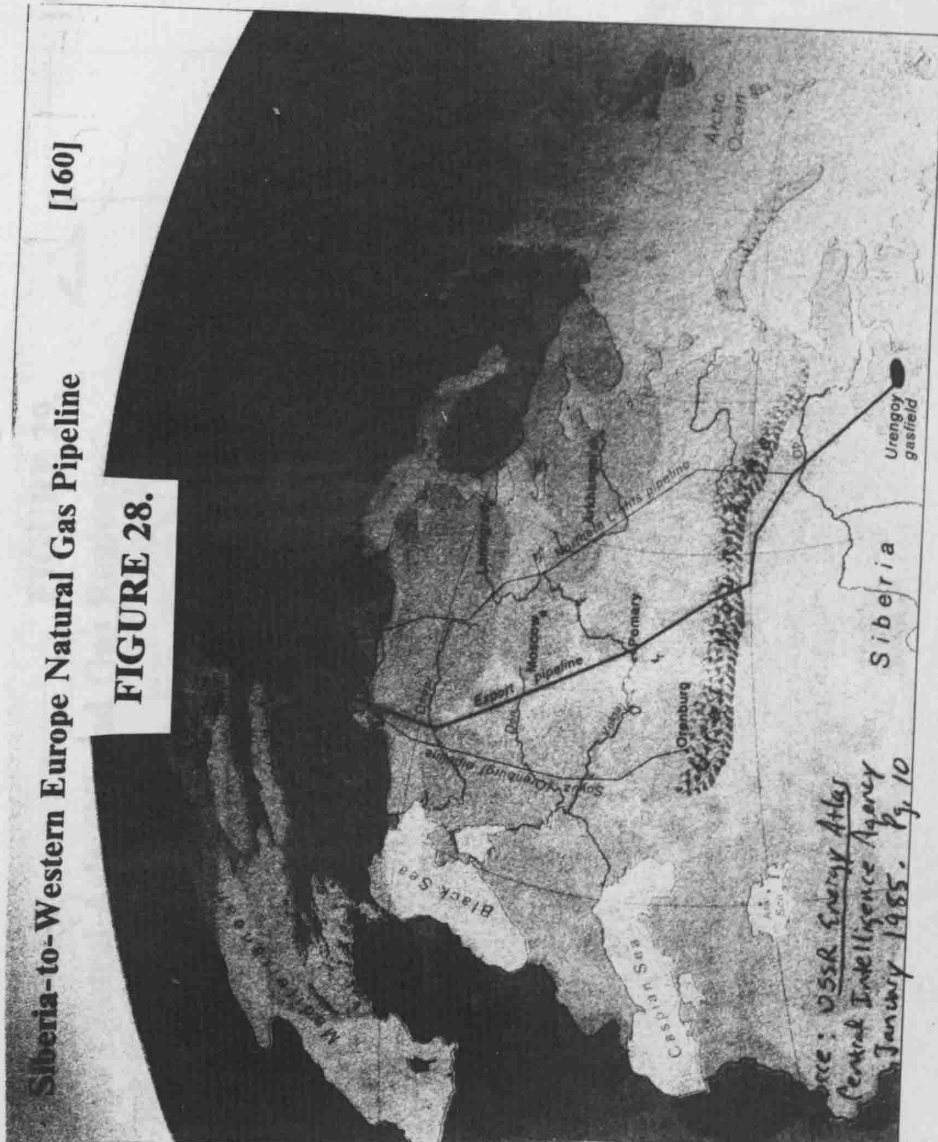
