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Turkmenistan makes another big loan from China

On 26 April, the state gas company Turkmengaz and the Chinese Development Bank signed an agreement for a loan of US$4.1 billion to the Turkmen company, in exchange for gas supplies to China (in 2009 Turkmenistan incurred another loan of US$4 billion from China). The new agreement demonstrates Ashghabad's deteriorating financial condition and significantly strengthens China's position in the gas sector in Turkmenistan.

The loan has been granted for a period of 10 years, and is intended for use in exploiting the largest gas deposits in Turkmenistan, the Southern Yolotan (which is estimated to contain between 4 and 16 trillion m^3 of gas). Along the loan agreement, the parties signed another deal guaranteeing the supply of gas to China. These contracts are primarily the result of the deteriorating economic situation in Turkmenistan, following the drop in gas supplies to Russia (since 2009) and a decrease in export revenues. Turkmenistan's attempts to diversify its gas exports have not yet borne fruit; the creation of a new infrastructure for exports to Iran has not led to any increase in exports of gas to that country. In these circumstances, Beijing is rising in importance, to become the main partner for Ashghabad (Turkmenistan has been seeking the new loan for around a year now, and is also planning to sign another contract for gas exports). If the present momentum of development of cooperation with China is maintained (a strategy which was supposed to help break Russia's monopoly and strengthen Turkmenistan's position), Turkmenistan will find itself with an ongoing addiction to Beijing, which will paradoxically limit its own room for manoeuvre. <OLA>