

CHAPTER II

THE HISTORY OF TURKMENISTAN INDEPENDENCE AND THEIR ECONOMIC PROBLEM

According to world fact book by Central Intelligence Agency (CIA) 2013, Turkmenistan independent was in October 27st, 1991. However, Turkmenistan is not a new state. A long time ago, before the era of nation-state, Turkmenistan had existed with the existence of Turkic tribe. To start explaining the history of Turkmenistan as a new independent state, it is first necessary to describe about the process of nation building. There are phases to describe the history of Turkmenistan independence and after its independence briefly; the early history of Turkmenistan, the phase of Turkmenistan under Union of Soviet Socialist Republics (USSR) power, the phase of Turkmenistan in the collapse of USSR power and economic problem, and economic development under Saparmurat Niyazov's regime. In each phase, there are many points that really important to influence the characters of Turkmenistan as a nation state.

A. The Early History of Turkmenistan

In the middle of the 3rd century B.C., Macedonian rule was over and was replaced in 247 B.C. by the state of Parthia. The Royal Residence of the Parthian State was located in the Old Nisa. Taking good advantages of Turkmenistan's position on the Great Silk Route, the Parthians had an active economic and commercial life and established cities. Silk Route is a modern term referring to a network of interlinking trade routes. The Silk Road gets

its name from the lucrative Chinese silk trade along it, which began during the Han Dynasty. During the regime of the King Mitridat I, the first Parthian coin, it is called "Drahma", was minted in silver. Horn-shaped ivory rhytons (vessels), marble statues and silver figurines of the ancient Greek Gods were found during the excavations at the Old Nisa. The Parthian culture by itself was a composition of the Greek and Oriental cultures. In the context of agriculture which was considerably developed in the Parthian period wheat, barley, corn (maize), rice, cotton and various fruits were grown. One of the most important features of the Parthian age was the use of the Aramaic script. The Parthian State which lasted for 470 years, collapsed in 224 A.D.

In the 4th century B.C. the southern part of the modern Turkmenistan was conquered by the troops of Alexander the Great. Alexander succeeded his father, Philip II of Macedon, to the throne in 336 B.C. after Philip was assassinated. Upon Philip's death, Alexander inherited a strong kingdom and an experienced army. He was awarded the generalship of Greece and used this authority to launch his father's military expansion plans. Seeking to reach the "ends of the world and the Great Outer Sea", he invaded India in 326 B.C., but was eventually forced to turn back at the demand of his troops. Alexander died in Babylon in 323 B.C., without executing a series of planned campaigns that would have begun with an invasion of Arabia. In 334 B.C., he invaded Persian-ruled Asia Minor and began a series of campaigns that lasted ten years. Alexander broke the power of Persia in a series of decisive battles. Alexander marched

Murgab River. Located on an important trade route, Alexandria later became the city of Merv (modern Mary). Farmers raised grains, vegetables, and fruits along the Amu Darya River. Merv and Nisa became centers of sericulture (the raising of silkworms). A busy caravan route, connecting China and the city of Baghdad (in modern Iraq), passed through Merv.²²

In the 6th century B.C., the territory of the modern Turkmenistan was conquered by the Persian Dynasty of Achaemenids.²³ The empire expanded to eventually rule over significant portions of the ancient world which at around 500 BC stretched from the Indus Valley in the east, to Thrace and Macedon on the northeastern border of Greece, making it the biggest empire the world had yet seen.²⁴ The Achaemenid Empire would eventually control Egypt as well. It was ruled by a series of monarchs who unified its disparate tribes and nationalities by constructing a complex network of roads. At the height of its power after the conquest of Egypt, the empire encompassed approximately 8 million km², spanning three continents; Asia, Africa and Europe.²⁵

Central Asia came under Arab control after a series of invasions in the late 7th and early 8th centuries. Meanwhile, the Oguz, the ancestors of the Turkmen, were migrating from eastern Asia into central Asia, the

²² Anonymous, *History of Turkmenistan*, retrieved on March 28, 2013 at <http://turkmenistanembassy.org/history-of-turkmenistan/>

²³ Anonymous, *History of Turkmenistan in Brief*, retrieved on March 25, 2013 at <http://turkmeniya.tripod.com/id6.html>

