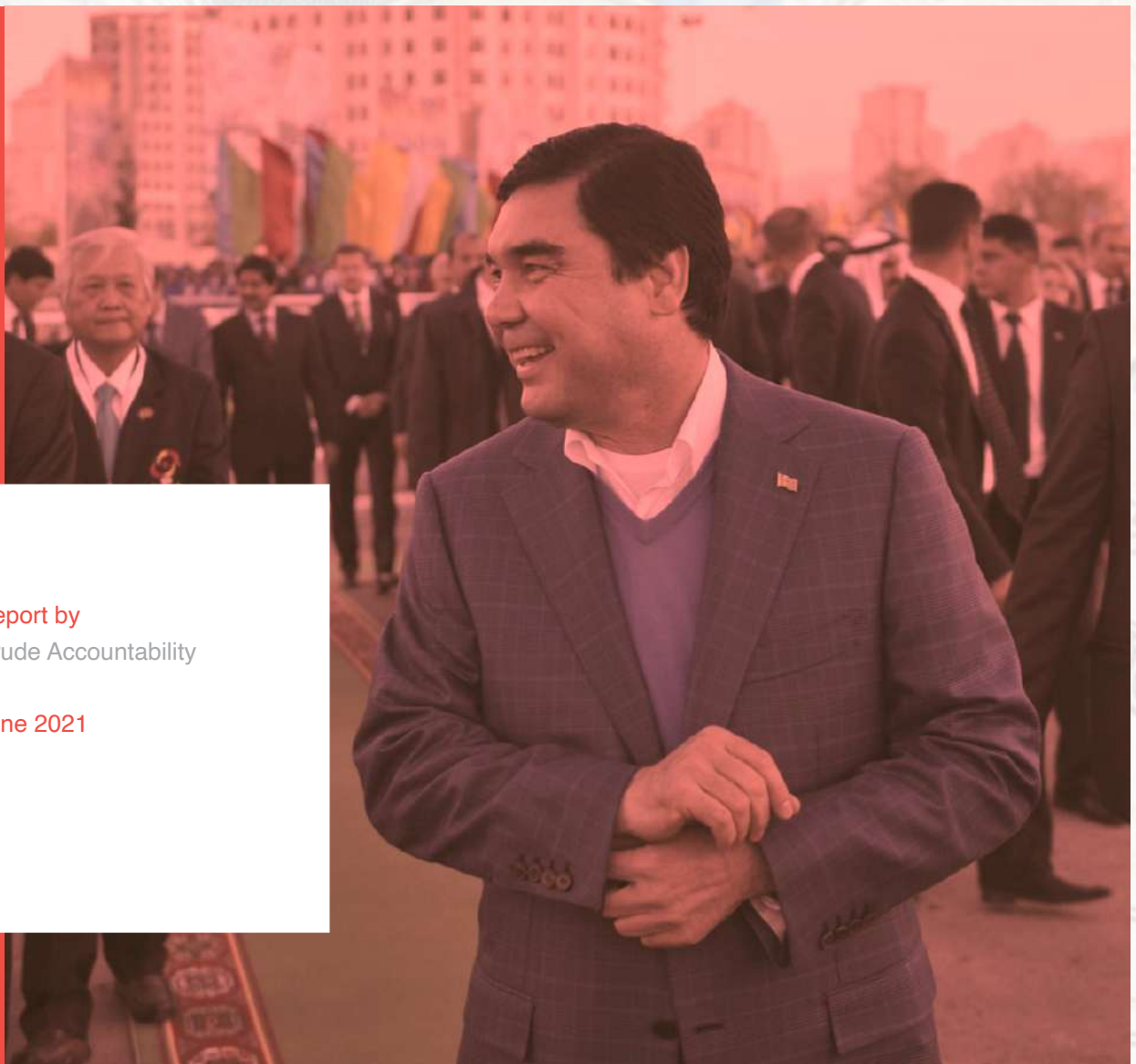


# Turkmenistan: **A Model Kleptocracy**



Report by  
Crude Accountability

June 2021

**CRUDE ACCOUNTABILITY**

Published by: Crude Accountability

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## Who We Are

Crude Accountability is an environmental and human rights nonprofit organization that works with communities in the Caspian and Black Sea regions who battle threats to local natural resources and the negative impacts on their health.

## What We Do

Crude Accountability works on the local, national, regional, and international levels in partnership with active communities and organizations committed to a just and environmentally sustainable world.

## Prove Campaign

Since 2013, Crude Accountability has been a founding member of the Prove They Are Alive! campaign. The campaign works to protect the rights of a large number of detainees serving long-term sentences in Turkmen prisons, about whom no information is available since their sentence.

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# Foreword

**Crude Accountability is proud to present this report, *Turkmenistan: A Model Kleptocracy*, which focuses on corruption and kleptocracy in Turkmenistan, one of the world's most closed and repressive countries.**

Turkmenistan's economy is driven by hydrocarbons, with natural gas and oil exports comprising 25% percent of the nation's GDP. Rather than benefiting the country's population of 5 million people, these monies enrich a small group of elites, including the president, his family, and his closest circle.

In addition to increasing the personal wealth of the leadership and financing vanity projects that provide no benefit to the nation, these monies finance a closed, brutal, and repressive prison regime, an unjust legal system, and other mechanisms to keep the people of Turkmenistan living in fear and destitution.

Turkmenistan has had only two presidents during its 30 years of independence. Both have created cults of personality; ruled through fear; stifled independent journalism, political opposition, and civil society; and both have amassed significant personal wealth through questionable means.

Since 2003, Crude Accountability has been working to help communities around the Caspian Sea region impacted by environmentally dangerous projects. This has been particularly challenging in Turkmenistan, where there is virtually no civil society. The government has abolished independent civic groups, repressed activists and scientists, and kept the citizens of the country, who should be rich from hydrocarbons, in overwhelming poverty.

The corrupt and harmful practices of the Turkmen government include the illegal human rights violation of enforced disappearances. The Prove They Are Alive! Campaign, of which Crude Accountability is a founding member, has documented over one hundred cases of enforced disappearances. The creation and maintenance of the brutal prison system in which these

individuals are held without access to legal counsel, proper medical assistance, visitation, or packages and letters, is financed by corrupt monies, revenue from hydrocarbons, and other dodgy deals.

This report explores some of the most important questions related to these issues in contemporary Turkmenistan. Chapter 1 describes Turkmenistan's hidden economy, asking the questions—where has the money gone? Why doesn't the economy benefit the citizens of the country? Chapter 2 looks at the specific companies that engage in business in Turkmenistan despite the corruption. Chapter 3 provides in-depth information about the presidents' families. This is the first time this information has been presented in one report and describes the linkages between family members and corporate and other entities involved in Turkmenistan's economic and political landscapes. Chapter 4 looks at some of the human rights abuses, particularly the issue of enforced disappearances, and connects this heinous crime to the economic and political elite in the country.

As our research shows, the abuses taking place in Turkmenistan are not happening in a vacuum. International actors—corporations, governments, financial institutions, and intergovernmental bodies—engage regularly with the Turkmen leadership. Whether by turning a blind eye or by knowingly participating in the corrupt and kleptocratic practices that enrich and empower the country's elite, these international bodies are complicit in the continuation and strengthening of corruption, kleptocracy, human rights abuses, and impoverishment in Turkmenistan.

Kate Watters, Crude Accountability Executive Director



# Key Findings

## **Turkmenistan is a model kleptocracy,**

where state revenues are embezzled and billions of dollars wasted by President Berdymukhamedov on vanity projects. His personality cult rivals that of his predecessor, Saparmurat Niyazov, and an all-powerful security service allows no dissent, no freedom of speech, no political pluralism.

## **The country is one of the most, if not the most, economically opaque in the world,**

and has become even less transparent under President Berdymukhamedov. It releases no reliable information on economic growth, its national budget, oil and gas revenues, or currency reserves.

Information from international financial institutions suggests **Turkmenistan possessed around \$35 billion in foreign currency reserves in 2015.** The country's current severe economic crisis suggests that they have been misused and mismanaged, although how much remains is unknown.

## **Turkmenistan relies on gas exports to China for the majority of its revenue.**

However, questions remain over China's future gas demand, and unless Turkmenistan diversifies its economy away from oil and gas exports it will remain in deep economic peril.

## **The majority of Turkmenistan's gas export revenues flow to a state account in Deutsche Bank, Frankfurt.**

Deutsche Bank has consistently refused to engage with human rights and anti-corruption campaigners about how it acts as the main banker for one of the worst regimes in the world.

## **Berdymukhamedov has restructured the oil and gas industry around himself,**

abolishing the State Agency for Management and Use of Hydrocarbons, and creating a shadowy national company called NAPECO, which publishes no information on its activities, revenues, expenditure, or management board.

## **The president's family controls the country's major businesses.**

Key to this control are his six sisters, especially his eldest sister, Durdynabat, her husband Annazarar Rejepov, and their sons Shamurat and Hadjimurat Rejepov. Berdymukhamedov's son, Serdar, is likely being groomed to take over from his father at some point in the future.

## **Outside of the president's family, the most powerful person in the country is Viktor Khramov,**

a presidential advisor who retained his position after Niyazov's death. Berdymukhamedov's advisor on oil and gas issues, Igor Makarov of the company Areti (formerly named Itera), is also believed to be a key associate and aids the president in his financial affairs.

## **Despite this model of corruption and repression, many companies still attempt to do business in Turkmenistan.**

The most successful – Polimeks, Bouygues, Calik Holding, Itera/Areti – do so through close personal relationships with the president.

## **At least 95 people, many of them former state officials, continue to be held in Turkmen prisons with no contact with the outside world,**

and no information on whether they are even still alive.

# Introduction

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**Turkmenistan is one of the most secretive and repressive countries in the world. Many people's knowledge of this Central Asian state is limited only to the eccentric behavior of its president, Gurbanguly Berdymukhamedov, whose exploits (everything from giving musical performances to racing cars and shooting handguns) are relayed by state television. While these viral videos bring at least some attention to this isolated nation, there is a danger that they mask the very real human rights abuses that take place on a daily basis.**

There are virtually no civil liberties in Turkmenistan, no political plurality, and no freedom of speech. Even freedom of movement is restricted with reports of a 'blacklist' of as many as 20,000 people who are prohibited from leaving the country.<sup>1</sup> The year 2020 saw Freedom House rank Turkmenistan below even North Korea in terms of civil liberties and political rights, with war-torn Syria the only country receiving a lower score.<sup>2</sup>

With a relatively small population (around 4.75 million as of the end of 2012<sup>3</sup>), Turkmenistan should be economically prosperous from the sale of its gas, as it has the fourth largest gas reserves in the world.<sup>4</sup> However, many parts of the country still lack basic sanitation and a steady supply of electricity,<sup>5</sup> and since 2017 an economic crisis has resulted in many Turkmen citizens waiting in huge lines to purchase low-quality subsidized products, such as flour and eggs, as the commercial prices are too high for the average person. A lack of hard currency in 2019 saw similar lines at cash machines, with restrictions on how much currency could be withdrawn, and the re-emergence of a black market dollar exchange rate ten times the official one. Far from the blossoming prosperity that Berdymukhamedov proclaimed, the country was described in May 2019 as being "on the edge of catastrophe" by Foreign Policy Centre.<sup>6</sup>

What has caused this? Years of mismanagement, reckless spending, and corruption, stemming from the fact that Turkmenistan is a kleptocracy – a country where the ruling elite use their power to capture the state's natural resources to increase their own personal wealth at the expense of the populace. Money that should rightfully be spent on the people of Turkmenistan is embezzled, secreted away in foreign bank accounts, used to buy real estate in Europe and the United States, or otherwise wasted on vanity projects that reinforce the president's personality cult. The country's model of governance does not

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<sup>1</sup> <https://provetheyarealive.org/the-iron-doors-of-dictatorship-systematic-violations-of-the-right-to-freedom-of-movement-in-turkmenistan/>, p3, accessed March 12, 2021. HRW reports that the number is 5,000. See <https://www.hrw.org/world-report/2021/country-chapters/turkmenistan>, accessed March 12, 2021.

<sup>2</sup> <https://freedomhouse.org/countries/freedom-world/scores?sort=asc&order=Total%20Score%20and%20Status>, accessed March 12, 2021. South Sudan and Eritrea scored the same mark as Turkmenistan (2 out of 100). Tibet, an autonomous region of China, scored 1, although China as a whole scored 9.

<sup>3</sup> <https://www.hronikatm.com/2015/02/rezultatyi-perepisi-naseleniya-v-turkmenistane/>, accessed March 12, 2021.

<sup>4</sup> <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2019-natural-gas.pdf>, p30, accessed March 12, 2021.

<sup>5</sup> <https://www.chathamhouse.org/sites/default/files/publications/research/2016-03-08-turkmenistan-bohr.pdf>, p40, accessed March 12, 2021.

<sup>6</sup> <https://fpc.org.uk/wp-content/uploads/2019/07/FPC-Spotlight-on-Turkmenistan-publication.pdf>, p39, accessed March 12, 2021.

serve its people, and has been compared to a private company owned by the president's family, or even an organized crime group.<sup>7</sup>

Turkmen citizens live in a world of either disinformation or no information. The authorities continue to deny the existence of coronavirus in the country, and have even suggested that the disease can be spread by dust blowing in from Uzbekistan.<sup>8</sup> Virtually no information is given to the Turkmen people on the economy, on government borrowing, or spending. The public version of the 2020 budget consisted of just two pages of incomplete, unclear information.<sup>9</sup> The opacity surrounding economic activity allows those in charge to embezzle state funds with impunity. Yet in terms of media reporting, whereas one can find countless articles on the profligate spending of the ruling elites of other Central Asian kleptocracies,<sup>10</sup> very little is known about Turkmenistan's government officials, their families, and where they stash their money. Turkmenistan is conspicuous by its absence from the excellent *Dictators without Borders: Power and Money in Central Asia*, which contains chapters on some of the region's most infamous kleptocrats.<sup>11</sup> Likewise, investigative website the Organized Crime and Corruption Reporting Project (OCCRP) features many examples of corrupt dealings from Azerbaijan, the Kyrgyz Republic, and Kazakhstan, but few stories on Turkmenistan.<sup>12</sup> One reason for this is the extreme secrecy under which the Turkmen regime operates: although freedom of speech is also restricted in other Central Asian nations such as Kazakhstan and Uzbekistan, some independent voices remain, allowing information to be collected and published, sometimes anonymously. Independent voices are virtually non-existent in Turkmenistan: any journalist straying from the party line will find themselves harassed, jailed, or even killed.<sup>13</sup> The few independent voices that do exist do so from outside the country, using whatever information they can get safely from inside.

This report attempts – to the extent possible – to fill the void in reporting on corruption in Turkmenistan by looking at how much the Turkmen government is earning,

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**This report attempts – to the extent possible – to fill the void in reporting on corruption in Turkmenistan by looking at how much the Turkmen government is earning, how the revenue is managed, and what the money is spent on.**

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<sup>7</sup> <https://freedomhouse.org/country/turkmenistan/nations-transit/2018>, accessed March 18, 2021. See also Horák, Slavomír; "Turkmenistan: Stability Through Regime Mobilisation," taken from *Political Regimes and Neopatrimonialism in Central Asia: A Sociology of Power Perspective*, Ed. Ferran Izquierdo-Brichs and Francesc Serra-Massansalvador, 2021, Palgrave Macmillan, p168: "Those who have close ties to the president or his close associates enjoy immunity and make illegal earnings as they have the "protector" behind them... The leadership allows, encourages, and requires officials to take bribes in order to pay up the pyramid to the officials' patrons."

<sup>8</sup> <https://cabar.asia/en/coronavirus-in-turkmenistan-politics-on-the-verge-of-crime>.

<sup>9</sup> <http://minjust.gov.tm/mcenter-single-ru/291>, accessed March 12, 2021.

<sup>10</sup> For example, <https://tashkenttimes.uz/national/4846-nearly-70-works-of-art-could-be-returned-karimova-s-geneva-villa>; <https://www.dailymail.co.uk/news/article-6401401/Oligarchs-luxurious-mansion-takes-shape-10-years-bought-Prince-Andrew-15-million.html>; <https://www.swissinfo.ch/eng/concerns-over-geneva-s-new-luxury-villa-owners/28615652>; <https://foreignpolicy.com/2014/06/10/the-corleones-of-the-caspian/>; <https://www.bbc.co.uk/news/uk-51809718>, <https://www.cityam.com/nca-defeated-in-unexplained-wealth-order-battle-to-seize-three-london-homes-worth-80m/>. All accessed March 12, 2021.

<sup>11</sup> Heathershaw, John & Cooley, Alex; *Dictators Without Borders: Power and Money in Central Asia*, 2017, Yale University Press.

<sup>12</sup> See <https://www.occrp.org/>

<sup>13</sup> <https://www.rferl.org/a/1071322.html>, accessed March 15, 2021.

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how the revenue is managed, and what the money is spent on.

It examines the corrupt legacy established under the country's first president, Saparmurat Niyazov, who created the system of kleptocracy that continues under his successor, President Berdymukhamedov. It also examines key government officials, and members of Berdymukhamedov's family, in a bid to fill in the blanks about those who profit from this state theft. It examines the officials who have been jailed for economic crimes in order to see what we can learn from their alleged wrongdoings and what it says about those who remain in power. Finally, this report looks at those businesses that have looked to profit from one of the most repressive regimes in the world by establishing links with the Turkmen government, and those that have acted as enablers to the regime by providing goods and services to the Turkmen state, which serves to entrench an already corrupt system.

This information has international implications: the Global Magnitsky Act (GMA) allows the US government to sanction corrupt government officials implicated in abuses anywhere in the world. The EU and UK have approved similar legislation.<sup>14</sup> The United Kingdom's introduction of Unexplained Wealth Orders enables law enforcement officials to seize the property of foreign government officials through civil recovery proceedings should they be unable to prove that the source of their wealth is legitimate. Further legislation in the United Kingdom aims to record the owners of real estate to counteract corrupt officials and other criminals using anonymous offshore companies to hide their ill-gotten gains by investing in property.<sup>15</sup> This report puts the names of Berdymukhamedov's family members on record, assisting compliance officers in regulated industries, should these individuals ever attempt to take their money out of Turkmenistan.

For too long Turkmen officials have enjoyed the spoils of their corrupt dealings, acting with impunity while their impoverished citizens have no recourse to challenge or replace their leaders. This report thus aims to start shining a light on the people responsible for one of the worst regimes in the world.

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<sup>14</sup> <https://www.consilium.europa.eu/en/press/press-releases/2020/12/07/eu-adopts-a-global-human-rights-sanctions-regime/>; <https://commonslibrary.parliament.uk/research-briefings/cbp-8374/>. Both accessed March 15, 2021.

<sup>15</sup> <https://www.gov.uk/government/consultations/draft-registration-of-overseas-entities-bill>, accessed March 15, 2021.

# Chapter 1

## The Hidden Economy of Turkmenistan

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ASHGABAT, TURKMENISTAN: A 12 METER (39 FT) TALL GOLD-PLATED STATUE OF NIYAZOV WHICH ROTATED TO ALWAYS FACE THE SUN © SHUTTERSTOCK

## Turkmenistan's Currency Reserves, Off-Budget Funds and Deutsche Bank

### A Dearth of Information

**Turkmenistan is a financial black hole, and the scant amount of information that is published by the state cannot be relied upon, as official data is used to bolster government propaganda of a thriving and prosperous country.**

After it gained independence in 1991 Turkmenistan's first president was Saparmurat Ataevich Niyazov who served until his death in 2006. Known for his eccentric behavior and cult of personality – a model copied by Berdymukhamedov – Niyazov viewed most information regarding the state and its workings as a national secret. During the early years of independence, statistical volumes on Turkmenistan were published by the state, which were available to be purchased by the general public, although the print run was small: The

National Economy of Turkmenistan in 1993 (published in 1994) had a circulation of 400 copies. However, in 1998 Niyazov gave a speech in which he expressed concern that any foreigner could buy one of these volumes, and reprimanded the head of the National Institute of State Statistics. This saw the end of the public availability of such statistical collections; from then on, copies were sent only to a special list of individuals, with editions individually numbered and stamped “for official use.”<sup>16</sup> The Turkmen authorities remain paranoid about the leak of any information that could show their country in a negative light: according to a May 2019 Radio Liberty report, as a result, two former heads of the State Statistics Committee of Turkmenistan are monitored by the authorities, and have limited contact with the outside world.<sup>17</sup>

This pattern of decreasing transparency is reflected in the information on Turkmenistan produced by international financial institutions such as the International Monetary Fund (IMF), the World Bank, and the European Bank for Reconstruction and Development (EBRD). The IMF suspended its activities in

<sup>16</sup> Information obtained from Turkmenistan by a researcher in the 1990s.

<sup>17</sup> <https://rus.azathabar.com/a/29969698.html>, accessed March 15, 2021.

Turkmenistan under Niyazov due to human rights concerns, but reestablished relations after Berdymukhamedov came to power.<sup>18</sup> This initially led to more data about Turkmenistan's economy being placed in the public domain through its Article IV consultations. This is where a team of IMF economists visits member countries, of which Turkmenistan is one, to assess economic developments and publish a report on its findings. Based on the press releases available on its website, the IMF appears to have conducted Article IV consultations in Turkmenistan every year since 2008 apart from 2012, 2014, and 2016 (one was planned for 2020 but it did not take place because of the COVID-19 pandemic).<sup>19</sup> Turkmenistan is unlike the majority of IMF member countries, as the full Article IV report is not published; instead, brief financial data is published in two press releases, one on the conclusion of the visit, and the second when the full report has been finalized.<sup>20</sup> However, this changed in 2018/2019 when the IMF published a press release only at the end of the visit, and not on the finalization of the report.<sup>21</sup> The IMF website notes: "the [Turkmen] authorities have not consented to publication of the staff report and the related press release."<sup>22</sup>

This was likely because the Turkmen authorities did not want the public to know about its current economic crisis. Furthermore, certain data is no longer being reported: until 2015, the IMF published a figure totalling the amount of Turkmen exports made up of hydrocarbons – a useful indicator of whether the Turkmen economy is diversifying away from oil and gas. More recent press releases lack this figure.<sup>23</sup> The lack of recent data concerning currency reserves is discussed below.

The World Bank's last engagement note was back in 2015;<sup>24</sup> the bank commented to Reuters in 2018 that before it could lend economic support, Turkmenistan must provide better economic data and ensure transparency.<sup>25</sup> A webpage on the World Bank's assessment of Turkmenistan's economy says: "The following analysis is based on estimations using the limited data available and should therefore be viewed in this context."<sup>26</sup> This limited data has caused quite startlingly different estimations of the Turkmen economy. One researcher has noted the disparity between the IMF's figures for nominal GDP in dollars, and the figure that can be extrapolated from the EBRD's figures: in 2006 and 2007, the difference was so big it meant that the IMF considered that the Turkmen economy was more than twice the size that the EBRD believed it to be.<sup>27</sup> It is clear that the IMF no longer trusts the Turkmen government's data:

<sup>18</sup> [http://www.silkroadstudies.org/resources/pdf/SilkRoadPapers/2009\\_03\\_SRP\\_Horak-Sir\\_Turkmenistan-Berdimuhamedov.pdf](http://www.silkroadstudies.org/resources/pdf/SilkRoadPapers/2009_03_SRP_Horak-Sir_Turkmenistan-Berdimuhamedov.pdf), p63, accessed March 15, 2021.

<sup>19</sup> <https://www.imf.org/en/Countries/TKM#whatsnew>, accessed March 15, 2021.

<sup>20</sup> For example, the 2015 mission was concluded in January (see <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr1526>) with the report finalized in April (See <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr15149>). Both accessed March 15, 2021.

<sup>21</sup> <https://www.imf.org/en/News/Articles/2018/03/09/pr1881-imf-staff-concludes-article-iv-consultation-visit-to-turkmenistan>, accessed March 15, 2021.

<sup>22</sup> <https://www.imf.org/en/Countries/TKM#whatsnew>, accessed March 15, 2021.

<sup>23</sup> For example, compare April 2015, <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr15149>, with November 2019, <https://www.imf.org/en/News/Articles/2019/11/14/pr19414-turkmenistan-imf-staff-concludes-staff-visit>, both websites accessed March 15, 2021.

<sup>24</sup> <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/371591467987825776/turkmenistan-country-engagement-note-for-the-period-fy2016-17>, accessed March 15, 2021.

<sup>25</sup> <https://www.reuters.com/article/us-turkmenistan-economy/foreign-companies-struggle-in-cash-strapped-turkmenistan-idUSKCN1Z0Q4>, accessed March 15, 2021.

<sup>26</sup> <https://www.worldbank.org/en/country/turkmenistan/overview#3>, accessed March 15, 2021.

<sup>27</sup> Unpublished research commissioned by Global Witness circa 2011

in its World Economic Outlook published in April 2021, the IMF used its own assessment of GDP growth in 2020, rather than the higher figure released by the Turkmen government.<sup>28</sup>

Arguably the most opaque sector in Turkmenistan is the oil and gas sector.

The Natural Resource Governance Institute (NRGI), an NGO working on oil and gas sector transparency, ranks Turkmenistan in last place out of 45 countries, based on the transparency of its extractive industry, with a score of 0 out of 100, behind such economic black holes as Equatorial Guinea, Afghanistan, and Myanmar.<sup>29</sup>

Turkmenistan was also ranked 88th among 89 countries on the NRGI's 2017 Resource Governance Index, which assesses the quality of policies and practices that authorities employ to govern their countries' extractive industries.<sup>30</sup>

Part of the reason for the opacity is the government's effort to prevent Turkmen citizens from learning what is happening with the country's gas revenues, and to hide rampant government corruption, established by Niyazov and continued by Berdymukhamedov. Corruption may have even worsened under Berdymukhamedov, due to him being viewed internally as less despotic and erratic than his predecessor, meaning that those beneath him are less likely to be reined in by fear.

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<sup>28</sup> The IMF gave GDP growth for Turkmenistan in 2020 as 0.8%, <https://www.imf.org/-/media/Files/Publications/WEO/2021/April/English/text.ashx>, p38, whereas this figure was reported by Turkmen state media sources as 5.9%, <https://tdh.gov.tm/ru/post/26039/rasshirennoe-zasedanie-kabinet-a-ministrov-turkmenistana-2>, see also <https://www.hronikatm.com/2021/04/imf-epiphany/>, all accessed April 9, 2021.

<sup>29</sup> <https://resourcegovernance.org/resource-governance-index/report/state-owned-companies#fig2>, accessed March 15, 2021.

<sup>30</sup> <https://resourcegovernance.org/sites/default/files/documents/2017-resource-governance-index.pdf>, p5, accessed March 15, 2021.

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## The Early Days of Turkmen Independence: No Foreign Currency

**Since Turkmenistan gained its independence, revenues that should have flowed to the budget were instead diverted away from it, a practice that continues to this day.**

The origins of this system date back to the final years of the Soviet Union, when the authorities of the then Turkmen Soviet Socialist Republic were granted a general license from the Soviet Central Bank that allowed them to manage foreign currency at their own commercial bank. According to a former deputy head of the Turkmen Central Bank, Annadurdy Khajiev, Turkmenistan received from Moscow around a billion dollars, which represented 30% of gas sales from the Soviet Union. However, the money was not credited to the Turkmen budget nor was it placed in the Turkmen Republic's Central Bank. Instead, it was placed in the new Joint-Stock Commercial Bank of Turkmenistan, which in 1990 was headed by Khudaiberdy Orazov.<sup>31</sup> After Turkmenistan gained its independence, Orazov became the head of the new State Bank for Foreign Economic Affairs of Turkmenistan (*Vnesheconombank*), and the account transferred along with him.<sup>32</sup> When Orazov became the head of the Turkmen Central Bank in 1993 the *Vnesheconombank* gas revenue account was again transferred on Niyazov's orders.

Another state account that held dollar receipts from the sale of oil and cotton was opened in 1991 in Credit Suisse in Geneva, Switzerland.<sup>33</sup> According to Khajiev, Turkmenistan's cotton revenues were also diverted away from the budget. In 1992, Turkmenistan's income according to the national budget was just \$166.5 million. The government earned \$1.38 billion through the export of 1.15 million tons of raw cotton, yet this money did not reach the Central Bank. According to Khajiev, Credit Suisse officials accidentally showed him personal account balances for the then Turkmen Minister of Agriculture, Payzygeldy Meredov, which suggested that he may have been misappropriating some of these revenues.<sup>34</sup>

The newly independent Turkmenistan should have been replete with money from oil, gas, and cotton exports. However, according to Khajiev, because these funds had been diverted away from the Central Bank, it had "not a single dollar" to pay an £800,000 advance to a British firm, De La Rue plc, which was contracted to print the new Turkmen currency, the manat, in 1992. Instead, Niyazov told the various ministries to contribute funds, with the Ministry of Oil & Gas and the Ministry of Agriculture each providing half of the required amount from accounts they held outside of Turkmenistan. Niyazov also refused to use foreign currency to maintain the national exchange rate, unlike Central Banks of most other countries. This resulted in the collapse of the manat in November 1993, forcing Niyazov to issue a decree ordering the ministries to transfer their revenue to the Central Bank.<sup>35</sup>

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<sup>31</sup> Crude Accountability interview with Annadurdy Khajiev, February 2021.

<sup>32</sup> <https://www.mk.ru/old/article/2002/09/17/162019-obyiknovennyiy-bashizm.html>, accessed March 26, 2021.

<sup>33</sup> Interviews and correspondence with sources from international banking community, various times, and Annadurdy Khajiev, April 2021.

<sup>34</sup> Crude Accountability interview with Annadurdy Khajiev, February 2021. \$166.5 million is the equivalent of 47,962,500,000 rubles (the Turkmen manat had yet to be introduced).

<sup>35</sup> Crude Accountability interview with Annadurdy Khajiev, February 2021.



## Origins of the Foreign Exchange Reserve Fund

**When representatives from the IMF enquired in meetings in Turkmenistan in 1994 about the surprising lack of hard currency, the president's solution was to center the financial system around himself.**

Certain officials, including Payzygeldy Meredov, were assigned to another positions. Most crucially, a decree by Niyazov from December 1994 established the fund containing revenues from gas sales (the former Vnesheconombank account) as a foreign exchange reserve from which only he could authorize spending.<sup>36</sup> These reserves were then transferred to a new government account opened in Deutsche Bank in Frankfurt, Germany in 1995.<sup>37</sup> It is this fund which is referred to by international financial institutions as the Foreign Exchange Reserve Fund (FERF).

As a result of the creation of this fund and its move to Deutsche Bank, the vast majority of Turkmenistan's earned revenue continued to be transferred out of the country. A report by anti-corruption NGO Global Witness established that in the Niyazov era the FERF received 50% of all hard currency from the sale of exported gas, which flowed into Deutsche Bank account number 949924500.<sup>38</sup> No money from gas sales, including taxes, went to the budget, with 25% going into another fund that Niyazov had created in 1994 called the State Fund for the Development of the Oil & Gas Industry and Mineral Resources of Turkmenistan (often referred to as the Oil & Gas Development Fund). The remaining 25% was invested directly back into the country's extractive industry infrastructure.<sup>39</sup>

Although Niyazov had attempted to consolidate control over the state's finances, supervision over Turkmen money flows was lacking. One Central Bank chairman was jailed in 2002 after allegedly stealing over \$41 million from the Oil & Gas Development Fund, with most of the money diverted from an account held at Deutsche Bank. Niyazov himself said the stolen money formed part of the country's oil and gas revenues.<sup>40</sup> Documents related to the case show that money was transferred in a series of transactions to accounts held by three companies in two Latvian banks, Parex and Lateko, with a larger amount sent to an account held at the Metallurgic Investment Bank in Moscow. However, during a trial in Moscow of those accused of involvement in the theft, the Turkmen government failed to submit documentation that would prove that the stolen money indeed belonged to the Central Bank – both a

<sup>36</sup> Decree No. 2347 of the President of Turkmenistan, 'Concerning the currency reserve' [о валютном резерве Туркменистана], December 8, 2004. Point 2 of the decree establishes that "spending of funds from the foreign exchange reserve of Turkmenistan is carried out only on the basis of written orders and resolutions of the President of Turkmenistan [установить, что расходование средств из валютного резерва Туркменистана осуществляется только на основании письменных распоряжений и постановлений Президента Туркменистана]." The law was later replaced by others.

<sup>37</sup> <https://www.mk.ru/old/article/2002/09/17/162019-obyiknovennyiy-bashizm.html>, accessed March 26, 2021.

<sup>38</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p16, accessed March 15, 2021.

<sup>39</sup> *Ibid.* Plus additional information from sources from international banking community, various times.

<sup>40</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p19, accessed March 15, 2021; <https://www.rferl.org/a/1342273.html>, accessed April 11, 2021.

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sign of Niyazov's paranoia related to the release of information, and a possible indication that the Turkmen authorities were trying to hide something.<sup>41</sup>

Regardless, the case was used as a pretext for more repression in Turkmenistan. Around fifty people, mainly relatives and employees of the Central Bank in Turkmenistan, were sentenced to long periods in prison. Some are believed to have died while incarcerated; those that have been released are prohibited from leaving the country.<sup>42</sup> Following the theft from the Deutsche Bank account, many state correspondent accounts were closed, and additional controls were added by Niyazov. Speaking on television soon after the theft, Niyazov said: "I ordered [the use of] all state resources only to be authorized by three signatures and also electronic transactions to be abolished."<sup>43</sup> The three signatures referred to himself, the head of Central Bank, and chief accountant of the presidential staff, suggesting that no money could leave the Turkmen state accounts without Niyazov's sign-off.

It was thus Niyazov himself who stood at the head of the corrupt system: although the FERF was held in the name of Central Bank of Turkmenistan, many sources, including former Central Bank chief Khudaiberdy Orazov (who fled the country in 2001 and joined the opposition in exile), said that Niyazov personally controlled the account and used it to fund his personality cult and build vanity projects.<sup>44</sup>

Off-budget funds containing oil and gas revenues are often established by resource-rich countries in order to avoid destabilizing the economy through increased spending, which can cause inflation. However, in countries that abide by the rule of law, these revenue flows are transparent, with spending governed by a certain set of principles and overseen by a management board. This is not the case in Turkmenistan, which reveals no information on currency reserves, how they are managed, or what they are spent on. The FERF has no website, and no reports about the fund are made publicly available. The lack of oversight, transparency, and reporting regarding the FERF has thus been a major issue for such institutions as the European Bank of Reconstruction and Development (EBRD), which described the fund in 2012 as "an off-shore, off-budget account, which was created and controlled by late President Niyazov."<sup>45</sup>

The EBRD has thus refused to fund private investments in the production and export of oil and gas that are linked to the FERF, a policy that remains in place in 2021 under Berdymukhamedov.<sup>46</sup>

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<sup>41</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p19, accessed March 15, 2021, plus additional unpublished information related to this investigation.

<sup>42</sup> Crude Accountability correspondence with a source familiar with situation regarding these officials, late 2020.

<sup>43</sup> Turkmen state media via BBC Monitoring, September 2002.

<sup>44</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p16, accessed March 15, 2021, and other interviews conducted by Crude Accountability researcher with sources from international banking community, various times.

<sup>45</sup> <http://crudeaccountability.org/wp-content/uploads/2012/10/20100323-EBRD-StrategyForTurkmenistan.pdf>, p22, accessed March 16, 2021. See also footnote 36.

<sup>46</sup> <https://www.ebrd.com/cs/Satellite?c=Content&cid=1395238383722&d=&pagename=EBRD%2FContent%2FDownloadDocument>, p13, accessed March 16, 2021.

## The FERF and the Stabilization Fund after the Death of Niyazov

**After Niyazov's death in December 2006, the new president, Gurbanguly Berdimukhamedov, moved quickly to establish control over Niyazov's cash flows and remove potential rivals.**

The Head of Niyazov's Presidential Guard, Akmurad Rejepov, was jailed in May 2007. One reason to remove Rejepov was because of the great power he had accumulated under Niyazov, though there were rumors that Rejepov and close associates were imprisoned because they had tried to secretly obtain funds amassed by the late president.<sup>47</sup> This theory is strengthened by a separate source who alleges that soon after Rejepov's arrest, a relative of his was forcibly taken to Abu Dhabi to access Niyazov's accounts purportedly held in Akmurad Rejepov's name at Emirates Bank so that Rejepov's relative could transfer the funds over to accounts controlled by the new president. If this story is accurate, by doing this not only did Berdimukhamedov rid himself of a potential rival, but also ensured that Niyazov's son, Murad, who had returned to Ashgabat after his father's death, could not use these funds to establish networks and regain power for his family.<sup>48</sup> Akmurad Rejepov died in prison in 2017.<sup>49</sup>

The lack of reports about what happened to Niyazov's assets in Turkmenistan following his death raised more questions, though one fund, named 'the International Fund of Saparmurat Niyazov', was liquidated by a special resolution issued by Berdimukhamedov in June 2007.<sup>50</sup> This entity was previously unknown, although Turkmen media reported that the fund was set up as far back as 1993, and had been managed by "German banks" – although one source with knowledge of this fund reports that foreign banks had no such involvement. According to this source, the fund managed the president's property inside Turkmenistan, including "estates" in every region, and was managed at least until August 1997 by Aleksandr Dodonov, who would go on to hold a variety of government positions before joining the opposition in exile in 2002.<sup>51</sup> Berdimukhamedov claimed that there would be an audit of this fund, but as is typical in Turkmenistan, following this report, neither the fund nor an audit was ever mentioned again by the Turkmen authorities in public fora.

Back in 2006, there was hope that a new president might introduce a modicum of transparency into the government's finances, yet the situation has become increasingly opaque in the years since Niyazov's death. As an apparent concession to such institutions as the EBRD – but in effect no concession whatsoever – Berdimukhamedov announced he would create in October 2008 the "Stabilization Fund,"<sup>52</sup> a "fund of future generations." It would be made up of revenues surplus to the budget plus

<sup>47</sup> [http://www.silkroadstudies.org/resources/pdf/SilkRoadPapers/2009\\_03\\_SRP\\_Horak-Sir\\_Turkmenistan-Berdimuhamedov.pdf](http://www.silkroadstudies.org/resources/pdf/SilkRoadPapers/2009_03_SRP_Horak-Sir_Turkmenistan-Berdimuhamedov.pdf), p28, accessed March 16, 2021.