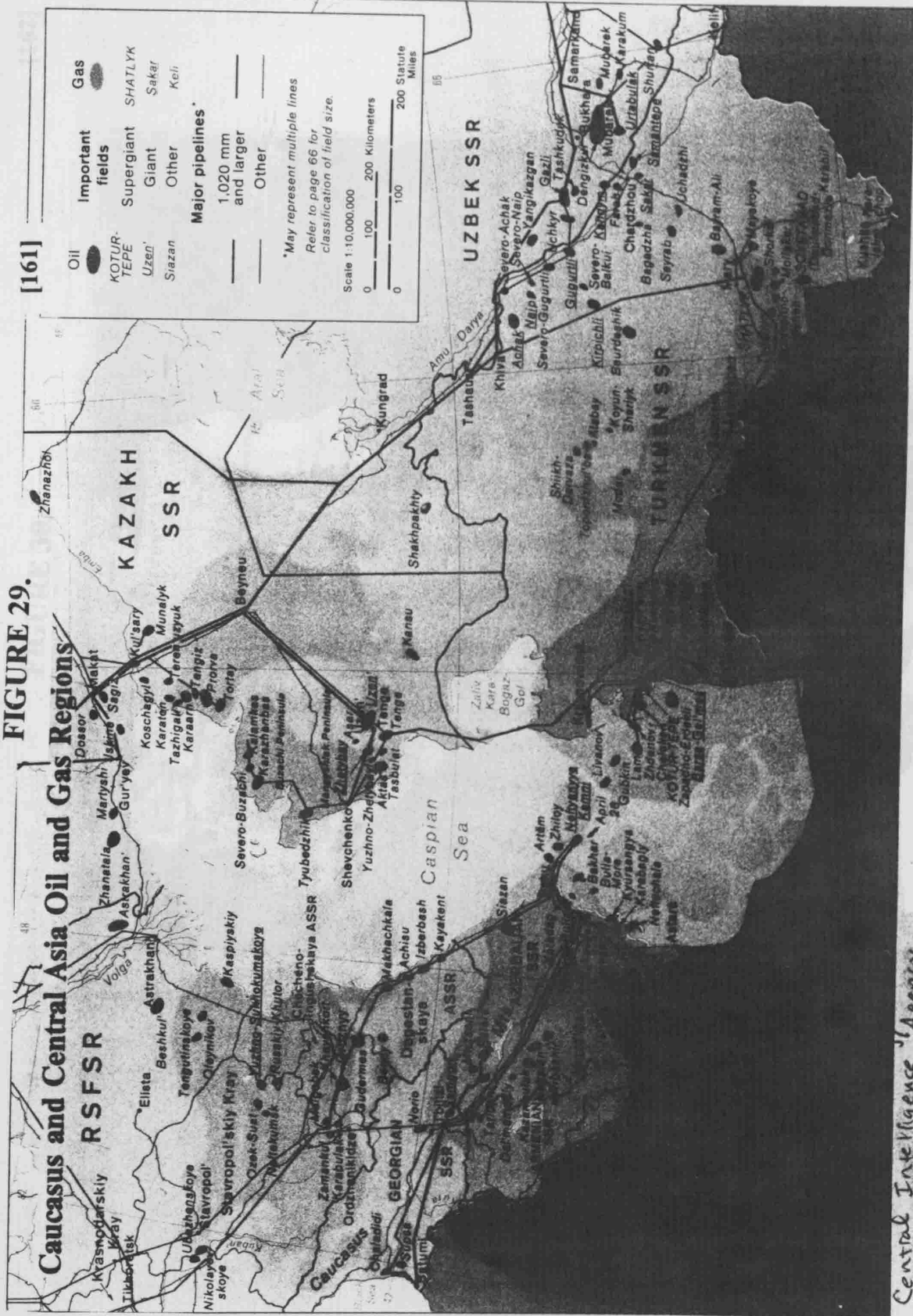