²⁴ David Sacks, Oswyn Murray, Lisa R. Brody; Oswyn Murray, Lisa R. Brody, *Encyclopedia of the ancient Greek world*, Infobase Publishing, 2005 p.256

²⁵ Louis St. Laurent, *Encyclopedia of the Peoples of Africa and the Middle East, Volume One*

Middle East, and Asia Minor (modern Turkey). The Arab conquest brought the Islamic religion to the Oguz and to the other people of central Asia.²⁶

By the 10th century, the Oghuz had expanded west and north of the Aral Sea and into the steppe of present day Kazakhstan, absorbing not only Iranians but also Turks from the Kipchak and Karluk ethnolinguistic groups. In the 11th century, the renowned Muslim Turk scholar Mahmud al-Kashgari described the language of the Oghuz and Turkmen as distinct from that of other Turks and identified 22 Oghuz clans or sub tribes, some of which appear in later Turkmen genealogies and legends as the core of the early Turkmen.²⁷ The name Turkmen first appears in written sources of the 10th century to distinguish those Oghuz groups who migrated south into the Seljuk domains and accepted Islam from those that had remained in the steppe. Gradually, the term took on the properties of an ethnonym and was used exclusively to designate Muslim Oghuz, especially those who migrated away from the Syrdariya Basin.²⁸

In the 11th century, Seljuk domains stretched from the delta of the Amu Darya delta into Iran, Iraq, the Caucasus region, Syria, and Asia Minor. Turkmen tribesmen were an integral part of the Seljuk military forces. Turkmen migrated with their families and possessions on Seljuk campaigns into Azerbaijan and Anatolia. During this time, Turkmen also began to settle the area of present day Turkmenistan. Prior to the Turkmen habitation, most of this desert had been uninhabited, while the more

²⁶ Anonymous, *History of Turkmenistan*, retrieved on March 28, 2013 at <http://www.turkmenistan.gov.tk/history-of-turkmenistan/>

habitable areas along the Caspian Sea, Kopetdag Mountains, Amu Darya, and Murgap River were populated predominantly by Iranians. The city-state of Merv was an especially large sedentary and agricultural area, important as both a regional economic-cultural center and a transit on the Silk Road.²⁹ As long as the nomads formed the main element of the Seljuk army, their demands for booty and fodder could not be entirely ignored. But controlling them was very difficult. The Seljuk solution provided the key to the Sultan Abbasid's success in maintaining power and organizing their administration. They first used their position as sultans to institute a new regular salaried army of mamluk slaves brought from the highlands of the Caucasus and of prisoners taken in conquests. Once the new army gave the Seljuks a sufficient military alternative to the Turkomans, they solved the remainder of the problem by using it to drive the Turkomans out of Iran and Iraq into the territories of their enemies. But these solutions created a new financial problem. The solution was a system of indirect revenue assignment, it called *ikta*, developed originally in Iran by the Buyids as a means of tax collection and now used also as the primary unit of administration. The essential premise of the system was the idea that all wealth belonged to the ruler. To exploit it he acted not through salaried officials of state, but rather by superimposing *ikta* units, each of which gave its possessor the right to administer a source of wealth and to collect its revenues. Officers of the new army and officials of the administration were given these *iktas* in return for performing their duties, thus as the equivalent of a salary. This relieved the

treasury of the problem of finding money to pay its soldiers and civil servants and also gave the ikta holders an interest in preserving the prosperity of agriculture and trade. They could no longer ravage the land and move on as nomads had done in the past. The last powerful Seljuk ruler, Sultan Sanjar (d. 1157), witnessed the fragmentation and destruction of the empire because of attacks by Turkmen and other tribes.³⁰ After mixing with the settled people in Turkmenistan, the Oguz living north of the Kopet-Dag Mountains gradually became known as the Turkmen. The Seljuk empire broke down in the second half of the 12th century, and the Turkmen became independent tribal federations.