<sup>48</sup> Story originates from a variety of sources and confirmed by a source formerly from Turkmenistan's business community, late 2019.

<sup>49</sup> See Chapter 4.

<sup>50</sup> <http://www.turkmenistan.ru/ru/node/18953>, accessed March 16, 2021.

<sup>51</sup> Correspondence with researcher familiar with Turkmenistan, January 2021. Researcher had interviewed Dodonov in 2003. Dodonov died in January 2018. Deutsche Bank denied any involvement with a fund of this name to Global Witness. See <https://www.globalwitness.org/en/archive/europe-should-help-turkmenistan-shed-light-dead-dictators-gas-billions/>, accessed March 16, 2021.

<sup>52</sup> <http://www.turkmenistan.ru/ru/node/24837>, accessed March 16, 2021.

other unnamed “financial assets”<sup>53</sup> that would be invested, according to Berdymukhamedov, “with minimal risk in high-yield, long-term financial shares and enterprises.”<sup>54</sup> As with other funds in Turkmenistan, no information has been provided by the government on this fund, and no law was ever passed regarding its formation or governance.

The fund does appear to have been created, as it is mentioned by both the EBRD and the IMF in their reporting on Turkmenistan.<sup>55</sup> However, as the EBRD stated in its March 2010 Strategy for Turkmenistan: “specific investment rules and governing principles for the Turkmen stabilisation fund have not been made public nor the overall amount of foreign exchange earnings channelled through this new stabilisation fund as opposed to other foreign exchange reserve holdings.”<sup>56</sup> In 2010, the IMF reported that the budget surplus was saved in the Stabilization Fund, “the total value of which was estimated at 15 percent of GDP at end-2009.” It also advised in 2015 that the use of the fund’s resources for extra budgetary projects “should be phased out and the saving function should be strengthened,”<sup>57</sup> emphasizing the similarity between the FERF and the new fund as avenues of opaque off-budget government spending.

The IMF noted in 2011 that the Stabilization Fund surplus was “mainly deposited with commercial banks for their further lending under government projects”<sup>58</sup> and in 2013 that it “provides funding for the newly created State Development Bank (SDB) for lending to public projects.”<sup>59</sup> The EBRD continued to frame the Stabilization Fund as a “major step forward” in its 2014 strategy, despite saying that the investment rules and governing principles were still yet to be published, six years after its formation.<sup>60</sup> The strategy did add one new piece of information – that the fund was managed by the Ministry of Finance.<sup>61</sup> Notably, the EBRD’s 2019 strategy did not mention the fund, and there has been no reference to the fund by the IMF in its press releases since 2013.

As for the FERF – which is still believed to receive the majority of Turkmen hydrocarbon revenues – the EBRD noted no significant change in its operations, saying in its 2014 strategy that the FERF continued to be held off-budget and that its “revenues continue to be spent in a highly non-transparent way.”<sup>62</sup> As a result, the EBRD has refrained from supporting the private oil and gas sector in Turkmenistan.<sup>63</sup> In 2010, the IMF recommended that extra-budgetary hydrocarbon revenues should be consolidated under

<sup>53</sup> “Neutral Turkmenistan,” No. 266, October 22, 2008.

<sup>54</sup> <http://www.turkmenistan.ru/ru/node/24837>, accessed March 16, 2021.

<sup>55</sup> <https://www.ebrd.com/downloads/country/strategy/turkmenistan.pdf>, p6, accessed March 16, 2021; <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr13301>, accessed March 16, 2021.

<sup>56</sup> <http://crudeaccountability.org/wp-content/uploads/2012/10/20100323-EBRD-StrategyForTurkmenistan.pdf>, p14, accessed March 16, 2021

<sup>57</sup> <https://www.imf.org/en/News/Articles/2015/09/28/04/53/pn10146>, accessed March 16, 2021.

<sup>58</sup> <https://www.imf.org/en/News/Articles/2015/09/28/04/53/pn11161>, accessed March 16, 2021.

<sup>59</sup> <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr13301>, accessed March 16, 2021.

<sup>60</sup> <https://www.ebrd.com/downloads/country/strategy/turkmenistan.pdf>, p13, accessed March 16, 2021.

<sup>61</sup> <https://www.ebrd.com/downloads/country/strategy/turkmenistan.pdf>, p38, accessed March 16, 2021.

<sup>62</sup> <https://www.ebrd.com/downloads/country/strategy/turkmenistan.pdf>, p6, accessed March 16, 2021.

<sup>63</sup> <https://www.ebrd.com/downloads/country/strategy/turkmenistan.pdf>, p8, accessed March 16, 2021.

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the budget,<sup>64</sup> and in 2013 suggested that public finance coverage should be expanded to include extra-budgetary activities “in line with best international practice regarding sovereign wealth funds,”<sup>65</sup> a likely reference to the FERF and/or Stabilization Fund. However, the IMF has not commented on Turkmenistan’s extra-budgetary spending in its press releases since this time. This is troubling as these funds are at the nexus of Turkmenistan’s opaque spending.

One can only speculate why no mention has been made of these entities in recent years.

To confuse matters even further, in May 2020, Turkmen state media reported that a new reserve fund had been created to “regulate the foreign exchange funds of legal entities engaged in export.”<sup>66</sup> The fund is to be held by the Central Bank and will receive the income in foreign currency of various ministries, sectoral departments, and enterprises. This is likely a separate entity from the FERF, which will continue to receive oil and gas revenues.

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<sup>64</sup> <https://www.imf.org/en/News/Articles/2015/09/28/04/53/pn10146>, accessed March 18, 2021.

<sup>65</sup> <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr13214>, accessed March 16, 2021.

<sup>66</sup> <http://www.turkmenistan.ru/ru/articles/44902.html>, accessed March 16, 2021. The two funds have subtle difference in their Russian names: this new fund is called резервный валютный фонд (reserve currency fund) as opposed to валютный резерв Туркменистана (currency reserve of Turkmenistan, referred to in English as the FERF).

## The Management of the Oil and Gas Industry Under Berdymukhamedov



GURBANGULY BERDYMUKHAMEDOV IN ASHGABAT, TURKMENISTAN © SHUTTERSTOCK

### The Creation and Abolition of the State Agency

**March 2007 saw the creation of the Government Agency for the Management and Use of Hydrocarbon Resources under the President of Turkmenistan, an attempt by Berdymukhamedov to consolidate power over the country's extractive industry.**

Key to this control was the creation of a new law 'On Hydrocarbon Resources' in 2008. This stipulated that 10% percent of hydrocarbon revenues would now flow to the budget, an amount that was increased to 20% in a 2010 amendment to the law. This was far from an improvement to the situation in Niyazov's time, however: under Niyazov, revenues flowed to the FERF; now there was no mention of the reserve fund. Instead, according to the law, the other 80% "remains at the disposal of the Agency and is used by them independently in accordance with its decisions."<sup>67</sup> There were no legislative standards that determined the rules of dispersal of the 80% of hydrocarbon revenues, which were

not even taxed, nor was there any control exerted by the Turkmen parliament or any other state structure. The management of the Agency itself was also opaque, and, as its name suggests, was controlled ultimately by the president of Turkmenistan.

In recent years, the industry was restructured once again. Worryingly, 2016 amendments to the hydrocarbons law stipulated that "an enterprise that is a legal entity of the Concern [state companies Turkmenneft and Turkmengaz] or another national company may participate in the Joint Activity

<sup>67</sup> Article 51, Point 2 of the Law 'On Hydrocarbon Resources.' For more discussion of these changes, see <https://crudeaccountability.org/wp-content/uploads/2012/04/20111016-PrivatePocketPresidentBerdymukhamedov.pdf>.



Agreement as a Contractor,”<sup>68</sup> allowing the Turkmen government to move operations to unnamed state companies, thus presenting further opportunities for corruption. Likely this law was amended to allow for the use of NAPECO, the Turkmen national oil and gas company. The first discussion of the creation of NAPECO appears to have been in a cabinet meeting from November 2014, in which it was described as a company that would be involved in “exploration and drilling, oil and gas production, [and] implementation of international projects in the fuel and energy complex.” This would, according to Berdymukhamedov, “increase the competitiveness of the fuel and energy complex.”<sup>69</sup>

The company was not created until January 2016, with reports indicating that the entity was to be owned by the State Agency for the Management and Use of Hydrocarbon Resources (holding 90% of shares), Turkmengaz (2%), Turkmenneft (2%) and the Turkmenbashi complex of oil refineries (5%).<sup>70</sup> As usual, the Turkmen authorities have published little on NAPECO: nothing on the composition of its board of directors, its activities, how and where profits are distributed, how taxes are paid, and other information that should accompany the creation of a new state company. NAPECO does not have a website, nor does it make any of its financial reports publicly available. It is mentioned on the Turkmen government’s oil and gas website only in relation to tenders and in news articles.<sup>71</sup>

In July 2016, the State Agency for Management and Use of Hydrocarbon Resources was abruptly abolished.

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The State Agency’s functions were “assigned to the state-owned companies Turkmengaz and Turkmenneft, and its financial resources transferred to the Central Bank of Turkmenistan to ensure continued financing of ongoing projects,”<sup>72</sup> but no specific statement was given about NAPECO’s amended shareholding structure, and it was unclear which entity or entities controlled the 90% that formerly belonged to the State Agency. According to a state produced news article, the shareholders of NAPECO as of October 2019 are government owned companies Turkmengaz, Turkmenneft, and Turkmengeology, the Turkmenbashi complex of oil refineries, and the joint-stock commercial bank Senagat, though the percentage breakdown was not given.<sup>73</sup>

<sup>68</sup> Article 6, Para 6.3, on amendments and additions to the Law of Turkmenistan ‘On Hydrocarbon Resources’. These amendments were posted on the state Turkmenistan.gov.tm website. The page is no longer available, but can be accessed through the web archive, <https://web.archive.org/web/20170629133431/http://www.turkmenistan.gov.tm/?id=11837>, web archive accessed March 16, 2021.

<sup>69</sup> <https://neftegaz.ru/news/gosreg/235936-g-berdymukhamedov-zaslushal-doklad-o-sozdanii-natsionalnoy-neftegazovoy-kompanii-turkmenistana-napeco/>, accessed March 16, 2021.

<sup>70</sup> <https://neftegaz.ru/news/gosreg/224248-pri-uchastii-g-berdymukhamedova-v-turkmenistane-rodilas-napeco/>, accessed March 16, 2021. It is unclear which entity, company or individual held the remaining 1%. This article, <https://report.az/en/energy/socar-and-turkmenistan-s-napeco-may-create-joint-venture/>, accessed April 10, 2021, gives the exact date of NAPECO’s creation as January 8, 2016.

<sup>71</sup> Searches were performed at [www.oilgas.gov.tm](http://www.oilgas.gov.tm) using the search terms ‘NAPECO’ and the name of the company in Turkmen and Russian: *Türkmen Milli nebitgaz kompaniýasy* and Туркменская Национальная Нефтегазовая Компания. For examples of the type of hits, see <https://www.oilgas.gov.tm/ru/posts/news/1152/konsortsium-khazar-obyavlyat-tender-25112020-05122020>, <https://www.oilgas.gov.tm/en/posts/news/982/in-the-center-of-the-second-day-of-ogt-2020-prospects-for-the-development-of-offshore-blocks-of-the-caspian-oil-refining-and-gas-chemistry-of-turkmenistan>, <https://www.oilgas.gov.tm/index.php/tm/posts/news/1647/gecen-yylyn-jemlerine-garaldy>, all accessed April 10, 2021.

<sup>72</sup> <http://www.turkmenistan.ru/ru/articles/41851.html>, accessed March 16, 2021.

<sup>73</sup> Oil & Gas of Turkmenistan 2019, “NaPeCo is open for cooperation and dialogue,” October 22, 2019. The state oil company, Turkmenneft, is often referred to by its Turkmen name, Turkmennebit.

## The Turkmen National Oil & Gas Company NAPECO

**Virtually our entire knowledge of NAPECO comes from the few news articles that have mentioned it.**

From them we learn that the company constructed the TKNPZ polymer plant in Kiyarly on the shore of the Caspian Sea,<sup>74</sup> and struck a Memorandum of Understanding with South Korea's LG International Corp in April 2019.<sup>75</sup> The following month a joint venture was created by the two companies to sell products produced from the Kiyarly plant on the world market.<sup>76</sup> In February 2020, it was reported that Azerbaijan's state oil company SOCAR had proposed the creation of a joint venture with NAPECO that would be responsible for the trading of Turkmen oil,<sup>77</sup> though it is unclear whether any new company was created. A state news article says that among NAPECO's business partners are Dragon Oil, Petronas, and Vitol, "which are working with the Turkmen company in the area of hydrocarbons export including crude oil and condensate."<sup>78</sup> NAPECO is also present at Turkmen oil and gas conferences and forums, as both a participant and a sponsor.<sup>79</sup>

According to the website of Turkmenistan's 2020 state oil and gas conference, NAPECO's general director is a man called Maksat Babadurdyevich Piriyliev.<sup>80</sup> According to his biography, Piriyliev comes from Ahal province, where many high ranking Turkmen officials are from, as it is Berdymukhamedov's home province. Piriyliev worked in banking institutions until 2009, before moving to the State Agency, and then to Turkmenneft where he worked from 2016 to 2018.<sup>81</sup>

**Turkmenistan's Ministry of Oil & Gas was also abolished at the same time as the State Agency in 2016.**

Turkmenistan's Ministry of Oil & Gas was also abolished at the same time as the State Agency in 2016. These changes were made "to further improve management of the oil and gas complex."<sup>82</sup> The ministry's main functions were transferred to "the Cabinet's department subordinate to the Deputy Prime Minister

<sup>74</sup> <https://turkmenportal.com/blog/22707/ramazan-udumov-zaveduyushchii-otdelom-innovatsionnyh-tehnologii-gosudarstvennogo-koncerna-turkmennebit>, accessed March 16, 2021.

<sup>75</sup> <https://neftegaz.ru/news/partnership/443152-gazokhimiya-i-kadry-prezidenty-turkmenistana-i-korei-dogovorilis-o-razvitiie-sotrudnichestva-v-tek/>, accessed March 16, 2021.

<sup>76</sup> <https://turkmenportal.com/blog/19170/v-avaze-zavershil-svoyu-rabotu-yubileinyi-gazovyi-kongress-turkmenistana>, accessed March 16, 2021.

<sup>77</sup> <https://report.az/en/energy/socar-and-turkmenistan-s-napeco-may-create-joint-venture/>, accessed April 10, 2021.

<sup>78</sup> Oil & Gas of Turkmenistan 2019, "NaPeCo is open for cooperation and dialogue," October 22, 2019.

<sup>79</sup> <https://ashgabat.ogt-turkmenistan.com/sponsors-ogt2020>, accessed April 10, 2021. It was also a gold sponsor at OGT in October 2019.

<sup>80</sup> <https://ashgabat.ogt-turkmenistan.com/speakers>, accessed April 10, 2021. The most recent report from the Turkmen state oil and gas website suggests he still held this position as of February 2021, <https://www.oilgas.gov.tm/en/posts/news/1647/at-the-industry-meeting-the-results-of-the-work-of-the-fuel-and-energy-complex-for-the-past-year-were-summed-up>, accessed April 10, 2021.

<sup>81</sup> <https://ashgabat.ogt-turkmenistan.com/speakers>, accessed April 10, 2021. The most recent report from the Turkmen state oil and gas website suggests he still held this position as of February 2021, <https://www.oilgas.gov.tm/en/posts/news/1647/at-the-industry-meeting-the-results-of-the-work-of-the-fuel-and-energy-complex-for-the-past-year-were-summed-up>, accessed April 10, 2021.

<sup>82</sup> <http://www.turkmenistan.ru/ru/articles/41851.html>, accessed March 16, 2021. The Ministry of the Protection of Nature & Natural Resources was also the liquidated around the same time as the Ministry of Oil & Gas. The functions of this ministry were transferred to the newly created State Committee of Turkmenistan for the Protection of the Environment & Land Resources (<http://www.turkmenistan.ru/ru/articles/41406.html>), and then transferred to the Ministry of Agriculture, which later became the Ministry of Agriculture & Environmental Protection ([http://www.cawater-info.net/water\\_world/turkmenistan\\_e.htm](http://www.cawater-info.net/water_world/turkmenistan_e.htm)). These changes have created legal uncertainty and conflict of interests at the institutional level regarding environmental controls.



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in charge of the oil and gas complex.”<sup>83</sup> At the time this was Yakshigeldy Kakaev, but he was dismissed in April 2017 for “shortcomings in supervising.”<sup>84</sup> His replacement, Maksat Babaev, lasted just over a year.<sup>85</sup> The current deputy prime minister in charge of the oil and gas complex, as of April 2021, is Muradgeldy Meredov.<sup>86</sup>

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<sup>83</sup> <http://www.turkmenistan.ru/ru/articles/41851.html>, accessed March 16, 2021.

<sup>84</sup> <https://www.rferl.org/a/turkmenistan-fires-longtime-energy-sector-official-kakaev/28414871.html>, accessed March 16, 2021.

<sup>85</sup> Original weblink no longer active but available on web archive, <https://web.archive.org/web/20180817045527/http://tdh.gov.tm/news/articles.aspx&article12293&cat11>, web archive accessed March 18, 2021.

<sup>86</sup> <http://www.exclusive.kz/expertiza/politika/115463/>, accessed March 16, 2021; [http://gundogar-mediawiki.tw1.ru/index.php/Мередов\\_Мурадгельды](http://gundogar-mediawiki.tw1.ru/index.php/Мередов_Мурадгельды), accessed March 16, 2021.

## Less Transparency Than in the Niyazov Era

**Incredibly, Berdymukhamedov has thus managed to make a nontransparent oil and gas industry even more opaque.**

The industry was already unaccountable to state structures outside the government, but previous arrangements at least placed some power and responsibility in the hands of Turkmenistan's officials in the Ministry of Oil & Gas. Now Turkmengaz and Turkmenneft are subordinate to the cabinet department "in charge of the oil and gas industry,"<sup>87</sup> bringing them more under Berdymukhamedov's purview.

New amendments to the law reinforce this extra opacity. Whereas before 20% of gas revenue was transferred to the Turkmen budget, now 20% of revenue generated only through product sharing agreements (PSAs) and by state companies has to be transferred.<sup>88</sup> This would cover the major revenue-producing Chinese contracts (the contract at Bagtyarlyk is a PSA and Turkmengaz operates Galkynysh, the field that supplies gas to China), but the change is important, as no part of other forms of revenue generation from hydrocarbons, including royalties and bonuses, need to be sent to the budget. These revenues, plus the other 80% of PSA/state company revenue have a new destination, as they can no longer be sent to the now abolished State Agency. Instead, the law says a "part" should be sent to the budget and a "part, received in foreign currency, to the foreign exchange reserve of Turkmenistan,"<sup>89</sup> the FERF, with the actual percentages left undefined.

As stated above, there is no legislation regarding the FERF's operation, management, and disbursement of funds, and no reporting on its activities.<sup>90</sup>

The only indication as to how these revenues are to be used is left vague: the law says that the revenues "shall be distributed in accordance with other regulatory legal acts of Turkmenistan."<sup>91</sup>

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**There is no legislation regarding the FERF's operation, management, and disbursement of funds, and no reporting on its activities.**

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<sup>87</sup> <http://www.turkmenistan.ru/ru/articles/41851.html>, accessed March 16, 2021.

<sup>88</sup> <https://www.parahat.info/law/parahat-info-law-01wp>, accessed March 19, 2021.

<sup>89</sup> Article 51, Para 2, <https://www.parahat.info/law/parahat-info-law-01wp>, accessed March 19, 2021. Amendments were also posted on the state Turkmenistan.gov.tm website: the page is no longer available can be accessed through the web archive, <https://web.archive.org/web/20170629133431/http://www.turkmenistan.gov.tm/?id=11837>, web archive accessed March 16, 2021.

<sup>90</sup> It is difficult to establish which current laws refer to the FERF. Article 12.1 of the law 'On currency regulation and currency control in foreign economic relations' states that "the foreign exchange reserve of Turkmenistan is formed in the Central Bank of Turkmenistan." Articles 12.2 to 12.4 stipulate various entities deductions to be made to the reserve, <https://customs.gov.tm/ru/info/tamozhennye-platezhi/o-valyutnom-regulirovanii-i-valyutnom-kontrole-vo-vneshneekonomicheskikh-otnosheniyakh>, accessed April 7, 2021.

<sup>91</sup> Article 51. Para 3, <https://web.archive.org/web/20170629133431/http://www.turkmenistan.gov.tm/?id=11837>, web archive accessed March 16, 2021.

## Turkmenistan Mortgages its Future to China

**Time and again, the Turkmen authorities have been advised to diversify the country's economy away from oil and gas,<sup>92</sup> yet Turkmenistan under Berdymukhamedov is even more reliant on hydrocarbons than in Niyazov's day.**

In the last three years of Niyazov's reign, according to data from the IMF, hydrocarbons made up 83.8% of Turkmenistan's total exports.<sup>93</sup> The figure under Berdymukhamedov has always been higher, reaching a record of 94.6% in 2014,<sup>94</sup> although the IMF stopped publishing this data in 2015. Hydrocarbon sales equated in 2014 to around 35% of Turkmenistan's GDP, and 80% of overall fiscal revenue.<sup>95</sup>

This leaves the country vulnerable to gas price fluctuations and disruptions in supply. The situation became more acute in 2017 and 2018 because Turkmenistan was reduced to just one main customer for its gas exports: China. Data from the IMF shows that approximately 86% of Turkmenistan's export revenue came from China in 2019, totaling \$8.19 billion, dwarfing the country in second place, Afghanistan, with \$384.8 million of exports, which is mainly electricity.<sup>96</sup>

Turkmenistan's other two main gas export markets stopped buying gas — Russia in 2016, followed by Iran in 2017. Russia resumed buying Turkmen gas in 2019, reportedly at a relatively low price, around \$110 per 1000 cubic meters at the Turkmen border.<sup>97</sup> In July 2019, Gazprom announced that Russia had struck a new agreement to import 5.5 billion cubic meters per annum from 2019 to 2024.<sup>98</sup>

Figure 1. *Turkmenistan's gas exports by country.* <sup>99</sup>

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Production (bcm)	40.1	56.3	59.0	59.0	63.5	65.9	63.2	58.7	61.5	63.2
Export to Russia	10.7	11.2	10.9	10.9	11.0	3.1	0	0	0	~5
Export to Iran	7.0	10.0	9.0	5.0	6.0	7.0	7.0	0	0	0
Export to China	3.5	14.1	21.5	24.1	25.5	27.8	29.4	33.3	34.5	31.6

<sup>92</sup> See for example, <https://www.imf.org/en/News/Articles/2019/11/14/pr19414-turkmenistan-imf-staff-concludes-staff-visit>, accessed March 16, 2021.

<sup>93</sup> Taken from data in Article IV press releases available from <https://www.imf.org/en/Countries/TKM>

<sup>94</sup> <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr16193>, accessed March 16, 2021. The World bank gives a similar figure of 94%; see <http://documents1.worldbank.org/curated/en/371591467987825776/pdf/99556-CRN-P151985-Box393225B-OUO-9-R2015-0199.pdf>, p3, accessed March 16, 2021.

<sup>95</sup> <http://documents1.worldbank.org/curated/en/904321485161087742/pdf/111986-WP-PUBLIC-TURKMENI.pdf>, p3, accessed March 16, 2021.

<sup>96</sup> \$8.91405 billion of \$10.36466 billion = 86.0%. The 2019 figure was \$7.65678 billion (exports to China) of \$9.44514 billion (total exports) = 81.1%. Go to <http://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85&sld=1515619375491> and enter 'Turkmenistan' and the year to retrieve data.

<sup>97</sup> <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2019/12/Central-Asian-Gas-NG-155.pdf?v=3a52f3c22ed6>, p12, accessed March 16, 2021.

<sup>98</sup> <https://www.gazprom.com/press/news/2019/july/article483669/>, accessed March 16, 2021.

<sup>99</sup> Production figures are taken from <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2020-full-report.pdf>, p34, accessed March 16, 2021. Russia and Iran export figures up to 2018 taken from <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2019/12/Central-Asian-Gas-NG-155.pdf>, p2, accessed March 16, 2021. Smaller amounts not included in the chart have gone to Azerbaijan (in the form of swaps via Iran) and to Kazakhstan: see source document for details.

Export to Russia 2019 number - Page 43 of the BP report cited in the above footnote gives no figure for Turkmen gas exported to Russia in 2019. The Oxford Institute for Energy Studies report also cited in the above footnote was published before 2019 data was available. As discussed in the text, Russia pledged to import around 5.5 bcm from 2019, though the exact figure is yet to be confirmed.

Export to China 2019 number - <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2020-full-report.pdf>, p43, accessed March 16, 2021. *Platts European Gas Daily* (Volume 25 / Issue 88, May 6, 2020), gives a higher figure for export to China of 33.2 bcm, citing Chinese customs data.

How much money does the gas export to China net Turkmenistan? The following chart attempts to calculate this using monthly gas price data from Chinese customs, which is then combined into a yearly average, given both in dollars per million British Thermal Units (mmbtu) and also in dollars per thousand cubic meters. This is the price Turkmenistan receives at the Chinese border, which includes the cost of transportation (estimated at \$50 per thousand cubic meters by Chatham House in 2016).<sup>100</sup>

We also include the total value of Turkmen exports to China, which may include exports other than gas. However, the common belief is that gas is the only commodity that Turkmen exports to China,<sup>101</sup> and this is backed up by our numbers, as the approximate revenue generated through gas sales is roughly equal to this total exports' figure. Note that the calculation on revenue generated is approximate due to the fact that both price and export amounts will fluctuate throughout the year (this explains why the approximate revenue figure is sometimes higher than the total exports figure).

Figure 2. Revenue generated by Turkmen gas sales to China.<sup>102</sup>

Year	Turkmen gas sold to China (bcm)	Ave. price in \$ per 1000 m <sup>3</sup>	Ave. price in \$ per mmbtu	Approx. revenue generated (\$1000m)	Turkmen total exports to China (\$1000m)
2013	24.1	\$347.05	\$9.39	8363.91	8389.70
2014	25.5	\$357.03	\$9.66	9104.27	8977.51
2015	27.8	\$265.00	\$7.17	7367.00	7384.53
2016	29.4	\$176.30	\$4.77	5183.22	5248.39
2017	33.3	\$190.34	\$5.15	6338.32	6202.95
2018	34.5	\$223.62	\$6.05	7714.89	7659.78
2019	31.6	\$259.46	\$7.02	8198.94	8194.05

However, it is unclear how much cash Turkmenistan actually receives from China, as it is paying off huge loans granted by Chinese state banks to help Turkmenistan develop its supergiant Galkynysh gas field,

<sup>100</sup> <https://www.chathamhouse.org/sites/default/files/publications/research/2016-03-08-turkmenistan-bohr.pdf>, p78, accessed March 16, 2021.

<sup>101</sup> <https://eurasianet.org/turkmenistans-mainline-to-china>, accessed March 16, 2021. This article says export revenues to China are "almost entirely" made up of gas.

<sup>102</sup> Turkmen gas sold to China figure - <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2019/12/Central-Asian-Gas-NG-155.pdf?v=79cba1185463>, p2, accessed March 16, 2021. The 2019 figure is from a different source (BP Statistical Review) as 2019 data was not available at the time of the Oxford report, although Pirani cites the BP Statistical Review as one of the sources of his data and likely would have used this or a similar figure.

Turkmen total export to China figure - <http://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85&slid=1515619375491>, input 'Turkmenistan' and the relevant year to get the figure.

Only price data from Jan-May 2019 was available from Chinese customs. This figure was used to calculate the full year revenue. Despite this, the revenue estimate comes very close to the IMF figure of total Turkmen exports to China. The Jan-June 2019 Turkmen to China export revenue figure was reported as \$4.4 billion by <https://eurasianet.org/turkmenistans-mainline-to-china> (accessed March 16, 2021) suggesting a lower price or a lower volume of exported gas in the second half of 2019, compared to the first half.

to pay for equipment and the work of Chinese service companies, and to build new pipelines within the country.<sup>103</sup>

Chinese loans to Turkmenistan totaled at least \$8.1 billion in 2011,<sup>104</sup> with a further undisclosed amount loaned in 2013 to construct additional pipelines.<sup>105</sup> One academic estimates the total loan to be around \$10 billion as of 2019,<sup>106</sup> with a second estimating that paying off the debt costs Turkmenistan around \$1 billion per year.<sup>107</sup> According to Chinese official sources, all of Turkmenistan's repayments on China's first \$4 billion loan to Turkmenistan will have been taken in the form of gas exports, and not hard currency.<sup>108</sup> This would have put a further strain on the Turkmen economy as the country would need to give up larger volumes of gas when its price is low in order to cover the debt. This is exacerbated by the current low gas price: Interfax reported that Turkmenistan exported 2.786 billion cubic meters to China in January 2021 at \$187 per 1000 cubic meters,<sup>109</sup> resulting in \$520.98 million for the Turkmen state.

Turkmenistan is therefore relying on China purchasing ever greater volumes of gas, but this may not be forthcoming: in May 2020, an Uzbek oil and gas official said that China had requested a cut in gas supply from Central Asia due to COVID-related decrease in demand, a reduction that was to be split proportionally among Turkmenistan, Kazakhstan, and Uzbekistan;<sup>110</sup> the largest supplier by far is Turkmenistan. A further potential issue for Turkmenistan: in December 2019, a new pipeline exporting Russian gas to China came online, which by 2024, will be able to deliver 38 billion cubic meters annually.

This jeopardizes Turkmenistan's place as China's single largest source of natural gas and undermines its bargaining position.<sup>111</sup>

Turkmenistan needs other customers, but they may not be forthcoming: the Trans Caspian Pipeline potentially linking

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**China had requested a cut in gas supply from Central Asia due to COVID-related decrease in demand, a reduction that was to be split proportionally among Turkmenistan, Kazakhstan, and Uzbekistan; the largest supplier by far is Turkmenistan.**

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<sup>103</sup> <https://www.rferl.org/a/turkmenistan-bogus-budget/28892094.html>, accessed March 16, 2021. This and other articles says that the loans were used to build the pipeline linking the countries but according to a source familiar with the deal, this pipeline was paid for by Chinese state companies, and the Chinese loans relate more to the development of the gas industry within Turkmenistan. According to correspondence with the same source (March 2021), several loans were issued without a specific purpose, and that proportions between "gas loans" and "unspecific" loans are unknown.

<sup>104</sup> Muradova, Nazik; "An Ideal Investor to Come: Diversification of the Energy Exports of Turkmenistan," taken from *Turkmenistan: Changes and Stability under Berdimuhamedov*; Ed. Laruelle, Marlene; The George Washington University, Central Asia Program; 2017.

<sup>105</sup> <https://www.osw.waw.pl/en/publikacje/osw-commentary/2018-08-31/crisis-turkmenistan-a-test-chinas-policy-region-0>, accessed March 16, 2021.

<sup>106</sup> <https://fpc.org.uk/wp-content/uploads/2019/07/FPC-Spotlight-on-Turkmenistan-publication.pdf>, p37. Jakóbowski & Marszewski, citing the ADB, state that Turkmenistan's entire foreign debt is approximately US\$9 billion as of 2018. A May 2019 EBRD report shows a debt to Japanese, Korean and Chinese Exim and development banks in the amount of 9.9 billion manat (US\$ 2.2 billion) as of 31 December 2016.

<sup>107</sup> Jakóbowski, Jakub & Marszewski, Mariusz; "Crisis in Turkmenistan: A test for China's policy in the region," Centre for Eastern Studies OSW Commentary, No. 284; August 31, 2018; p2.

<sup>108</sup> [https://www.oxfordenergy.org/wpcms/wp-content/uploads/2012/12/NG\\_69.pdf](https://www.oxfordenergy.org/wpcms/wp-content/uploads/2012/12/NG_69.pdf), p30, accessed March 18, 2021.

<sup>109</sup> <https://www.interfax.ru/business/756994>, accessed March 23, 2021. If the volumes and price remain at this level for the remainder of 2021, this would result in \$6.25 billion for the Turkmen state, the third lowest amount since 2013.

<sup>110</sup> <https://www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/050520-central-asian-countries-discussing-shared-cut-in-gas-supplies-to-china-uzbekneftegaz>, accessed March 18, 2021.

<sup>111</sup> <https://eurasianet.org/is-new-russia-china-gas-pipeline-a-threat-to-turkmenistan>, accessed March 18, 2021.

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Turkmenistan to Europe is not financially viable for non-state actors and could easily be stymied by diplomatic pressure from Russia and Iran.<sup>112</sup> Meanwhile, progress on a pipeline project linking Turkmenistan to Pakistan and India via Afghanistan (the TAPI pipeline) is unclear, with conflicting reports on how much has been constructed.<sup>113</sup> In 2020, the US State Department commented that “adequate financing remains an open question” regarding the project.<sup>114</sup>

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<sup>112</sup> “Other export routes mooted for Central Asian gas – via a Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline to India, and via a Trans Caspian pipeline to Azerbaijan, Turkey and Europe – remain economically infeasible.” <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2019/12/Central-Asian-Gas-NG-155.pdf?v=79cba1185463>, p.iii, accessed March 18, 2021.

<sup>113</sup> <https://www.rferl.org/a/qishloq-ovozi-tapi-turkmen-pipe-mystery/29862029.html>, <https://www.rferl.org/a/tapi-turkmen-ales-pipeline-qishloq-ovozi-pannier/29632356.html>, <https://thediplomat.com/2019/07/turkmenistan-and-gazprom-settle-5-year-gas-deal/>, all accessed March 18, 2021.

<sup>114</sup> <https://www.state.gov/reports/2020-investment-climate-statements/turkmenistan/>, accessed March 18, 2021.

## How Much Money Does Turkmenistan Earn, Spend, and Save?

### A Budget with Little Information



GOLDEN STATUE OF SAPARMURAT NIYAZOV IN ASHGABAT, TURKMENISTAN © SHUTTERSTOCK

The Turkmen government publishes a state budget every year, but there is little granular detail; in 2018 the first version of the budget did not even contain an estimate for the expenditure component.<sup>115</sup>

The budget also does not contain oil and gas sale revenue data. As noted above, Turkmen law stipulates that 20% of this revenue should be transferred to the budget, though what this amounts to has never been put on record.

According to the Turkmen authorities, the last five budgets were:

**2017: 103.5 billion manats (\$29.43 billion)<sup>116</sup>**

**2018: 95.5 billion manats (\$27.3 billion)**

**2019: 83.9 billion manats (\$23.8 billion)**

**2020: 84.4 billion manats (\$24.06 billion)**

**2021: 79.5 billion manats (\$22.76 billion)<sup>117</sup>**

The publicly available version of the 2020 budget is just over a page long, and contains some information about allocations to local budgets, and little else.<sup>118</sup> Even this information cannot be trusted,

<sup>115</sup> [http://country.eiu.com/article.aspx?articleid=856178669&Country=Turkmenistan&topic=Economy&subtop\\_3](http://country.eiu.com/article.aspx?articleid=856178669&Country=Turkmenistan&topic=Economy&subtop_3), accessed March 18, 2021.

<sup>116</sup> Using the exchange rate of 1 manat = \$0.28575.

<sup>117</sup> <https://tinyurl.com/y52yskgw>, accessed March 18, 2021. See also media reports: [http://country.eiu.com/article.aspx?articleid=856178669&Country=Turkmenistan&topic=Economy&subtop\\_3](http://country.eiu.com/article.aspx?articleid=856178669&Country=Turkmenistan&topic=Economy&subtop_3), <https://thediplomat.com/2019/01/shrinking-budgets-and-less-booze-in-turkmenistan-the-home-of-prosperity/>, <https://turkmenpetroleum.com/en/2019/12/04/the-state-budget-of-turkmenistan-2020-approved-with-a-surplus/>, <http://www.turkmenistan.ru/en/articles/18772.html>, all accessed March 18, 2021. The 2020 budget was apparently later revised because of the COVID crisis: see <https://en.bronikatm.com/2020/04/the-president-calls-for-reviewing-the-state-budget-because-of-coronavirus-which-destabilized-the-global-economy/>, accessed March 18, 2021.

<sup>118</sup> <http://minjust.gov.tm/mcenter-single-ru/291>, accessed March 18, 2021.

as Turkmenistan is the hardest place in the world to source reliable data.<sup>119</sup> One commentator went so far as to call the 2019 budget, “Bogus... fiction, pure and simple.”<sup>120</sup> The usefulness of what is released is called into further question by the fact that much spending takes place off-budget, using funds from the FERF. Toward the end of Niyazov’s reign, the EBRD estimated that extra-budgetary spending from such funds and self-financing ministries in 2004 was 3.5 times bigger (making up 68% of GDP) than that spent in the official budget. This would mean that just under 78% of all government spending was off budget.<sup>121</sup> The IMF estimated extra-budgetary government spending at only about 6% of GDP in 2007 (the year after Niyazov’s death),<sup>122</sup> a disparity that again suggests that the IMF and EBRD rely on different data. Though some off budget funds were reportedly closed or consolidated into the budget after Niyazov’s death,<sup>123</sup> Berdymukhamedov created another, the Stabilization Fund, as described above, and has used it for extra-budgetary projects, according to the IMF.<sup>124</sup> Berdymukhamedov’s predilection in recent years for massive infrastructure projects, which are likely funded outside the budget, suggest that extra-budgetary spending has been much higher since 2007.

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**The publicly available version of the 2020 budget is just over a page long, and contains some information about allocations to local budgets, and little else.**

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**One commentator went so far as to call the 2019 budget, “Bogus... fiction, pure and simple.”**

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<sup>119</sup> <https://www.riskadvisory.com/campaigns/corruption-challenges-index-2019-reveal/#panel-8>, accessed March 18, 2021.

