



Doing Business in Turkmenistan: 2013 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Turkmenistan

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Market Overview

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Turkmenistan is about the size of California and has an estimated population of five million. It gained independence in 1991 after the breakup of the Soviet Union. Although Turkmenistan's vast natural gas and oil resources continue to attract foreign companies, the government of Turkmenistan (GoTX) has yet to implement reforms needed to create an inviting business climate where foreign investment and foreign investors are truly welcomed. In addition, the GoTX is extremely centralized and non-transparent, with much information that is readily available elsewhere classified as a "state secret." Turkmenistan publishes limited national statistics, based on methodologies that are inconsistent with international standards. According to GoTX statistics, in 2012 the country's GDP increased by 11.1 percent and totaled \$22.2 billion. Turkmenistan continues to be a major producer of natural gas. The country produced an estimated 59.5 billion cubic meters (bcm) of natural gas in 2011 and approximately 70 bcm in 2012. Turkmenistan's foreign trade was \$21 billion in 2011, of which the dominant share was natural gas sales to Russia, China, and Iran. Other key sectors were refined oil products, and textiles. According to Turkmenistan's State Committee of Statistics, Turkmenistan's exports in 2012 totaled \$19.99 billion while the country's imports were estimated at \$14.14 billion. According to Department of Commerce figures, U.S. exports to Turkmenistan totaled \$85.5 million and the imports \$90.4 million in 2012. The major U.S. exports to Turkmenistan were products and equipment from the sectors of aviation, motor transportation, energy exploration and production and construction.

The country pursues a policy of providing substantial government subsidies to the general public, as well as to specific sectors such as agriculture. President Gurbanguly Berdimuhamedov, first elected in 2007 and re-elected in 2012, has promised to open up the country and improve the investment climate. Turkmenistan does not allow private ownership of land and most of its industries are state-owned. The domestic private sector's share of the economy is estimated at close to 25 percent, with retail trade and services being the only sectors in which private ownership is permitted. In 2012, the GoTX announced plans to privatize state-held properties under the State Program for Privatization of Enterprises and Objects of State Property during the period 2013-2016. A limited number of foreign petroleum companies successfully operate under production sharing agreements (PSAs). Turkmenistan's economy is centrally managed and most business decisions are politically motivated. It is estimated that Turkmenistan maintained an inflation rate at around 10-12 percent per year for the last several years, though the Chairman of Turkmenistan's Central Bank stated that the official GoTX

inflation rate for the first nine months in 2012 was 4.7 percent, The GoTX redenominated its national currency – the manat – at the beginning of 2009. Since May 1, 2008, the GoTX has kept the exchange rate to 2.85 manat per 1USD. Converting the national currency manat in small amounts into U.S. dollars is not a problem. The GoTX does not release information about its hard currency reserves in Turkmenistan. However, it has been successful in maintaining the official exchange rate for the last five years.

Turkmenistan has maintained a very stable political environment since independence in 1991. After the Parliament's adoption of a new law on political parties in January 2012, Turkmenistan established a second political party, from the membership of the Union of Industrialists and Entrepreneurs, in August 2012. While the new party represents business interests of private entrepreneurs, it is quasi governmental and its creation will likely have little impact on political decision-making. The president is both the Head of State and the head of Government. Presidential decrees and resolutions have the force of law and frequently supersede existing legislation. Laws are generally not published or easy to obtain. Attempts to reform current legislation in accordance with international standards and to eliminate current discrepancies between laws are underway.

Market Challenges

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Turkmenistan lacks consistent and transparent business legislation. Laws and regulations are subject to frequent change and contradictory interpretations by various government agencies and officials. The judicial branch operates under direct instruction from the president. Corruption exists at all levels of the government. Qualified employees, particularly those with English language skills, are extremely scarce. Turkmenistan's labor force generally lacks knowledge of standard, western business practices. In January 2013, the president authorized creation of a new organization under the Ministry of Economy and Development - the Agency for the Protection from Economic Risks. While the full scope of the agency's mandate is still unknown, it is believed it will vet the economic health of a foreign company before issuing licenses allowing it to operate in Turkmenistan.

Market Opportunities

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The hydrocarbon sector is the country's largest industry. Opportunities exist for oil and natural gas service providers and related service companies, such as freight and logistics firms. The GoTX strives to maximize value for its oil and gas and invests substantially in petroleum refining and processing facilities. It has several liquefied petroleum gas (LPG) plants and plans to build more. The GoTX plans to attract foreign technology and investment in creating chemical and petrochemical industrial facilities. With the development of new gas and oil fields and the rehabilitation of old fields, there is great need for new pipeline networks and related infrastructure, such as compressor stations. Many lucrative prospects have opened up for engineering, construction, and oil and gas service companies. The GoTX also has ambitious plans to invest in new transportation infrastructure and social projects and there is a growing need for various telecommunications services and equipment, including mobile communications and Internet service. Turkmenistan continues to invest billions of dollars in the Caspian Sea resort of Awaza. The GoTX ultimately hopes to turn the development into a tourist zone, which may present opportunities for foreign investment in Turkmenistan's nascent tourist industry.