FIGURE 29.

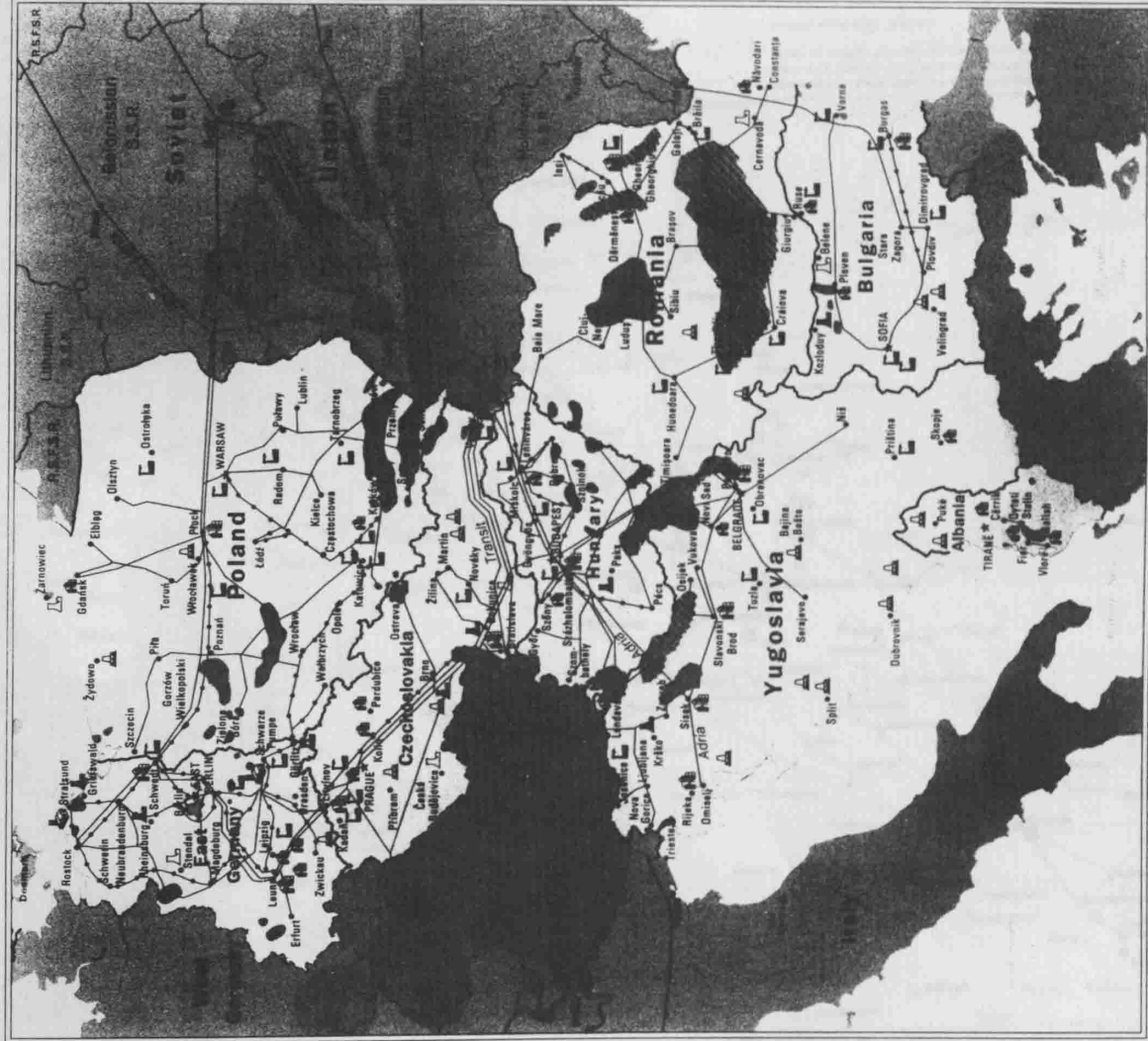
Caucasus and Central Asia Oil and Gas Regions



Central Intelligence Agency
January 1985. P. 21

FIGURE 30.

Scale 1:10,000,000
 0 100 200 Kilometers
 0 100 200 Miles



- OIL**
 - Producing area
 - Pipeline
 - Products pipeline
 - Refinery (capacity in barrels per day):
 100,000 and above
 Below 100,000
 - GAS**
 - Producing area
 - Pipeline
 - Manufactured-gas pipeline
 - Manufactured-gas plant
 - POWER PLANTS**
 - Thermal^a
 - Hydroelectric^a
 - Nuclear:
 - Operational
 - Under construction
- ^a Major thermal and hydroelectric plants are shown.

FIGURE 31.