<sup>120</sup> <https://www.rferl.org/a/turkmenistan-bogus-budget/28892094.html>, accessed March 18, 2021.

<sup>121</sup> [https://www.ebrd.com/downloads/about/policies/2006-06-15\\_Strategy\\_for\\_Turkmenistan-English\\_web.pdf](https://www.ebrd.com/downloads/about/policies/2006-06-15_Strategy_for_Turkmenistan-English_web.pdf), p14, footnote 2, accessed March 18, 2021.

<sup>122</sup> <https://www.imf.org/en/News/Articles/2015/09/28/04/53/pn0897>, accessed March 18, 2021.

<sup>123</sup> <https://www.ebrd.com/downloads/country/strategy/turkmenistan.pdf>, p13, accessed March 18, 2021.

<sup>124</sup> <https://www.imf.org/en/News/Articles/2015/09/28/04/53/pn10146>, accessed March 18, 2021.



## What are Turkmenistan's Currency Reserves?

**Data from the IMF indicates that Turkmenistan suffered an estimated \$9.945 billion trade deficit from 2015-2017<sup>125</sup> – in other words, the Turkmen government spent more on imports than it earned through exports.**

Yet as indicated above, it still produced a budget of \$30 billion. Although this figure is highly suspect, the budget may have in part been drawn from the FERF and Turkmenistan's other reserves.

It should come as no surprise that data on these reserves is thin on the ground, especially in recent years – more data was available during Niyazov's presidency. They were estimated in 2003 as between \$2-3 billion (with \$1.8 billion held in Deutsche Bank and around \$1 billion held in Credit Suisse).<sup>126</sup> Over the next five years, these reserves grew substantially because of the rising price of the gas that Turkmenistan sold and exported. The IMF's Regional Economic Outlook from October 2009 projected Turkmenistan's currency reserves to be at \$28.7 billion in 2010.

Figure 3. *Turkmenistan's Gross Official Reserves 2004-2010 (billions of USD).*<sup>127</sup>

2004	2005	2006	2007	2008	2009 proj	2010 proj
2.3	4.5	8.1	13.2	16.7	20.8	28.7

It is notable that this data is missing from subsequent Regional Economic Outlook reports: the October 2011 report has a series of ellipses for Turkmenistan, even for the years that were given not as projections as above in the previous year's report.<sup>128</sup> Subsequent reports continue this practice, up to the 2020 report.<sup>129</sup> This is unlikely because the data was faulty, as the IMF would have had access to such data when conducting Article IV consultations. The more likely reason is that the Turkmen authorities asked the IMF to remove the data. Information from the EBRD paints a similar picture: a 2009 report gives Turkmenistan's gross reserves, excluding gold, but including "foreign exchange reserves of the central bank plus the foreign exchange reserve fund" as \$7.477 billion in 2006, yet no data is given for subsequent years or in the EBRD's strategies for Turkmenistan, the relevant column indicating only

<sup>125</sup> <https://www.imf.org/en/News/Articles/2018/10/08/pr18384-imf-staff-concludes-staff-visit-to-turkmenistan>, accessed March 18, 2021.

<sup>126</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), accessed March 18, 2021.

<sup>127</sup> <https://www.imf.org/en/Publications/REO/MECA/Issues/2017/01/07/Regional-Economic-Outlook-October-2009-Middle-East-and-Central-Asia-22916>, p59, accessed March 18, 2021.

<sup>128</sup> [https://www.imf.org/~media/Websites/IMF/imported-full-text-pdf/external/pubs/ft/reo/2011/mcd/eng/pdf/\\_mreo1011.ashx](https://www.imf.org/~media/Websites/IMF/imported-full-text-pdf/external/pubs/ft/reo/2011/mcd/eng/pdf/_mreo1011.ashx), p100, accessed March 18, 2021.

<sup>129</sup> For example, 2013, [https://www.imf.org/~media/Websites/IMF/imported-flagship-issues/external/pubs/ft/reo/2013/mcd/eng/pdf/\\_mreo11113pdf.ashx](https://www.imf.org/~media/Websites/IMF/imported-flagship-issues/external/pubs/ft/reo/2013/mcd/eng/pdf/_mreo11113pdf.ashx), p108, right through to the 2019, <https://www.imf.org/~media/Files/Publications/REO/MCD-CCA/2019/October/English/stat-appendix-with-front-matter-and-fsi-tables.ashx>, p24, and 2020 reports, <https://www.imf.org/~media/Files/Publications/REO/MCD-CCA/2020/October/English/REO-Stat-Appendix1020.ashx>, p24; all accessed March 18, 2021.

“N/A.”<sup>130</sup> One of the reasons why the Turkmen government may have been particularly sensitive about their data was that 2009-2010 likely marked the first period that the country did not add to its currency reserves, and may well have had to draw on them to balance the budget.<sup>131</sup>

Figure 4. *Turkmenistan's Gross Official Reserves 2008-2014 (billions of USD).*<sup>132</sup>

2008	2009	2010	2011	2012	2013 Proj	2014 Proj
16.7	19	18.8	22.4	26.4	29.3	32.4

Data from a May 2013 Regional Outlook report – originally uploaded but subsequently deleted – gives us more concrete currency reserve figures until 2012, and projections until 2014.

The fact that the report is no longer available can only reasonably be attributed to the Turkmen authorities: if so, it demonstrates just how sensitive the Turkmen government is over its economic data, which the vast majority of countries publishes as a matter of routine.

This data indicates that Turkmenistan's actual reserves in 2010 were \$18.8 billion, almost \$10 billion lower than what was projected by the IMF just four years prior in 2009, suggesting either lower returns from gas exports (which is unlikely as the price of gas was still high in this period) or that there was increased and unexpected spending from these reserves. Despite this, this data also indicates that from 2010-2014 Turkmenistan's foreign currency reserves were still predicted to increase by over 70% – to \$32.4 billion.

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**The fact that the report is no longer available can only reasonably be attributed to the Turkmen authorities: if so, it demonstrates just how sensitive the Turkmen government is over its economic data.**

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This projected 2014 figure appears to have been surpassed in 2015, according to information from the World Bank, which states in its engagement note, published in October 2015, that Turkmenistan's “international reserves... remain substantial” and are “equivalent to about 22 months of imports.”<sup>133</sup> Extrapolating from available World Bank figures of Turkmen imports of goods and services suggests reserves of over \$35 billion in mid-2015.<sup>134</sup> However, at that time trouble was brewing in the Turkmen

<sup>130</sup> <https://www.ebrd.com/downloads/research/economics/turkmenistan.pdf>, p239 (p4 of pdf), accessed March 18, 2021; <https://www.ebrd.com/downloads/country/strategy/turkmenistan.pdf>, p52, accessed March 18, 2021: no information is given from 2007-2013 despite information being available previously for 2007-2009; <https://www.ebrd-consultations.com/assets/Country-Strategies/Turkmenistan/b7d1af39a3/turkmenistan-strategy.pdf>, p8, accessed March 18, 2021: for 2015-2018, the country's gross reserves (% of GDP) is given as 'n/a' for all years.

<sup>131</sup> [https://www.oxfordenergy.org/wpcms/wp-content/uploads/2012/12/NG\\_69.pdf](https://www.oxfordenergy.org/wpcms/wp-content/uploads/2012/12/NG_69.pdf), p15, accessed March 18, 2021.

<sup>132</sup> The data file was originally uploaded to the IMF's REO website but subsequently deleted. It can be accessed here, [https://crudeaccountability.org/wp-content/uploads/Data\\_2013-compressed.pdf](https://crudeaccountability.org/wp-content/uploads/Data_2013-compressed.pdf), with Tab 22 giving the data used in this table.

<sup>133</sup> <http://documents1.worldbank.org/curated/en/371591467987825776/pdf/99556-CRN-P151985-Box393225B-OUO-9-R2015-0199.pdf>, p5, accessed March 18, 2021.

<sup>134</sup> <http://documents1.worldbank.org/curated/en/371591467987825776/pdf/99556-CRN-P151985-Box393225B-OUO-9-R2015-0199.pdf>, p23, accessed March 18, 2021; the most recent non-projected figure on imports of goods and services is given as \$19,366 million in 2013 by the World Bank. This equates to \$1.614 billion per month. The IMF estimated figure for imports of goods 2015 is lower, \$14,051 million (\$1.17 billion per month). (See <https://www.imf.org/en/News/Articles/2019/11/14/pr19414-turkmenistan-imf-staff-concludes-staff-visit>, accessed March 18, 2021), but the IMF reported reserves of 30 months of imports in 2015 which equates to over \$35 billion, similar to the World Bank's figure.

economy: in January 2015 Berdymukhamedov said on state television that declining international oil and gas prices had forced the Turkmen government “to take certain extraordinary steps such as raising prices for some goods and services as well as lowering the rate of manat against hard currencies.”<sup>135</sup> There were other worrying signs: one oil and gas equipment company, owed a sum from state oil company Turkmenneft of \$8.5 million from 2014, went unpaid for four years.<sup>136</sup>

Judging from the above, at the beginning of 2016 Turkmenistan had plenty in reserve to get it through the rough patch. Not that the accumulated wealth had in any way been spent on its citizens: in 2014, the infant mortality rate in Turkmenistan was almost twice the rates for Kazakhstan and Uzbekistan, and life expectancy was (and remains) the lowest in the former Soviet Union.<sup>137</sup> Whatever wealth was created was benefitting the few and not the many: a census conducted in December 2012 indicated that 4% of the population owned 45% of the wealth of the country,<sup>138</sup> a number likely to be an under exaggeration, given the unreliability of Turkmen authorities’ data.

The picture of currency reserves since then is less clear, as the Turkmen government appears to have suppressed all data pertaining to it. Turkmenistan’s export revenues took a severe hit in 2016 and 2017 due to the global decrease in gas prices, and because, as stated above, both Iran (which was paying through barter goods and not cash) and Russia stopped buying Turkmen gas. This resulted in the above-mentioned negative trade balance of almost \$10 billion from 2015-2017.

This may have been covered by the foreign exchange reserves, although it is hard to say for certain, given the dearth of information. The CIA World FactBook estimates Turkmenistan’s reserves of foreign exchange and gold at \$24.91 billion at the end of 2017,<sup>139</sup> \$10 billion less than the 2015 World Bank estimate. The Bank of International Settlements, an institution that reports liabilities of international banks to nation states (banks holding assets on behalf of various governments) reports bank liabilities to Turkmenistan of \$25.0 billion as of Q2 2017, of which \$22.7 billion belong to German banks, the majority of which, as established above, will be held in Deutsche Bank. As the EBRD comments: “It is, however, not clear how liquid these liabilities are and whether they would qualify as international reserves. If so, reserves would amount to about 30 months of goods imports, which however seems to stand in sharp contrast to the central bank’s foreign exchange rationing.”<sup>140</sup> In other words, with possible reserves of over \$35 billion in 2015, the Turkmen economy should have been able to withstand the fallow years of 2016 and 2017 without seeing the kinds of economic problems that Turkmenistan has suffered since then.

<sup>135</sup> <https://eurasianet.org/turkmenistan-rumors-reign-as-economic-crisis-grows>, accessed March 18, 2021.

<sup>136</sup> <https://habartm.org/archives/8016>, accessed March 18, 2021.

<sup>137</sup> <https://www.chathamhouse.org/sites/default/files/publications/research/2016-03-08-turkmenistan-bohr.pdf>, p45, accessed March 18, 2021.

<sup>138</sup> [https://jamestown.org/program/unpublished-census-provides-rare-and-unvarnished-look-at-turkmenistan/#.Vrek4\\_mLTI](https://jamestown.org/program/unpublished-census-provides-rare-and-unvarnished-look-at-turkmenistan/#.Vrek4_mLTI), accessed March 18, 2021.

<sup>139</sup> Original weblink no longer active, but can be accessed via web archive, <https://web.archive.org/web/20200111224534/https://www.cia.gov/library/publications/the-world-factbook/geos/tx.html>, web archive accessed March 18, 2021.

<sup>140</sup> <https://www.ebrd.com/documents/policy/country-diagnostic-paper-turkmenistan.pdf>, p21, accessed March 18, 2021.

## Turkmenistan's Ruined Economy - Where has the Money Gone?

**As Turkmenistan's economy is built around the gas sector, the drop in gas prices had a devastating effect, with the non-gas sector shrinking even faster as a result.**

Evidence of a severe downturn include the reemergence of a black market dollar currency rate, which rose to 31 manats in February 2021<sup>141</sup> (the official rate is 3.5 manats to the dollar<sup>142</sup>), inflation hitting 294% in June 2018,<sup>143</sup> and long lines (some reportedly lasting for days<sup>144</sup>) for certain subsidized foodstuffs, such as eggs, flour, sugar, and cooking oil. This makes the 2018 Turkmen government claim that 75-80% of the state budget will be allocated to “the social sphere” all the more questionable.<sup>145</sup> As if this wasn't bad enough for the average Turkmen citizen, in October 2017, Berdymukhamedov announced an end to long-standing generous subsidies on water, gas, and electricity,<sup>146</sup> often cited as one of the only positives of Turkmenistan's authoritarian model. These were finally phased out on 1 January 2019.<sup>147</sup> The situation regarding shortages of subsidized food was reported to have improved slightly in late 2019, but lines for products were still being reported in late 2020,<sup>148</sup> with food prices in privately owned shops hitting record highs in March 2020.<sup>149</sup>

Given the above information, Turkmenistan's economic crisis can only be explained by two possibilities: the country's currency reserves are not being used, even in times of severe poverty, to help the Turkmen people, or the currency reserves are simply no longer at the levels they were even five years ago. An incredible spending spree by Berdymukhamedov suggests the second option is more likely, with billions spent on vainglorious prestige projects whose benefit to the Turkmen people is negligible.

This interpretation appears to be backed up by the EBRD, which commented in its 2019 strategy: “Weak export proceeds in 2016-17 and ambitious government projects have resulted in a scarcity of foreign exchange”<sup>150</sup> and that “high spending by extra-budgetary funds weakened public finances over the previous two years.”<sup>151</sup>

The early years of Berdymukhamedov's presidency were notable for his profligacy: in July 2007, he announced that \$1 billion would be spent on a new tourist zone on the Caspian shore in the Avaza

<sup>141</sup> Information provided by source familiar with daily exchange rates, February 2021.

<sup>142</sup> <https://www.intellinews.com/raw-feelings-in-turkmenistan-as-berdimuhamedov-pays-3-51-to-the-dollar-183894/>, accessed March 18, 2021.

<sup>143</sup> <https://freedomhouse.org/report/freedom-world/2019/turkmenistan>, accessed March 18, 2021.

<sup>144</sup> <https://eurasianet.org/turkmenistans-reality-unpaid-wages-and-shortages-food>, accessed March 18, 2021.

<sup>145</sup> [https://akipress.com/news:628888:75\\_of\\_Turkmenistan%E2%80%99s\\_state\\_budget\\_to\\_be\\_allocated\\_for\\_social\\_sphere\\_in\\_2020/](https://akipress.com/news:628888:75_of_Turkmenistan%E2%80%99s_state_budget_to_be_allocated_for_social_sphere_in_2020/), accessed March 18, 2021.

<sup>146</sup> <https://apnews.com/59fae0e0697444c88800e56c8ac98a7b/Turkmenistan's-president-ends-welfare-subsidies>, accessed March 18, 2021.

<sup>147</sup> <https://thediplomat.com/2018/09/turkmenistan-set-to-rollback-subsidies-for-good/>, accessed March 18, 2021.

<sup>148</sup> <https://www.hronikatm.com/2019/10/endless-lines/?id-1276>, <https://www.hrw.org/news/2020/09/23/turkmenistan-denial-inaction-worsen-food-crisis>, both accessed March 18, 2021.

<sup>149</sup> <https://www.rferl.org/a/turkmenistan-coronavirus-food-prices-skyrocket--special-measures/30508897.html>, accessed March 18, 2021.

<sup>150</sup> <https://www.ebrd-consultations.com/assets/Country-Strategies/Turkmenistan/b7d1af39a3/turkmenistan-strategy.pdf>, p3, accessed March 18, 2021.

<sup>151</sup> <https://www.ebrd-consultations.com/assets/Country-Strategies/Turkmenistan/b7d1af39a3/turkmenistan-strategy.pdf>, p8, accessed March 18, 2021.

region in Turkmenbashi (formerly Krasnovodsk). The tourist zone, which comprised sixty new hotels and spas,<sup>152</sup> was opened to great fanfare in June 2009, and attended by many representatives of Western companies. However, with tourism hardly booming in Turkmenistan (the country only issued 913 tourist visas in 2015<sup>153</sup>), the tourist zone stands near empty for most of the year, with prices too high for ordinary Turkmen citizens, and reports in 2019 that state workers are forced to take vacations there so the resort gets at least some use.<sup>154</sup>

In 2011, Berdymukhamedov ordered the construction of a new presidential palace for himself at a cost of \$250 million, despite Niyazov building one for around \$80 million in 1994.<sup>155</sup>

*Turkmen News* recently reported that in 2017 the Turkmenbashi oil refinery complex was ordered to pay for the renovation of two of Berdymukhamedov's residences in Avaza, costing \$5.62 million. The complex also paid \$14.5 million in 2013 for fireworks and the installation of a stage in Avaza for Jennifer Lopez to perform, leading the article to describe the complex as a "cash cow to pay for Berdimuhamedov's whims."<sup>156</sup>

In 2014, \$500 million was spent by the Turkmen state on creating a new area in Ashgabat, Turkmenistan's capital, consisting mainly of government buildings.<sup>157</sup> Turkmenistan's international airport – which was only twenty years old – was demolished in 2013 and a new one, Central Asia's largest, built for around \$2.3 billion,<sup>158</sup> three times more than the airport that the Russian government constructed in Sochi for the Winter Olympics.<sup>159</sup> In order to build the airport, a whole

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<sup>152</sup> [http://www.silkroadstudies.org/resources/pdf/SilkRoadPapers/2009\\_03\\_SRP\\_Horak-Sir\\_Turkmenistan-Berdimuhamedov.pdf](http://www.silkroadstudies.org/resources/pdf/SilkRoadPapers/2009_03_SRP_Horak-Sir_Turkmenistan-Berdimuhamedov.pdf), p31, footnote 49, accessed March 18, 2021.

<sup>153</sup> <https://en.hronikatm.com/2016/02/turkmenistans-consulate-offices-issued-only-913-entry-visas-last-year/>, accessed March 26, 2021. Bohr reports 8,000 tourists, eight years earlier in 2007, <https://www.chathamhouse.org/sites/default/files/publications/research/2016-03-08-turkmenistan-bohr.pdf>, p64, accessed March 18, 2021. A British newspaper reports 105,000 tourists, <https://www.express.co.uk/travel/articles/713256/ashgabat-airport-opens-turkmenistan-but-one-glaring-problem-will-tourists-visit>, accessed March 18, 2021, but this is believed to include transit passengers, according to an academic source, in correspondence with Crude Accountability, March 2021.

<sup>154</sup> <https://www.rferl.org/a/avaza-awaza-turkmen-officials-forced-to-spend-vacations-overpriced-state-resort/30041754.html>, accessed March 18, 2021.

<sup>155</sup> [https://www.rferl.org/a/third\\_turkmen\\_president\\_palace/24183704.html](https://www.rferl.org/a/third_turkmen_president_palace/24183704.html), accessed March 18, 2021.

<sup>156</sup> <https://en.turkmen.news/spotlight/berdimuhamedov-cash-cow/>, accessed March 26, 2021. A further \$6.31 million was spent on fireworks in 2014 and 2015.

<sup>157</sup> <https://eurasianet.org/turkmenistan-ashgabat-allows-local-firms-to-build>, accessed March 18, 2021.

<sup>158</sup> <https://www.haberler.com/turkmenistan-daki-2-25-milyar-dolarlik-ihaleyi-4243717-haber/>; <https://www.rferl.org/a/turkmenistan-opens-new-airport-terminal-in-ashgabat/27997945.html>, both accessed March 18, 2021.

<sup>159</sup> <http://gundogar.org/?013051605300000000000011000000>, accessed March 18, 2021.

village of 50,000 people was demolished.<sup>160</sup> Radio Liberty reported that after the airport was completed in 2016, remedial work had to be performed almost immediately as it had sagging foundations caused by an inadequate drainage system.<sup>161</sup>

In 2015, the government announced plans for more than 220 projects totaling \$16 billion, 35% of which would be allocated to “buildings and cultural facilities.”<sup>162</sup> Not only are these grandiose building projects of little benefit to the general populace, they also act as a drain on the country’s resources. As a 2018 academic paper says: “every project of this type generates demand for significant imports of goods and services, thus expanding the current account deficit and exacerbating the currency crisis.”<sup>163</sup>

One of Turkmenistan’s largest projects of the last five years was a new sports complex for the 2017 Indoor and Martial Arts Games, which cost \$6 billion, around the same as the 2010 Vancouver Winter Olympics, which featured more than twice the number of competing nations than Turkmenistan’s games.<sup>164</sup>

One reporter who visited noted a virtual absence of international press, and venues filled with schoolchildren.<sup>165</sup> Teachers, doctors, and civil servants were also forced to attend under threat of dismissal.<sup>166</sup> In the lead up to the games, state employees were docked pay as “voluntary donations” to support financing of the event.<sup>167</sup>

Along with the pipeline-related Chinese loans mentioned above (estimated at \$10 billion), Turkmenistan also accepted a \$1 billion loan from the Islamic Development Bank in 2010 to fund infrastructure projects and a further \$710 million loan in 2016 to finance the Turkmenistan segment of the Trans Afghan Pipeline.<sup>168</sup> In 2018, the Asian Development Bank gave a loan of \$500 million to help strengthen Turkmenistan’s electricity transmission network.<sup>169</sup>

On top of this, Turkmenistan is also facing a number of lawsuits after refusing to pay companies (one report speaks of up to 25 Turkish construction companies joining together in the suit) at least \$1 billion

<sup>160</sup> <https://www.theguardian.com/cities/2017/oct/16/people-afraid-inside-ashgabat-turkmenistan-closed-city>, accessed March 18, 2021.

<sup>161</sup> <https://rus.ozodlik.org/a/28229631.html>, accessed March 18, 2021.

<sup>162</sup> <https://thediplomat.com/2015/09/offshore-turkmenistan-sultanism-in-the-construction-industry/>, accessed March 18, 2021.

<sup>163</sup> Jakóbowski, Jakub & Marszewski, Mariusz; “Crisis in Turkmenistan,” p3.

<sup>164</sup> The Vancouver games cost \$6.4 billion, <https://rabble.ca/blogs/bloggers/policynote/2014/02/vancouver-olympic-games-overstated-legacy-and-ignored-true-costs>, accessed March 18, 2021. Radio Liberty put the overall cost of the Asia games higher, at \$7.3 billion, <https://www.rferl.org/a/turkmenistan-asian-games-winners-losers-money-berdymukhammedov/28762293.html>, accessed March 18, 2021. This article also mentions that 32 countries took part. Vancouver had 82, according to <https://www.csmonitor.com/World/Olympics/Olympics-blog/2010/0228/Vancouver-Olympics-final-medal-count-Who-won>, accessed March 18, 2021.

<sup>165</sup> See the documentary series *Dark Tourist*, series 1 episode 4, Razor Films/Fumes, 2018.

<sup>166</sup> Crude Accountability correspondence with source familiar with Asian games arrangements, late 2020.

<sup>167</sup> <https://www.rferl.org/a/qishloq-ovozi-milking-turkmen-people-pay-for-games/28403657.html>, <https://rus.azathabar.com/a/prosecutor-fired-for-not-collecting-money-for-Asian-games/28478272.html>, both accessed March 18, 2021. Turkmenistan was chosen to host the games in 2010 when gas prices and currency reserves were high.

<sup>168</sup> <https://www.state.gov/reports/2020-investment-climate-statements/turkmenistan/>, accessed March 18, 2021.

<sup>169</sup> <https://www.adb.org/news/adb-signs-500-million-loan-strengthen-turkmenistans-electricity-supply-boost-regional-power>, accessed March 18, 2021.

for completed or ongoing projects.<sup>170</sup> In 2018, two further companies filed for arbitration, citing unpaid debts.<sup>171</sup> Such settlements, if found against the Turkmen government, will be a further drain on state resources.

And despite the lean years, revenue wise, of 2016-2017, Berdymukhamedov has not changed his habits: \$1.5 billion was spent in renovation and modernization work on the Turkmenbashi port in 2018;<sup>172</sup> in the same year, a man-made island with an area of over 10 hectares was constructed in the Caspian Sea;<sup>173</sup> and a new warship was ordered for the Turkmen navy in 2019.<sup>174</sup>

These numbers on expenditure appear far greater than what Turkmenistan could be earning from its exports and tax revenues, and this is before we even consider the amounts spent on keeping the country running. As always with Turkmenistan, it is impossible to nail down the figures because of the lack of accurate and reliable information from the Turkmen government itself, which fails to publish even the most basic economic data. However, the above information suggests that Turkmenistan's currency reserves are currently far below the estimated peak of \$35 billion in 2015, and may be around the levels they were some 10 or 15 years ago. They may even have been whittled away to nothing. As always in Turkmenistan, it is the country's citizens who have paid the price.

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<sup>170</sup> Original weblink is no longer available, but is available through the web archive, <http://web.archive.org/web/20130630011214/http://www.hurriyetdailynews.com/default.aspx?pageid=438&n=turkish-constructors-in-turkmenistan-facing-payment-crisis-2011-04-24>, see also <https://eurasianet.org/even-for-favored-turks-turkmenistan-a-risky-investment>, both accessed March 18, 2021. Publicly available documents show that Turkish firm Sehil Insaat has taken the Turkmen government to the International Center for Settlement of Investment Disputes in Washington, DC, filing for \$300 million in unpaid payments and loss of assets and equipment, <https://eurasianet.org/even-for-favored-turks-turkmenistan-a-risky-investment>, accessed March 18, 2021. See also <https://thediplomat.com/2015/09/offshore-turkmenistan-sultanism-in-the-construction-industry>, accessed March 18, 2021. Payment problems continued through at least 2018. See <https://www.reuters.com/article/us-turkmenistan-economy/foreign-companies-struggle-in-cash-strapped-turkmenistan-idUSKCN1Z0Q4>, accessed March 18, 2021.

<sup>171</sup> These are SECE Group, a Turkish design and construction company, and German engineering firm Unionmatex Industrieanlagen, see <https://thediplomat.com/2018/10/turkmenistan-faces-2-new-arbitration-cases/>, accessed March 18, 2021.

<sup>172</sup> <https://eurasianet.org/turkmenistans-new-15-billion-port-show-over-substance>, accessed March 18, 2021.

<sup>173</sup> <https://www.azernews.az/region/134953.html>, accessed March 18, 2021.

<sup>174</sup> <https://navalnews.net/turkish-shipyard-to-build-corvette-for-turkmenistan/>, accessed March 18, 2021.

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## **Chapter 2**

# **The Worst Place in the World to Do Business. For Some, the Best?**

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MAP OF TURKMENISTAN COLLAGE © CRUDE ACCOUNTABILITY

## A Culture of Bribery

**Turkmenistan is not an easy place to do business: in 2019, the Risk Advisory Group said that it was the country where businesses face the biggest corruption challenges, even greater than in Libya and Somalia. Turkmenistan was also ranked the most opaque, and the worst country in the world for sourcing reliable data.<sup>1</sup>**

The following year, anti-bribery business association

TRACE ranked Turkmenistan 193 out of 194 countries (second only to North Korea) for bribery risk.<sup>2</sup>

Despite this, some foreign companies have chosen to work in Turkmenistan, with varying degrees of success. This chapter looks at the most notable companies that have signed contracts with the Turkmen government, and the deals they have struck.

Key to any company hoping to operate in Turkmenistan is its relationship with the country's president. As with Niyazov, Berdymukhamedov acts as the ultimate arbiter of which companies can and cannot operate in the country. A striking example of this was in 2008 when Berdymukhamedov signed a decree denying entry visas for all employees of the Italian oil company **Eni**. The company's 'crime' was not consulting with Turkmen oil and gas officials before buying UK firm **Burren Energy** that had an existing contract in Turkmenistan.<sup>3</sup> In 2019, Turkmenistan's state telecom provider cut the Russian company **MTS** from the country's international and intercity communications network.<sup>4</sup> MTS' unceremonious exit from Turkmenistan cost it an estimated \$750 million; it filed an arbitration claim in 2018.<sup>5</sup> According to a

<sup>1</sup> <https://www.riskadvisory.com/campaigns/corruption-challenges-index-2019-reveal/#panel-8>; the World Bank does not even list Turkmenistan in its annual *Doing Business* report, <https://www.doingbusiness.org/en/rankings>; Heritage ranks Turkmenistan 167 out of 178 countries for economic freedom in 2021, <https://www.heritage.org/index/country/turkmenistan>, all accessed March 19, 2021.

<sup>2</sup> <https://www.traceinternational.org/trace-matrix>, accessed March 19, 2021.

<sup>3</sup> <https://www.wsj.com/articles/SB120889777509535923>, accessed March 19, 2021. The dispute was resolved some months later.

<sup>4</sup> <https://www.rferl.org/a/turkmenistan-mts-suspends-operationstelecoms/28764540.html>, accessed March 19, 2021.

<sup>5</sup> <https://eurasianet.org/turkmenistan-mts-packing-up-and-leaving-further-dampening-investor-climate>; <https://thediplomat.com/2018/10/turkmenistan-faces-2-new-arbitration-cases/>, both accessed March 19, 2021.

source familiar with the background, MTS had angered the Turkmen authorities by funding a report on presidential elections in Turkmenistan for a Russian consulting company.<sup>6</sup>

The Turkmen president sits atop a system of bribery and patronage. Steven Mann, a former senior US official who was responsible for Caspian energy issues, revealed in an interview in 2009 that when an international consortium attempted to build a pipeline across the Caspian Sea in the late 1990s, Niyazov asked for an upfront payment on top of the signing bonus of \$10 million. The president first demanded \$5 billion, before lowering it in stages to \$500 million: “Niyazov thought they were bargaining,” commented Mann.<sup>7</sup> In large part due to Niyazov’s unreasonable demands, the consortium walked away in March 2000. Paying to gain entry to Turkmenistan, or even just for a meeting with the president, continued after Niyazov’s death: a leaked US diplomatic cable from 2007 suggested the price that foreign contractors pay to meet with the president had risen by 10 to 15% since Berdymukhamedov came to power. The same source also alleged that bribery was the norm in Turkmenistan, reporting that an unnamed company had offered one of its contacts a 2.5% commission for introducing the “right sort” of European contractor – a contractor with a sterling reputation but with the ability to disguise bribes from auditors.<sup>8</sup> When Turkish construction companies experienced difficulties in getting paid by the Turkmen government around 2011, some sources alleged that it was because they had refused to pay a second ‘kickback’ to Berdymukhamedov’s people, after providing one to the previous Niyazov regime.<sup>9</sup> Some of these firms have alleged that their assets and equipment have been expropriated by Turkmen authorities as a result of the dispute.<sup>10</sup>

At least one company active in Turkmenistan has been proved to have acquiesced to the culture of bribery in order to secure a deal. In 2010, German car manufacturer **Daimler AG** agreed to pay a \$185 million fine to the US Securities and Exchange Commission, following a wide-ranging investigation into bribery in many countries, including Turkmenistan.<sup>11</sup> A filing from the US Department of Justice stated that Daimler had in 2000 delivered an armored luxury sedan to “a high-level executive official” in Turkmenistan as a birthday gift.<sup>12</sup> This was widely reported to be a gift for President Niyazov.<sup>13</sup> The document also alleged that in January 2003, Daimler had translated “the Turkmen Government Official’s personal manifesto” – Niyazov’s so-called holy book, the *Ruhnama* – from the Turkmen language into

<sup>6</sup> Correspondence with source familiar with MTS, March 2021.

<sup>7</sup> Weblink no longer active but can be accessed via web archive, <https://web.archive.org/web/20090903224905/http://oilandglory.com/2009/04/nabucco-huckerism-iran-pollyanishness.html>, web archive accessed March 19, 2021; interview was reposted at <https://www.turkishnews.com/en/content/2009/04/14/nabucco-hucksterism-iran-pollyanishness-and-a-5-billion-bribe-the-oil-and-glory-interview-steven-mann/>, accessed March 19, 2021.

<sup>8</sup> [https://wikileaks.org/plusd/cables/07ASHGABAT1348\\_a.html](https://wikileaks.org/plusd/cables/07ASHGABAT1348_a.html), accessed March 19, 2021.

<sup>9</sup> <https://www.chathamhouse.org/sites/default/files/publications/research/2016-03-08-turkmenistan-bohr.pdf>, p67, accessed March 19, 2021.

<sup>10</sup> <https://eurasianet.org/even-for-favored-turks-turkmenistan-a-risky-investment>, accessed March 19, 2021.

<sup>11</sup> [http://www.rferl.org/content/Russian\\_Turkmen\\_Officials\\_Allegedly\\_Pampered\\_By\\_Daimler/1999308.html](http://www.rferl.org/content/Russian_Turkmen_Officials_Allegedly_Pampered_By_Daimler/1999308.html), accessed March 19, 2021.

<sup>12</sup> This document was formerly available at <http://www.justice.gov/criminal/fraud/fcpa/cases/docs/daimlerag-info.pdf>, p28, but is no longer active and the page was not archived. The details of it was reported in other media articles: see <https://eurasianet.org/turkmenistan-ashgabat-on-receiving-end-of-daimler-bribes-us-federal-court-documents>, accessed March 25, 2021.

<sup>13</sup> [http://business.timesonline.co.uk/tol/business/industry\\_sectors/transport/article7086766.ece](http://business.timesonline.co.uk/tol/business/industry_sectors/transport/article7086766.ece), accessed January 15, 2020, article is now behind a paywall.

German, and had 10,000 copies printed at a cost of approximately \$250,000.<sup>14</sup> A report in *The Times* suggested that in return, Daimler received orders for over a thousand vehicles.<sup>15</sup> Unconfirmed reports suggest the German authorities had information that suggested that Niyazov's son, Murad, also received a certain percentage of all sales made by Daimler in Turkmenistan.<sup>16</sup>

German company **Siemens** has been active in Turkmenistan since 1997, with contracts in the fields of energy, water, mobility, and healthcare.<sup>17</sup> It also constructed a summer residence for President Niyazov, and provided him with medical assistance when he developed a heart problem in 2003.<sup>18</sup> In 2003, Siemens was accused of creating a major wiretapping system for Turkmenistan's security services, allegations that Siemens has denied.<sup>19</sup> In 2008, Siemens was fined \$1.6 billion after an investigation by US authorities into widespread bribery at the company,<sup>20</sup> although the company's business in Turkmenistan did not feature in the allegations.<sup>21</sup>

Companies that attempt to earn money outside of this system of patronage may face the wrath of the Turkmen authorities. When a German businessman started up a successful chicken farm just outside of Ashgabat in 1999, Niyazov was furious. The Turkmen authorities demanded half the profits, made "godfather-style offers" to the company's owner, and then, when they were rebuffed, simply seized the farm. An arbitration claim was upheld in favor of the German businessman in 2014.<sup>22</sup>

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<sup>14</sup> See footnote 11.

<sup>15</sup> [http://business.timesonline.co.uk/tol/business/industry\\_sectors/transport/article7086766.ece](http://business.timesonline.co.uk/tol/business/industry_sectors/transport/article7086766.ece), accessed January 15, 2020, article is now behind a paywall.

<sup>16</sup> <http://www.nrhz.de/flyer/beitrag.php?id=1572>, accessed March 19, 2021.

<sup>17</sup> <https://press.siemens.com/global/en/pressrelease/turkmenistan-chooses-siemens-technology-partner-infrastructure-expansion>, accessed March 19, 2021.

<sup>18</sup> [http://www.shadowofthehollybook.net/reps/Germany-Turkmenistan\\_connections\\_Jan09.pdf](http://www.shadowofthehollybook.net/reps/Germany-Turkmenistan_connections_Jan09.pdf), accessed March 19, 2021. According to this website, Siemens sent a letter of praise to Niyazov upon receipt of a copy of the *Ruhnama*.

<sup>19</sup> <https://www.freedomforsale.net/articles/25-siemens-created-wiretapping-system-for-turkmenistan-secret-police#.XhYCztSLSHsps://www.freedomforsale.net/articles/25-siemens-created-wiretapping-system-for-turkmenistan-secret-police#.XhYCztSLSHs>, accessed March 19, 2021.

<sup>20</sup> <https://www.nytimes.com/2008/12/21/business/worldbusiness/21siemens.html>, accessed March 19, 2021.

<sup>21</sup> <https://www.freedomforsale.net/articles/23-siemens-bribery-scandal#.XhYDItSLSHs>, accessed March 19, 2021.

<sup>22</sup> <https://thediplomat.com/2018/10/turkmenistan-faces-2-new-arbitration-cases/>, accessed March 19, 2021.

## Deutsche Bank

**As noted in the previous chapter, the Turkmen government's main banker is Germany's largest financial institution, Deutsche Bank.**

This relationship has existed since at least 1995 and continues to this day, despite many calls by both German and international civil society for Deutsche Bank to reconsider.