Entering any market sector in Turkmenistan is difficult. Due to a lack of accurate and comprehensive information on market sectors, company assessment visits are useful. Identifying and working through a local partner or agent is often vital for successful entry. Turkmenistan's visa procedures are exceptionally cumbersome and time-consuming.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

(The following is the new link to the Background Notes)

<http://www.state.gov/r/pa/ei/bgn/index.htm>

<http://www.state.gov/r/pa/ei/bgn/35884.htm>

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Using an Agent or Distributor

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The procurement of equipment, spare parts and consumables for Turkmenistan's major industries, such as oil and gas, power generation, railway, air transportation, and telecommunications is state-controlled. However, the GoTX does not have a centralized procurement and distribution agency. Individual ministries and state companies procure for their needs via the tender process. Announcements are made in the local press in Russian and Turkmen, as well as on some websites. Agencies in the state-controlled oil and gas sector post tenders (in Russian) on the Internet at <http://www.oilgas.gov.tm/tenders.html>. Producers of large equipment sell their goods in Turkmenistan by establishing an office or through a locally established distributor. Most local distributors provide some repair and maintenance services. Pharmaceuticals, food items and consumer goods are almost exclusively sold through private channels. Distributorships for these products are numerous. Often, such distributors are foreign-based. Finding a reliable distributor is challenging because of a lack of information on private companies. Turkmenistan's Chamber of Commerce and Industry and Economic-Commercial section of the U.S. Embassy in Ashgabat at http://turkmenistan.usembassy.gov/us_trade.html may provide leads for local partners and help identify potential partners for U.S. firms. Contact: Turkmenistan Chamber of Commerce, Ms. Elmira Rahmanova Tel. (993 12) 94 47 17 Fax (993 12) 94 13 52. E-mail mission@online.tm Website <http://www.cci.gov.tm/>.

Establishing an Office

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The laws regulating the establishment of a local office are the Law on Enterprises, the Civil Code, and the Law on Corporations (joint stock companies). A foreign investor can establish a:

- Representative office
- Branch
- Individual enterprise with 100 percent foreign capital
- Joint venture (JV)

A representative office is defined as a separate division of a legal entity, located at a different location than the registered address of the legal entity, which protects and represents the legal entity's interests, and/or concludes contracts and conducts other legal acts on the legal entity's behalf.

A branch is defined as a separate division of a legal entity, located at a different location than the registered address of the legal entity, that undertakes all or a part of the functions of the legal entity, including representation functions. Representative offices and branches are not legal entities. They operate within regulations set by the legal entities that formed them. Heads of representative offices and branches operate on the basis of powers of attorney.

Requirements for Establishing a Representative Office:

1. An application to establish a representative office signed by an authorized company official. Include intended line(s) of business in Turkmenistan and information on the investor with an overview of the investor's activities;
2. A decision to establish a representative office signed by an authorized company official;
3. Two copies of the charter of the representative office, in Turkmen and Russian, signed by an authorized company official;
4. A personal information form for the head of the representative office in Turkmenistan with a 3x4 cm photo and copy of the representative office head's passport biographical page;
5. A duly certified power of attorney for the head of the representative office in Turkmenistan;
6. An authenticated copy of the foreign investor's charter notarized by a Consulate or Embassy of Turkmenistan overseas, or by the Ministry of Foreign Affairs of Turkmenistan;
7. An original transcript of the foreign investor's official registration, issued by the foreign investor's national registration agency. The transcript should be authenticated (notarized) by a Consulate or Embassy of Turkmenistan overseas, or by the Ministry of Foreign Affairs of Turkmenistan;
8. An original foreign investor's financial status report. The bank statement should be authenticated (notarized) by a Consulate or Embassy of Turkmenistan overseas or by the Ministry of Foreign Affairs of Turkmenistan;
9. Written confirmation from a provincial Government or Ashgabat City Government of a legal address;
10. Receipt for payment of registration fee.