Expansion of the Ottoman Empire was the first period of Ottoman history was characterized by almost continuous territorial expansion, which Ottoman dominion spread out from a small northwestern to cover most of southeastern Europe and Anatolia. The political, economic, and social institutions of the classical Islamic empires were mixed with those inherited from Byzantium and the great Turkish empires of Central Asia and were reestablished in new forms that were to characterize the area into modern times. The ancestors of Osman I, the founder of the dynasty, were members of the Kay tribe who had entered Anatolia along with a mass of Turkmen Oguz nomads. These nomads, fleeing from the Mongols of Genghis Khan, overwhelmed Byzantium after the Battle of Manzikert in year 1071, and

occupied eastern and central Anatolia during the 12th century. Then, Ottoman Empire broke down in 1402.³¹

B. The Phase of Turkmenistan under USSR Power

Modern Turkmenistan was transformed by the invasion of the Russian Empire, which conquered the region in the late 19th century. Actually, the expanding Russian Empire took notice of Turkmenistan's extensive cotton industry, during the reign of Peter the Great, and invaded the area. Nevertheless, trade between Turkmen merchants and Russia continued and was helped by the building of a port on the Caspian Sea at Krasnovodsk, it means modern Turkmenbashi. In 1802, members of several Turkmen clans officially became Russian subjects. During the 19th century, the Turkmen also asked for Russia's help during their frequent rebellions against the khans and against the shahs of Persia. The Russians were seeking new markets for their goods, fertile land for the growing of cotton, and access to Turkmenistan's natural resources. As a first step in the conquest of the region, the Russians agreed to provide arms and food to the Turkmen rebels.³²

Russia began sending military expeditions into Turkmenistan in the second half of the 19th century. From 1863 through 1868, Russian armies defeated and annexed the khanates of Bukhara and Khiva. The people of

³¹ Anonymous, *The Ottoman State to 1481: the Age of Expansion*, retrieved on March 27, 2013 at <http://turkmeniya.tripod.com/id23.html>

³² Anonymous, *History of Turkmenistan*, retrieved on March 27, 2013 at

western Turkmenistan, who were seeking independence from the khans, willingly joined the Russian Empire.³³

But the Turkmen of eastern and southern Turkmenistan fiercely resisted Russian annexation. In 1879, at Geok-Tepe near Ashkhabad, it was modern Ashgabat, Turkmen warriors of the Tekke den stopped a large Russian force. Two years later, the Russians besieged Geok-Tepe, eventually capturing it as well as Ashkhabad. Following the decisive Battle of Geok Tepe in January 1881, Turkmenistan became a part of the Russian Empire.

By 1885, all of the Turkmen clans had submitted to Russian control. The Russians annexed Mary and pushed across Turkmenistan to the borders of Persia and Afghanistan. The building of the Transcaspian Railroad, which connected Krasnovodsk (modern Turkmenbashi), Mary, and trading centers to the east, opened up the region for economic development.³⁴ After the Russian Revolution, Soviet control was established by 1921 as Turkmenistan was transformed from a medieval Islamic region to a largely secularized republic within a totalitarian state.

From 1890 to 1917, Turkmenistan was part of Russian Turkestan, a province that included central Asia and its Muslim nationalities; the Kazakhs, the Uzbeks, the Kyrgyz, the Taliks, and the Turkmen. Within Turkestan, however, the Turkmen had a lesser status. Their lands were defined as the Transcaspian Region and were ruled as a military colony.

³³ Anonymous, *History of Turkmenistan*, retrieved on March 27, 2013 at

This neglect by Russia's government allowed the Turkmen to maintain their culture, language, and nomadic way of life.³⁵

In the early of 20th century, discontent with strict czarist rule spread among the people of the Russian Empire. At the same time, the empire was being drawn into a bloody international conflict. During World War I (1914-1918), the Turkmen and other people of central Asia moved to reclaim their homelands. A violent uprising broke out in 1916, when the Turkmen, led by Dzhunaid Khan, defeated the Russians at Khiva. The Turkmen established a national government that lasted until 1918.

In October 1917, the Communist leader, Vladimir Ilich Lenin, overthrew the Russian government. The Communists succeeded in taking control of Ashkhabad in the summer of 1918. In response, Dzhunaid Khan and forces loyal to the old Russian regime joined together to drive out the Communists. In July of 1919, these anti-Communist allies established the independent state of Transcaspia.