Deutsche Bank's long-standing and close relationship with the government of Turkmenistan is at odds with its membership in the UN Global Compact, a voluntary initiative launched in July 2000, which aims to "align strategies and operations with universal principles on human rights, labour, environment and anti-corruption."<sup>23</sup> The Compact's principles state that businesses should "support and respect the promotion of internationally proclaimed human rights," "make sure that they are not complicit in human rights abuse," and "work against corruption in all its forms, including extortion and bribery." Yet by its own admission, the Compact does not police or enforce the behavior or actions of companies,<sup>24</sup> leading Global Witness to call it "little more than a marketing tool."<sup>25</sup>

An example of Deutsche Bank's possible complicity in human rights' abuses occurred in 2005, when one of Turkmenistan's deputy prime ministers, Yelly Gurbanmuradov, was accused by Niyazov of causing around \$100 million of damage to the state, including through misappropriation of state resources.<sup>26</sup> Niyazov often used such accusations to remove potential rivals (see Chapter 4), leading Human Watch Rights to say that the case against Gurbanmuradov "may have been politically motivated."<sup>27</sup> Gurbanmuradov's alleged crimes appear to include various thefts from the budget of different sectors, and there are indications that some of the missing money came from accounts held at Deutsche Bank. Credible sources report that the Deutsche Bank official resident in Turkmenistan at the time was approached by government officials and forced to immediately attend Gurbanmuradov's hearing. Indeed, when Niyazov announced on television that Gurbanmuradov was being dismissed, the Deutsche Bank official was present, with Niyazov thanking him for helping to prevent the deputy prime minister from stealing money from the state.<sup>28</sup> Crude Accountability asked Deutsche Bank about this incident. It did not respond specifically to this question, but chose to refer more generally to how it attempts to uphold human rights: "Our principle is not to engage in any activities or business relationships where

<sup>23</sup> <https://www.unglobalcompact.org/what-is-gc>, accessed March 19, 2021.

<sup>24</sup> <https://www.unglobalcompact.org/about/faq>, accessed March 19, 2021.

<sup>25</sup> <https://www.globalwitness.org/en-gb/archive/germany-must-launch-full-inquiry-turkmen-funds-german-banks/>, accessed March 19, 2021.

<sup>26</sup> <https://www.rferl.org/a/1059479.html>, accessed March 19, 2021.

<sup>27</sup> <https://www.hrw.org/news/2009/03/12/letter-president-gurbanguly-berdymukhamedov-regarding-human-rights-concerns>, accessed March 19, 2021.

<sup>28</sup> [https://www.banktrack.org/download/complaint\\_to\\_global\\_compact\\_about\\_deutsche\\_bank/un\\_gc\\_complaint\\_regarding\\_deutsche\\_bank.pdf](https://www.banktrack.org/download/complaint_to_global_compact_about_deutsche_bank/un_gc_complaint_regarding_deutsche_bank.pdf), accessed March 19, 2021, plus information from a source formerly active in Turkmenistan, late 2019.

there is clear evidence of human rights' violations"<sup>29</sup> (see below for Deutsche Bank's full response). Gurbanmuradov died in prison in 2015.<sup>30</sup>

More directly, many questions remain over the relationship between Deutsche Bank and family members of the country's two presidents. While Niyazov was in power, Deutsche Bank claimed that it never held personal accounts on his behalf (a point made moot by the fact of his *de facto* control over Turkmenistan's state accounts, such as the FERF, which is held at Deutsche Bank), but it has never responded to questions sent by anti-corruption campaigners as to whether it held accounts for other family members.<sup>31</sup> One source with knowledge of the Deutsche Bank accounts alleged that Niyazov's wife, Muza, had at least one account at the bank while Niyazov was alive.<sup>32</sup>

Crude Accountability wrote to Deutsche Bank to get its response on whether the bank holds accounts for members of the families of Niyazov and Berdymukhamedov. A spokesperson for Deutsche Bank replied: "We ask for your understanding that for legal reasons we are not allowed to provide information about any potential or actual client relationships. Only a client and not the bank concerned can decide to disclose any information. Therefore we don't comment on any individual or organization you mentioned in your letter."<sup>33</sup>

Following Niyazov's death, there were many calls for Deutsche Bank to freeze the accounts because of the danger of capital flight. Deutsche Bank responded that it had performed a sample investigation (in German, *Stichprobenartige Untersuchung*) of these accounts, and that BaFin, the German banking regulator, had established that the bank was acting in accordance with German laws in regard to the Turkmen state accounts.<sup>34</sup> Scott Horton, a leading financial lawyer with expertise on Central Asia, criticized the random sample audit technique, saying that it was "entirely reasonable in a commercial context, but means next to nothing in a case like this."<sup>35</sup> Deutsche Bank did not respond to calls for a more wide-ranging probe, and there does not appear to have been any further investigation into this relationship since this time by the German regulator. Markus Meinzer, a researcher at Netzwerk Steuergerechtigkeit, an NGO that works on public finance issues in Germany, commented to Crude Accountability in 2020: "BaFin has increasingly become synonymous for an ineffective state agency and a 'see no evil' attitude... [it] is asleep at the wheel."<sup>36</sup>

There were also reports of meetings between Niyazov's family members and Deutsche Bank officials following the first president's death, regarding control of some of the accounts held at the bank and who

<sup>29</sup> Emailed response from Deutsche Bank, to Crude Accountability enquiry, October 2020.

<sup>30</sup> <https://www.civicsolidarity.org/article/1492/another-victim-enforced-disappearance-turkmenistan-akmurad-redjepov-dies-custody>, accessed March 19, 2021.

<sup>31</sup> Correspondence between Global Witness and Deutsche Bank seen by the Crude Accountability researcher.

<sup>32</sup> Interview with former banking official conducted by NGO researcher, 2005.

<sup>33</sup> Email from a spokesperson of Deutsche Bank to Crude Accountability researcher, 26 October 2020.

<sup>34</sup> <https://www.globalwitness.org/en/archive/germany-must-launch-full-inquiry-turkmen-funds-german-banks/>, accessed March 19, 2021.

<sup>35</sup> <https://www.globalwitness.org/en-gb/archive/germany-must-launch-full-inquiry-turkmen-funds-german-banks/>, accessed March 19, 2021.

<sup>36</sup> Emailed response from Deutsche Bank to Crude Accountability enquiry, October 2020.

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was to inherit the monies in them. According to unconfirmed reports, a lawyer representing Niyazov's son, Murad, met with senior Deutsche Bank officials on this matter, though it is unclear what the outcome of these meetings was, if they occurred.<sup>37</sup> Deutsche Bank chose not to respond specifically to questions about these alleged meetings in a letter from Crude Accountability.

The FinCEN document scandal – in which thousands of suspicious activity reports (SARs) were leaked to journalists in 2020 – gives us a glimpse into the apparent misuse of Turkmen state funds facilitated by Deutsche Bank. One example indicated that in December 2016, the Ministry of Commerce of Turkmenistan sent \$1.6 million to a company registered in Scotland, named Intergold LP. The transaction went through Deutsche Bank in New York and Sberbank in Moscow, and into Intergold's Latvian account in AS Industria bank. The purpose of the remittance was given as “confectionary.” The transaction was flagged as suspicious, likely because the entity receiving the company is a shell company, unlikely to be involved in any genuine business activity. The company – since renamed SL024852<sup>38</sup> – has no named company officers and is not required to file accounts as it is a Scottish limited partnership. These structures have been identified as a common conduit for suspected criminal funds because of their lack of reporting requirements.<sup>39</sup>

Even though this particular transaction was flagged as suspicious, the money was not prevented from flowing to its final destination, allowing it to be withdrawn or transferred on by whoever the owners of Intergold are. The amount sent to Intergold was relatively small, but according to the ICIJ, which first reported on the FinCEN scandal, around three dozen SARs pertaining to Turkmenistan totalling \$1.4 billion were filed from 2001 to 2016.<sup>40</sup> This does not mean that the companies involved in these transactions were involved in illegal activity, but, rather that the transactions were suspicious enough to warrant notification of an enforcement body. Of course, the banks could close the suspect accounts, but the FinCEN scandal suggests that financial institutions such as Deutsche Bank are more likely to keep the money flowing – accruing banking fees – while absolving themselves of legal responsibility through the filing of suspicious activity reports.<sup>41</sup>

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<sup>37</sup> Correspondence with various journalists and NGO researchers familiar with Deutsche Bank/Turkmenistan issue, various times.

<sup>38</sup> <https://find-and-update.company-information.service.gov.uk/company/SL024852/filing-history>, accessed March 19, 2021.

<sup>39</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/703603/limited-partnerships-review-of-limited-partnership-law.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/703603/limited-partnerships-review-of-limited-partnership-law.pdf), p8, accessed March 19, 2021.

<sup>40</sup> <https://www.hronikatm.com/2020/09/fincen/>, accessed March 19, 2021.

<sup>41</sup> <https://www.hronikatm.com/2020/09/fincen/>, accessed March 19, 2021.



## The Full Response from Deutsche Bank

In October 2020, Crude Accountability sent Deutsche Bank a letter, requesting a response to various statements, which presented evidence suggesting Deutsche Bank is facilitating the Turkmen government's kleptocratic practices, and highlighted the bank's relationship with family members of Presidents Niyazov and Berdymukhamedov.

We also asked for a response to Crude Accountability's belief that Deutsche Bank is using the Global Compact to profess solidarity and compliance with its aims, while in reality failing to uphold these principles in regard to its relationship with the government of Turkmenistan, and that by continuing to hold Turkmen state accounts, Deutsche Bank not only confers on Turkmenistan a legitimacy it does not deserve given the government's flagrant human rights' abuses and corrupt practices, but that it is also complicit in the kleptocracy and human rights' abuses perpetrated by the Turkmen regime under Presidents Niyazov and Berdymukhamedov.

A spokesperson from Deutsche Bank sent the following reply, included here in its entirety:

- *We ask for your understanding that for legal reasons we are not allowed to provide information about any potential or actual client relationships. Only a client and not the bank concerned can decide to disclose any information. Therefore we don't comment on any individual or organization you mentioned in your letter.*



- *Further, we cannot comment on the work of regulators or provide information on the status of potential or actual official investigations. We worked and still work constructively together with the authorities. We have invested almost \$1 billion in improved controls, trainings and operational processes, and have increased our anti-financial crime team to over 1,500 people.*
- *“Human dignity is inviolable” - this principle is the foundation for respectful cooperation. That is why respect for human rights is a guiding principle embedded in Deutsche Bank’s Code of Conduct. We endorse international standards and guidelines such as the UN Guiding Principles on Business and Human Rights, the International Bill of Rights, and the Core Labor Standards of the International Labor Organization (ILO). Our Human Rights Statement reinforces this commitment and outlines the approach we take to address this important issue. We also publish Deutsche Bank’s U.K. Modern Slavery Statement. Our approach covers all dimensions of the business from client transactions and interaction with vendors and service providers to how we treat our own employees. Our principle is not to engage in any activities or business relationships where there is clear evidence of human rights’ violations. We actively participate in the Thun group, discussing current banking and human rights focus areas. Special attention is paid to key legal and regulatory issues as well as evolving developments. For further information please see our Non-Financial Report 2019 (pages 65 and following) ([https://www.db.com/ir/en/download/Deutsche\\_Bank\\_Non-Financial\\_Report\\_2019.pdf](https://www.db.com/ir/en/download/Deutsche_Bank_Non-Financial_Report_2019.pdf)).<sup>42</sup>*

The report referred to at the end of Deutsche Bank’s response states that Deutsche Bank established a Human Rights Working Group at the end of 2018, which became fully operative in 2019. It meets on a monthly basis, bringing together decision-makers from different business and infrastructure units from across the bank who work to improve the bank’s procedures, guidelines, and communication on human rights topics.<sup>43</sup>

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<sup>42</sup> Email from a spokesperson of Deutsche Bank to Crude Accountability researcher, October 26, 2020.

<sup>43</sup> [https://www.db.com/ir/en/download/Deutsche\\_Bank\\_Non-Financial\\_Report\\_2019.pdf](https://www.db.com/ir/en/download/Deutsche_Bank_Non-Financial_Report_2019.pdf), accessed March 19, 2021.

## Oil, Gas, and Power Companies

**At various points in Turkmenistan's history, extractive companies have flocked to the country in the hope of securing a lucrative deal because of its ample oil and gas reserves.**

One of the first was Argentinian company the **Bridas Corporation**, which struck a joint venture agreement to exploit oil and gas in Turkmenistan in February 1993.<sup>44</sup>



CARLOS BULGHERONI  
© MERCOPRESS

In the mid-90s, its CEO, **Carlos Bulgheroni**, personally negotiated a possible pipeline between Turkmenistan and Pakistan via Afghanistan, governed at that time by the Taliban. A large part of the negotiation involved trying to keep Niyazov happy, with reports that Bulgheroni even paid for the wedding of Niyazov's son, Murad.<sup>45</sup> However, Niyazov ultimately chose to partner with US-based company **Unocal**, although the deal collapsed in 1998 due to regional instability making the construction of a pipeline impossible. Bridas' existing agreement also turned sour, with the Turkmen government halting the company's operations, annulling the contract, and deporting all of Bridas' non-Turkmen employees.<sup>46</sup> Bridas withdrew from the joint venture in 2000 and ultimately won an arbitration claim for \$495 million<sup>47</sup> against Turkmenistan that was finally upheld in 2006.<sup>48</sup>



YOSSI MAIMAN  
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One company that fared much better in getting close to Niyazov was the **Merhav Group**, whose German-born Israeli founder, **Yossi Maiman**, a former Mossad agent,<sup>49</sup> was made Turkmenistan's Special Ambassador to Israel,<sup>50</sup> and also given the official status of special adviser on energy exports.<sup>51</sup> In 2004, the company modernized Turkmenistan's largest oil refinery in Turkmenbashi, with Merhav helping the Ministry of Oil & Gas to secure financing of around \$1.5 billion.<sup>52</sup> Under Berdymukhamedov, Merhav was reported in 2007 to be ready to launch \$3 billion worth of projects in Turkmenistan in the fields of health, education, agriculture, and energy.<sup>53</sup> It is

<sup>44</sup> <https://caselaw.findlaw.com/us-5th-circuit/1089023.html>, accessed March 19, 2021.

<sup>45</sup> [https://sites.ualberta.ca/~khineiko/MK\\_2000\\_2003/1124463.htm](https://sites.ualberta.ca/~khineiko/MK_2000_2003/1124463.htm), accessed March 19, 2021. This was Murad's second wedding. He has since divorced and married a third time.

<sup>46</sup> Russian and CIS Gas Markets and Their Impact on Europe, p280. Ed. Simon Pirani, 2008, The Oxford Institute for Energy Studies.

<sup>47</sup> <https://www.italaw.com/sites/default/files/case-documents/italaw8965.pdf>, p4, accessed March 19, 2021.

<sup>48</sup> <https://jsumundi.com/en/document/decision/en-joint-venture-yashlar-and-bridas-s-a-p-i-c-v-turkmenistan-interim-award-tuesday-8th-june-1999>; <https://www.italaw.com/sites/default/files/case-documents/italaw8965.pdf>, both accessed March 19, 2021.

<sup>49</sup> <https://www.upi.com/Energy-News/2009/12/10/Saudi-Israel-tie-up-in-Turkmenistan/95231260467100/>, accessed March 19, 2021.

<sup>50</sup> Weblink is no longer available, but can be accessed through the web archive <https://web.archive.org/web/20161021194302/https://www.bloomberg.com/research/stocks/private/person.asp?personId=2971160&privcapId=27407576>, accessed March 19, 2021.

<sup>51</sup> <https://www.chathamhouse.org/sites/default/files/publications/research/2016-03-08-turkmenistan-bohr.pdf>, p24, accessed March 19, 2021.

<sup>52</sup> <http://www.turkmenistan.ru/en/node/2947>, accessed March 19, 2021.

<sup>53</sup> <https://www.ynetnews.com/articles/1,7340,L-3392242,00.html>, accessed March 19, 2021.

unclear which of these projects went ahead, and the lack of media reports indicates that the company does not seem to have struck any new deals in recent years.<sup>54</sup>

Only a select few oil and gas companies have had success in Turkmenistan, and mainly operate offshore in the Turkmen section of the Caspian Sea. Malaysia's state owned **Petronas** and UAE-based **Dragon Oil** both signed production sharing contracts with the Turkmen government for offshore blocks in the 1990s and are still operating today. Following Niyazov's death, there was hope within the international business community that Berdymukhamedov would open up Turkmenistan's vast onshore oil and gas reserves for foreign investors. A consortium consisting of Denmark's **Maersk** and Germany's **Wintershall** was awarded two offshore blocks in 2002 (with Indian group **OMEL** purchasing a stake in 2007), but it announced relinquishment of the blocks in 2010, citing poor exploration potential.<sup>55</sup> German company **RWE** (later renamed **DEA AG**) also received an offshore exploration license in 2009, likely with the hope that it would be later granted access to onshore gas fields for possible transportation to Western Europe across a proposed Trans Caspian Pipeline and the once-touted Nabucco pipeline. These plans seem a distant prospect now, and the company decided against renewing its contract in August 2015, reportedly because of problems with bureaucracy, corruption, and government incompetence.<sup>56</sup> Cyprus-based **Buried Hill** still holds an offshore block, signed in 2007,<sup>57</sup> but there is currently little activity, and development plans are unclear.

Most major extractive companies have closed their offices in Turkmenistan, as the Turkmen government has in the main refused to grant onshore contracts to foreign companies, preferring to exploit the reserves using state-owned entities. There are some exceptions: British company **Burren Energy** struck a deal in 1996 regarding the Nebit Dag Area in western Turkmenistan; as mentioned above, the company was bought out in 2008 by Italy's **Eni**.<sup>58</sup> A BVI registered company called **Mitro International**, with alleged ties to Niyazov's son Murad,<sup>59</sup> signed a deal in 2000 to develop oil in a joint venture with state company Turkmenneft.<sup>60</sup>

These deals are small in comparison to those struck by Chinese state company **CNPC**, which signed a production sharing agreement in July 2007 to explore and develop gas fields on the right bank of the Amu Darya river.<sup>61</sup> Part of the appeal for the Turkmen government was that China agreed to build

<sup>54</sup> Merhav's website <https://www.merhav.org/> was active until early 2020 but is now no longer available. According to the web archive the front page had not been updated since August 2018, see [http://web.archive.org/web/2018\\*/https://www.merhav.org/](http://web.archive.org/web/2018*/https://www.merhav.org/).

<sup>55</sup> <http://archives.mees.com/issues/99/articles/3793>, accessed March 19, 2021.

<sup>56</sup> As reported by a source formerly active in Turkmenistan to Crude Accountability researcher, late 2019. Such issues are alluded to though not in reference to any particular company in this now archived article from 2017, see <http://web.archive.org/web/20180729211244/https://www.hellenicshippingnews.com/turkmenistans-floundering-offshore-strategy/>, web archive accessed March 25, 2021.

<sup>57</sup> <http://www.buriedhill.com/about-buried-hill-energy/>, accessed March 19, 2021.

<sup>58</sup> <https://www.marketwatch.com/story/italian-oil-major-eni-seals-takeover-of-uks-burren-energy>, accessed March 21, 2021.

<sup>59</sup> *Russian and CIS Gas Markets and Their Impact on Europe*, p282, ed. Simon Pirani, 2008, The Oxford Institute for Energy Studies.

<sup>60</sup> Mitro is sometimes reported to be Austrian, but it is registered in the BVI. See <https://offshoreleaks.icij.org/nodes/56052292>, accessed March 21, 2021. A Panamanian company, Pado Oil and Chemical S.A. Corporation, transferred all its contractual rights and obligations regarding the PSA to Mitro in 2001. See <https://opencorporates.com/companies/pa/328209>, <https://crudeaccountability.org/campaigns/turkmenistan/whos-who-in-turkmenistan-petroleum-company-dossiers/mitro-international-limited-austriaturkmennebit-consortium-the-khazar-consortium>, both accessed March 21, 2021.

<sup>61</sup> [https://www.cnpc.com.cn/en/Turkmenistan/country\\_index.shtml](https://www.cnpc.com.cn/en/Turkmenistan/country_index.shtml), accessed March 21, 2021.

pipelines linking the two countries, with the first line becoming operational in December 2009. Three lines are currently in use, and a fourth touted, though the completion date has been moved several times, from 2016 to 2022,<sup>62</sup> amid uncertainty about extra gas purchases by China.

The western companies in this field that have enjoyed most success in Turkmenistan are the ones supplying oil and gas services or equipment. **Parker Drilling**, headquartered in Texas, with offices in the UK and Turkmenistan, struck deals in 2003 in collaboration with **Calik Energy** and state company Turkmenneft regarding the drilling of production wells in the Korpheje field.<sup>63</sup> According to Parker Drilling, Calik Energy was responsible for its payments. A further two-year contract was signed in 2007 with an option for an additional year, in eastern Turkmenistan,<sup>64</sup> again with Calik Energy.<sup>65</sup>

Under Berdymukhamedov, some companies, including a consortium of South Korea's **Hyundai** and **LG**, have been granted service contracts at the South Yolotan (Galkynysh) gas field.<sup>66</sup> Oil services company **Schlumberger**, a company registered in Curaçao and traded on both the New York and London Stock Exchanges, has been active in Turkmenistan for over 20 years,<sup>67</sup> and maintains a large facility in Balkanabat, in the west of Turkmenistan.<sup>68</sup> **DRC International**, a US-based technical procurement and distribution company for the oil, gas, and construction industries, has been active in Turkmenistan since 2004.<sup>69</sup> UK-French company **Technip** (renamed **TechnipFMC** in 2017) has been active in Turkmenistan since 1996 providing oil and gas field development equipment and services.<sup>70</sup>

Entities involved in supplying equipment for gas treatment plants and the generation of power have also done well in Turkmenistan. US firm **Honeywell International Inc.** has been active in the country since 2002<sup>71</sup> and in 2012 signed a gas distribution agreement with **INTEK**,<sup>72</sup> a Turkmen company, which has contracts with the Turkmen Ministry of Education and the Presidential Apparatus, one of “a very, very few companies that operate on this level in Turkmenistan,” according to a US diplomatic cable sent in 2008. The cable concluded: “It would be hard to believe that [INTEK company founder **Artur Ovezmuradov**] would have been allowed to continue to run such a successful company without ties to

<sup>62</sup> <https://www.eurasiareview.com/25062019-chinas-gas-supplies-shadowed-by-stalled-pipeline-analysis/>, accessed March 21, 2021.

<sup>63</sup> [https://www.rigzone.com/news/oil\\_gas/a/9783/parker\\_drilling\\_begins\\_operations\\_in\\_turkmenistan/](https://www.rigzone.com/news/oil_gas/a/9783/parker_drilling_begins_operations_in_turkmenistan/), accessed March 21, 2021.

<sup>64</sup> <https://investors.parkerdrilling.com/press-releases/detail/66/parker-awarded-contracts-in-mexico-and-turkmenistan-sets>, accessed March 21, 2021.

<sup>65</sup> <https://www.ogj.com/drilling-production/article/17287747/schlumberger-calik-enerji-units-secure-drilling-rigs>, accessed March 21, 2021.

<sup>66</sup> Others are Gulf Oil & Gas Fze (United Arab Emirates), Petrofac International LLC (United Arab Emirates), and CNPC Chuanqing Drilling Engineering Company (China).

<sup>67</sup> <https://crudeaccountability.org/campaigns/turkmenistan/whos-who-in-turkmenistan-petroleum-company-dossiers/schlumberger-caspian-geomarket-cag/>; [https://wikileaks.org/plusd/cables/09ASHGABAT1422\\_a.html](https://wikileaks.org/plusd/cables/09ASHGABAT1422_a.html), both accessed March 21, 2021.

<sup>68</sup> <https://www.google.com/maps/place/Schlumberger/@39.5077753,54.3437402,15z/data=!4m5!3m4!1s0x0:0x869a1789b64d2cc8!8m2!3d39.5077753!4d54.3437402>, accessed March 21, 2021.

<sup>69</sup> <https://www.reuters.com/article/us-turkmenistan-economy/foreign-companies-struggle-in-cash-strapped-turkmenistan-idUSKCN1Z0Q4>; <https://drcworldwide.com/regions/turkmenistan>, both accessed March 21, 2021.

<sup>70</sup> <https://s3.amazonaws.com/rqi-documents/c2ef216b5af95715cbd12862118905c224d6800b.pdf>, accessed March 21, 2021.

<sup>71</sup> <https://en.trend.az/business/economy/2023353.html>, accessed March 21, 2021.

<sup>72</sup> Honeywell, news release, May 14, 2012, weblink is no longer active but can be accessed via web archive [http://web.archive.org/web/20170321132736/https://www.honeywellprocess.com/en-US/news-and-events/Pages/PR\\_14052012\\_Honeywell-Names-Intek-Authorised-Distributor-For-Turkmenistan-Gas-Sector.aspx](http://web.archive.org/web/20170321132736/https://www.honeywellprocess.com/en-US/news-and-events/Pages/PR_14052012_Honeywell-Names-Intek-Authorised-Distributor-For-Turkmenistan-Gas-Sector.aspx), web archive accessed March 25, 2021.

the leadership.”<sup>73</sup> According to a source with knowledge of the company, INTEK retains its position to the present day.

US company **General Electric** has also done profitable business in Turkmenistan, supplying the country since 1998 with at least 40 gas turbines in a variety of power plants,<sup>74</sup> often in partnership with its long-standing ally, Turkish company **Calik Holding**.<sup>75</sup> In 2019, Denmark’s **Haldor Topsoe** struck a deal with Japan’s Kawasaki Heavy Industry Ltd and Turkey’s Rönesans Holding to engineer and construct a plant for producing synthetic gasoline in Ovadan Depe.<sup>76</sup> Rönesans is also involved in the construction of a hotel,<sup>77</sup> and has built various government buildings.<sup>78</sup>

One notable European company active in Turkmenistan since the late 1990s is Belgium registered **ENEX Process Engineering**, which has built compressor stations and gas treatment plants in deals estimated in 2010 to be worth around €430 million.<sup>79</sup> In 2010, ENEX, along with France-headquartered **Schneider Electric SA** (active in Turkmenistan since 1998<sup>80</sup>), received a €1.3 billion contract to modernize in three phases the energy grid of Turkmenistan’s capital, Ashgabat, beating a rival bid from Siemens.<sup>81</sup> This has apparently led to a close relationship between Berdymukhamedov and ENEX CEO **Koen Minne**, who was described in a US diplomatic cable in 2009 as a “good friend” of the president,<sup>82</sup> having been appointed in January 2008 as honorary consul of Turkmenistan to Belgium.

In an interview given in 2010, Minne defended his company’s record in Turkmenistan, arguing that everything was above board: “If I am to deliver a gas compressor worth €50 million I have certificates of origin, certificates of quality, transport documents. I present this set of documents to Deutsche Bank and upon establishing the compliance of the documents with Turkmenistan’s letters of credit, Deutsche Bank pays me and this money is transferred to my account to pay for the equipment. Deutsche Bank then gets its money from the Central Bank of Turkmenistan... Everything comes into the accounts of an EU company bank. You can’t divert money from such a company without the auditor seeing this... Honeywell, Schneider – they are publicly listed, so I don’t know how they could go along with anything like that [bribes].”<sup>83</sup> These comments were made just seven months after Daimler AG agreed to pay its fine to the US authorities for bribing Niyazov and public officials in other countries. It is unclear whether Minne knew about the reports of oil and gas officials stealing, or attempting to steal, from the Deutsche

<sup>73</sup> [https://www.wikileaks.org/plusd/cables/08ASHGABAT1065\\_a.html](https://www.wikileaks.org/plusd/cables/08ASHGABAT1065_a.html), accessed March 21, 2021.

<sup>74</sup> <https://www.linkedin.com/pulse/turkmenistan-celebrates-countrys-first-combined-cycle-kermorgant>, accessed March 25, 2008.

<sup>75</sup> <https://www.dailysabah.com/business/2013/09/12/ge-joins-forces-with-calik-to-provide-energy-to-turkmenistan>, accessed March 21, 2021.

<sup>76</sup> <https://blog.topsoe.com/2014/08/groundbreaking-turkmenistan-build-major-plant-producing-synthetic-gasoline>, accessed March 21, 2021.

<sup>77</sup> Turkmen state website, August 8, 2018, weblink no longer available, but can be accessed through web archive, <http://web.archive.org/web/20190618181147/https://tdh.gov.tm/news/en/articles.aspx&article13995&cat26>, web archive accessed March 25, 2021.

<sup>78</sup> <https://ronesans.com/en/proje/ministry-buildings-in-turkmenistan/>, accessed March 21, 2021.

<sup>79</sup> <https://euobserver.com/economic/31020>, accessed March 21, 2021.

<sup>80</sup> <https://en.trend.az/casia/turkmenistan/2541159.html>, accessed March 21, 2021.

<sup>81</sup> <https://www.bloomberg.com/news/articles/2010-07-02/schneider-electric-wins-1-3-billion-turkmenistan-contract-tribune-says>; <https://www.recep.org/turkmenistan-2012>; <https://www.power-grid.com/td/turkmenistan-modernizes-electric-grid/#gref>, both accessed March 21, 2021.

<sup>82</sup> [https://wikileaks.org/plusd/cables/09ASHGABAT516\\_a.html](https://wikileaks.org/plusd/cables/09ASHGABAT516_a.html), accessed March 21, 2021.

<sup>83</sup> <https://euobserver.com/economic/31020>, accessed March 21, 2021.

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Bank account, and the controversies about both presidents' personal control over state accounts, as described in Chapter 1.

In August 2019, a Singapore registered company, **GP Global Equipment**, won a contract to design and build a gas compressor station in Turkmenistan. The Turkmen government solicited no bids before awarding the contract to this company.<sup>84</sup> According to *Turkmen News*, an opposition website operating outside of Turkmenistan, GP Global Equipment is owned by Russian citizen Igor Garankin, and gained access to the Turkmen market after lobbying by Viktor Khramov, a key advisor to Berdymukhamedov, and Itera/Areti's Igor Makarov (see below), who was appointed as presidential oil and gas advisor in the same month as the announcement of the GP Global Equipment deal.<sup>85</sup>

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<sup>84</sup> [https://central.asia-news.com/en\\_GB/articles/cnmi\\_ca/features/2019/10/08/feature-01](https://central.asia-news.com/en_GB/articles/cnmi_ca/features/2019/10/08/feature-01), accessed March 21, 2021.

<sup>85</sup> <https://en.turkmen.news/news/cronyism-russian-influence-behind-singapore-company-s-multi-million-contract-in-turkmenistan/>, accessed March 21, 2021.

# CASE STUDY:

## Cooking the Books

A July 2020 article in the *London Review of Books* featured a story penned by someone who worked for an unnamed western oil and gas company<sup>86</sup> operating in Turkmenistan. The story is a fascinating insight as to the difficulties of working in a corrupt dictatorship.

According to the company official (named ‘James Lomax’, although this is likely a pseudonym), he was sent to Turkmenistan to interview the company’s country manager who had been accused of cooking the books. Lomax explained that the problem stemmed from the fact that the Turkmen government hardly ever paid invoices because of a “fiendishly convoluted invoicing system, requiring a million different signatures in exactly the right place on a document at exactly the right time – the kind of set-up in which bribery is intended to thrive.” As indicated in Chapter 1, a lack of payment is common for foreign companies in Turkmenistan, a problem likely exacerbated by the country’s current financial crisis, although it is unclear from the article when the events described actually took place.

Lomax argued that western oil companies were prepared to tolerate this system in the hope that one day conditions would change and the revenue would pour in. In the meantime, he said that this represents: “an almost impossible conundrum to solve without acting corruptly” in Turkmenistan. Lomax said that his company’s country manager refused to consider doing illicit favors for Turkmen “apparatchiks,” but he had been driven to commit fraud:

*Because the company wasn’t getting paid for any of the work that had been completed, [the country manager] decided to make it look as if his team had done far more drilling than was actually the case. This would then be recognised in the books as income that had been accrued; we could rely on the money coming through in the near future. [...] his fraud was only intended to be a short-term fix. But [the country manager] hadn’t managed to buy himself even that amount of time. He had made the fake drilling estimates so large that it didn’t take long for an accountant at corporate HQ to spot the unlikely increase in activity and start asking questions.*

According to Lomax, the country manager was dismissed.<sup>87</sup>

<sup>86</sup> The author says he is working for a “Western oil company” that brought “oil and gas to the surface” at Turkmenistan’s Galkynysh field, that the company has an office in the UK and whose “central compliance team” worked in Texas.

<sup>87</sup> <https://www.lrb.co.uk/the-paper/v42/n15/james-lomax/diary>, accessed March 21, 2021.





IGOR MAKAROV AND GURBANGULY BERDYMUKHAMEDOV © [TURKMEN.NEWS](https://www.turkmen.news)

## Itera/Areti

**One oil and gas company, Itera, stands out in terms of the success it has had in Turkmenistan.**

Its involvement dates back to the early years of Turkmen independence, when the country's gas trade with other countries was characterized by

opaque dealings, mismanagement, and corruption. At this time, the business was dominated by barter deals – swapping gas for goods – that were open to abuse through the mispricing of the items' value, and alleged involvement of organized crime structures. The business was controlled by shadowy companies that operated opaquely and with impunity. Two of the first (operating around 1993-1995) were **Respublika** and **Intergaz**, both headed by Ukrainian businessman **Igor Bakai**, who would go on to head Ukraine's then notoriously corrupt state oil and gas company. Bakai's Respublika famously traded some Turkmen gas for 12 million pairs of galoshes in 1995.<sup>88</sup>

Around the same time, a Cyprus registered<sup>89</sup> company called **Omrانيا** started to supply Turkmenistan with food products. The company was headed by **Igor Makarov**, who was born and raised in Ashgabat.<sup>90</sup> After a career in competitive cycling, he became involved in business in the Russian city of Kazan in the late 1980s, dealing in clothing and souvenir production before moving onto food and petroleum products.<sup>91</sup> According to Makarov himself, the company started supplying Turkmenistan with food products in 1993, exchanging items like New Zealand butter for Turkmen crude oil. A key official in these days was Turkmen Minister of Agriculture, Food, and Processing Industry (later Minister of Agriculture and Food) **Payzygeldy Meredov**, who was dismissed in 1994 amid public accusations by President Niyazov of financial abuse.<sup>92</sup>

Makarov says he got into the gas industry by accident when in 1995 Turkmenistan paid him in gas worth around \$30 million instead of hard currency, which was in short supply in Turkmenistan at the time.<sup>93</sup>

<sup>88</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p26, accessed March 21, 2021.

<sup>89</sup> <https://rumafiozi-eng.livejournal.com/182636.html>, accessed March 21, 2021.

<sup>90</sup> <https://igormakarov.net/>, accessed March 21, 2021.

<sup>91</sup> <https://www.rferl.org/a/1341615.html>, accessed March 21, 2021.

<sup>92</sup> [https://protheyarealive.org/wp-content/uploads/2019/09/List-of-the-Disappeared-in-Turkmen-Prisons\\_Sept-2019\\_ENG.pdf](https://protheyarealive.org/wp-content/uploads/2019/09/List-of-the-Disappeared-in-Turkmen-Prisons_Sept-2019_ENG.pdf), p61, accessed March 21, 2021.

<sup>93</sup> <https://www.rferl.org/a/1341615.html>, [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p34, both accessed March 21, 2021.



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Itera then resold the gas in Ukraine. The process of reselling gas in Ukraine was done by Makarov's **Itera Group**, the new parent holding company created in 1996. Key to the company's gas business was maintaining good ties within Turkmenistan. Sources from Turkmenistan have indicated that two individuals were instrumental in making Omrania/Itera a success. One was **Khalnazar Agakhanov**, Turkmenistan's then Minister of Trade. The second was **Valery Otchertsov**, who served as one of Turkmenistan's deputy cabinet ministers from 1992-1996, which included a period as Minister of Economics and Finance from 1995-1996.<sup>94</sup>

Niyazov noted the money that Itera was making from Turkmen gas and tried to establish more control over the business, creating in 1996 a joint venture called **Turkmenrosgaz** between Turkmenistan's state-owned oil and gas company, Russia's state gas company Gazprom, and Itera, which held a 4% stake. However, the company closed in 1997 due to disagreements between Niyazov, Itera, and Gazprom's then head Rem Vyakhirev. This ultimately led to Turkmenistan suspending gas deliveries to Russia and Ukraine in 1998, causing significant damage to the Turkmen economy, so reliant then as now on gas exports for the majority of its revenue. Niyazov said the cut-off was the result of a price dispute, though others suspected the real reason was because the Niyazov family, especially the president's son Murad, had been cut out of the money-making opportunities.

An agreement was finally struck in 1999, allowing Turkmen gas to flow again to Ukraine, though this time the business was solely controlled by Itera, allowing the company to make a fortune: in 2000, Itera Holding, part of the Itera Group, had sales of more than \$3 billion,<sup>95</sup> incredible progress for company CEO Makarov, who was selling butter just seven years prior. Indeed, Itera's role in supplying Turkmen gas to Ukraine proved controversial because of the unclear relationship between itself and Russia's Gazprom. Not only was Itera using Gazprom's pipelines to get the Turkmen gas to Russia and Ukraine, Gazprom was also allowing the much smaller company access into its own markets, taking revenue away from the state Russian company and putting it into the hands of the private owners of Itera. Gazprom even granted to Itera around \$880 million in loans, guarantees, and other services.<sup>96</sup> This led to suspicions that Itera was funnelling money to high-ranking officials in Ukraine and Russia, an accusation Itera denied. Itera lost the Ukraine gas transit contract in 2003 – only for it to be replaced by further iterations of the same controversial scheme in the form of Eural Trans Gas and RosUkrEnergo, owned by Ukrainian oligarch **Dmytro Firtash**.<sup>97</sup> Yet this did not signal the end of Itera, which continued to develop gas fields in Northern and Eastern Siberia until 2007, and had branched out into various other businesses.

By this point, Itera held many assets and had made its executives exceedingly rich, including former Deputy Prime Minister of Turkmenistan **Valery Otchertsov**, who had left the Turkmen government in

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<sup>94</sup> Interview with former government source by NGO researcher, 2005.

<sup>95</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p34, accessed March 21, 2021.

<sup>96</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p35, accessed March 21, 2021.

<sup>97</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p40, accessed March 21, 2021.