■ Operational □ Under construction

Capacity in megawatts (MW)

100-300 301-1,000 Over 1,000

Thermal	■	■	■
Hydro	■	■	■
Nuclear	■	■	■

Transmission lines

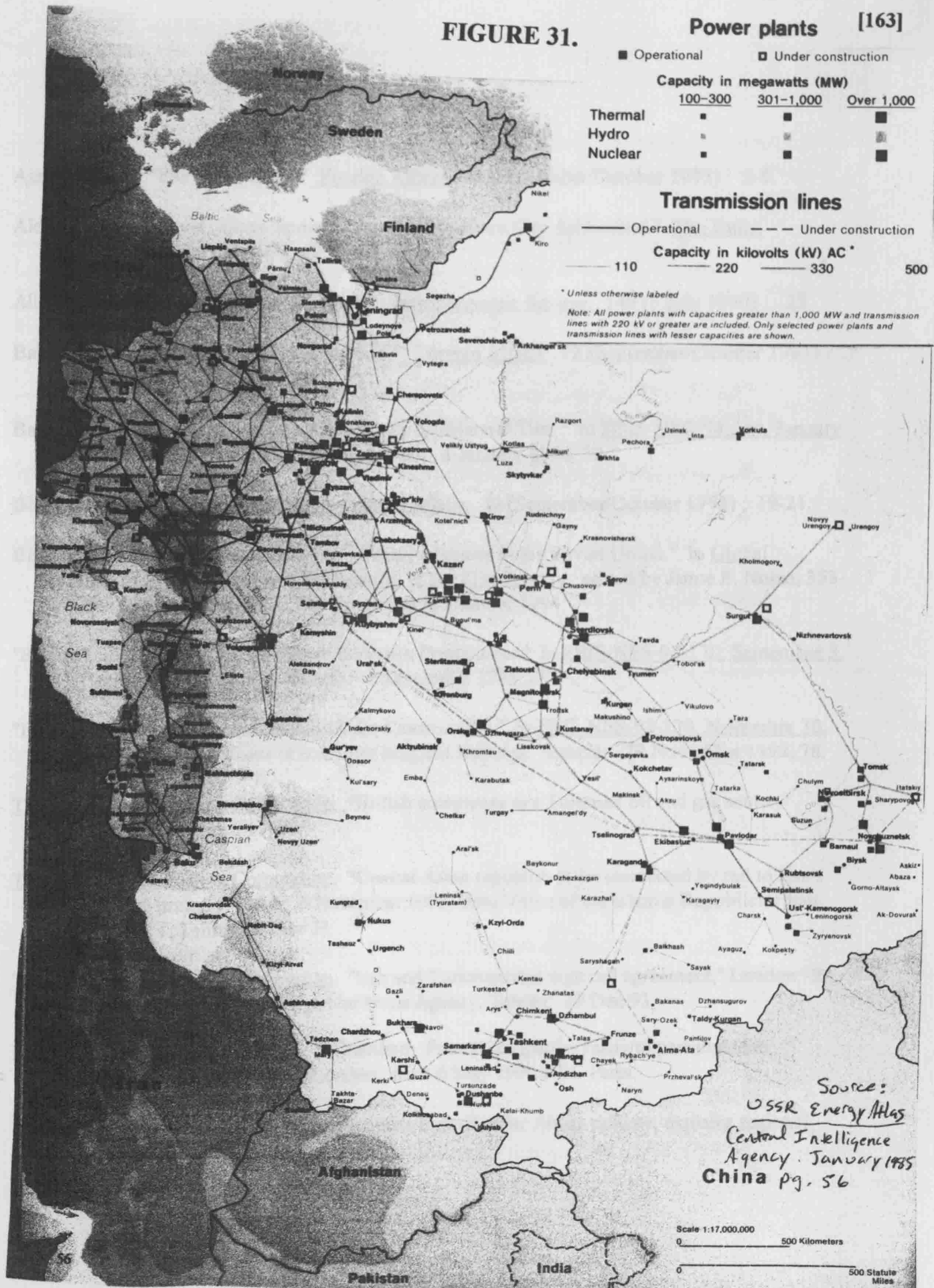
— Operational - - - Under construction

Capacity in kilovolts (kV) AC*

— 110 — 220 — 330 — 500

* Unless otherwise labeled

Note: All power plants with capacities greater than 1,000 MW and transmission lines with 220 kV or greater are included. Only selected power plants and transmission lines with lesser capacities are shown.



Source:
USSR Energy Atlas
Central Intelligence
Agency, January 1975
China pg. 56

Scale 1:17,000,000
0 500 Kilometers
0 500 Statute Miles

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