By the fall of 1920, however, the Communist Red Army was advancing from Tashkent (in modern Uzbekistan) and from Bukhara. The Communists gradually subdued Turkmenistan by military occupation and by putting Communist politicians in control of local governments. In 1922, the Communists founded the Union of Soviet Socialist Republics (USSR).

They then established the Turkmen Soviet Socialist Republic

In the late 1920s and early 1930s, the Soviet leader, Joseph Stalin, made harsh and sweeping changes throughout the USSR. Private property was seized, and the Soviet government used brutal methods to punish opposition. These policies sparked a rebellion in Turkmenistan, and in 1927 the Soviets lost control of the republic to a national resistance movement called the Turkmen Freedom.

After reclaiming the Turkmen SSR in 1932, Stalin executed thousands of Turkmenistan's Communist leaders, including the president and the premier, whom he accused of helping the nationalists. After the terror of the 1930s, the Communist regime in Ashkhabad became completely obedient to the central Soviet government in Moscow.

Meanwhile, another international conflict was brewing in Europe. The western Soviet Union was devastated by World War II (1939-1945), when Germany invaded with a huge military force. Fierce fighting destroyed factories, farms, and cities throughout western Russia and Ukraine. After the war, the Soviets built new plants in central Asian cities, including Ashkhabad and Chardzhou (modern Turkmenabat). A work force made up of ethnic Russians and ethnic Ukrainians emigrated to the Turkmen SSR to take advantage of new jobs in the republic.

Most Turkmen, however, remained rural and nomadic. Despite the immigration of factory workers, the Turkmen SSR remained one of the Soviet Union's most isolated republics. Foreigners, and even Soviet

government also would not allow most Turkmen to travel out side the republic.

In spite of the republic's isolation, economic development continued in the region. New irrigation projects diverted water from rivers to collective farms, many of which began growing fruits and vegetables instead of cotton. During the 1970s, the Soviet government also developed the region's energy resources, including oil and natural gas.

The Soviet leader, Mikhail Gorbachev, instituted several new policies after coming to power in 1985. Glasnost allowed more open criticism of the Communist party and of the country's economic system. Perestroika eased government control over many small businesses, which could now set their own wages, prices, and production schedules. Turkmen Communist leaders, however, were slow to adopt these reforms. Annamurad Khodzhamuradov, who became the Turkmen SSR's leader in 1986, remained loyal to the Soviet government but never accepted Gorbachev's reforms.

C. The Phase of Turkmenistan in the Collapse of USSR Power and Its Economic Problem

In the late 1980s, many Soviet republics attempted to gain their independence from Moscow. In 1990, the Turkmen SSR declared that it would take greater control over local politics and economic policy. The government established the office of president and named Saparmurat

Niyazov to the post. Turkmenistan proclaimed its independence from the USSR on October 27, 1991.³⁶

When Turkmenistan was still with Soviet Union, they had more poor economic performance relative to the other Soviet republics, the country enjoyed various benefits in the form of the union transfers (both direct and indirect) as well as high retention rates. In general, Turkmenistan was keeping the status of a 'beneficiary' republic until independence. More than a half of the republic's budget was financed out of local taxes and union grants. Each year the local ministries of finance concluded revenue-sharing agreements with the central Ministry of Finance that defined the share of the republic's revenue that had to be paid to the central budget. If a republic's expenditures exceeded its revenues, the gap was automatically financed by the union grants (direct transfers).³⁷ There are negative and positive sides that Turkmenistan got independence from USSR.

On the negative side, in addition to being landlocked, the country did not inherit any export routes for its only readily marketable, exportable and underpriced asset, natural gas, to countries other than Russia. Neither had Turkmenistan any adequate (both in terms of capacity and technological quality) processing facilities for the second most important product, raw cotton.³⁸ The capacity of oil refineries could not meet the amounts of extracted oil that could not be exported to the countries other than Russia

³⁶ Anonymous, *History of Turkmenistan*, retrieved on April 8, 2013 at <http://turkmenistanembassy.org/history-of-turkmenistan/>

³⁷ Alexandre Repkine, *Turkmenistan Economic Autocracy and the Recent Growth Performance*, retrieved on April 12, 2013 at [http://psychologie.dev.czu.cz/stred-
asie/html/CD/stredni_asie/Turkmenistan_final.pdf](http://psychologie.dev.czu.cz/stred-
asie/html/CD/stredni_asie/Turkmenistan_final.pdf)

³⁸ Ibid

and its left Turkmenistan with the problem of both finding the export markets for gas and raw cotton that could be difficult to resolve with a reasonable degree of independence of Russia. Another associated problem was that of creating the downstream processing facilities for gas, oil and raw cotton. The capacity of existing textile enterprises was small and the quality of the final goods produced was low by any reasonable standards. In general, Turkmenistan entered the period of independence with a large agricultural sector, undeveloped tertiary industry and few markets for its most valuable products.