1997 to join Itera as Vice President. In 2008, Itera sold the 250-hectare Sorochany sports resort, situated north of Moscow, to Valery Otchertsov, his son **Maxim Otchertsov**, and their partners. Details of the transaction were not disclosed, but according to Maxim, the resort was valued at around €250 million.<sup>98</sup>

Otchertsov claimed that he stayed out of Itera's Turkmen gas business because of his previous employment in the Turkmen government,<sup>99</sup> but this seems unlikely, especially given Otchertsov's friendship with **Viktor Khramov**, Niyazov's closest advisor. Niyazov himself indicated that Otchertsov remained on close terms with key Turkmen government officials, saying in 2001 in a televised speech to Khalnazar Agakhanov, who was at that time serving as the Turkmen Ambassador to Russia: "Khalnazar, what did I say to you? I said to you: finally pick a side, be a man. But you try to please everyone, like everyone. You think this isn't known? When you work here, I said to you, that you go a lot to Otchertsov, that this leads to mischief. [...] I won't allow you to live like this there [...] You only eat and drink, meet old friends, you don't do any thinking. I know all this. With Makarov, with friends."<sup>100</sup> Agakhanov, considered to be one of the richest men in Turkmenistan, survived as a government official after the transition to Berdymukhamedov, serving as an ambassador until his death in 2013.<sup>101</sup>

Itera remained in favor in Turkmenistan after Niyazov's death, moving from the oil and gas business to construction, receiving contracts to build gas pipelines, sports complexes, hotels, and other facilities.<sup>102</sup> Makarov met with the president officially many times in this period – records show at least twenty meetings between the two men between 2007 and 2010.<sup>103</sup> Itera's continued business in Turkmenistan was no doubt helped by the fact that in 2009 it gifted Berdymukhamedov a yacht named *Galkynysh* (meaning 'revival') worth €60 million.<sup>104</sup> According to a source reported in a US diplomatic cable, Berdymukhamedov originally wanted a larger yacht similar to one owned by Russian oligarch Roman Abramovich, but was told such a vessel would not fit through the canals leading to the Caspian Sea.<sup>105</sup> It is perhaps no coincidence that Itera received an offshore block in 2009, with Russia's **Zarubezhneft** later purchasing a 51% stake in the project.<sup>106</sup> However, the project never got off the ground due to disputes regarding the delineation of the Caspian Sea, and the joint venture was declared bankrupt in 2015.<sup>107</sup>

<sup>98</sup> <https://www.kommersant.ru/doc/1023947>, accessed March 21, 2021.

<sup>99</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p34, accessed March 21, 2021.

<sup>100</sup> Niyazov speech given on October 30, 2001 celebrating 10 years of Turkmen independence, reported by Turkmen state media.

<sup>101</sup> <https://en.hronikatm.com/2013/07/agakhanov-buried-in-his-home-country/>, accessed April 8, 2021.

<sup>102</sup> <https://en.turkmen.news/news/cronyism-russian-influence-behind-singapore-company-s-multi-million-contract-in-turkmenistan/>, accessed March 22, 2021.

<sup>103</sup> Collated from reports from Turkmen state news and TV broadcasts.

<sup>104</sup> <https://www.theguardian.com/world/us-embassy-cables-documents/174923>, accessed March 22, 2021.

<sup>105</sup> <https://www.theguardian.com/world/us-embassy-cables-documents/174923>, accessed March 22, 2021.

<sup>106</sup> <https://en.hronikatm.com/2018/07/russian-oil-and-gas-company-leaves-turkmenistan-as-the-production-sharing-agreement-has-not-been-signed>, accessed March 22, 2021.

<sup>107</sup> <https://caspiannews.com/news-detail/caspian-sea-status-may-soon-be-resolved-2018-7-29-59/>, accessed March 22, 2021.

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Itera was rebranded as **Areti** (Itera spelled backwards) in 2015.<sup>108</sup> Areti currently has offices in Geneva, Moscow, Limassol, and Ashgabat.<sup>109</sup> In August 2019, Igor Makarov was appointed Advisor to the President of Turkmenistan on oil and gas issues.<sup>110</sup> The post is believed to have been specially conceived for him. According to a source in the corporate intelligence world, Makarov not only acts as the main deal broker in the Turkmen oil and gas industry, but also is key in assisting Berdymukhamedov's business affairs outside of Turkmenistan.<sup>111</sup>

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<sup>108</sup> <http://www.aretigroup.com/#about>, accessed March 22, 2021.

<sup>109</sup> <http://www.aretigroup.com/>, accessed March 22, 2021.

<sup>110</sup> <https://orient.tm/en/makarov-was-appointed-as-energy-export-expert-under-the-adviser-to-the-president-of-turkmenistan/>, accessed March 22, 2021.

<sup>111</sup> Interview with corporate intelligence professional by Crude Accountability, August 2020.



AHMET CALIK © RE360.COM

## Calik Group

**Another powerful business figure who still holds considerable sway in Turkmenistan is Turkish businessman Ahmet Calik, whose company Calik Holding, through its subsidiaries such as Calik Energy and GAP Insaat, has received numerous contracts in Turkmenistan in the fields of construction, energy, and textiles.**

Calik was born in 1958 in Malatya, Turkey, and built a denim factory in his hometown in the 1980s before investing in projects around the world.<sup>112</sup> Calik is a powerful and controversial figure in his native Turkey – President Erdoğan’s son-in-law, Berat Albayrak, worked at Calik Holding from 1999 until 2013,<sup>113</sup> becoming the company’s CEO in 2007.<sup>114</sup> In 2017, an

investigative report alleged that Albayrak helped establish offshore structures in Malta and Sweden to evade millions of dollars in taxes for Calik Holding, though ultimately such a scheme was not needed – in 2015, Albayrak became Turkey’s Minister of Energy & Natural Resources, and helped to push through preferential tax amnesty legislation written by his former Calik associates. The law, named the ‘Wealth Peace Act’, permitted Calik’s company to repatriate unlimited amounts of offshore cash tax-free.<sup>115</sup> Albayrak then acted as Turkey’s Minister of Finance and Treasury from 2018 to 2020.<sup>116</sup>

Calik is also a controversial figure in Turkmenistan, given his closeness to President Niyazov. A major period of Calik Holding’s growth happened in Turkmenistan under Niyazov: until the president’s death in 2006, Calik’s companies were granted contracts worth over \$2 billion, including the construction of power stations, paper and textile mills, and oil refineries.<sup>117</sup> According to one source, quoted in a leaked US diplomatic cable from 2006, construction contracts from this period were often awarded to French company **Bouygues** (see below), but in reality were built by Calik’s Gap Insaat as a subcontractor.<sup>118</sup>

<sup>112</sup> Weblink no longer active, but can be accessed via web archive, <http://web.archive.org/web/20200726051012/http://www.gapinsaat.com/Ahmet-Calik-en>, web archive accessed March 25, 2021. The name is written as ‘Çalik’ in Turkish.

<sup>113</sup> <https://www.hurriyet.com.tr/ekonomi/calik-la-albayrak-in-yollari-ayriliyor-25177578>, accessed March 22, 2021.

<sup>114</sup> <https://news.yahoo.com/turkey-reveals-cabinet-erdogan-son-law-key-post-152529657.html>, accessed March 22, 2021.

<sup>115</sup> <https://theblacksea.eu/stories/malta-files/turkish-president-erdogans-son-in-law-in-off-shore-tax-scheme/>, accessed March 22, 2021.

<sup>116</sup> <https://www.aljazeera.com/features/2018/8/16/who-is-berat-albayrak-turkeys-finance-minister>, <https://www.bloomberg.com/news/articles/2020-11-08/turkey-s-finance-minister-albayrak-resigns-citing-health-issues>, both accessed March 22, 2021.

<sup>117</sup> Research based on data from open source news articles conducted by Crude Accountability.

<sup>118</sup> [https://wikileaks.org/plusd/cables/06ASHGABAT389\\_a.html](https://wikileaks.org/plusd/cables/06ASHGABAT389_a.html), accessed March 22, 2021.

Niyazov – who often referred to Calik in cabinet meetings as “our brother Ahmet”<sup>119</sup> – granted Calik Turkmen citizenship,<sup>120</sup> which allowed Niyazov to appoint him deputy minister of the textile industry<sup>121</sup> and act as the president’s representative for the sale of Turkmen gas, oil, and electricity to Turkey.<sup>122</sup>

According to a leaked cable from 2010, a source said that Calik was Niyazov’s “closest business advisor.”<sup>123</sup> Calik had established himself as one of Turkmenistan’s favorite investors by currying favor with the president: he got the president’s self-professed holy book, the *Ruhnama*, translated into Turkish, French,<sup>124</sup> and English,<sup>125</sup> commenting in 2002 that: “British specialists had carried out this work with great pleasure and were amazed at the book’s unique rich content and the great number of completely new ideas, both historical and philosophical.”<sup>126</sup> Calik went further and even commissioned the building of a bizarre mechanical statue of the *Ruhnama* that would open every evening to the accompaniment of a voice reading selected verses.<sup>127</sup> One unverified report also alleged that Calik gifted then Deputy Prime Minister Yelley Gurbanmuradov a house in Miami, Florida in the early 2000s.<sup>128</sup>

A 2006 diplomatic cable describes how Calik was invited by Turkmenistan’s foreign minister, Rashid Meredov, to a lunch attended by the US Ambassador to Turkmenistan. Calik expressed interest in leading a consortium of investors to build a Trans Caspian pipeline, saying that such a plan would need funding from the US government’s development finance institution, the Overseas Private Investment Corporation (OPIC).<sup>129</sup> Such a pipeline has yet to be built, but the meeting demonstrates how Calik continued to be Turkmenistan’s favored investor in the Niyazov era.

After Niyazov’s death, Calik had a temporary fall from grace, with reports that he was even refused a visa at one point. Chatham House reports rumors that this may have been because Berdymukhamedov demanded information regarding Niyazov’s off-budget funds, demands that

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**Calik told an American diplomat that Berdymukhamedov was weak, and had stacked his government with “incompetents from his own tribe,” adding that the real decision makers in the country were “the guys with the guns.”**

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<sup>119</sup> Niyazov speech given on May 3, 2004 and reported by Turkmen state TV broadcast.

<sup>120</sup> <https://thediplomat.com/2015/09/offshore-turkmenistan-sultanism-in-the-construction-industry>, accessed March 22, 2021.

<sup>121</sup> [https://wikileaks.org/plusd/cables/06ASHGABAT389\\_a.html](https://wikileaks.org/plusd/cables/06ASHGABAT389_a.html), <https://www.rferl.org/a/1347067.html>, both accessed March 22, 2021.

<sup>122</sup> <http://www.turkmenistan.ru/ru/articles/16083.html>, both accessed March 22, 2021. According to correspondence (March 2021) with one source familiar with government appointments, Calik also acted in this capacity in other countries.

<sup>123</sup> [https://wikileaks.org/plusd/cables/10ASHGABAT15\\_a.html](https://wikileaks.org/plusd/cables/10ASHGABAT15_a.html), accessed March 22, 2021.

<sup>124</sup> [http://www.shadowofthehollybook.net/rep/Turkey-Turkmenistan\\_connections\\_Nov08.pdf](http://www.shadowofthehollybook.net/rep/Turkey-Turkmenistan_connections_Nov08.pdf), accessed March 22, 2021. Bouygues translated the second volume.

<sup>125</sup> <https://en.hronikatm.com/2013/09/book-business/>, accessed March 22, 2021.

<sup>126</sup> Turkmen state news report, February 13, 2002.

<sup>127</sup> <https://balkanist.net/following-the-turkish-corruption-trail/>, accessed March 22, 2021.

<sup>128</sup> [https://kz.expert/en/news/world\\_practice/661\\_turkmenistan\\_transfer\\_of\\_power\\_and\\_current\\_scenarios\\_ii](https://kz.expert/en/news/world_practice/661_turkmenistan_transfer_of_power_and_current_scenarios_ii), accessed March 22, 2021.

<sup>129</sup> [https://www.wikileaks.org/plusd/cables/06ASHGABAT43\\_a.html](https://www.wikileaks.org/plusd/cables/06ASHGABAT43_a.html), accessed March 22, 2021.

went unheeded by Calik.<sup>130</sup> The Turkish businessman was back in favor by 2009, and acted as an integral part of Berdymukhamedov's delegations abroad,<sup>131</sup> but suffered further embarrassment in 2011 with the leak of a diplomatic cable written in 2007 in which Calik told an American diplomat that Berdymukhamedov was weak, and had stacked his government with "incompetents from his own tribe," adding that the real decision makers in the country were "the guys with the guns."<sup>132</sup>

Perhaps as a result, Calik had only one official meeting with the president in 2011. However, Calik had returned to the fold in 2012, after an intervention by the then President of Turkey, Abdullah Gul, according to a source formerly active in Turkmenistan.<sup>133</sup> In subsequent years, Calik's companies received contracts for the improvement of the electricity supply of Ashgabat,<sup>134</sup> the construction of a \$1.5-2 billion international seaport in the city of Turkmenbashi,<sup>135</sup> urea and ammonia production plants, gas turbine power plants, an infusion solution plant, and a dentistry center.<sup>136</sup>

Western companies often partner with Calik, including **GE** and **Parker Drilling** (details given above). Calik Energy also acted as a subcontractor to **Schneider Electric**, likely in the second and third phases of the project to improve Ashgabat's energy supply.<sup>137</sup>

<sup>130</sup> <https://www.chathamhouse.org/sites/default/files/publications/research/2016-03-08-turkmenistan-bohr.pdf>, p25, accessed March 22, 2021.

<sup>131</sup> [https://demokratizatsiya.pub/archives/20\\_4\\_9223865X8858540P.pdf](https://demokratizatsiya.pub/archives/20_4_9223865X8858540P.pdf), p384, accessed March 22, 2021.

<sup>132</sup> [https://wikileaks.org/plusd/cables/07ASHGABAT1014\\_a.html](https://wikileaks.org/plusd/cables/07ASHGABAT1014_a.html), accessed March 22, 2021.

<sup>133</sup> Information provided by industry professional, early 2020.

<sup>134</sup> <http://eng.calikenerji.com/Pages/ProjectDetail.aspx?ID=37>, accessed March 22, 2021.

<sup>135</sup> <https://eurasianet.org/turkmenistans-new-15-billion-port-show-over-substance>, <https://en.trend.az/casia/turkmenistan/2268622.html>, both accessed March 22, 2021.

<sup>136</sup> <https://www.constructionboxscore.com/project-news/turkmenistan-plans-new-ammonia-urea-complex.aspx>, <https://eng.calikenerji.com/Pages/NewsDetail.aspx?ID=21>, <https://www.gapinsa.com/en/healthcare/infusion-solution-production-plant.html>, <https://globalriskinsights.com/2014/01/business-boom-for-turkish-contractors-in-turkmenistan/>, all accessed March 22, 2021.

<sup>137</sup> <https://eng.calikenerji.com/Pages/ProjectDetail.aspx?ID=37>; <https://transformers-magazine.com/tm-news/712-turkmenistan-discusses-new-projects-with-schneider-electric/>, both accessed March 22, 2021.



MARTIN AND OLIVIER BOUYGUES © THE DRINKSBUSINESS.COM

## Bouygues

**It has long been established that the construction industry is prone to corruption. In 2008, Transparency International ranked it as the world's most corrupt industry due to its propensity to bribe public officials and exert undue influence on government policies and regulations.<sup>138</sup>**

A 2020 study estimated that 35% of construction companies' costs are lost to corruption through payments to corrupt officials.<sup>139</sup>

This is one of the reasons why construction projects are so prevalent in Turkmenistan. According to leaked US diplomatic cable from 2007, the then

Ukrainian Ambassador to Turkmenistan alleged that construction companies must add 20-30% to their bids in order to cover bribes, and that President Berdymukhamedov amassed personal wealth through such contracts.<sup>140</sup> Chatham House confirmed that this practice was still prevalent in 2016: "Foreign contractors regularly pay kickbacks to officials. The inflated budgets for such projects, coupled with a lack of accountability, allow high-ranking officials to siphon off funds, enabling the top leadership to distribute significant resources to its inner circle."<sup>141</sup>

As with all other big business in the country, personal connections with the president are key to which company gets the contracts. The country's capital city, Ashgabat, certainly needed modernizing after the fall of Soviet Union, but what is striking is just how much of the construction has been unnecessary and badly planned. Niyazov destroyed historical monuments, built huge highways, and removed Ashgabat's old system of canals, which destabilized the city's special microclimate. Most newly constructed apartment buildings remain empty because they are too expensive and require large down payments. This has led to Ashgabat being dubbed "the city of the dead" because of the lack of people inhabiting large swathes of its new districts.<sup>142</sup>

<sup>138</sup> <https://www.transparency.org.uk/global-construction-sector-most-corrupt>, accessed March 25, 2021.

<sup>139</sup> <https://www.bworldonline.com/construction-sector-loses-as-much-as-35-of-costs-to-corruption-economist/>, accessed March 22, 2021.

<sup>140</sup> [https://wikileaks.org/plusd/cables/07ASHGABAT1348\\_a.html](https://wikileaks.org/plusd/cables/07ASHGABAT1348_a.html), accessed March 22, 2021.

<sup>141</sup> <https://www.chathamhouse.org/sites/default/files/publications/research/2016-03-08-turkmenistan-bohr.pdf>, p36, accessed March 22, 2021.

<sup>142</sup> <https://www.theguardian.com/cities/2017/oct/16/people-afraid-inside-ashgabat-turkmenistan-closed-city>, accessed March 22, 2021.









# Which Other Western Companies Have Been Active in Turkmenistan?

A 2008 Finnish documentary, *Shadow of the Holy Book*, explored those companies that looked to curry favor and gain access to Turkmen markets by translating Niyazov's *Ruhnama* or praising him.<sup>156</sup>

In 1998, US-based **Culligan International** was selected to provide water treatment services in Turkmenistan, installing more than \$200 million worth of services.<sup>157</sup> The company's Italian branch, **Culligan Italiana SpA**,<sup>158</sup> translated the *Ruhnama* into Italian, with the company's technical director commenting at a presentation ceremony of the translation in Ashgabat that the tome "marks a new stage on the way to the golden age of all humankind," and will take "a worthy place at homes and scientific libraries both in Italy and other countries where the Italian diaspora lives."<sup>159</sup> The US company also worked on a municipal treatment plant in Mary in Turkmenistan from 2014-2016.<sup>160</sup>

**Zeppelin Baumaschinen**, a German machinery company, translated the second volume of the *Ruhnama* into German and presented it to Niyazov in February 2005.<sup>161</sup> A Zeppelin spokesperson commented: "In principle, yes, it is a dictatorship, but simultaneously we see that very much is being done to help the people there — for the infrastructure with the building of streets, for example."<sup>162</sup> Zeppelin acts as the official dealer of road construction and other equipment supplied by US company **Caterpillar** in Turkmenistan.<sup>163</sup>

In 2007, a Caterpillar executive met with Berdymukhamedov to discuss extending their cooperation until 2020.<sup>164</sup> According to *Shadow of the Holy Book*, Caterpillar created a website praising the *Ruhnama*.

<sup>156</sup> <http://www.shadowoftheholysbook.net/rep.html>, accessed March 23, 2021. This website provides specific pages on relations between Turkmenistan and companies in Bulgaria, Canada, China, France, Georgia, Germany, Ireland, Israel, Italy, Lithuania, Poland, Slovakia (and Czech Republic), Turkey, UK, and USA. *Ruhnama* was translated into over 40 languages, including Czech, Zulu, and Braille, see <https://globalvoices.org/2013/08/12/turkmenistans-book-of-the-soul-facing-difficult-times/>, accessed March 25, 2021.

<sup>157</sup> <https://www.culliganafrika.com/gami-water-treatment-plant-150-000m3/day-ashgabat-turkmenistan/>, <https://www.chicagotribune.com/news/ct-xpm-1998-06-24-9806240317-story.html>, both accessed March 23, 2021.

<sup>158</sup> <https://export.culligan.it/about-us/>, accessed March 23, 2021.

<sup>159</sup> [http://www.shadowoftheholysbook.net/rep/Italy-Turkmenistan\\_connections\\_Aug08.pdf](http://www.shadowoftheholysbook.net/rep/Italy-Turkmenistan_connections_Aug08.pdf), accessed March 23, 2021. The company's technical director also wrote a gushing letter to Niyazov, saying that the *Ruhnama* "helped the mankind make another step to spiritual perfection." See [http://www.shadowoftheholysbook.net/presskit\\_en.pdf](http://www.shadowoftheholysbook.net/presskit_en.pdf), p17, accessed March 23, 2021.

<sup>160</sup> <https://www.culliganafrika.com/municipal-water-treatment-plant-30-000-m3-day-mary-turkmenistan/>, accessed March 23, 2021.

<sup>161</sup> [https://ffh.films.com/id/33593/Shadow\\_of\\_The\\_Holy\\_Book.htm](https://ffh.films.com/id/33593/Shadow_of_The_Holy_Book.htm), [http://www.shadowoftheholysbook.net/rep/Germany-Turkmenistan\\_connections\\_Jan09.pdf](http://www.shadowoftheholysbook.net/rep/Germany-Turkmenistan_connections_Jan09.pdf), both accessed March 23, 2021.

<sup>162</sup> [http://www.shadowoftheholysbook.net/rep/Germany-Turkmenistan\\_connections\\_Jan09.pdf](http://www.shadowoftheholysbook.net/rep/Germany-Turkmenistan_connections_Jan09.pdf), both accessed March 23, 2021.

<sup>163</sup> <http://www.turkmenistan.ru/en/node/1932>, accessed March 23, 2021.

<sup>164</sup> <http://www.turkmenistan.ru/en/node/5427>, accessed March 23, 2021.

In the agricultural sphere, US company **John Deere** is active in Turkmenistan,<sup>165</sup> as well as American-Italian **CNH Industrial** (through its brands **Case IH**<sup>166</sup> and **Case New Holland**<sup>167</sup>). The exclusive distributor of John Deere and Case New Holland equipment in Turkmenistan is Austrian firm **IPC Agri**.<sup>168</sup>

Many companies from Germany have a presence in Turkmenistan including hospital equipment company **Hospitalia International**,<sup>169</sup> and printing company **Heidelberger Druckmaschinen**.<sup>170</sup> Germany's **MAN Ferrostaal** supplied a seawater treatment plant in 2017, partnering with Austria's **UNIHA Wasser Technologie**.<sup>171</sup> Engineering company **Unionmatex Industrieanlagen** provided several grain production facilities and bakeries in two contracts worth over €180 million combined, but took the Turkmen government to arbitration in 2018 for non-payment.<sup>172</sup> In 2019, German company **Rohde & Schwarz** was reported to be supplying equipment to Turkmenistan that is used by security services to block access to certain websites and to eavesdrop on internet and mobile users.<sup>173</sup> Austria's **Vienna Consulting Engineers (VCE) ZT GmbH** are acting as technical advisers to the highway project<sup>174</sup> built by four companies, one of which is owned by President Berdymukhamedov's brother-in-law (see Chapter 3).

French companies also enjoy favor in Turkmenistan. The website of business support company **CIFAL** boasts that "in 20 years, CIFAL has introduced and guided numerous large French corporations (Bouygues, Thomson/Thales, Elf/Total, Vinci, etc.) which have turned France into a major economic partner of Turkmenistan," adding that in 2012 CIFAL initiated the creation of the French-Turkmen Chamber of Commerce.<sup>175</sup> **Vinci** built Ashgabat's first 3-D cinema,<sup>176</sup> and, in December 2019, won a contract to build yet another new hotel, Nusay.<sup>177</sup>

<sup>165</sup> <https://business.com.tm/post/5285/turkmenistan-receives-new-batch-of-john-deere-agricultural-machinery>, accessed March 23, 2021.

<sup>166</sup> <https://www.caseih.com/apac/en-int/News/Pages/Cooperation-with-Turkmenistan-to-promote-agricultural-growth-and-productivity.aspx>, accessed March 23, 2021.

<sup>167</sup> <https://www.atawatan-turkmenistan.com/en/cooperation-between-turkmenistan-and-case-company/>, accessed March 23, 2021.

<sup>168</sup> <https://tmagri.com/index.php/en/about-us>, [https://search.wikileaks.org/plusd/cables/09ASHGABAT476\\_a.html](https://search.wikileaks.org/plusd/cables/09ASHGABAT476_a.html), both accessed March 23, 2021.

<sup>169</sup> <https://www.hospitalia.com/en/27.html>, accessed March 23, 2021.

<sup>170</sup> [https://www.heidelberg.com/global/en/about\\_heidelberg/company/branch\\_offices/branch\\_office\\_details\\_5641.jsp](https://www.heidelberg.com/global/en/about_heidelberg/company/branch_offices/branch_office_details_5641.jsp), accessed March 23, 2021.

<sup>171</sup> <https://www.uniha.info/index.php/company-menu-title-english/news/34-turkmenistan-man-ferrostaal-water-for-the-gas-field-production>, accessed March 23, 2021.

<sup>172</sup> <https://investmentpolicy.unctad.org/investment-dispute-settlement/cases/925/unionmatex-v-turkmenistan>, <https://en.hronikatm.com/2018/12/german-engineering-company-files-a-lawsuit-against-turkmenistan/>, both accessed March 23, 2021.

<sup>173</sup> <https://www.rferl.org/a/german-tech-firm-s-turkmen-ties-trigger-surveillance-concerns/29759911.html>, accessed March 23, 2021.

<sup>174</sup> <https://turkmenawtoban.com/en/news/quality-control-vce/>, accessed March 23, 2021.

<sup>175</sup> [http://cifalgrupe.com/?page\\_num=155&lang=en](http://cifalgrupe.com/?page_num=155&lang=en), accessed March 23, 2021.

<sup>176</sup> <https://www.vinci-construction-projets.com/en/realisations/ashgabat-cinema/>, accessed March 23, 2021.

<sup>177</sup> <https://business.com.tm/post/4842/frances-vinci-group-to-build-new-nusay-hotel-in-ashgabat>, accessed March 23, 2021.

## Polimeks

**In the sphere of construction, Bouygues is perhaps not quite as all-powerful in Turkmenistan as it once was, with many recent contracts won by Turkey's Polimeks Construction, the largest of which have been for the new Ashgabat airport, worth \$2.25 billion,<sup>178</sup> the Olympic sports complex for the 2017 Asian Games, the cost of which was estimated at around \$5 billion,<sup>179</sup> and the Congress Center in the Avaza resort.<sup>180</sup>**

According to *Turkmen News*, Polimeks was also contracted to renovate two of Berdymukhamedov's residences in Avaza in 2017 in cooperation with the Turkmenbashi oil complex.<sup>181</sup> Polimeks is responsible for some of Turkmenistan's most famous and bizarre buildings, including the Arch of Neutrality, a 75-meter-high arch topped by a golden statue of Niyazov that rotates to face the sun. Polimeks also built Turkmenistan's tallest building (a 211-meter tall television tower),<sup>182</sup> its second tallest (a monument to the Turkmen constitution),<sup>183</sup> and the world's largest Ferris wheel in an enclosed space, all of them in or near Ashgabat.<sup>184</sup>

Polimeks even bought the rights to name a star and named it 'Turkmenbashi', Niyazov's chosen name, meaning 'leader of the Turkmen'.<sup>185</sup>

Polimeks was founded by **Erol Tabanca**, a Turkish businessman who started his own company after experience working in Turkmenistan. The company has completed more than 130 projects with a total value of \$11.3 billion, and 95% of its projects have been in Turkmenistan as of 2018.<sup>186</sup> Tabanca was estimated to be worth \$1.3 billion in 2018.<sup>187</sup> Although Tabanca is a Turkish citizen, he has served as assistant minister of public works in Turkmenistan and also as an architect for Ashgabat.<sup>188</sup> According to academic Slavomír Horák, Tabanca likely became familiar with Berdymukhamedov when Polimeks constructed a new building for the Ministry of Health, which was headed by Berdymukhamedov from 1997. According to a former state official, Tabanca "protected" Berdymukhamedov in front of Niyazov when he was accused of receiving kickbacks for contracts with Polimeks.<sup>189</sup>

<sup>178</sup> <https://www.haberler.com/turkmenistan-daki-2-25-milyar-dolarlik-ihaleyi-4243717-haberi/>, accessed March 23, 2021.

<sup>179</sup> <https://www.rferl.org/a/turkmenistan-aimag-infrastructure-investment-sports-white-elephant/28489622.html>, accessed March 23, 2021.

<sup>180</sup> <https://thediplomat.com/2015/09/offshore-turkmenistan-sultanism-in-the-construction-industry/>, accessed March 23, 2021.

<sup>181</sup> <https://en.turkmen.news/spotlight/berdimuhamedov-cash-cow/>, accessed March 26, 2021.

<sup>182</sup> <https://eurasianet.org/turkmenistan-new-tv-tower-modernizes-technology-but-not-media>, accessed March 23, 2021.

<sup>183</sup> Weblink is no longer active but can be accessed via the web archive, <https://web.archive.org/web/20131029200249/http://www.polimeks.com/eng/UstyapiAnayasaAniti.aspx>, web archive accessed March 25, 2021.

<sup>184</sup> <https://www.guinnessworldrecords.com/news/2012/5/turkmenistan-builds-largest-indoor-ferris-wheel-42157/>, accessed March 23, 2021.

<sup>185</sup> [http://www.shadowoftheholyybook.net/reps/Turkey-Turkmenistan\\_connections\\_Nov08.pdf](http://www.shadowoftheholyybook.net/reps/Turkey-Turkmenistan_connections_Nov08.pdf), accessed March 23, 2021.

<sup>186</sup> <https://www.forbes.com/profile/erol-tabanca/>, accessed March 23, 2021.

<sup>187</sup> <https://www.forbes.com/profile/erol-tabanca/#33a1afc59623>, accessed March 23, 2021.

<sup>188</sup> <https://www.forbes.com/profile/erol-tabanca/#65f8e4305962>, accessed March 23, 2021.

<sup>189</sup> Horák, Slavomír; "Turkmenistan: Stability Through Regime Mobilisation", *Power and Regimes in Central Asia*, 2020, Palgrave Macmillan.

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Despite the close ties between Polimeks and the Turkmen leadership (including an allegation that Polimeks has subcontracted works to a company owned by Berdymukhamedov's sister<sup>190</sup>), Polimeks suspended work on a major highway project in 2018 after the government failed to keep up with payments.<sup>191</sup> There were even reports – denied by the company – that Tabanca was at one point prevented from leaving the country by the Turkmen authorities as a form of retaliation.<sup>192</sup>

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<sup>190</sup> Ibid.

<sup>191</sup> <https://eurasianet.org/turkmenistans-vicious-cycle>, accessed March 23, 2021.

<sup>192</sup> <https://thediplomat.com/2018/06/turkish-company-complains-about-turkmenistans-empty-pockets/>, accessed March 23, 2021.

# **Chapter 3**

## **Turkmenistan Incorporated: The President's Family and Control of the Turkmen Economy**

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**Developments in technology over the last thirty years have increased the speed of communication, meaning that messages, documents, and money can be sent around the world at the click of a mouse button. While this has undoubtedly aided legitimate businesses and commerce, it has also helped those looking to launder money and perpetrate financial crime.**

Offshore companies in jurisdictions thousands of miles away from their owner can be registered in minutes. These ‘shell companies’ can be used to hold accounts in banks in countries where money laundering regulations are lacking or enforcement is weak. Fake invoices can then be used to give the appearance of legitimate contracts, allowing money to be laundered into more ‘reputable’ jurisdictions in the EU and North America. Once cleaned, the money is available to be invested into luxury real estate, cars, hotels, or other projects that can generate even more money, this time ‘legitimately’.

Such tools are often used by government officials from corruption hotspots, whose control over their countries’ resources allows them to steal state capital and transfer it to offshore zones. They are aided and abetted by a coterie of ‘enablers’ resident in the West – lawyers, real estate agents, bankers, company service providers, and financial managers – whose level of complicity stretches from not asking questions, to turning a blind eye, to actively helping their clients launder their ill-gotten gains.

Recent years have seen numerous scandals involving Central Asian officials that feature many of the above elements. Gulnara Karimova, daughter of Uzbekistan’s first president Islam Karimov and a former Uzbek ambassador to Spain,<sup>1</sup> was involved in what an assistant US attorney general called “one of the largest forfeiture actions [...] ever brought to recover bribe proceeds from a corrupt government official.”<sup>2</sup> In February 2016, the US Department of Justice moved to seize \$850 million in financial assets alleged to be the result of bribes paid to Gulnara Karimova for access to Uzbekistan’s telecommunications sector. Once the money was received, Gulnara laundered much of it into lucrative real estate in Paris, Geneva, Moscow, Hong Kong, and London. Some countries, such as France and the UK, have frozen these assets.<sup>3</sup>

While such civil recovery efforts are necessary and welcome, they take many years and often result in the return of only a fraction of what was originally stolen. After the Arab Spring, some media articles questioned how little of the monies looted by autocrats such as Gaddafi, Ben Ali, and Mubarak had been recovered, citing the complexity of the schemes involved and the legal difficulties associated with a transnational process.<sup>4</sup>

Of course, it would be far better if such illicit funds were prevented from flowing to Western shores in the first place. In order to do this, countries need to introduce new laws – and enforce them – as a

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<sup>1</sup> [https://www.rferl.org/a/Uzbek\\_Presidents\\_Daughter\\_Appointed\\_Ambassador\\_to\\_Spain/1939482.html](https://www.rferl.org/a/Uzbek_Presidents_Daughter_Appointed_Ambassador_to_Spain/1939482.html), <https://www.bbc.com/news/world-asia-37260375>, both accessed March 23, 2021.

<sup>2</sup> <http://www.theguardian.com/world/2016/feb/19/vimpelcom-pays-835m-to-us-and-dutch-over-uzbekistan-telecoms-bribes>, accessed March 23, 2021.

<sup>3</sup> <https://qazaqtimes.com/en/article/65310/>, <https://www.sfo.gov.uk/2018/10/03/sfo-begins-action-to-recover-proceeds-of-alleged-corrupt-telecoms-deals-in-uzbekistan/>, accessed March 23, 2021.

<sup>4</sup> <https://www.economist.com/international/2013/05/11/making-a-hash-of-finding-the-cash>, <https://www.nytimes.com/2012/06/08/world/middleeast/libya-egypt-and-tunisia-try-to-recover-assets.html>, both accessed March 23, 2021.

demonstration to both corrupt foreign officials and their enablers that this behavior will not be tolerated (see box). One key component of the relevant legislation in the European Union has been the introduction of enhanced due diligence in regulated sectors such as banking and real estate on politically exposed persons (“PEPs”) – those people who hold political office – and their close relatives (parents, spouse, siblings). This is because PEPs present a higher risk of money laundering, due to the greater opportunity they have to enrich themselves by abusing their positions of power, especially in jurisdictions where the rule of law is weak.



# Anti-Corruption Legislation around the World



Since the turn of the century, as governments have become more aware of the scale of the problem, many have responded by introducing new legislation, or have increased the enforcement of existing laws, that aim to counteract the flow of corrupt money coming from abroad:

- The **Foreign Corrupt Practices Act** (FCPA) is a United States law that prohibits US firms and individuals from paying bribes to foreign officials in furtherance of a business deal. Though the law was passed in 1977, stronger enforcement by the Department of Justice and the Securities and Exchange Commission has increased the prominence of the FCPA since 2010. The UK's **Bribery Act** came into force in 2011, making it a crime to offer improper financial or other advantages even outside the United Kingdom.

- The **EU's Third Money Laundering Directive**, which came into force in 2005, mandated that politically exposed persons (PEPs) should undergo enhanced due diligence in regulated industries due to the higher risk. This was followed by the **Fourth** (2017), **Fifth** (2018), and **Sixth Money Laundering Directives** (2020), which added new elements.

- In 2016, the US Congress enacted the **Global Magnitsky Human Rights Accountability Act**, which allows the US government to sanction foreign government officials implicated in human rights abuses or corruption anywhere in the world. The UK and EU have adopted similar legislation.<sup>5</sup> The United States government also has the power to impose visa restrictions on foreign corrupt actors and human rights

<sup>5</sup> <https://www.consilium.europa.eu/en/press/press-releases/2020/12/07/eu-adopts-a-global-human-rights-sanctions-regime/>, <https://commonslibrary.parliament.uk/research-briefings/cbp-8374/>, both accessed March 23, 2021. In its initial form, the UK legislation focused on perpetrators of human rights abuses rather than those involved in corruption, although this provision is being added in 2021.

violators under **Section 7031(c)** of the Department of State, Foreign Operations, and Related Programs Appropriations Act 2020.<sup>6</sup>

•Introduced in the United Kingdom in 2018, **Unexplained Wealth Orders** aim to investigate PEPs or people who are suspected of involvement in serious crime, forcing them to explain how particular assets or property located in the UK were obtained. The term “unexplained wealth” refers to cases in which there are reasonable grounds to suspect that a person’s lawfully obtained income would be insufficient to allow them to obtain a particular property. A failure to provide information on a legitimate source of funds can lead to the property being forfeited and a civil recovery action launched.

Many regulated businesses, such as banking, rely on databases that flag individuals who are classed as PEPs due to their employment in government or through their familial relationships. While such databases are useful, they need constant updating in order to provide real time information to the businesses that rely on them. Furthermore, the current definition of a PEP is rather narrow and does not, and perhaps cannot, fully capture those individuals in positions of power who may be able to influence a state’s affairs and abuse lucrative public procurement opportunities. An oligarch, for example, may wield considerable power and be able in certain countries to influence the outcome of a privatization or a mining license allocation, but may not be classed as a PEP if he or she lacks a direct familial relationship to someone in power.

The issue with identifying PEPs in Turkmenistan is further exacerbated by the closed nature of the country: except for President Berdymukhamedov and a few other senior ministers, the outside world is primarily in the dark as to who the individuals who hold power even are, and biographical information even on the president’s family is scant. There is therefore a risk that certain individuals related to the ruling elite of Turkmenistan may be carrying out deals outside of Turkmenistan but are avoiding the enhanced due diligence checks required by regulations such as the EU Money Laundering Directive. This does not mean, of course, that all Turkmen government officials and their relatives are involved in criminal behavior, but these individuals should be required to undergo enhanced checks to ensure that their sources of wealth are legitimate, especially given the well-established patterns of corruption within Turkmenistan.

With all this in mind, in this chapter we try to address the dearth of publicly available information about Turkmen officials and their families by attempting to piece together what is known about them, starting with the family of Saparmurat Niyazov. Much of this has been collated from academic research, Russian- and English-language media, and other sources, but it marks the first attempt to collate this information in one place.

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<sup>6</sup> <https://fas.org/sgp/crs/row/IF10905.pdf>, accessed March 23, 2021.



SAPARMURAT NIYAZOV PORTRAIT FROM TURKMENISTAN MONEY © ADOBE STOCK

## The Family of Saparmurat Niyazov

**Saparmurat Ataevich Niyazov (19 February 1940 – 21 December 2006) held the office of President of Turkmenistan for 16 years until his death. Even though his direct relatives hold little power in Turkmenistan today, many are active in Europe and elsewhere (see page 84).**

A risk-based approach in regulated industries such as banking and real estate must continue to identify these individuals as high risk, given the total monopoly Niyazov had over his country's finances, and his well-documented propensity for corruption (see Chapter 1).

Niyazov married **Muza Alekseevna Melnikova** (born 10 June 1938) in 1962, a Russian citizen of Jewish ancestry, and they had two children, **Murat Sapareevich Niyazov** (born 18 April 1967) and **Irina Saparovna Sokolova** (née **Niyazova**, born 1969).

By the late 1980s, Muza's relationship with her husband had deteriorated, and although they remained married, she moved to Moscow, where she continues to live as of 2020. Russian property records indicate that in 2018 Muza transferred an apartment at 32 Udaltsova Street in Moscow, which is registered in her name (and in which she still reportedly lives) to her daughter, Irina.<sup>7</sup> In 2013, Muza – then aged 75 – became a shareholder in various projects built by Berlin real estate company Trockland (see below).

<sup>7</sup> <https://dic.academic.ru/dic.nsf/ruwiki/1578962>, accessed March 23, 2021.

## Murad Niyazov

**Murad studied at the law faculty of Leningrad University and graduated from the Diplomatic Academy of the Russian Foreign Ministry.<sup>8</sup> When the Soviet Union collapsed, leading to Saparmurat Niyazov becoming the new president of Turkmenistan, Murad Niyazov established himself as a businessman, taking advantage of the near unlimited power that his father possessed.**

Most notably in the 1990s Murad set up a trading company, Oriental, that monopolized tobacco and alcohol imports into Turkmenistan, and was reportedly exempt from taxes. One article suggests this exemption cost the Turkmen state \$148 million in just one year, 2002.<sup>9</sup> He was also reportedly involved in the hotel business in Ashgabat and other Turkmen cities.<sup>10</sup> The former head of Oriental was sentenced to 17 years' imprisonment after Berdymukhamedov came to power (see Chapter 4).

Murad appears to have been involved in some capacity in the gas business, possibly with Omrania/Itera and a short-lived Turkmen gas trading business named Turkmenrosgaz, a joint venture between the Turkmen state, Gazprom, and Itera. Around 1993, Murad allegedly received three hundred T-72 tanks from Ukraine in exchange for gas, which he then controversially sold to Pakistan.<sup>11</sup> This and other incidents are believed to have led to strained relations with his father, and at some point in the late 1990s/early 2000s, Murad moved to Europe, living in Brussels and then Vienna.

Murad is apparently fond of gambling. In unconfirmed reports, he lost millions of dollars in a single night, possibly on two occasions, once in Madrid and then again in Ankara. The time in Turkey allegedly led to him being arrested, with his father transferring the amount of his son's loss to the Turkish casino account in order to obtain his release.<sup>12</sup>

Murad has been married three times. His first wife, Lilia Engelevna Toykina, came from a well-connected Tatar family that was prominent in government circles in

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<sup>8</sup> <https://ria.ru/20061221/57470167.html>, accessed March 23, 2021.

<sup>9</sup> [https://sites.ualberta.ca/~khineiko/MK\\_2000\\_2003/1124463.htm](https://sites.ualberta.ca/~khineiko/MK_2000_2003/1124463.htm), accessed March 23, 2021.

<sup>10</sup> [http://demokratizatsiya.pub/archives/20\\_4\\_9223865X8858540P.pdf](http://demokratizatsiya.pub/archives/20_4_9223865X8858540P.pdf), p376, accessed March 23, 2021.

<sup>11</sup> <https://lenta.ru/lib/14174225>, [https://sites.ualberta.ca/~khineiko/MK\\_2000\\_2003/1124463.htm](https://sites.ualberta.ca/~khineiko/MK_2000_2003/1124463.htm), both accessed March 23, 2021.

<sup>12</sup> <https://lenta.ru/lib/14174225>, accessed March 23, 2021.

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the Turkmen Socialist Republic during the time of the Soviet Union. Murad had one child with her, a daughter Yulia (b. 1987<sup>13</sup>).

Murad then married Elena Ushakova, a Russian citizen, in a wedding ceremony paid for by Argentinean businessman Carlos Bulgheroni, whose company, Bidas, was looking to build a gas pipeline from Turkmenistan.<sup>14</sup>

Murad's second daughter, Janet, was born in 1995, before the couple divorced some years later. Murad then married Victoria Gogoleva (b. 1970), a former flight attendant who worked as an employee of the Turkmen Embassy in Austria. The couple has a daughter, Sofia, born in November 1999, and a son, Saparmurat, who was born in 2004. A source familiar with the situation reports that Murad has separated from Gogoleva and has fallen out of communication with most of his Turkmen friends and family members, though it is unclear whether he is officially divorced from his third wife.<sup>15</sup>

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<sup>13</sup> <https://primamedia.ru/news/29910/?from=37>, accessed March 23, 2021.

<sup>14</sup> [https://sites.ualberta.ca/~khineiko/MK\\_2000\\_2003/1124463.htm](https://sites.ualberta.ca/~khineiko/MK_2000_2003/1124463.htm), accessed March 23, 2021.

<sup>15</sup> Correspondence with source knowledgeable of Murad Niyazov's family, April 2021. Some sources report that Murad and Viktoria have two daughters, and that the son is called Atamurat, but we believe this to be incorrect. See <https://lenta.ru/lib/14174225/>, accessed March 23, 2021.



## Irina Niyazova and Vladimir Sokolov

**While Murad's exploits meant that he was well known within Turkmen business circles, his sister, Irina, kept a lower profile.**



VLADIMIR SOKOLOV ©  
TROCKLAND.COM

She studied cybernetics at Moscow State University, and married **Vladimir Sokolov** (born 7 May 1969), a distant relative of Muza Niyazova.<sup>16</sup> Born in Russia, Vladimir also studied at Moscow State University (math and economics) before becoming a banker. From 1992 to 2000, he worked at the Russian Central Bank, then spent a short period at Rosbank, before returning in 2000 to the Central Bank where he worked as the managing director of the international monetary department.<sup>17</sup>

Vladimir moved with Irina to London around 2003, where he took a job at Moscow Narodny Bank, which was acquired by the Russian state-controlled **VTB Bank** in late 2005. VTB Bank was sanctioned by the US and EU in 2014,<sup>18</sup> after Sokolov had left the company. In May 2004, Vladimir and Irina bought an apartment in London in the exclusive area of Primrose Hill, which has four bedrooms and the use of an indoor swimming pool, shared with the other five apartments in the building. Land registry records do not indicate how much the house was purchased for, but an apartment in the same building was sold for £4.2 million (\$5.44 million) in 2018 and another put on sale for an asking price of £3.85 million.<sup>19</sup> Current UK money laundering regulations – formulated from the EU Money Laundering Directives mentioned above – stipulate that real estate agents and conveyancing solicitors are required to do enhanced due diligence on those occupying senior roles in government and their immediate relatives, although these only came into force in December 2007, three years after Irina and Vladimir purchased the apartment. A mortgage appears to have been taken out on the apartment in June 2007, six months after the death of President Niyazov. A note from November 2012 on the registry record indicates the mortgage was issued by NatWest Bank.<sup>20</sup>

According to Russian property records, in 2003 Irina Sokolova bought an apartment in a block located at 85 Udaltsova Street in Moscow together with her daughter she had with Vladimir, **Ekatarina Vladimirovna Sokolova**. The property cost 25.2 million rubles (approx. \$825,000).

<sup>16</sup> <https://iz.ru/news/320241>, accessed March 23, 2021.

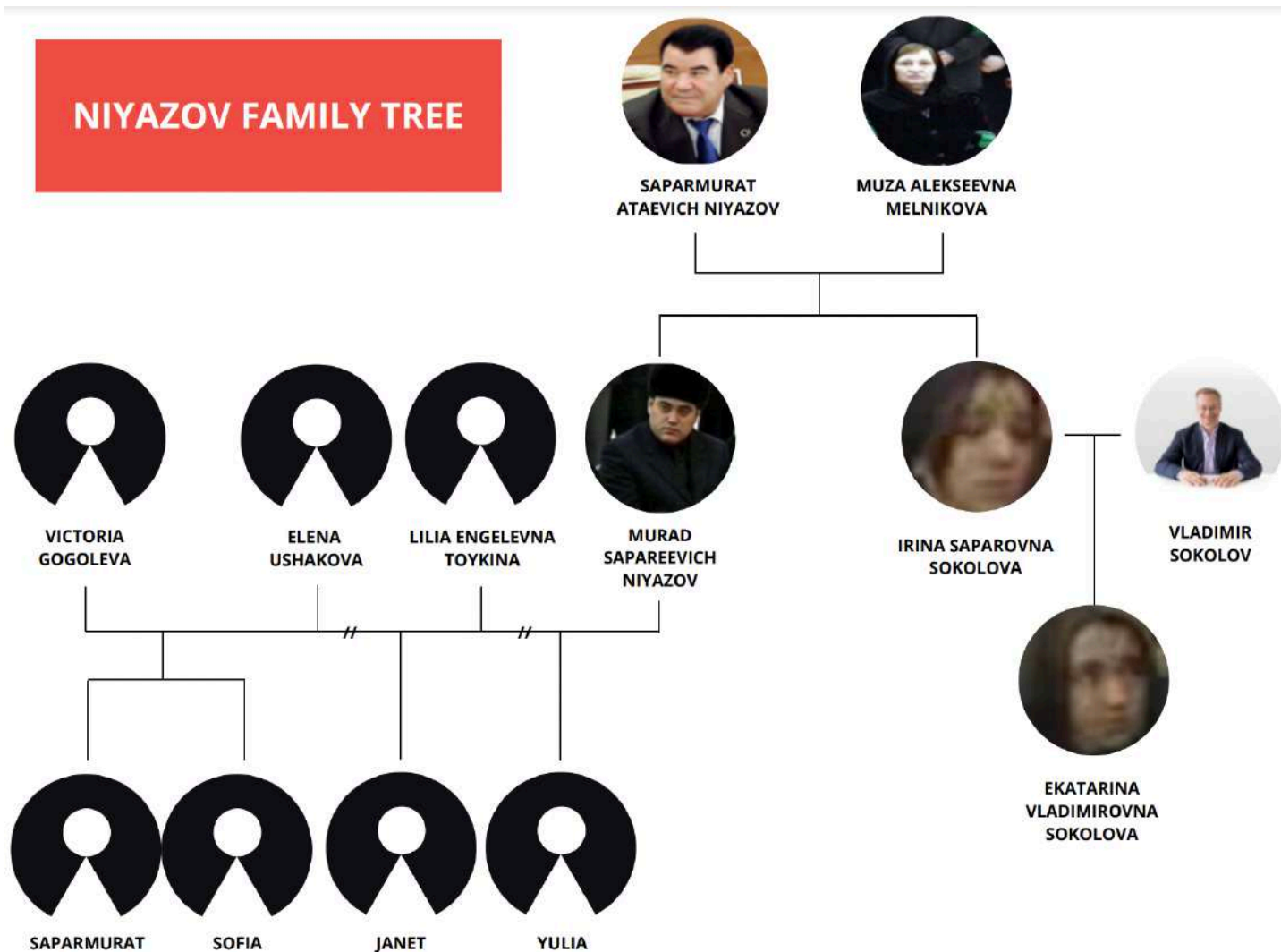
<sup>17</sup> Vladimir Sokolov's biography was available at <https://www.trockland.com/who-we-are/#team>, accessed February 2020. In March 2021, Trockland created a new website. The previous version was not fully archived. The new website does not give staff biographies, but still lists Vladimir Sokolov as a partner in the company, <https://www.trockland.com/team/>, accessed April 11, 2021.

<sup>18</sup> <https://www.treasury.gov/press-center/press-releases/pages/jl2590.aspx>, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0833>, both accessed March 26, 2021. The EU's top court upheld the sanctions in 2020, see <https://www.reuters.com/article/us-eu-russia-sanctions-banks-idUSKBN23W1AY>, accessed March 26, 2021.

<sup>19</sup> House price information provided by Zoopla and Knight Frank, accessed October 2019 and March 2021.

<sup>20</sup> Registered record obtained from HM Land Registry website, United Kingdom.

Vladimir Sokolov moved to the investment bank VTB Capital plc in 2008, where he became the deputy CEO. He left there in 2013 to invest in a German firm, **Trockland Management GmbH**, a company that develops real estate in Berlin,<sup>21</sup> becoming a partner in 2014, and head of finance and investor relations.<sup>22</sup> Trockland's investment and proposed development of the historic Checkpoint Charlie site has proved controversial because of Sokolov's former involvement (see box).



NIYAZOV FAMILY TREE © CRUDE ACCOUNTABILITY

<sup>21</sup> <https://www.trockland.com/>, accessed March 26, 2021. In March 2021, Trockland was in the process of creating a new website.

<sup>22</sup> Sokolov's involvement in Trockland was mentioned at <https://www.trockland.com/milestones/#2014>, accessed February 2020. See footnote 17.

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## “The Three Wise Men”

**Under Niyazov very few of his government ministers remained in prominent positions for too long: many fled the country, while others were sacked or jailed in frequent purges, as with deputy prime minister Yelly Gurbandmuradov and minister of foreign affairs Boris Shikhmuradov.**

Gurbanmuradov died in jail in 2015. Shikhmuradov remains incarcerated today, though his relatives have had no contact with him since his imprisonment and do not know whether he is still alive (see Chapter 4).

The closest people to President Niyazov were not political figures, whom Niyazov distrusted, but three advisors, often referred to as ‘the three wise men’. These were presidential assistant **Viktor M. Khramov** (born 29 November 1952), presidential secretary **Vladimir Umnov** (b. 1958?), and presidential financial advisor **Alexander Zhadan** (b.1938).

Alexander Zhadan served with the Soviet military in Afghanistan and is believed to have started working for Niyazov in the 1980s. He developed a close friendship with the president who then entrusted him with his financial affairs. After Niyazov’s death, Zhadan is believed to have retained his position performing the same role for Berdymukhamedov, finally retiring in spring 2020 (the year of his 82<sup>nd</sup> birthday). Zhadan lives in Ashgabat, and has family involved in the logistics and trade business. Vladimir Umnov is reported to have retired in 2010, and disappeared from elite circles around 2015-2016.<sup>23</sup> One former government source reported that he has since died.<sup>24</sup>

Undoubtedly, the most powerful of the three men is Viktor Khramov. He graduated from the Department of Communication at the Polytechnic Institute in Tashkent, before working as a technician at the Ashgabat telephone exchange. In 1985, Khramov became an assistant to Saparmurat Niyazov, who had just been appointed first secretary of the Central Committee of the Communist Party of the Turkmen Socialist Republic. Khramov worked in the Department of Ideology of the Central Committee of the Communist Party of the Turkmen Republic, and was thus well-placed to be the architect of Niyazov’s political ideology and cult of personality after the country gained its independence.<sup>25</sup> He maintained tight control over the Turkmen media, and advised against any loosening of the authoritarian regime.<sup>26</sup> Khramov also acted as a gatekeeper for Niyazov, controlling all of his meetings and correspondence.

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<sup>23</sup> Information from expert in Turkmen politics; [http://demokratizatsiya.pub/archives/20\\_4\\_9223865X8858540P.pdf](http://demokratizatsiya.pub/archives/20_4_9223865X8858540P.pdf), p383, accessed March 23, 2021.

<sup>24</sup> Correspondence between Crude Accountability and former government source, August 2020.

<sup>25</sup> [https://demokratizatsiya.pub/archives/20\\_4\\_9223865X8858540P.pdf](https://demokratizatsiya.pub/archives/20_4_9223865X8858540P.pdf), p375, accessed March 23, 2021.

<sup>26</sup> Weblink no longer active, but is available via the web archive, <https://web.archive.org/web/20130313153237/http://www.tm-iskra.org/20/08/Hramov-V-2-eng.html>, accessed March 26, 2021.



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Khramov survived the transition to Berdymukhamedov, helping to craft his presidential campaign. On his 55<sup>th</sup> birthday in 2007, Khramov was awarded the *Garashsyzlyk* order, one of Turkmenistan's highest awards. He continues to shape Berdymukhamedov's ideology: of the 64 books supposedly penned by Berdymukhamedov as of March 2021, 42 of them list Khramov as the editor or in some other fashion.<sup>27</sup>

He also crafts the president's domestic policy, directs the work of the Mejlis (the legislative branch akin to a parliament), plays a part in government appointments, and is a gatekeeper regarding major contracts, most notably oil and gas projects.<sup>28</sup> Some put Khramov as the most powerful person in Turkmenistan behind Berdymukhamedov. He is also thought to be one of Turkmenistan's richest men, if not the richest, due to his participation in companies involved in Turkmen telecommunications, property management, and gas export, dating back to Niyazov's reign.<sup>29</sup> One researcher called it: "a mutually advantageous relationship: Khramov handles funds for the president and his family in exchange for being able to run his business."<sup>30</sup>

Victor's son, **Denis Khramov**, was born in Ashgabat in 1978 and studied at the prestigious MGIMO University in Moscow, often dubbed the 'Harvard of Russia'. Denis lives in Moscow and works at the oil company Zarubezhneft in a department in charge of the company's joint ventures, which included ZARIT, a joint venture formed in 2002 between by Zarubezhneft, Rosneft, and a subsidiary of Itera. ZARIT shuttered its operations in 2015.<sup>31</sup>

Both Viktor and Denis Khramov are closely connected to Itera, especially to a former deputy prime minister of Turkmenistan, Valery Otchertsov, who left the government in 1999 to join Itera. According to *Turkmen News*, in the 2000s Khramov helped Itera – which had lost the Turkmen gas transit contract to Ukraine in 2003 – obtain lucrative construction contracts in Turkmenistan for gas pipelines, industrial enterprises, sports complexes, racecourses, hotels, and other facilities.<sup>32</sup>

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<sup>27</sup> <https://neutrality.gov.tm/library/en>, accessed March 23, 2021. Khramov also edited Niyazov's books.

<sup>28</sup> <http://www.vremya.ru/2009/36/8/224268.html>, accessed March 24, 2021.

<sup>29</sup> Horák, Slavomír; "Turkmenistan: Stability Through Regime Mobilisation," *Power and Regimes in Central Asia*, 2020, Palgrave Macmillan; [https://demokratizatsiya.pub/archives/20\\_4\\_9223865X8858540P.pdf](https://demokratizatsiya.pub/archives/20_4_9223865X8858540P.pdf), p383, accessed March 24, 2021.

<sup>30</sup> [https://demokratizatsiya.pub/archives/20\\_4\\_9223865X8858540P.pdf](https://demokratizatsiya.pub/archives/20_4_9223865X8858540P.pdf), p383, accessed March 24, 2021.

<sup>31</sup> <https://en.hronikatm.com/2018/07/russian-oil-and-gas-company-leaves-turkmenistan-as-the-production-sharing-agreement-has-not-been-signed/>, accessed March 24, 2021.

<sup>32</sup> <https://turkmen.news/news/makarov-berdimuhamedov-hramov-garankin-kontrakt/>, accessed March 24, 2021.

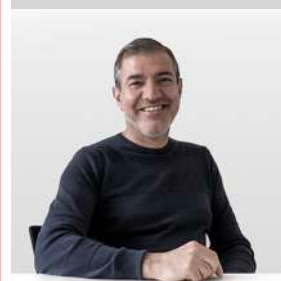
# TROCKLAND

## The Niyazov family and Berlin Developers Trockland

The Trockland company may not be a household name in Germany or even Berlin, but it has certainly made its mark on the map: 19 projects are listed on the company's website as of March 2021, all of them in Berlin.<sup>33</sup> It is vital that the local authorities have the full information about these development companies, including their owners and source of funding, especially given that, in the case of Trockland, several projects have a public prominence and importance.



HESKEL NATHANIEL  
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NEOPHYTUS STYLIANOU  
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According to the previous version of Trockland's website, the company was formed in 2010 by Israeli businessman Heskeli Nathaniel and his university friend, Neophytus Stylianou, who bought up several distressed properties in Berlin after the financial crisis caused a drop in real estate prices. The company was then opened up to external investors, one of whom was Vladimir Sokolov, whose involvement in Trockland dates to around 2013,<sup>34</sup> becoming a partner, and head of finance and investor relations in 2014.<sup>35</sup>

Sokolov's involvement in Trockland is substantial. German company documents indicate that, as of February 2020, Sokolov held a 9% stake in Trockland Management GmbH. In 2018, the share was higher, at 15%. The financing Sokolov provided to Trockland would have been subject to banking due diligence. In August 2008, the German banking regulator, BaFin, adopted new regulations pertaining to PEPs, requiring them to undergo enhanced due diligence. As President Niyazov had died by the time of the investment, Sokolov would no longer have been classified as a PEP. However, a circular issued in 2009 indicates that former classification as a PEP should be "taken into account as a key factor in the risk categorization of the customer or the business relationship with him even after the loss of his PEP status. Against

<sup>33</sup> <https://www.trockland.com/our-projects/>, accessed February 2020. In March 2021, Trockland created a new website. The previous version was not fully archived and the new version, which launched in April 2021, does not contain the same information, <https://www.trockland.com/en/>, accessed April 11, 2021.

<sup>34</sup> <https://www.trockland.com/milestones/#2010-01>, accessed February 2020. See footnote 33.

<sup>35</sup> <https://www.trockland.com/milestones/#2014>, accessed February 2020.

this background, the fact of a customer's former status as a PEP is to be recorded and preserved in the corresponding customer files."<sup>36</sup> Sokolov's former employment as a senior banker in the Russian Central Bank, and subsequently Russian state owned VTB Bank, would have also likely meant that he was treated as a high-risk client with enhanced due diligence requirements. Regardless, the money was accepted by Trockland and financial institutions that had a relationship with Trockland.

In 2018, Vladimir Sokolov responded to criticism of his involvement in the project. He commented: "The allegations made in various newspapers hit me and my family hard. The whole thing has nothing to do with my family. I made all the money I want to invest here myself. It comes from my more than 20 years as a banker in London. I always paid the taxes on my income correctly there. You can check that, there is nothing secret about it. It has nothing to do with my family at all. My father-in-law passed away twelve years ago! [...] Incidentally, in all the years in which I have participated in the financing of various projects, it has never been an issue that I am related through my marriage to the Turkmen head of state who died in 2006. Now that suddenly seems to be a huge problem [...] It is a transparent attempt to stop the whole project. And because nothing was found, they went after my family. But I cannot say who is behind it and what reasons play a role here."<sup>37</sup>

However, corporate documents indicate that the relationship between Trockland and the Sokolov-Niyazov family does not end just with Vladimir. Corporate documents indicate that Trockland registers separate companies for every project, each of which has various investors and shareholders. Since 2018, Vladimir's mother, **Yulia Ivanovna Sokolova**, (born on 1 October 1945) has been a shareholder in one such company, Trockland Pier 61-63 Holding GmbH. She holds the shares via her sole ownership of a company called S.K.I.V. Capital GmbH, the director of which is Vladimir.<sup>38</sup> Trockland Pier 61-63 Holding is responsible for the development of a hotel and residential units overlooking Berlin's River Spree.<sup>39</sup>

Vladimir's wife – Saparmurat Niyazov's daughter – Irina Sokolova has owned shares since 2017 in Trockland VI Klosterstraße 62 GmbH,<sup>40</sup> a Trockland subsidiary responsible for partial refurbishment of two commercially used buildings in Klosterstrasse, close to Berlin's famous Alexanderplatz.<sup>41</sup> She also held 1.5% of company shares of Trockland VIII Hauptstraße 27 GmbH, before it was sold in December 2020 to a company called Pan European Core Fund of CBRE.<sup>42</sup> Hauptstraße 27 is likely the building in which the main Trockland office is situated, as this is Trockland's address, according to its website.<sup>43</sup>

<sup>36</sup> [https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Rundschreiben/rs\\_0914\\_gw\\_en.html](https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Rundschreiben/rs_0914_gw_en.html), <http://www.gafilat.info/index.php/es/biblioteca-virtual/observadores/legislacion-y-normativa-17/321-002-gwg-money-laundering-act-ley-de-lavado/file>, both accessed March 24, 2021.

<sup>37</sup> <https://www.morgenpost.de/berlin/article215957521/Heskel-Nathaniel-Eine-absolut-irrationale-Hexenjagd.html>, accessed March 24, 2021, translated from the German by Crude Accountability.

<sup>38</sup> <https://www.berliner-zeitung.de/mensch-metropole/trockland-investoren-am-checkpoint-charlie-die-spur-fuehrt-nach-turkmenistan-li.19860>, accessed March 24, 2021. Additional information from the German land and company registries.

<sup>39</sup> <https://www.trockland.com/pier-6163/>, accessed March 24, 2021.

<sup>40</sup> <https://www.tagesspiegel.de/berlin/gedenkstaette-in-berlin-investor-fuer-checkpoint-charlie-hat-heikle-partner/23693394.html>, accessed March 24, 2021.

<sup>41</sup> <https://www.trockland.com/> accessed March 24, 2021.

<sup>42</sup> Information from the German land registry, April 2021.

<sup>43</sup> <https://www.trockland.com/>, accessed April 14, 2021.

Most concerning of all is the involvement in certain Trockland projects of President Niyazov's widow, Muza Niyazova:

- A power of attorney, signed by Muza Niyazova in January 2013 and valid for three years, authorized Trockland CEO Nathaniel Heskell to represent Muza's interests, including the ability to sell her shares in a Trockland company called Trockland V GmbH.<sup>44</sup>

- According to German newspaper Tagesspiegel, Muza Niyazova received from Vladimir Sokolov 25% of the company Trockland XI Charlie GmbH,<sup>45</sup> a subsidiary responsible for creating 'Charlie Living', an apartment block located close to Berlin's famous Checkpoint Charlie. This project was completed and the apartments were rented out through a company called PZG Project Zimmerstraße in which Trockland XI owned a 6% share. This means that Muza was a 1.5% shareholder in PZG Zimmerstraße, and was likely to benefit from any accrued profits. The other 94% of PZG Zimmerstraße was owned by Justy Business – a Cypriot company whose shareholders as of 2019 were two men, Kirill Zimarín and Andrei Vedenkov, each holding 50%. These two men are listed as the CEO and Deputy CEO respectively of RCB Bank,<sup>46</sup> formerly called Russian Commercial Bank (Cyprus).<sup>47</sup> This bank is 46.3% owned by VTB Bank,<sup>48</sup> a bank majority owned by the Russian state, and where Vladimir Sokolov used to work. Charlie Living was sold by Trockland around October 2020.<sup>49</sup>

- Until July 2018, Muza Niyazova held a 10% share in a Trockland subsidiary called Trockland VII Herzbergstraße GmbH 82-84, responsible for Trockland's Herzberg-Campus project, a redeveloped business park in East Berlin.<sup>50</sup> The shares were then transferred to Ekaterina Sokolova, Irina and Vladimir's daughter, the late President Niyazov's granddaughter.<sup>51</sup>

- A third project Muza was involved in via a shareholding in another Trockland subsidiary was the conversion of an old hospital into an apartment block in the fashionable Prenzlauer Berg district,<sup>52</sup> a project completed in 2016 – when Muza was 78 years old – and sold in 2017.<sup>53</sup>

It is unclear what due diligence Nathaniel and Trockland performed on Muza Niyazova before agreeing to go into business with her, given the high-risk nature of her involvement: she is the former wife of a

<sup>44</sup> Document seen by Crude Accountability, 2019.

<sup>45</sup> <https://www.tagesspiegel.de/berlin/gedenkstaette-in-berlin-investor-fuer-checkpoint-charlie-hat-heikle-partner/23693394.html>, accessed March 24, 2021.

<sup>46</sup> <https://www.rcbcy.com/en/about-rcb/corporate-governance/management/>, accessed March 24, 2021.

<sup>47</sup> <https://www.rcbcy.com/en/about-rcb/history/>, accessed March 24, 2021.

<sup>48</sup> <https://www.rcbcy.com/en/about-rcb/corporate-governance/shareholders/>, accessed March 24, 2021.

<sup>49</sup> Documents from German registry seen by Crude Accountability, 2019.

<sup>50</sup> <https://herzberg-campus.com/>, accessed March 24, 2021.

<sup>51</sup> <https://www.berliner-zeitung.de/berlin/trockland-berlins-mietverhaeltnisse-31688856> accessed March 24, 2021; corporate documents from German registry obtained by Crude Accountability.

<sup>52</sup> <https://www.trockland.com/paragon-apartments-2/>, accessed February 2020. See note at footnote 33.

<sup>53</sup> <https://www.tagesspiegel.de/berlin/gedenkstaette-in-berlin-investor-fuer-checkpoint-charlie-hat-heikle-partner/23693394.html>, accessed March 24, 2021.

Central Asian president who was known to be involved in corrupt practices. It is currently unknown what sources of income Muza Niyazova had that would have allowed her to invest in such projects.

Former government sources have expressed the belief that she was not employed while living in Moscow when her husband was president of Turkmenistan.<sup>54</sup> It is likely she would have been the recipient of an inheritance on the death of her husband in 2006. Given the well-documented pattern of corruption established under Niyazov – who had near total control over Turkmenistan’s finances – such wealth should be treated as extremely high risk and subject to enhanced due diligence.

In 2018, Trockland’s CEO Heskell Nathaniel responded to allegations that suspicious funds were being invested into his company: “What we have experienced in the past few days was an absolutely irrational witch hunt with unproved allegations. I grew up in a democracy. I consider someone innocent until proven otherwise. To this day, I have not seen any evidence that we are investing dirty money.”<sup>55</sup>

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<sup>54</sup> Correspondence and interviews with former government sources, various times.

<sup>55</sup> <https://www.morgenpost.de/berlin/article215957521/Heskell-Nathaniel-Eine-absolut-irrationale-Hexenjagd.html>, accessed March 24, 2021. Translated from the German by Crude Accountability.

# Trockland and Development of Checkpoint Charlie

Trockland's most controversial project has been the proposed development of the Checkpoint Charlie site, where the company hopes to build a complex of apartments, shops, offices, and a 'Hard Rock Hotel' with almost 400 rooms.<sup>56</sup> The site is not only of great symbolic importance to Berlin and the wider world, but Trockland's proposals mean that it has negotiated directly with the Berlin authorities, which agreed to pay Trockland more than €700,000 every year from the city budget in order to house a museum on land that Trockland now owns.<sup>57</sup> In total, Trockland intends to invest €250 million in Checkpoint Charlie.<sup>58</sup>

According to corporate documents seen by Crude Accountability, from at least February 2018, Trockland IX Real Estate GmbH – the subsidiary responsible for development of the Checkpoint Charlie site – had many shareholders, including Cyprus-registered Trockland Holdings (holding 54.252 % of Trockland IX), and named individuals from Cyprus and the United Kingdom, including Vladimir Sokolov, who owned 9.124 % of the company.<sup>59</sup> One shareholder of Trockland IX at this time was a company registered in Liechtenstein, named Establishment Goldleaves, holding 1.5%.<sup>60</sup> There was no publicly available information about the shareholders or ultimate owners of Establishment Goldleaves. In August 2019, the shares of Sokolov and Trockland Holdings were transferred to a Germany company, Tree of Life, owned by Trockland CEO Heskell Nathaniel. From November 2019, Trockland IX has had just two shareholders, Tree of Life with 88.376% and A.M.S Holdings with 11.624%, a company owned by Nathaniel's business partner and long-time friend, Daniel Avner.<sup>61</sup> Thus Sokolov is no longer an investor in this particular Trockland project, but retains his shares, as of April 2021, in Trockland Management GmbH and acted as Trockland's Head of Finance and Investor Relations. He is still listed on Trockland's new website, as of April 2021, as a partner of the company.<sup>62</sup>

<sup>56</sup> <https://www.berliner-zeitung.de/berlin/investoren-am-checkpoint-charlie-die-spur-fuehrt-nach-turkmenistan-31688888>, accessed March 24, 2021.

<sup>57</sup> <https://www.tagesspiegel.de/berlin/undurchsichtige-finanzierungen-so-koennen-sie-uns-unterstuetzen/23205312-2.html>, accessed March 24, 2021.

<sup>58</sup> <https://www.tagesspiegel.de/berlin/undurchsichtige-finanzierungen-ist-der-berliner-immobilienmarkt-ausser-kontrolle/23205312.html>, accessed March 24, 2021.

<sup>59</sup> Chart of Trockland company structure seen by Crude Accountability, provided by source in Germany, 2019.

<sup>60</sup> <https://www.tagesspiegel.de/berlin/undurchsichtige-finanzierungen-ist-der-berliner-immobilienmarkt-ausser-kontrolle/23205312.html>, accessed March 24, 2021; chart of Trockland company structure seen by Crude Accountability, 2019.

<sup>61</sup> <https://www.trockland.com/milestones/#1992>, accessed February 2020. See note on footnote 33.

<sup>62</sup> <https://www.trockland.com/team/>, accessed April 11, 2021.

Trockland IX Real Estate GmbH in turn owns two separate companies, Trockland IX Realestate Ost GmbH and Trockland IX Realestate West GmbH, which has received an unsecured loan of around €70 million from a company registered in Luxembourg, named AF 1 Originator Sarl.<sup>63</sup>

Like with Establishment Goldleaves, the beneficial owners of AF 1 Originator Sarl are unknown, meaning that the public has no idea as to where some of the funding of the Checkpoint Charlie project is coming from. It is perfectly legal to have such companies in a company's organizational structure, and there is currently no requirement for a company to reveal the beneficial ownership of the companies it is receiving funding from. However, given the importance of the Checkpoint Charlie site to the city of Berlin, its people have a right to know the full information regarding investors in this and other key city projects. According to Trockland, AF 1 Originator Sarl is a fund that has contributed mezzanine financing on behalf of eleven investors, ten of whom are institutional investors from Europe, including pension funds, insurance companies and investment funds from the UK, Netherlands, Luxembourg, and Switzerland. The remaining investor, M3 Capital, is from outside Europe. Trockland added: "Our checks show that at no point were any shareholders or employees who are involved in the Checkpoint Charlie project or other Trockland projects prosecuted, let alone convicted, because of illegal activities or money laundering, nor did they violate any relevant laws. None of these individuals are on the EU sanctions list."<sup>64</sup>

There is a move within Europe to greater transparency of company ownership: in late 2017, Germany introduced an EU-wide requirement to introduce a new register that will put on record the real owners (the 'beneficial owners') of all companies registered within the country. The United Kingdom has a similar register, and is also bringing in legislation that will place on record the beneficial owners of all real estate within the UK owned by offshore companies.<sup>65</sup> However, as seen above with some of the Trockland entities, companies from other countries that do not currently record the identity of beneficial owners can still be used in projects in these countries.

It is unclear whether the city of Berlin established the full list of beneficial owners of Trockland IX Real Estate GmbH and its funders before agreeing to the Checkpoint Charlie project. In December 2019, a spokesman for the German Department of Justice confirmed that the German public prosecutor had been investigating allegations of money laundering regarding the Trockland Checkpoint Charlie project since February 2019.<sup>66</sup> In June 2020, the authorities reported that the investigation had been stopped, with Trockland's CEO, Heskel Nathaniel, commenting: "The arbitrary and fabricated allegations against us have now been refuted beyond any doubt. Trockland is known for its constructive and open

<sup>63</sup> <https://www.tagesspiegel.de/berlin/undurchsichtige-finanzierungen-ist-der-berliner-immobilienmarkt-ausser-kontrolle/23205312.html>, accessed March 24, 2021.

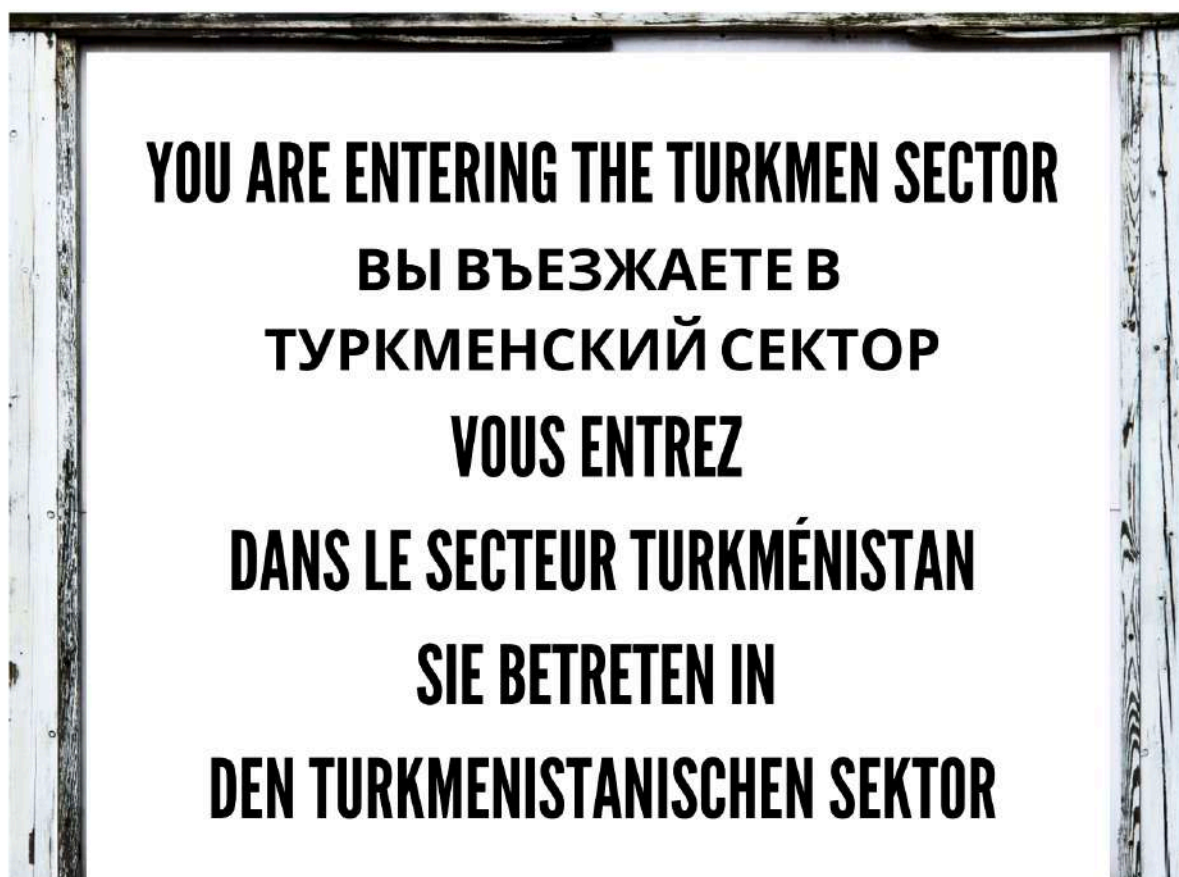
<sup>64</sup> Statement from Trockland, December 11, 2018.