On the positive side, Turkmenistan's key industries were no longer subject to the regulation of the Center and could be taxed in accordance with the republic's objectives alone. Besides, Turkmenistan was facing a chance to charge world market prices for its gas, thus essentially increasing the industry's contribution to the budget and providing funds for investment projects, such as construction of the pipelines to countries other than Russia, upgrading the technological level of the textile firms and creation of other types of tertiary industries.³⁹ As a new country, Turkmenistan tried to solve several economic problems to improve their many lacks.

D. Economic Development under Saparmurat Niyazov's Regime

During Saparmurat Niyazov's regime, Turkmenistan economy retains many of the legacies of the Soviet-type command economy. Full employment is a stated objective of the State policy, nominal wages and prices are tightly controlled. Private sector is underdeveloped and accounts

for between twenty and thirty percent of the GDP. Directed subsidies and state procurement are widespread. Investment in key sectors of the economy is provided by the State. Finally, all major economic decisions are only taken at the final approval by President Niyazov.⁴⁰

The government has used central planning, such as state control of production and procurement, direct bank credits with low interest rates, exchange rate restrictions, and price controls, since it existed as a Republic within the USSR.⁴¹ In the years following independence, Turkmenistan invested heavily in plants and machinery in an attempt to convert it from being primarily a supplier of petroleum to a more advanced economy; such investments included oil refineries and a polyethylene plant. In 1991, Niyazov's government put forth a decree granting, it said that the free use of water, gas and electricity and refined salt by the people of Turkmenistan for ten years⁴². When the decree expired, he extended it to 2020.

Turkmenistan's other primary resources are cotton and grain. Niyazov continued the old practice of demanding yearly quotas in agricultural output, and then blaming and sacking deputy ministers when quotas were not met.⁴³ Nevertheless, Turkmenistan had an emergent period during which there was heavy investment in plant and machinery so the

⁴⁰ Alexandre Repkine, *Turkmenistan Economic Autocracy and the Recent Growth Performance*, retrieved on April 12, 2013 at [http://psychologie.dev.czu.cz/stred-
asie/html/CD/stredni_asie/Turkmenistan_final.pdf](http://psychologie.dev.czu.cz/stred-
asie/html/CD/stredni_asie/Turkmenistan_final.pdf)

⁴¹ Badykova, Najia, *The Turkmen Economy: Challenges and Opportunities*, St Antony's College, University of Oxford, 2004.

⁴² Turkmenistan Fact Sheet, *Government and Politics-President*, retrieved on April 16, 2013 at <http://turkmenistanembassy.org/turkmen/gov/presbio.html>

⁴³ Anonymous, *Saparmurat Niyazov Raps Local Governors for Failures in Cotton Harvest*, retrieved on April 16, 2013 at

country could change from a producer of raw cotton to a cotton processor. During Niyazov's presidency, a textile industry was founded in Turkmenistan. Niyazov introduced the practice of "Melon Day," a harvest festival celebrated on the 2nd Sunday of August, unlike some of his other creations, the celebration of "Melon Day" has continued after his death.

Turkmenistan's transition from a command economy to a free market economy was initially cushioned by its relatively low level of development, as well as by the central government's plans for a gradual reform over a 10 year period with the state continuing to play strong directive and protective roles in the economy.⁴⁴ He changed it to economic liberalism because he wanted Turkmen's economy more developing.

⁴⁴ Alexandre Repkine, *Turkmenistan Economic Autocracy and the Recent Growth Performance*, retrieved on April 16, 2013 at [http://psychologie.dev.czu.cz/stred-
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asie/html/CD/stredni_asie/Turkmenistan_final.pdf)