<sup>65</sup> This will be the Register of Beneficial Owners of Overseas Entities. See <https://questions-statements.parliament.uk/written-statements/detail/2020-07-21/HCWS413>, accessed March 24, 2021.

<sup>66</sup> <https://www.tagesspiegel.de/berlin/geldwaesche-verdacht-nicht-ausgeraeumt-ermittlungen-am-checkpoint-charlie-dauern-an/25292762.html>, accessed March 24, 2021.

cooperation with all partners, project participants, authorities and the public. We conducted an unrestricted and open dialogue with the Berlin public prosecutor.”<sup>67</sup>

Christoph Trautvetter, a researcher with Netzwerk Steuergerechtigkeit, an NGO that works on public finance issues in Germany, commented to Crude Accountability, “There is a certain irony that at this symbolic checkpoint where Allied Powers faced Soviet tanks in a Cold War stand-off, money from investors, including the son-in-law of Saparmurat Niyazov, widely reported to be one of the most corrupt and despotic dictators of modern times, now passes apparently unhindered.”<sup>68</sup>



COLLAGE © CRUDE ACCOUNTABILITY

<sup>67</sup> <https://www.tagesspiegel.de/berlin/bauprojekt-am-checkpoint-charlie-ermittlungen-gegen-trockland-eingestellt/25892214.html>, accessed March 24, 2021. Translated from the German by Crude Accountability.

<sup>68</sup> Emailed comments to Crude Accountability from Christoph Trautvetter, Netzwerk Steuergerechtigkeit, April 2021.





GURBANGULY BERDYMUKHAMEDOV ©SHUTTERSTOCK

## The Family of Gurbanguly Berdimukhamedov

### Berdimukhamedov's 6 Sisters

According to the Turkmen constitution, after Niyazov's death, the incumbent speaker of the parliament should have become acting president. However, the man who held that position, Ovezgeldy Ataev, was arrested and imprisoned (along with his wife) on charges of abuse of power and human rights violations,<sup>69</sup> and only released in 2012.<sup>70</sup>

Instead, Deputy Prime Minister and Minister of Health **Gurbanguly Malikgulyevich Berdimukhamedov** (born on 29 June 1957) became acting head of state, and in February 2007 he was voted in as Turkmenistan's second president, winning 89% of the vote.<sup>71</sup>

Once established as president, Berdimukhamedov looked to dismantle Niyazov's power network. Berdimukhamedov dismissed **Akmurad Rejepov**, who had served as Head of the Security Service of the President of Turkmenistan for 15 years. In July 2007, Rejepov was sentenced to 17 years' imprisonment for alleged corruption, tax evasion, and other crimes, likely because as a member of Niyazov's inner circle he posed a threat to the new president, despite Rejepov reportedly playing a key role in Berdimukhamedov's rise to power. Rejepov died in prison in August 2017.<sup>72</sup>

Gurbanguly Berdimukhamedov – often referred to in Turkmen state media as *Arkadag* ('protector') – is the son of a police colonel, **Malikguly Berdimukhamedovich Berdimukhamedov** (12 August 1932 – 18 April 2021) and **Ogulabat Ataevna Kurrayeva**. Gurbanguly graduated from the Turkmen State Medical Institute in 1979 and followed a career in dentistry before becoming Minister of Health in 1997, a position he held until Niyazov's death in 2006.

<sup>69</sup> <https://www.rferl.org/a/1073608.html>, accessed March 24, 2021

<sup>70</sup> <https://iwpr.net/global-voices/turkmen-politician-released-jail>, accessed March 24, 2021

<sup>71</sup> <https://www.rferl.org/a/berdimukhammedov-turkmenistan-presidential-election/28304657.html>, accessed March 24, 2021.

<sup>72</sup> <https://civicsolidarity.org/article/1492/another-victim-enforced-disappearance-turkmenistan-akmurad-redjepov-dies-custody>, accessed March 24, 2021.

Berdymukhamedov comes from a large family: two different US diplomatic cables speak of him having either five<sup>73</sup> or seven<sup>74</sup> sisters. However, further research by Crude Accountability suggests the true number is six, making Gurbanguly one of seven children. These are **Durdynabat** (b. 1960), **Aynabat** (b. 1961 or 1962),<sup>75</sup> **Gulnabat** (b. 1963), **Mahri** (b. 1964), **Guljamal** (b. 1969), and **Oguljamal** (b. 1974).<sup>76</sup>

The sisters are believed to live in Turkmenistan, where they use their close connection to the president to their advantage.<sup>77</sup> As the US State Department says in its 2020 investment climate statement on Turkmenistan: “Contracts are often awarded to companies with close ties to the President’s family... There have also been consistent reports in recent years of officials associated with the family of President Gurbanguly Berdimuhamedov seizing local companies. In some cases, local business owners have reportedly been jailed using security-related laws as a pretext to reopen the business under new ownership.”<sup>78</sup>

Even the discrepancy between the black market and official currency rates, caused by the introduction of restrictions on currency exchanges, has been used to the family’s advantage: academic Slavomír Horák reports that this allowed Berdymukhamedov’s family to carry out a ‘silent’ privatization of certain foreign trade by using their access to cheaper foreign currency.<sup>79</sup> Thus the country in many ways is run like a private business on behalf of the first family, with the sisters “the most influential personalities in the Turkmen business sphere.”<sup>80</sup> Even the country’s education system presents money-making opportunities, with bribes paid by students’ families to allow them to study.<sup>81</sup>

Examples of control of Turkmen business by Berdymukhamedov’s family are numerous, and from multiple sources. His sister, Mahri, was reported in 2012 to control many jewelry stores in Turkmenistan, with regulations regarding the import of precious metals and gemstones made more onerous to drive away her competitors.<sup>82</sup> Horák also reports that Mahri likely owns several markets in Ashgabat, with unconfirmed reports that she was involved in the closure and takeover of Yimpash, the capital’s most popular shopping mall, in 2017.<sup>83</sup> A second report blamed the closure on the fact that a rival mall is owned by the son of Berdymukhamedov’s eldest sister, Durdynabat.<sup>84</sup>

<sup>73</sup> [https://wikileaks.org/plusd/cables/08ASHGABAT893\\_a.html](https://wikileaks.org/plusd/cables/08ASHGABAT893_a.html), accessed March 24, 2021.

<sup>74</sup> <https://www.theguardian.com/world/us-embassy-cables-documents/240618>, accessed March 24, 2021.

<sup>75</sup> [https://wikileaks.org/plusd/cables/09ASHGABAT1633\\_a.html](https://wikileaks.org/plusd/cables/09ASHGABAT1633_a.html), accessed March 24, 2021.

<sup>76</sup> <https://www.theguardian.com/world/us-embassy-cables-documents/240618>, accessed March 24, 2021.

<sup>77</sup> [https://kz.expert/en/news/world\\_practice/660\\_turkmenistan\\_scenarios\\_and\\_personas\\_part\\_iii](https://kz.expert/en/news/world_practice/660_turkmenistan_scenarios_and_personas_part_iii), accessed March 24, 2021.

<sup>78</sup> <https://www.state.gov/reports/2020-investment-climate-statements/turkmenistan/>, accessed March 24, 2021.

<sup>79</sup> Horák, Slavomír; “Turkmenistan: Stability Through Regime Mobilisation”, Op. cit.

<sup>80</sup> Ibid.

<sup>81</sup> <https://habartm.org/archives/6332>, accessed March 26, 2021.

<sup>82</sup> <http://www.gundogar.org/?013051309000000000000013000000>, accessed March 24, 2021.

<sup>83</sup> Horák, Slavomír; “Turkmenistan: Stability Through Regime Mobilisation”, Op. cit.

<sup>84</sup> <https://turkmenyurt.tv/en/farewell-yimpash/>: a second Turkmen Yurt TV clip (available at <https://www.youtube.com/watch?v=aFqQUkijByM>, both accessed March 24, 2021) alleges that Durdynabat’s sons, Shamurat and Hadjimurat (the president’s nephews) own the Berkarar shopping mall



and thus avoid custom checks into and out of Uzbekistan. One article alleges that the trucks do not belong to the IFRC and are likely not carrying materials related to IFRC charity work.<sup>93</sup> A second article from August 2020 alleges that Red Crescent received 360 tons of cottonseed cooking oil (which is in short supply in certain regions of Turkmenistan) from the Turkmen government, which the charity does not pay for.<sup>94</sup> This poses a risk that the Red Crescent humanitarian ‘brand’ is being used as a front for Gulnabat or other officials to make money.

Crude Accountability contacted the IFRC about these allegations. It responded: “The IFRC’s role is to support its member National Societies to strengthen their abilities to address humanitarian needs whilst adhering to Red Cross and Red Crescent fundamental principles, which include neutrality, impartiality and independence. IFRC takes very seriously any concern raised about the integrity of our members, and has mechanisms in place to look into and address allegations as they are formally raised. These processes are necessarily confidential.” The IFRC also contacted the Turkmenistan Red Crescent office, which responded by saying that it “strongly rejects the allegations that have [been] levelled against it” in the above-mentioned articles, adding that Turkmenistan Red Crescent views the allegations as “politically motivated and not based in fact.”<sup>95</sup>

Gulnabat was married to **Nazar Dovelto**v until his death in February 2018. They have one son, **Batyr**, and two daughters, **Maral** and **Sheker** (or possibly Shekel). Sheker is married to a man named **Ibabekir Annadurdyevich Bekurdyev**, nicknamed ‘Guga’. *Turkmen News* reported that, based on photos posted on his social media, Bekurdyev possesses wristwatches worth at least \$1 million.<sup>96</sup> In 2018, he was awarded the ‘Love of the Motherland’ medal, with the announcement citing his work as an engineer at Turkmengaz.<sup>97</sup>

**Maral Dovletova** is married to her cousin, **Shamurat Rejepov**, and they have one daughter, **Nurana**. *Turkmen News* describes **Shamurat**, nicknamed Shabby, as a “hell-raiser” alleging that he severely beat a prosecutor who had refused to dismiss a criminal case against one of his friends.<sup>98</sup> **Shamurat** and his brother **Hadjimurat Rejepov** are the sons of Berdymukhamedov’s eldest sister, Durdynabat, who is married to **Annanazar Rejepov** (born 24 February 1959). Articles state that the Rejepovs and their two sons control the majority of private business in Turkmenistan.<sup>99</sup> Specifically, Horák reports that the couple own a transport company called Ak Hazyna, food company Daýhan sarpasy, a network of supermarkets named Kamil and Ak Market, and that their sons hold a monopoly over pharmacies in

<sup>93</sup> <https://www.hronikatm.com/2019/10/big-big-secret/>, <https://en.hronikatm.com/2019/10/the-presidents-sister-forbids-searching-trucks-en-route-to-and-from-uzbekistan>, accessed March 24, 2021.

<sup>94</sup> <https://en.hronikatm.com/2020/08/bairamali-oil-mill-sends-hundreds-of-tons-of-oil-to-red-crescent-society-free-of-charge/>, accessed March 24, 2021.

<sup>95</sup> Correspondence between Crude Accountability and International Federation of Red Cross and Red Crescent Societies, 5 March 2021.

<sup>96</sup> <https://en.turkmen.news/opinion/fighting-corruption-turkmen-style-president-s-relative-owns-1-m-worth-wristwatches/>, accessed March 24, 2021.

<sup>97</sup> <https://www.parahat.info/edict/parahat-info-law-1544>, accessed April 8, 2021.

<sup>98</sup> <https://en.turkmen.news/opinion/the-sister-s-reign-on-the-situation-in-the-red-crescent-society-of-turkmenistan/>, accessed March 24, 2021.

<sup>99</sup> Weblink no longer available, but can be accessed through web archive, [https://web.archive.org/web/20171229083906/https://habartm.org/archives/8055\\_web](https://web.archive.org/web/20171229083906/https://habartm.org/archives/8055_web) archive accessed March 26, 2021, <https://en.turkmen.news/news/turkmen-president-s-brother-in-law-involved-in-construction-of-2-3bn-expressway/>, accessed March 26, 2021.

Turkmenistan.<sup>100</sup> *Turkmen News* alleges that the pharmacies were started under the auspices of the Turkmenistan Red Crescent office by Gulnabat Dovletov (Shamurat and Hadjimurat's aunt), as the organization's charter allows for the establishment of self-supporting enterprises to raise revenues. However, the revenues accrued by the pharmacies go to the family, rather than Turkmenistan Red Crescent's budget, according to the article.<sup>101</sup>

*Turkmen News* reported that Annazar Rejepov is the owner of **Nusay Yollary**, one of four companies contracted together to build a \$2.3 billion expressway in Ashgabat in 2019.<sup>102</sup> The article alleges that Nusay Yollary received the contract predominantly because of Rejepov's familial relationship to President Berdymukhamedov. In 2020, Nusay Yollary completed the construction of a new facility in the Ahal province to treat infectious diseases.<sup>103</sup>

*Turkmen News* also reports that Rejepov is a co-owner of joint-stock company Hyzmatdashlar, which his son Hadjimurat helps to run. According to the article, Hyzmatdashlar's website listed its permanent partners, which included a company called **Greatcom Trade LLP**. A company of this name was registered in London in 2014.<sup>104</sup> The UK company registry, Companies House, indicates that the company's sole "person of significant control" (in other words, its beneficial owner) is a man named Hajymyrat (a different transliteration of Hadjimurat) Rejepov.<sup>105</sup> The company declared in its account over £7.54 million "in cash at bank and in hand" as of 31 January 2019.<sup>106</sup>

The wealth of the Rejepov family extends to more distant relatives. *Turkmen News* reported that **Kemal Begnazarovich Rejepov**, like Guga Bekdurdyev, possesses over \$1 million in wristwatches as well as a fleet of expensive cars. Rejepov is the son of Annazar Rejepov's brother, Begnazar, and is thus a cousin of Shamurat and Hadjimurat Rejepov.<sup>107</sup>

<sup>100</sup> Horák, Slavomír; "Turkmenistan: Stability Through Regime Mobilisation", Op. cit.

<sup>101</sup> <https://habartm.org/archives/7429>, accessed March 24, 2021.

<sup>102</sup> <https://en.turkmen.news/news/turkmen-president-s-brother-in-law-involved-in-construction-of-2-3bn-expressway/>, accessed March 24, 2021.

<sup>103</sup> Weblink no longer available, but can be accessed through web archive, <https://web.archive.org/web/20201203040706/https://tdh.gov.tm/news/articles.aspx&article25059&cat11>, web archive accessed March 26, 2021.

<sup>104</sup> <https://beta.companieshouse.gov.uk/company/OC390287>, accessed March 24, 2021.

<sup>105</sup> <https://beta.companieshouse.gov.uk/company/OC390287/persons-with-significant-control>, accessed March 24, 2021.

<sup>106</sup> <https://beta.companieshouse.gov.uk/company/OC390287/filing-history/MzI0ODA5Mjg2NGFkaXF6a2N4/document?format=pdf&download=0>, accessed March 24, 2021.

<sup>107</sup> <https://en.turkmen.news/opinion/expensive-watches-becoming-de-rigueur-for-turkmen-president-s-relatives/>, accessed April 8, 2021.

## Berdymukhamedov's Children

**Berdymukhamedov is married to Ogulgerek Ataevna Durdylyeva, who was born in Baherden, Ahal province. However, like Niyazov and his wife, the couple appear to have separated many years ago, with Ogulgerek reported to live abroad.**

Ogulgerek's brother, Shamuhammet Durdylyev (b. 1963) is the mayor of Ashgabat.

Gurbanguly and Ogulgerek have two daughters, Guljahon (born 1 January 1985) and Gulshan (birthdate unknown but before 1985), and one son Serdar (born 22 September 1981). Gulshan is the diminutive form of Gulshat, which is likely to be her actual birth name.

President Berdymukhamedov's youngest daughter Guljahon married Yhlasgeldi Dzumageldiyevich<sup>108</sup> Amanov (born 19 July 1983)<sup>109</sup> in 2004,<sup>110</sup> making her full married name Guljahon Gurbanguleevna Amanova. Guljahon reportedly works in the field of medical sciences.<sup>111</sup> The couple has one son, Ysmayyl Yhlasgeldiyevich Amanov<sup>112</sup> (which can be transliterated as 'Ismail' or 'Ismayil') (born 17 March 2005) and a daughter Aynagozel Yhlasgeldiyevna Amanova (born 15 April 2009).<sup>113</sup> Yhlasgeldi Amanov worked as the First Secretary of the Embassy of Turkmenistan in Germany from February 2007 to 2008, at which point he moved to London, where he headed the Agency for the Management and Use of Hydrocarbon Resources. According to a US diplomatic cable, Yhlasgeldi applied for a visa application for the United Kingdom in 2009 for five years, and for his wife and children for two years, though it appears that he moved to Brussels in 2011, and from 2015 to 2018 was accredited as an adviser to the Embassy of Turkmenistan in Belgium and Luxembourg. He was listed as the First Secretary of the Embassy of Turkmenistan in the UK in 2018<sup>114</sup> before being made Turkmen Ambassador to the UAE in September 2019,<sup>115</sup> so it is likely that the family have relocated to Dubai. Horák reports that Amanov owns a company, Trade&Invest LLC, which controlled the export of Turkmen cotton production.<sup>116</sup>

President Berdymukhamedov's other daughter Gulshan is married to Dovlet Atabaev, a diplomat who worked at the Turkmen Embassy in Paris as a commercial attaché.<sup>117</sup> According to a US diplomatic cable, which cites a business source, the couple owns a villa on the Cote d'Azur in southern France.<sup>118</sup>

<sup>108</sup> <https://www.mfa.gov.tm/en/articles/413>, accessed March 24, 2021.

<sup>109</sup> [https://wikileaks.org/plusd/cables/09ASHGABAT1409\\_a.html](https://wikileaks.org/plusd/cables/09ASHGABAT1409_a.html), accessed March 24, 2021.

<sup>110</sup> <http://gundogar.org/?202250000000000000011062019090000#18946>, accessed March 24, 2021.

<sup>111</sup> [https://kz.expert/en/news/world\\_practice/660\\_turkmenistan\\_scenarios\\_and\\_personas\\_part\\_iii](https://kz.expert/en/news/world_practice/660_turkmenistan_scenarios_and_personas_part_iii), accessed March 24, 2021.

<sup>112</sup> <https://afghanistan.tmembassy.gov.tm/en/news/27395>, accessed March 24, 2021.

<sup>113</sup> [https://wikileaks.org/plusd/cables/09ASHGABAT1409\\_a.html](https://wikileaks.org/plusd/cables/09ASHGABAT1409_a.html), accessed March 24, 2021.

<sup>114</sup> <http://gundogar.org/?202250000000000000011062019090000#18946>, accessed March 24, 2021.

<sup>115</sup> <https://www.azernews.az/region/156612.html>, accessed March 24, 2021.

<sup>116</sup> Horák, Slavomír; "Turkmenistan: Stability Through Regime Mobilisation", Op. cit.

<sup>117</sup> [https://demokratizatsiya.pub/archives/20\\_4\\_9223865X8858540P.pdf](https://demokratizatsiya.pub/archives/20_4_9223865X8858540P.pdf), p381, accessed March 24, 2021.

<sup>118</sup> <https://www.theguardian.com/world/us-embassy-cables-documents/240618>,

Atabaev studied at the Cass Business School in London, graduating in 2016.<sup>119</sup> He is described in Cass' graduating class profile as a Counsellor at the Embassy of Turkmenistan in London, with experience in intergovernmental relations within the downstream oil and gas industry, having managed multi-million dollar gas sale contracts, and represented the oil and gas sector in London.<sup>120</sup>

A diplomatic cable from October 2009 reports that Atabaev was “in trouble for having acquired some nice real estate in the London area.”<sup>121</sup> Atabaev is described in this cable as the head of the Turkmen State Agency for Management and Use of Hydrocarbon Resources, but this is likely wrong as the position was actually held at the time (October 2009) by his brother-in-law Yhlasgeldi Amanov, though some reports indicate that Atabaev may have been a representative for the State Agency in London.<sup>122</sup>

Berdymukhamedov's son Serdar Gurbanguleevich Berdymukhamedov is considered a likely successor to his father.<sup>123</sup> He studied international relations in Moscow, worked from 2008-2011 at the Turkmen Embassy in Moscow,<sup>124</sup> and then from 2011-2013 as an advisor to the Permanent UN Representation of Turkmenistan in Geneva, completing in his final year a course in European and International Security at the Geneva Center for Security Policy.<sup>125</sup> In 2013, he was appointed head of the European section of the Ministry of Foreign Affairs of Turkmenistan, before becoming the Deputy Director of the State Agency for the Management and Use of Hydrocarbon Resources, a role he occupied until 2016.<sup>126</sup> During this time he continued his studies, becoming in August 2014 a candidate of technical sciences (a high post-graduate qualification) and in July 2015 a doctor of technical sciences (an additional doctoral degree). From 2016-2017, Serdar then acted as the head of the International Information Department of the Ministry of Foreign Affairs and in November 2016 was also elected a member of the Mejlis (the Turkmen parliament), on the retirement of another member.<sup>127</sup> He returned to the Foreign Ministry as deputy minister in March 2018,<sup>128</sup> before becoming Minister of Industry and Construction in February 2020.<sup>129</sup> In addition to this, Serdar was also appointed in June 2019 the hakim (a position similar to mayor) of Turkmenistan's Ahal province.<sup>130</sup> In February 2021, Serdar was appointed as deputy chairman of the

<sup>119</sup> [https://www.cass.city.ac.uk/\\_data/assets/pdf\\_file/0009/336852/7351\\_Executive-MBA\\_External\\_WEB.pdf](https://www.cass.city.ac.uk/_data/assets/pdf_file/0009/336852/7351_Executive-MBA_External_WEB.pdf), p3, accessed March 24, 2021.

<sup>120</sup> [https://www.cass.city.ac.uk/\\_data/assets/pdf\\_file/0009/336852/7351\\_Executive-MBA\\_External\\_WEB.pdf](https://www.cass.city.ac.uk/_data/assets/pdf_file/0009/336852/7351_Executive-MBA_External_WEB.pdf), p3, accessed March 24, 2021.

<sup>121</sup> [https://wikileaks.org/plusd/cables/09ASHGABAT1288\\_a.html](https://wikileaks.org/plusd/cables/09ASHGABAT1288_a.html), accessed March 24, 2021.

<sup>122</sup> [https://demokratizatsiya.pub/archives/20\\_4\\_9223865X8858540P.pdf](https://demokratizatsiya.pub/archives/20_4_9223865X8858540P.pdf), p381, accessed March 24, 2021.

<sup>123</sup> <https://eurasianet.org/turkmenistan-tinkers-with-constitution-in-apparent-transition-strategy>, accessed March 24, 2021.

<sup>124</sup> <https://www.rferl.org/a/berdymukhamedov-family-keringuly/25038403.html>, accessed March 24, 2021.

<sup>125</sup> <https://en.turkmen.news/news/turkmen-president-s-grandchildren-studying-at-elite-swiss-school/>, accessed March 24, 2021.

<sup>126</sup> <https://eurasianet.org/turkmenistan-presidents-son-gets-foreign-ministry-job>, accessed March 24, 2021.

<sup>127</sup> Weblink no longer available, but can be accessed via web archive, <https://web.archive.org/web/20190623231929/http://tdh.gov.tm/news/articles.aspx&article18507&cat26>, web archive accessed March 26, 2021.

<sup>128</sup> Weblink no longer available, but can be accessed via web archive, <https://web.archive.org/web/20200807092138/http://turkmenistan.gov.tm/?id=15970>, web archive accessed March 26, 2021.

<sup>129</sup> <http://www.turkmenistan.ru/en/articles/18682.html>, accessed March 24, 2021.

<sup>130</sup> <https://fergana.news/articles/108381/>, accessed March 24, 2021. It is noteworthy that Turkmen legislation was amended twice in changes that coincided with Serdar's ascension in Turkmen politics. Firstly, a law was amended which prohibited a member of the Mejlis from engaging in other activities or holding other positions. At the time Serdar became a member of the Mejlis, he was still studying in Moscow. The change allowed him to hold positions of deputy minister / minister, hakim and as a member of the Mejlis at the same time. Secondly, a Niyazov-era law that prohibited the simultaneous work of close relatives in direct subordination of each other was annulled in 2018. This allowed Serdar to work as a hakim and in the Mejlis under the leadership of his father, the president. See [https://www.ng.ru/dipkurer/2021-04-11/11\\_8125\\_prince.html](https://www.ng.ru/dipkurer/2021-04-11/11_8125_prince.html), accessed April 16, 2021.



Cabinet of Ministers, and moved from the Ministry of Industry & Construction to act as the chairman of the Supreme Control Chamber of Turkmenistan.<sup>131</sup> This allows Serdar to oversee all of Turkmenistan's financial flows, while relieving him from responsibility (and thus blame) from a ministry that controls production.<sup>132</sup>

Unverified reports claim that Serdar has concentrated substantial parts of the Turkmen economy in his own hands and has attempted to take control of Murad Niyazov's business empire.<sup>133</sup> Opposition website Gundogar writes that Serdar is active in the Turkmen hotel business, and in early 2012 wanted to purchase Ashgabat's Nisa Hotel from its then owner, Murad Niyazov. According to the article, Murad refused: not only was the offered price too low, but the hotel was an inheritance from his father. In retaliation, President Berdymukhamedov issued a decree amending the architectural plan of the street on which the Nisa is located, and as a result, the hotel was demolished<sup>134</sup> and rebuilt as the Hotel Nusay.<sup>135</sup> Serdar is married to Ogulgerek (not to be confused with Gurbanguly Berdymukhamedov's wife, who shares the same name) and they have one son, Kerimguly Serdarovich Berdymukhamedov (b. 2002), and at least two daughters Ogulbabek (b. 2004) and Aigul (b. 2008).<sup>136</sup> *Turkmen News* reported that the children enrolled in an elite school in Geneva, whose yearly fees are around \$36,000, when their father was posted there.<sup>137</sup> Kerimguly famously featured in a music video with his grandfather, President Berdymukhamedov, in which he raps about Turkmenistan,<sup>138</sup> and thus appears to be the president's favored grandchild.

According to leaked US diplomatic cables,<sup>139</sup> Berdymukhamedov has another daughter Larisa (b. 1995 or 1996) with a Russian nurse named Marina. They were both living in London in 2007, according to the cable, and then moved to Moscow.<sup>140</sup> Reports from a knowledgeable source suggest that Larisa was married to a Russian man, but is now divorced, and that both Marina and Larisa returned to Ashgabat around 2018-2019.<sup>141</sup> Unconfirmed reports suggest Berdymukhamedov is now living with a third woman in Ashgabat.<sup>142</sup>

<sup>131</sup> <https://turkmenportal.com/blog/34275/serdar-berdymukhamedov-naznachen-vicepremerom-predsedatelem-vysshei-kontrolnoi-palaty-turkmenistana>, accessed March 24, 2021.

<sup>132</sup> [https://www.ng.ru/dipkurer/2021-04-11/11\\_8125\\_prince.html](https://www.ng.ru/dipkurer/2021-04-11/11_8125_prince.html), accessed April 16, 2021.

<sup>133</sup> [http://demokratizatsiya.pub/archives/20\\_4\\_9223865X8858540P.pdf](http://demokratizatsiya.pub/archives/20_4_9223865X8858540P.pdf), p381, accessed March 24, 2021.

<sup>134</sup> Weblink no longer available, but can be accessed via web archive, <https://web.archive.org/web/20200626123850/https://24.kg/archive/ru/bigtiraj/127163-kogda-semejnyj-biznes-vyshe-interesov-gosudarstva.html/>, web archive accessed March 26, 2021.

<sup>135</sup> [https://www.tripadvisor.co.uk/ShowUserReviews-g293966-d302738-r154607492-Hotel\\_Nissa-Ashgabat\\_Ahal\\_Province.html](https://www.tripadvisor.co.uk/ShowUserReviews-g293966-d302738-r154607492-Hotel_Nissa-Ashgabat_Ahal_Province.html), accessed March 24, 2021.

<sup>136</sup> When President Berdymukhamedov voted in 2017, he was accompanied by Serdar and his wife, and possibly also by his (Gurbanguly's) daughter, Guljahon. Five young children were present, though it was not apparent which belonged to Serdar's family. See <https://thediplomat.com/2021/02/son-of-turkmenistans-president-gets-new-post/>, accessed April 8, 2021.

<sup>137</sup> <https://en.turkmen.news/news/turkmen-president-s-grandchildren-studying-at-elite-swiss-school/>, accessed March 24, 2021.

<sup>138</sup> <https://www.youtube.com/watch?v=JsNioEnxeNs>, accessed March 24, 2021.

<sup>139</sup> <https://www.theguardian.com/world/us-embassy-cables-documents/240618>, accessed March 24, 2021.

<sup>140</sup> <https://www.youtube.com/watch?v=eSvEKRF8SxE>, accessed March 24, 2021.

<sup>141</sup> Correspondence with source knowledgeable of presidential family tree, late 2020.

<sup>142</sup> <https://www.youtube.com/watch?v=eSvEKRF8SxE>, accessed March 24, 2021.



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Other reported family members of Berdymukhamedov to hold political positions in Turkmenistan include **Ata Oveznepesovich Serdarov** (b. 1964), who currently serves as the Chairman of the all-powerful Democratic Party of Turkmenistan.<sup>143</sup> A former minister of health (2007-2010), Serdarov worked as an ambassador to various countries from 2010 to 2018. He is believed to be Berdymukhamedov's cousin.<sup>144</sup> Until at least 2016, **Maysa Yazmuhammedowa**, reportedly another cousin of the president, was one of the country's deputy chairpersons of the cabinet of ministers.<sup>145</sup>

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<sup>143</sup> <https://en.trend.az/casia/turkmenistan/2881079.html>, accessed March 24, 2021.

<sup>144</sup> [https://demokratizatsiya.pub/archives/20\\_4\\_9223865X8858540P.pdf](https://demokratizatsiya.pub/archives/20_4_9223865X8858540P.pdf), p380, accessed March 24, 2021.

<sup>145</sup> [https://allcountries.org/world\\_fact\\_book\\_2016/turkmenistan/turkmenistan\\_chiefs.html](https://allcountries.org/world_fact_book_2016/turkmenistan/turkmenistan_chiefs.html), accessed March 24, 2021.



## Who Are the Key Officials under Berdymukhamedov?

**No other family comes close to rivalling the power of the Berdymukhamedov clan in Turkmenistan. However, there are reports that a relatively stable neo-patrimonial system (where power is used for personal uses) has formed in the regions, because the current president replaces governors less frequently than Niyazov. This has allowed them greater possibilities to establish power bases and exploit them for personal gain.<sup>146</sup>**

Similarly, though purges of government ministers still happen under Berdymukhamedov, they are less common, and the officials who stay in power for any significant length of time can use these positions to their advantage. As *Eurasianet* reports:

“Ministries operate like miniature fiefdoms, enriching their higher echelons, and this is permitted to happen on the understanding and expectation that money circulate up the food chain.”<sup>147</sup>

Freedom House pushes the analogy even further, comparing the system of governance where lower tiers pay tribute to the top to “an organized criminal group.”<sup>148</sup>

However, it is noticeable that the number of key ‘secondary’ government officials in Turkmenistan has dwindled even further under Berdymukhamedov, as Soviet-era officials have died, gone into exile, or been imprisoned. Even officials whose role is basically to rubber stamp the president’s decisions have been moved on: **Akja Nurberdyeva** (b. 1957) held the position of chairperson of the Mejlis from 2006 to 2018 but was replaced by **Gulshat Mammedova** (b. 1964), a former Minister of Education from 2009 to 2015.

One person to survive Niyazov’s reign is **Rashid Ovezgeldievich Meredov** (b. 1960), who is by far the longest serving member of the Turkmen state, having worked in either parliament or governmental positions since Turkmenistan gained its independence in 1991. His longevity is surprising, not only because of the erratic nature that has characterized the reign of both Niyazov and Berdymukhamedov, but also because Meredov has often been rumored to be a possible future president of Turkmenistan. Both presidents have removed rivals from positions of power if perceived as threats to their rule, yet Meredov has even survived periods of being out of favor with both leaders.<sup>149</sup>

Meredov was born in Ashgabat, the child of a Turkmen father and Azerbaijani mother. He graduated from the Law Faculty of Lomonosov Moscow State University in 1982, gained a PhD, and then returned to Turkmenistan where he taught law. He worked in a variety of governmental positions from 1991-1994 at which point he was elected as a member of parliament, heading the economic affairs committee. He was

<sup>146</sup> <https://www.chathamhouse.org/sites/default/files/publications/research/2016-03-08-turkmenistan-bohr.pdf>, p22, accessed March 24, 2021.

<sup>147</sup> <https://eurasianet.org/turkmenistan-everybody-yurts-sometimes>, accessed March 24, 2021.

<sup>148</sup> <https://freedomhouse.org/country/turkmenistan/nations-transit/2018>, accessed March 24, 2021.

<sup>149</sup> Meredov fell out of favor with Niyazov in March 2005, losing the title of Deputy Prime Minister for “insufficient enthusiasm and failing to adhere to basic principles in carrying out his work.” Similarly he lost Berdymukhamedov’s favor in 2009. See [https://wikileaks.org/plusd/cables/09ASHGABAT1170\\_a.html](https://wikileaks.org/plusd/cables/09ASHGABAT1170_a.html), accessed March 24, 2021.

appointed First Deputy Minister of Foreign Affairs in 1999, and in May 2001 became Chairman of the Mejlis. Meredov was appointed Minister of Foreign Affairs in 2001, a position he continues to hold – an impressive 20 years and counting. Since 2007 he has also acted as one of Turkmenistan’s deputy chairmen of the cabinet of ministers.<sup>150</sup> The US Embassy commented in September 2009 in a diplomatic cable that Meredov often played “almost a prime-ministerial role,”<sup>151</sup> and it is unsurprising that he is reportedly close to Berdymukhamedov’s ‘grey cardinal’ Viktor Khramov.<sup>152</sup> Meredov is regarded as Berdymukhamedov’s main foreign policy advisor, with his deputy, **Vepa Hajiyev**, playing an increasingly prominent role in recent years.<sup>153</sup> Rashid has one son, **Kerim Rashidovich Meredov**.

Along with Meredov, **Berdimyrat Rejepovich Rejepov** (born 5 February 1957),<sup>154</sup> is one of the few Niyazov era officials to still occupy a government position. Rejepov held the position of chairman of state oil and gas company Turkmenneftgaz in 1997, which put him in charge of **Turkmenrosgaz** at a time when the murky trade between Ukraine and Turkmenistan was at its height. He also served as mayor of Ashgabat from 2001 to 2002, and head of Turkmen state railways from 2002 to 2003. Rejepov then served until 2012 as Turkmen Ambassador to Germany, a demotion of sorts after serving as a deputy head of cabinet ministers, but a key foreign posting, given the fact that Turkmenistan’s foreign currency reserve is held at Deutsche Bank. He then served as Turkmenistan’s ambassador to Russia, Bulgaria, Spain, Slovenia, and Serbia from 2012-2016,<sup>155</sup> ambassador to Italy from 2016-2019,<sup>156</sup> and in May 2019 was appointed ambassador to Greece.<sup>157</sup>

Another survivor from the Niyazov era is **Meret Bayramovich Orazov** (b. 1950), who has been the ambassador to the United States since 2001.<sup>158</sup> According to *Turkmen News*, during his time as ambassador, Orazov has bought real estate in America estimated to be worth over \$6 million dollars in total, including four houses, three apartments, and a tract of forest near the Canadian border. Meret’s wife, **Irina Orazova**, is involved in the property transactions, as is their eldest daughter **Elena Orazova**. One of the properties was bought for their younger daughter **Maya Orazova**. Orazov’s ownership of multi-million dollar property would appear to be at odds with his state salary, estimated by *Turkmen News* as at most \$96,000 per annum.<sup>159</sup> In the United States, real estate professionals are currently exempted from due diligence requirements that apply to others in the financial sector. They are not required to – as they are in the EU and UK – submit suspicious transaction reports when there is a

<sup>150</sup> <https://lenta.ru/lib/14175587/>, accessed April 8, 2021

<sup>151</sup> [https://wikileaks.org/plusd/cables/09ASHGABAT1170\\_a.html](https://wikileaks.org/plusd/cables/09ASHGABAT1170_a.html), accessed March 24, 2021.

<sup>152</sup> [http://www.silkroadstudies.org/resources/pdf/SilkRoadPapers/2009\\_03\\_SRP\\_Horak-Sir\\_Turkmenistan-Berdimuhamedov.pdf](http://www.silkroadstudies.org/resources/pdf/SilkRoadPapers/2009_03_SRP_Horak-Sir_Turkmenistan-Berdimuhamedov.pdf), p31, accessed March 24, 2021.

<sup>153</sup> [https://www.fmprc.gov.cn/mfa\\_eng/wjbxw/t1788644.shtml](https://www.fmprc.gov.cn/mfa_eng/wjbxw/t1788644.shtml), accessed March 24, 2021.

<sup>154</sup> <http://www.rosvlavst.ru/card.aspx?pid=3015118>, accessed March 26, 2021.

<sup>155</sup> <https://www.mfa.gov.tm/en/articles/41> accessed March 26, 2021.

<sup>156</sup> <https://www.mfa.gov.tm/en/articles/44>, accessed March 24, 2021.

<sup>157</sup> <https://turkmenportal.com/en/blog/18929/berdimyrat-rejepov-is-appointed-ambassador-of-turkmenistan-to-greece>, accessed March 24, 2021.

<sup>158</sup> <http://www.allgov.com/officials/orazov-meret?officialid=29395>, accessed March 26, 2021. He has also served as the Ambassador to Mexico since 2011 and to Canada since 2016. See <http://www.turkmenistan.ru/en/articles/15166.html>, <https://www.mfa.gov.tm/en/articles/36>, both accessed April 8, 2021.

<sup>159</sup> <https://en.turkmen.news/opinion/turkmen-ambassador-in-usa-owns-real-estate-worth-6-million/>, accessed March 24, 2021.

suspicion of money laundering, and are not required to conduct enhanced due diligence on customers who are politically exposed persons (PEPs), or their family members, or even identify them as such.

Turkmen oil and gas officials have in the past gained a certain prominence due to their involvement in negotiations with international extractive companies and foreign government officials, although their influence has waned in recent years as many companies have exited Turkmenistan and Berdymukhamedov has restructured the country's oil and gas industry around himself. Little has been heard of **Tachberdy Tagiyev**, a former deputy prime minister responsible for oil and gas, since he was dismissed from his role as director of the Turkmenbashi complex of oil refineries in 2014.<sup>160</sup> Another key official from this sector, **Yagshigeldy Kakaev**, director of the State Agency for Management of Hydrocarbons from 2007 to 2016, died in July 2020.<sup>161</sup> The current deputy prime minister in charge of oil and gas issues, **Muradgeldy Meredov**, was issued his final warning in February 2021 to correct "shortcomings."<sup>162</sup> The current chairman of Turkmengaz, **Batyr Amanov**, a possible relative of Berdymukhamedov's son-in-law Yhlasgeldi Amanov, was also reprimanded in the same session, along with Turkmenneft chairman **Guychgeldi Baygeldiyev**, Turkmengeologia head **Merdan Rozyev**, and director of the Turkmenbashi complex of oil refineries **Dovran Chishiev**.<sup>163</sup>

As discussed in Chapter 2 with figures such as Ahmet Calik, businessmen in Turkmenistan will sometimes occupy a bridging role between the private sector and the state. One key entity in this regard is the **Union of Industrialists and Entrepreneurs of Turkmenistan (UIET)**, which was set up in March 2008<sup>164</sup> and headed by a long-time friend of Berdymukhamedov, **Aleksandr Dadaev**.

Eurasianet compared UIET to Mussolini's Istituto per la Ricostruzione Industriale, "a vast state holding company that marshaled the state's resources and funneled them into private companies tasked with building the nation."<sup>165</sup>

By 2012, UIET had been contracted to construct over 20 buildings and other entities in Turkmenistan, and in 2014 was entrusted with a \$500 million construction project in Ashgabat involving the building of ministries, government agencies, and blocks of flats.<sup>166</sup> In 2018, Berdymukhamedov ordered the Turkmen Central Bank to extend \$3 billion in soft loans to UEIT to build a highway and a fertilizer plant.<sup>167</sup> As mentioned above, the \$2.3 billion expressway project is apparently controlled by

<sup>160</sup> <https://ria.ru/20141023/1029644926.html>, accessed March 24, 2021.

<sup>161</sup> <https://www.energycharter.org/media/news/article/in-memoriam-mr-yagshigeldy-kakayev-former-chair-of-the-energy-charter-conference/>, accessed March 24, 2021.

<sup>162</sup> <https://turkmenportal.com/en/blog/34034/the-president-of-turkmenistan-issued-severe-reprimands-to-the-leaders-of-the-oil-and-gas-complex>, accessed April 9, 2021.

<sup>163</sup> *Ibid.* If Batyr is related to Yhlasgeldi. They are not brothers, as they have different patronymics, which denotes the name of the father: Batyr Amangeldiyevich Amanov and Yhlasgeldi Dzumageldiyevich Amanov.

<sup>164</sup> <https://en.hronikatm.com/2012/04/tycoon-presidents-friend/>, accessed March 24, 2021.

<sup>165</sup> <https://eurasianet.org/turkmenistan-through-the-looking-glass>, accessed March 24, 2021.

<sup>166</sup> <https://eurasianet.org/turkmenistan-ashgabat-allows-local-firms-to-build>, accessed March 24, 2021.

<sup>167</sup> <https://www.reuters.com/article/turkmenistan-economy/foreign-companies-struggle-in-cash-strapped-turkmenistan-idUSL5N1T50K3>, accessed March 24, 2021.

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Berdymukhamedov's brother-in-law.<sup>168</sup> Membership of the UIET and coordination of investment activities with it are seen as de facto requirements in order to gain access to certain contracts or loans.<sup>169</sup> In 2016, it was reported that Dadaev had asked medium- and large-scale companies to pay up to \$100,000 to the state to help ease the country's financial crisis.<sup>170</sup> This forced the closure of many companies.<sup>171</sup>

A source from the corporate intelligence community reports that Dadaev also acted as a broker for most agricultural, cotton, and textile deals.<sup>172</sup> However, there is some conjecture as to what has happened to Dadaev in recent years. He 'retired' from UIET in April 2020 and was replaced by his deputy **Dovran Khudaiberdyev**,<sup>173</sup> a far less powerful figure. His retirement came as somewhat of a surprise as he had just been elected chairman of UIET for a further term in March 2020.<sup>174</sup> There have been unconfirmed reports from inside Turkmenistan that Dadaev was placed under investigation and possibly even sentenced to a prison term.

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<sup>168</sup> <https://eurasianet.org/turkmenistan-a-digit-in-every-pie>, accessed March 24, 2021.

<sup>169</sup> <https://fpc.org.uk/wp-content/uploads/2019/07/FPC-Spotlight-on-Turkmenistan-publication.pdf>, p30

<sup>170</sup> <https://www.azathabar.com/a/27856024.html>, accessed March 24, 2021.

<sup>171</sup> <https://www.azathabar.com/a/turkmenistan-balkan-aziya-oyunlary-asgabat/28018756.html>, accessed March 24, 2021.

<sup>172</sup> Email correspondence between member of corporate intelligence community and Crude Accountability, summer 2020.

<sup>173</sup> <https://turkmenportal.com/blog/26467/dadaev-pokinul-post-glavy-soyuza-promyshlennikov-i-predprimatelei-turkmenistana>, <https://eurasianet.org/turkmenistan-through-the-looking-glass>, both accessed March 24, 2021.

<sup>174</sup> <https://arzuw.news/na-konferencii-aleksandr-dadaev-byi-pereizbran-predsedatelem-sppt>, accessed March 24, 2021.

# **Chapter 4**

## **Imprisoned Government Officials And Their Crimes**

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**A feature of Turkmen political life common to both presidents Niyazov and Berdymukhamedov is the frequent purge of senior state officials, dismissed from their positions often for displaying “serious shortcomings” in their performance. Sometimes the official in question will not only be dismissed, but arrested and jailed, usually on charges related to abuse of power and the theft of state resources.**



SCREENSHOTS OF THE TELEVISED TRIALS OF FORMER GOVERNMENT OFFICIALS

Such purges not only point to the dysfunction at the heart of Turkmen government, but also produce a ‘brain drain’ as these officials often must be replaced by more junior and less knowledgeable individuals, who have not been schooled by the relatively robust Soviet system, but in an educational system dismantled by Niyazov and only partially restored by Berdymukhamedov.

As Turkmenistan lacks an independent judiciary<sup>1</sup> it is impossible to confirm whether these officials committed the crimes they were accused of. According to Human Rights Watch, many of the

cases may have been politically motivated,<sup>2</sup> or judged in what Amnesty International assesses to be “unfair trials.”<sup>3</sup> The charges could therefore be wholly fabricated, given the lack of rule of law in Turkmenistan. If the charges brought by the Turkmen authorities are true, however, it would indicate a government riddled with corruption, in which officials steal resources with impunity.

There is also a third interpretation: that the theft of state funds by Turkmen officials is routine, part of a system in which resources are funneled upwards to the president’s office. Charges are only brought should it be expedient for the president to do so: to remove a potential threat to his rule, or to punish officials for either stealing too much for themselves, or for poor performance. Freedom House describes it thus: “Government and security officials, in their official roles, are allowed, encouraged, and sometimes forced to take bribes, earn illegal profit, and break laws. The moment they stop serving a

<sup>1</sup> <https://www.state.gov/reports/2019-country-reports-on-human-rights-practices/turkmenistan/>, accessed March 17, 2021.

<sup>2</sup> <https://www.hrw.org/news/2009/03/12/letter-president-gurbanguly-berdymukhamedov-regarding-human-rights-concerns>, accessed March 17, 2021. These include Yelly Gurbanmuradov (now deceased), Guychnazar Tachnazarov, and Guychmyrad Esenov.

<sup>3</sup> <https://www.amnesty.org/download/Documents/48000/eur610012009en.pdf>, accessed March 17, 2021. These include all the individuals convicted in relation to the alleged coup attempt, including Boris and Konstantin Shikhmuradov, and Batyr Berdyev.



purpose, fall out of favor, or challenge the status quo, they risk being imprisoned on corruption charges.”<sup>4</sup>

Whether the crimes are real, fabricated, or a little of both may vary from case to case. What is noticeable is that certain positions have a high turnover, indicative of either – depending on one’s interpretation of the dismissals and imprisonments – greater opportunities that these roles pose for illicit enrichment, or the greater need for the president to remove those individuals who may have been privy to corruption on behalf of the president himself or members of his family.

For example, since Turkmenistan became an independent country, there have been eleven Central Bank chairs<sup>5</sup>: the second, **Khudaiberdy Orazov** (who held the position from 1993-1999) fled the country and joined the political opposition in exile. The next three were imprisoned on corruption charges, the first of which was **Seitbay Kandymovich Kandymov**, who held the position from 1999-2002. Kandymov was accused of illegally obtaining land and state-owned securities for his relatives, and also of having links with oppositionists based abroad – perhaps the real reason for his dismissal and subsequent incarceration. Following his arrest, he was charged with the theft of state resources, with President Niyazov later saying that Kandymov hid “enormous sums” in the UAE and had engaged in a “criminal conspiracy” with the then head of the National Security Committee, Muhammed Nazarov, illegally giving him \$1 million. Kandymov was then sentenced to 20 years’ imprisonment. There have been reports that Kandymov died in prison either in 2003, 2004, or 2011, although another source maintained that he was alive as of December 2013.<sup>6</sup>

The next Central Bank Chairman was **Imamdurdy Kandymov** (no relation to Seitbay) who served from May to October 2002. As mentioned in Chapter 1, he was sacked and jailed for his alleged involvement in the theft of \$41 million from Turkmen state accounts held at Deutsche Bank. On his dismissal, Niyazov berated a visibly weeping Kandymov on television, saying: “We appointed you, young lad, to the chairmanship... From the first day I warned you, ‘Look Imamdurdy, be careful, take some measures to clean it out.’ However, instead of this you have made it an even dirtier place... Why have you been carrying out money transactions in Frankfurt?”<sup>7</sup>

**Shekersoltan Mukhammedova** then served as acting head of the Central Bank from 2002 to May 2005. She was sacked and jailed for “conspiring criminally” with a former deputy prime minister, Yelley Gurbanmuradov, in another case that involved the apparent theft or misuse of funds from state accounts

<sup>4</sup> <https://freedomhouse.org/country/turkmenistan/nations-transit/2018>, accessed March 17, 2021.

<sup>5</sup> Turkmen state websites do not provide such lists. The Wikipedia article ([https://en.wikipedia.org/wiki/Central\\_Bank\\_of\\_Turkmenistan](https://en.wikipedia.org/wiki/Central_Bank_of_Turkmenistan), accessed March 17, 2021) on the Turkmen Central Bank is well-referenced and lists 13 names as of February 2021. However, the first listed, Amandurdy Bordzhakov, was only the head of the Turkmen Republic Office, with the Central Bank of Turkmenistan not legally set up until May/June 1992 when Nazar Saparov became its first chairman. The page also lists Nurberdi Bayramov as holding the position for a short period in September 2002, citing an article from Turkmen state media (See <http://www.turkmenistan.ru/en/node/1782>, accessed March 17, 2021.)

<sup>6</sup> [https://provetherealive.org/wp-content/uploads/2019/09/List-of-the-Disappeared-in-Turkmen-Prisons\\_Sept-2019\\_ENG.pdf](https://provetherealive.org/wp-content/uploads/2019/09/List-of-the-Disappeared-in-Turkmen-Prisons_Sept-2019_ENG.pdf), p41, accessed March 17, 2021.

<sup>7</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p19, accessed March 17, 2021.

held at Deutsche Bank.<sup>8</sup> Mukhammedova was charged with illegally approving loans totaling \$188 million.<sup>9</sup>

The next Central Bank chief, **Jumaniyaz Annaorazov**, was fired by Niyazov in May 2006 and replaced by **Geldymurad Abilov** who held his post after Niyazov's death until April 2008 when he was sacked by Berdymukhamedov "for serious shortcomings."<sup>10</sup> Berdymukhamedov then turned to someone he could supposedly trust – a family member, **Guvanch Goklenov**, whose wife is the sister of Berdymukhamedov's wife. However, Goklenov only lasted three and half years, and was sacked, again for "serious shortcomings," by Berdymukhamedov in relation to a scandal featuring bank employees taking bribes from businessmen.<sup>11</sup> Goklenov was not jailed, however. He was replaced by **Tuvakmamed Japarov** who served until January 2014 until he was dismissed (yet again for "shortcomings") and replaced by his deputy, **Gochmurat Muradov**.<sup>12</sup> **Merdan Annadurdiyev** took over in February 2017<sup>13</sup> (the ninth person to hold the position this century) and still held the position as of October 2020,<sup>14</sup> although he was "severely reprimanded" in February 2020.<sup>15</sup>

A similarly fraught position has been the head (from 2002, the minister) of National Security, formed from remnants of the KGB after the collapse of the Soviet Union. According to Radio Liberty, under Niyazov four former heads were convicted and sentenced to prison terms: **Dangatar Kopekov** (served from 1991-1992, sentenced to eight years), **Saparmurat Seydov** (1992-1997, six years), **Muhammed Nazarov** (1997-2002, sentenced to either 20 or 25 years, accused, as mentioned above, of conspiring with Central Bank chief Seitibay Kandymov), and **Poran Berdiyev** (May-September 2002, 25 years).<sup>16</sup> Nazarov died in prison around 2005,<sup>17</sup> Berdiyev in 2017.<sup>18</sup> Six men have been appointed to this position under Berdymukhamedov; the current minister as of February 2021 is **Gurbanmyrat Annaev**.<sup>19</sup>

Under Niyazov, even officials close to the president fell afoul of his purges. **Gurbanbibi Atajanova**, Turkmenistan's prosecutor-general from 1995-2006, was herself jailed in 2006, having, according to the Turkmen authorities, acquired property illegally, including 13 homes, a brick factory, a rice mill, five cars,

<sup>8</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p19, accessed March 17, 2021.

<sup>9</sup> <https://www.rferl.org/a/1060909.html>, accessed March 17, 2021.

<sup>10</sup> <https://www.scoop.co.nz/stories/WL0804/S01592/cablegate-turkmenistan-president-tries-to-kick-start.htm>, accessed March 17, 2021.

<sup>11</sup> <http://www.turkmenistan.ru/en/articles/15104.html>, accessed March 17, 2021.

<sup>12</sup> <https://www.centralbanking.com/central-banking/news/2322550/turkmen-central-bank-chief-replaced-with-former-deputy>, accessed March 17, 2021.

<sup>13</sup> <http://www.turkmenistan.ru/en/articles/18220.html>, accessed March 17, 2021.

<sup>14</sup> <https://centralasia.news/7815-prezident-turkmenistana-poruchil-kardinalno-preobrazovat-jekonomiku.html>, accessed April 8, 2021.

<sup>15</sup> Weblink no longer active but can be accessed via web archive, <http://web.archive.org/web/20200216212939/http://tdh.gov.tm/news/en/articles.aspx&article21446&cat26>, web archive accessed March 26, 2021.

<sup>16</sup> [https://www.rferl.org/a/turkmenistan\\_failing\\_political\\_culture/3547713.html](https://www.rferl.org/a/turkmenistan_failing_political_culture/3547713.html), accessed March 17, 2021.

<sup>17</sup> <https://provetheyalive.org/the-disappeared/60-nazarov-mukhamet>, accessed March 26, 2021. This indicates that Nazarov may have died in 2004, though a second source familiar with Turkmen political prisoners said it was in 2005, according to a former inmate.

<sup>18</sup> <https://rus.azattyq.org/a/28776901.html>, accessed March 26, 2021.

<sup>19</sup> <https://france.tmbass.gov.tm/fr/news/51570>, [https://en.wikipedia.org/wiki/Ministry\\_for\\_National\\_Security\\_\(Turkmenistan\)](https://en.wikipedia.org/wiki/Ministry_for_National_Security_(Turkmenistan)), both accessed March 17, 2021.

three tractors, a bulldozer, two construction cranes, 40 hectares of land, more than \$6 million, and over 2,000 cattle.<sup>20</sup>

Those imprisoned by Niyazov also include many officials involved in the management of Turkmenistan's oil and gas resources, the sector Turkmenistan relies on for its economic prosperity. These individuals include **Ilyas Chariev**, the head of Turkmenistan's oil and gas trading body, who was sacked in June 2005 and found guilty of wasting \$99 million of state money and sentenced to 25 years.<sup>21</sup>

The imprisonment of officials has continued throughout Berdymukhamedov's reign. As recently as late 2019, several officials were found guilty of economic crimes: minister of trade **Amandurdy Ishanov** was sentenced to an unspecified prison term on corruption charges days after being sacked in September 2019;<sup>22</sup> **Isgender Mulikov**, interior minister from 2009-2019, was reportedly sentenced to 20 to 25 years for bribery and embezzlement<sup>23</sup> (his business interests, which included shops and restaurants, were also confiscated);<sup>24</sup> the director of the Turkmenbashi complex of oil refineries **Yazmurad Mukhammetmuradov** was found guilty of taking a bribe from foreign companies purchasing aviation kerosene;<sup>25</sup> and the head of Presidential Security, **Meilis Nobatov**, was found guilty of receiving bribes from entrepreneurs. Nobatov's property, which included luxury residential buildings and vehicles, was confiscated.<sup>26</sup> *Turkmen News* believed that these cases were linked to the imprisonment of **Charymuhammet Kulov**, one of the country's wealthiest people, who was targeted because of his growing popularity among Turkmen businessmen and influence on senior officials.<sup>27</sup>

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<sup>20</sup> <https://www.rferl.org/a/qishloq-ovozi-turkmenistan-corruption-iron-lady-atajanova/28874935.html>, accessed March 17, 2021.

<sup>21</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p19, accessed March 17, 2021.

<sup>22</sup> <https://www.rferl.org/a/turkmen-trade-minister-jailed/30166652.html>, accessed March 17, 2021.

<sup>23</sup> <https://eurasianet.org/turkmenistan-interior-minister-resurfaces-in-handcuffs>, accessed March 17, 2021.

<sup>24</sup> <https://www.rferl.org/a/turkmen-interior-minister-isgender-mulikov/30195163.html>, accessed March 17, 2021.

<sup>25</sup> <https://www.hronikatm.com/2019/09/corruption/>, accessed March 17, 2021.

<sup>26</sup> <https://www.gazeta.uz/ru/2019/12/04/tm/>, accessed March 17, 2021.

<sup>27</sup> <https://turkmen.news/news/v-ashhabade-arestovan-odin-iz-naibolee-vliyatelnyh-stolichnyh-predprimateljev-chary-kulov/>, accessed March 17, 2021.

## “Prove They Are Alive!”

**In April 2013, Crude Accountability came together with many other organizations to form the Turkmenistan Civic Solidarity Group in order to launch an international campaign called “Prove They Are Alive.”**

The goal of this campaign is to uncover the truth about the fate of those people who have disappeared in Turkmen prisons as the result of massive repression that took place in the 2000s. There is no information about these individuals’ whereabouts or their situation, and no access allowed for relatives or legal representatives. Many are still in prison despite having served the length of their sentence. This is one of the most acute human rights abuses in Turkmenistan, and a violation of both the International Covenant on Civil and Political Rights and the UN Convention against Torture, which Turkmenistan has ratified.

The most recent version of the “Prove They Are Alive” list from September 2019 contains 121 names, 27 (22.3%) of whom have been confirmed to have died in prison.<sup>28</sup> The deceased continue to form part of the list in order to highlight how often only the death of the incarcerated brings any kind of information for their families. The high rate of death in Turkmen prisons is not surprising: a former prisoner reported that torture of inmates in Turkmenistan’s most notorious jail, Ovadan Depe, was rife, with prisoners packed into cells where temperatures can reach 50°C (122°F) in the summer and drop to -20°C (-4°F) in the winter.<sup>29</sup>



PROVE THEY ARE ALIVE! CAMPAIGN LOGO

The 121 individuals can be organized into four groups:

(1) those convicted after an alleged coup attempt against President Niyazov in November 2002,<sup>30</sup> (2) those convicted of Islamic extremism (including those charged with involvement in the international religious movement created by Turkish preacher Fethullah Gülen),<sup>31</sup> (3) those convicted of economic

<sup>28</sup> [https://provetheyarealive.org/wp-content/uploads/2019/09/List-of-the-Disappeared-in-Turkmen-Prisons\\_Sept-2019\\_ENG.pdf](https://provetheyarealive.org/wp-content/uploads/2019/09/List-of-the-Disappeared-in-Turkmen-Prisons_Sept-2019_ENG.pdf), accessed March 17, 2021.

<sup>29</sup> <https://provetheyarealive.org/wp-content/uploads/2014/09/Final-O-D-Report-September-2014-compressed.pdf>, p6, accessed March 17, 2021. For more information on the condition of prisons under Niyazov, see <https://www.osce.org/files/f/documents/0/5/18372.pdf>.

<sup>30</sup> The alleged coup took place on November 25, 2002. The Turkmen authorities reported that Niyazov’s motorcade was strafed by gunfire, although, as with everything in Turkmenistan, it is difficult to establish the true events. Regardless, Niyazov used the incident as a pretext to imprison more officials and citizens, jailing at least 57 “traitors” in Soviet style show trials. See <https://eurasianet.org/nizayov-keeps-alive-legacy-of-soviet-style-show-trials-in-turkmenistan>, accessed March 17, 2021.

<sup>31</sup> Organizations supported by Gülen, a Turkish Islamic scholar and preacher, saw the creation of schools in Turkmenistan from the mid-90s. These were closed by 2014, due to fears of the penetration of radical Islam, with all institutions in Turkmenistan with apparent or alleged pro-Gülen links closed in 2016, following the coup attempt in Turkey in July 2016. The Gülen movement is outlawed as an alleged armed terrorist group in Turkey; however, the authorities in the United States, where Gülen resides, do not consider the designation to be accurate and refuse to extradite him.

crimes and abuse of power, (4) those convicted of various crimes due to their involvement in civil society activism or journalism.

One should remember that the list contains only those individuals about whom nothing is (or was, in the case of those deceased) known about their incarceration. It does not include the dozens of other individuals who have been unfairly imprisoned but have since served their time in prison and been released, or those individuals whose relatives have been granted access or given information about the prison in which they are serving their sentence.



PHOTO COLLAGE, THE DISAPPEARED © PROVE THEY ARE ALIVE! CAMPAIGN

## Who Are the Disappeared?

**Of the 121 individuals, 42 (34.7%) are former state officials under Niyazov or Berdymukhamedov.<sup>32</sup> Of the 27 prisoners who have died in prison, 19 (70.4%) are former state officials.**

Some of the members on the “Prove they are Alive” list are people who held positions at the very top of the Turkmen government. These include individuals convicted in relation to the alleged coup attempt:

**Boris Orazovich Shikhmuradov**, former deputy chairman of the Cabinet of Ministers and minister of foreign affairs; **Batyr Ataevich Berdyev**, former minister of foreign affairs; **Serdar Meredmuhamedovich Charyyarov**, former commander of the Air Force and deputy minister of defense; and those charged with economic crimes / abuse of power, including: **Redzhepbai Arazovich Arazov**, former chairman of the Mejlis (parliament) and defense minister; **Annamurat Soltanovich Soltanov**, former first deputy minister of defense and chief of General Staff of the Armed Forces of Turkmenistan; **Jaranmyrat Redjepovich Jazmyradov**, former chairman of the Supreme Court of Turkmenistan and former prosecutor general of Turkmenistan.

Of those accused of economic crimes, six men were involved at some point in the management of the country’s oil and gas sector.<sup>33</sup> Former Central Bank Chairman **Seitbay Kandymov** (see above) is also on the list.



BORIS SHIKHMURADOV  
© PROVE CAMPAIGN



BATYR BERDYEV  
© PROVE CAMPAIGN



REDZHEPBAI ARAZOV  
© PROVE CAMPAIGN

<sup>32</sup> These include all of those convicted under economic crimes / abuse of power (Nos 69 through 80) plus (bold indicates an individual who died in jail, the number refers to the number given to them in the “Prove” list of September 2019): Beknazarov, Begench Amandurdyevich (6), Berdyev, Batyr Ataevich (7), Berdyev, Orazmukhammet Muhyevich (8), Gundogdyev, Yazgeldy Potaevich (17), Djumaev, Rustem Byashimovich (21), Kurbanov, Iskander Ereshovich (26), Lyaskin, Yuri Gennad’evich (27), Orazgeldyev, Nurmukhammet(32), Reimov, Dzhora Behremovich (34), Charyyarov, Serdar Meredmuhamedovich (42), Shikhmuradov, Boris Orazovich (44), Esenov, Guychmyrad (94), **Adov, Vladimir (95), Aydogdyev, Dortkuli (96), Allakulyev, Allamurat Kakabaevich (97), Annasakhatov, Annadurdy (98), Ahmedov, Geday (100), Valiev, Saparmamed Urkudovich (102), Gurbanmuradov, Yelly Agaevich (104), Durdyev, Vekil Ataevich (106), Durdyev, Habibylla Abdullaevich (107), Kakaev, Hayit (108), Meredov, Payzygeldy (110), Nazarov, Mukhamet Nazarovich (112), Otuzov, Begmurad Saparbaevich (113), Pavlinov, Aleksander Konstantinovich (114), Redjepov, Akmurad Kulievich (115), Saparov, Redjep (116), Tyrmyev, Tirkish (117), Khallyev, Tagandurdy Khallyevich (119)**. This does not include district police (5, 16), local oil and gas officials (24, 31), tax, migration, or customs officials (11, 88, 117), Soviet era officials (20, 33, 120), members of research institutes (38), members of the army (53), or teachers (various). At the time of the 2019 list, Yazgeldy Gundogdyev (17) was still alive but died in December 2020 after almost 18 years in prison, <http://www.tmhelsinki.org/en/modules/news/article.php?storyid=3523>, accessed April 23, 2021.

<sup>33</sup> These are: 1. Arazov, Redzhepbai Arazovich, 2. Sardzhaev, Batyr Kurbanovich, 3. Tachnazarov, Guychnazar, 4. **Valiev, Saparmamed Urkudovich**, 5. **Gurbanmuradov, Yelly Agaevich**, 6. Esenov, Guychmyrad.



# Examples of Alleged Economic Crimes

## Committed by Individuals on the “Prove” List

The charges faced by many of the state officials often involve the theft of state funds, or the illegal accumulation of money and property. The following section cites some examples of those people found guilty of such charges. When examining the following cases, one should bear in mind the information contained in Chapter 3 on the personal enrichment of other Turkmen officials who remain in power, and those family members of Berdymukhamedov who will likely never be charged with any crime, given their familial relationship with the president.



AKMURAD REJEPOV  
© PROVE CAMPAIGN

**Akmurad Kulievich Rejepov** (sometimes transliterated as Redjepov) was head of the Security Service of the President of Turkmenistan from 1992 to 2007. One of the most powerful officials under Niyazov, Rejepov was even touted as a possible successor to Niyazov,<sup>34</sup> but instead was arrested in May 2007 along with his son, Nurmurat Rejepov, who had been serving as a counselor in the Embassy of Turkmenistan in the UAE. Akmurad was found guilty of accepting bribes and importing tobacco products without paying taxes and customs duties. \$9.5 million was confiscated. As discussed in Chapter 3, this business was controlled by Murad Niyazov while his father was in power. Akmurad Rejepov was sentenced to 17 years in a strict security colony. Nurmurat was sentenced to 13 years, and businessman Murad Agayev, former head of Murad Niyazov’s company Oriental, was sentenced to 17 years. Nurmurat Rejepov was released in an amnesty in September 2007, but Akmurad remained incarcerated. He died in in Ovadan Depe prison from thrombosis in August 2017.<sup>35</sup>



REDJEP SAPAROV  
© PROVE CAMPAIGN

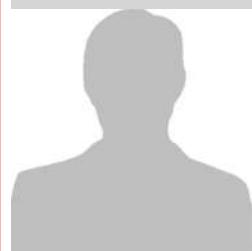
**Redjep Saparov**, a former deputy chairman of the Cabinet of Ministers of Turkmenistan, minister of agriculture, and chief of staff under Niyazov, was arrested in July 2005, accused of abuse of power and receiving bribes. The authorities claim they seized \$2.16 million, 107 kilograms of gold, and silver jewelry worth \$10 million. He was convicted in July 2005 and sentenced to 20 years’ imprisonment. He died in Ovadan Depe prison at the end of October 2009,

<sup>34</sup> <https://www.theguardian.com/world/2006/dec/23/tomparfitt.mainsection>, accessed March 17, 2021.

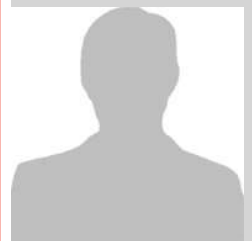
<sup>35</sup> <https://www.rferl.org/a/turkmenistan-niyazov-gray-cardinal-dies-decade-in-prison/28681817.html>, accessed March 17, 2021.



reportedly of “exhaustion.”<sup>36</sup> Saparov was at one time thought of as a possible successor to Niyazov, which is one possible reason for his imprisonment.



**Payzygeldy Meredov**, a former minister of agriculture and food. As discussed in Chapters 1 and 2, Meredov was an important figure in the Turkmen cotton industry and the early days of the country’s gas trading business, when Turkmen gas was swapped for food items in opaque deals. He managed to survive Niyazov’s reign, despite falling out of favor on more than one occasion. However, he was arrested in July 2007, accused of violations of customs legislation related to the export of cotton, and sentenced to 19 years of imprisonment in a strict security colony with confiscation of property. He died in Oবাদan Depe prison in August 2013 from a heart attack.

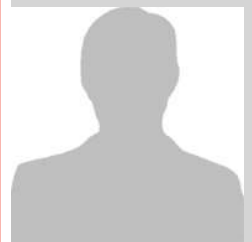


**Saparmamed Urkudovich Valiev**, chairman of state oil company Turkmenneft, was accused in a case presided over by Gurbanbibi Atajanova (herself jailed in 2006) of having acquired 21 houses, 20 cars, and \$10.5 million.<sup>37</sup> He was further accused by Niyazov in a cabinet meeting of causing \$80 million of damage to the state.<sup>38</sup> Valiev was stripped of his state awards and honorary titles, including the title of “Hero of Turkmenistan,” and sentenced to 25 years’ imprisonment. Valiev died in prison reportedly of a heart attack in 2017, and his body handed to his relatives.



BATYR SARDZHAEV  
© PROVE CAMPAIGN

**Batyr Kurbanovich Sardzhaev** held many top posts in Turkmenistan, including deputy chairman of the Cabinet of Ministers; minister of Oil, Gas, and Mineral Resources; minister of defense; and head of the Turkmen Railways. He was found guilty in 2002 of stealing around \$2 million by inflating the price of three locomotives in a sale to Ukraine and sentenced to either 12 years’ imprisonment or 18 years in a penal colony (reports vary).



**Guychnazar Tachnazarov** was the former chairman of the state concern Turkmengaz, deputy chairman of the Cabinet of Ministers of Turkmenistan responsible for the oil and gas sector, and minister of Oil, Gas, and Mineral Resources. He was dismissed in 2005 for abuse of power and accused of taking property worth more than \$266 million and 1 billion manats. Later President Niyazov stated that Tachnazarov had admitted taking bribes of \$5 million and that \$5-10 million was seized from him.

<sup>36</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p19, accessed March 17, 2021.

<sup>37</sup> <https://www.rferl.org/a/1067945.html>, accessed March 17, 2021.

<sup>38</sup> [https://provetheyarealive.org/wp-content/uploads/2019/09/List-of-the-Disappeared-in-Turkmen-Prisons\\_Sept-2019\\_ENG.pdf](https://provetheyarealive.org/wp-content/uploads/2019/09/List-of-the-Disappeared-in-Turkmen-Prisons_Sept-2019_ENG.pdf), p56, accessed March 17, 2021.



**Guychmyrad Esenov** was the director of the Turkmenbashi complex of oil refineries. He was dismissed in September 2005 and jailed later the same year. President Niyazov said that Esenov had been “stealing with [Yelly] Gurbanmuradov” and that Esenov had “returned” about 9.574 billion manats but \$2.1 million was still missing. The government of Turkmenistan claims that he has been visited by relatives on many occasions, yet there is no confirmation of this information from independent sources.



YELLY  
GURBANMURADOV  
© PROVE CAMPAIGN

**Yelly Agaevich Gurbanmuradov**, former first deputy chairman of the State Bank for Foreign Economic Affairs of Turkmenistan, and deputy chairman of the Cabinet of Ministers overseeing the oil, gas, and chemical sector, was dismissed in May 2005, and charged with stealing over \$99 million and 5.9 billion manats of state resources. During the investigation, 20 houses and apartments, 18 cars, 450kg of gold and silver jewelry, and more than 4,600 head of cattle were seized. The Turkmen authorities stated that Gurbanmuradov had received “information from representatives of foreign intelligence services about selling Turkmen oil at reduced prices” and that \$188 million had been recovered.<sup>39</sup> Global Witness linked the arrest of Gurbanmuradov – who signed gas contracts on behalf of Turkmenistan – to the opening in Ukraine of a criminal investigation looking at the shadowy intermediary companies who traded Turkmen gas.<sup>40</sup>

Yelly’s cousin **Begmurad**, his brother **Begli**, and wife **Olga Kudratova** were also convicted on other charges, an example of the practice of jailing family members of the accused as further, collective, punishment. Olga Kudratova has since been released, while Begmurad remains in prison. Begli died from a heart attack in a maximum security colony in Bayramali in June 2013. As Yelly Gurbanmuradov was believed to have been close to Berdymukhamedov during Niyazov’s era there were rumors that he would be released after Berdymukhamedov came to power, but this did not transpire. Gurbanmuradov’s relatives received no information about him after his detention in 2005. He died in prison in December 2015. According to eyewitnesses at the funeral, the body weighed less than 50kg (110 lbs), in comparison with more than 120kg (265 lbs) before arrest.<sup>41</sup>

<sup>39</sup> <https://www.rferl.org/a/1059479.html>, accessed March 17, 2021.

<sup>40</sup> [https://www.globalwitness.org/documents/17837/its\\_a\\_gas.pdf](https://www.globalwitness.org/documents/17837/its_a_gas.pdf), p19, accessed March 17, 2021.

<sup>41</sup> [https://provetheyalive.org/wp-content/uploads/2019/09/List-of-the-Disappeared-in-Turkmen-Prisons\\_Sept-2019\\_ENG.pdf](https://provetheyalive.org/wp-content/uploads/2019/09/List-of-the-Disappeared-in-Turkmen-Prisons_Sept-2019_ENG.pdf), p58, accessed March 17, 2021.

# Conclusion

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**Turkmenistan is not a normal country by any standard. It is a corrupt dictatorship, which treats its citizens with contempt, curtailing their human rights and suppressing any meaningful information about government activities. Meanwhile, the president's family continues to get richer.**

Just as this report went to press, *Turkmen News/OCCRP* reported that amidst rising poverty, Berdymukhamedov granted his nephew, Hadjimurat Rejepov, a near \$26 million contract to import state-subsidized food, via Rejepov's UK-registered company.<sup>42</sup>

International corporations argue that their involvement raises standards, but examples from this report suggest that, on the contrary, companies are likely to get co-opted into the opaque, corrupt system that Turkmenistan's system of governance is built upon. And as the example of Bouygues demonstrates, the involvement of international companies may actually make Western governments more circumspect in raising human rights and transparency issues for fear of jeopardizing their companies' standing. That is why any conversation about 'engagement' cannot be just for economic gain by the West, but, rather, anchored in clearly defined benchmarks that the Turkmen government must achieve before it is rewarded by international agreements.

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The fact that, in his 15 years in power, President Berdymukhamedov has only entrenched the corrupt system created by his predecessor demonstrates that he has little interest in opening up the country or improving the conditions for its citizens. This is because he and his family rely on this system of predation, nepotism, and the capture of state resources. He has no reason to dismantle it because his maintenance of power depends on it. The international community should keep this in mind when dealing with Turkmenistan. It is not an emerging market, transitioning toward an open market-oriented economy, and has no interest in moving towards democracy and the rule of law. It should be treated at arms' length for what it is: one of the very worst regimes in modern history, a model kleptocracy.

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<sup>42</sup> <https://en.turkmen.news/spotlight/as-turkmenistan-s-people-go-hungry-president-s-nephew-profits-off-food-imports/>, accessed May 15, 2021.

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## **CRUDE ACCOUNTABILITY**

Crude Accountability  
2021

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