Requirements for Establishing a Branch:

1. An application to establish a branch signed by an authorized company official. Include intended line(s) of business in Turkmenistan and information on the investor with an overview of the investor's activities;
2. A decision to establish a branch signed by an authorized company official;
3. Two copies of the charter of the branch, in Turkmen and Russian, signed by an authorized company official;
4. A personal information form for the head of the branch in Turkmenistan with a 3x4 cm photo and a copy of the branch head's passport biographical page;
5. Duly certified power of attorney for the head of the branch in Turkmenistan;
6. An authenticated copy of the foreign investor's Charter notarized by a Consulate or Embassy of Turkmenistan overseas or by the Ministry of Foreign Affairs of Turkmenistan;
7. An original transcript of the foreign investor's official registration, issued by the foreign investor's national registration agency. The transcript should be authenticated (notarized) by a Consulate or Embassy of Turkmenistan overseas, or by the Ministry of Foreign Affairs of Turkmenistan;
8. An original foreign investor's financial status report (bank statement);
9. Written confirmation from the appropriate Turkmenistan provincial government office or the Ashgabat City Government of a legal address;
10. Receipt for payment of registration fee.

Requirements for Establishing a Joint Venture:

1. An application to establish a joint venture signed by authorized company officials. Include intended line(s) of business in Turkmenistan and information on the investor with an overview of its activities;
2. A protocol to establish a joint venture signed by authorized company officials;
3. Articles of Incorporation and two copies of the Charter, in Turkmen and Russian, signed by authorized company officials;
4. An economic feasibility assessment (investment project) of the joint venture signed by authorized company officials;
5. A personal information form for the head of the joint venture in Turkmenistan with a 3x4 cm photo and copy of the joint venture head's passport biographical page;
6. An authenticated copy of the foreign investor's charter notarized by a Consulate or Embassy of Turkmenistan overseas or by the Ministry of Foreign Affairs of Turkmenistan;
7. An original transcript of the foreign investor's official registration, issued by the foreign investor's national registration agency. The transcript should be authenticated (notarized) by a Consulate or Embassy of Turkmenistan overseas, or by the Ministry of Foreign Affairs of Turkmenistan;
8. An original foreign investor's financial status report (bank statement) authenticated (legalized) by a Consulate or Embassy of Turkmenistan overseas, or by the Ministry of Foreign Affairs of Turkmenistan;
9. Written confirmation from a provincial Government or the Ashgabat Municipality of a legal address;
10. A document confirming the payment of 50 percent of the charter capital of the joint venture;

11. Receipt for payment of registration fee.

Turkmenistan joint venture participants will also have to submit:

1. A copy of the Charter, Certificate of State Registration and transcript from the Unified State Register of Legal Entities;
2. For state enterprises: a decision of the Cabinet of Ministers of Turkmenistan;
3. For physical persons residing in Turkmenistan: Personal information form with a 3x4 cm photo and copy of a passport biographical page.

For all types of offices, documents should be submitted as originals in the language of the investor's country with appropriate official stamps (faxed copies are not accepted), with Turkmen and Russian translations. Translation texts should be certified by the entity that translated the documents. Representative offices and branches are registered for two years, with the right to extend registration. Registration at Turkmenistan's Main State Tax Service and the Local Statistics Office may also be required. A foreign company seeking to establish an office in Ashgabat may rent space in business centers or hotels, or in a building that belongs to a state organization or state/private enterprise. After a company has chosen office space, it must apply for approval of its legal address with the appropriate local government office.

Franchising

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There is only one franchise in Turkmenistan -- Coca-Cola. Small consumer capacity and an underdeveloped private sector have hindered recent franchising attempts in the fast food sector.

Direct Marketing

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Elements of direct marketing exist, but this approach is not common.

Joint Ventures/Licensing

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Joint ventures can be established in the form of a corporation (also referred to in Turkmenistan as a "joint-stock company") or a partnership (also known as a "business society"). Article 29 of the Law on Enterprises defines business societies as associations of two or more individuals and/or individuals [established] to conduct joint activities. Article 1 of the Law on Corporations classifies corporations as companies, in which capital contributions by physical and/or legal entities are combined as charter capital, which is divided into a certain number of shares certifying contractual rights of shareholders of the corporation. Corporations can be close-ended or open-ended (public). Registration and activities of corporations are regulated mostly by the Law on Corporations, the Law on Foreign Investment in Turkmenistan, and the Law on Investment Activity in Turkmenistan.

The Law on Enterprises and the Law on Corporations provide for acquisitions and mergers. However, Turkmenistan's legislation does not clearly define activities involving

foreign parties, nor does it have specific provisions for disposition of interests in business enterprises, both local and those involving foreign participation. Government approval is necessary for acquisitions and mergers of certain enterprises, specifically those with state shares. The Law on Licensing Certain Types of Activities lists the kinds of businesses that are subject to licensing and governs the licensing process. The law lists over 60 activities. There is no comprehensive licensing agency; licenses should be obtained from the relevant authorized government agencies. Licenses are generally not issued for less than three years. Oil and gas production and exploration licenses are issued by the State Agency for the Management and Use of Hydrocarbon Resources for a duration of 20-25 years. Below is the list of main business activities subject to licensing:

1. Oil and gas exploration and production
2. Oil and gas processing
3. Design, construction, maintenance and operation of trunk petroleum pipelines and power transmission lines
4. Production, transmission and distribution of electricity
5. Design and construction of buildings and facilities
6. Production of construction materials
7. Transportation and freight forwarding services
8. Banking
9. Insurance
10. Auditing
11. Legal counseling
12. Quality and product certification
13. Healthcare services and production and sale of pharmaceuticals
14. Import, production and sale of alcohol and tobacco
15. Telecommunications
16. Tourism
17. Trade

Selling to the Government

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Turkmenistan's economy is dominated by the state-owned sector. In 2002, the country introduced unified tender rules for all public entities. The rules apply to procurement of both goods and services, including construction projects. The tender rules permit closed tenders. Turkmenistan does not have a centralized procurement body for all entities, and individual government agencies and state-owned companies conduct their own tenders. Comparable goods are often purchased at different prices by different organizations. Tender processes are not transparent, and falsification of bids and cancellation of tender results can occur. Companies with a strong market presence or in good standing with the GoTX have a higher chance of being selected. Often the determining factor in awarding contracts is price, not value. Tender winners receive bid approval by the State Commodity and Raw Materials Exchange. Most open tenders are announced only in local mass media in Turkmen and/or Russian, as well as on certain websites. Turkmenistan's National Program for Socio-Economic Development of Turkmenistan for the period 2011-2030 and Turkmenistan's Oil and Gas Industry Development Program (current-2030) provide a general idea of Turkmenistan's strategic development plans for specific industries.

Distribution and Sales Channels

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Because of the country's geographic location, routes for transporting products to Turkmenistan are limited. One of the main entry points is the port of Turkmenbashi on the Caspian Sea, located 270 kilometers (170 miles) east of and across the Caspian from Baku, Azerbaijan. Turkmenbashi is an important gateway to Central Asia and is an import and export center for a variety of products. The port has a cargo ferry terminal (there is a ferry service to and from Baku) and a port facility. Large volumes of commercial cargo are shipped by truck via Iran. There are several road border crossing points at the Iranian border at Gudriolum, Gowdan, Artyk and Sarakhs and one rail crossing at Sarakhs. Iran and Turkmenistan have different railroad gauges and cars have to be switched to a new gauge at the Sarakhs rail station in Turkmenistan.

Turkmenistan has a number of rail links with Uzbekistan in the north and northeast, but rail and road crossings at Farap district are the most heavily used. Trucks coming to and from Uzbekistan have to cross the Amu Darya River by pontoon bridge. In February 2013, the president signed a decree approving the construction of new railway and highway bridges between the cities of Turkmenabat and Farab. The bridges are expected to improve transportation between eastern Turkmenistan and the Uzbek border. There is limited capability for cross-boundary deliveries by trucks with Kazakhstan via Bekdash in the northwest. The road is in very poor condition, but there are plans to rebuild it. The bulk of air cargo comes via the Ashgabat airport, although there are airports in all provincial centers. Airports in Ashgabat, Mary, Turkmenbashi and Turkmenabat can handle heavy aircraft. Most cargo transportation within the country is by truck. Mary, Turkmenbashi, Balkanabat, and to a lesser extent Ashgabat are the main destinations for heavy industrial equipment and supplies, while Ashgabat is the major destination for most retail, food and other consumer products.

Selling Factors/Techniques

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Food items in Turkmenistan need to be labeled in Turkmen and/or Russian, although Turkish, Persian and Arabic labeling is not uncommon. Home appliances and electronics are almost exclusively labeled in English. However, providing instructions and operational manuals in Russian is preferable.

Electronic Commerce

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Electronic commerce does not exist in Turkmenistan.

Trade Promotion and Advertising

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While printed ads and commercials are used on a limited basis, radio advertisements are uncommon. Most advertising is visual (billboards, posters, stickers and various memorabilia). Entities not registered in Turkmenistan are not allowed to place ads in the press or air commercials on TV. The most commonly used language for advertising is Turkmen.

Pricing

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Turkmenistan's Value Added Tax (VAT) is 15 percent.

There is a customs duty for importing about 100 types of merchandise. See Chapter 5: Trade Regulations and Standards for information on excise taxes and customs duties.

Sales Service/Customer Support

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After-sales service and customer protection are becoming increasingly important for sales of home appliances, electronics, furniture and cars. Customers, especially in larger cities like Ashgabat, expect delivery, installation and warranties for such products. However, a “no-refund” policy still dominates the market for items like clothing.

Protecting Your Intellectual Property

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Several general principles are important for effective management of intellectual property rights in Turkmenistan. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Turkmenistan than in the U.S. Third, rights must be registered and enforced in Turkmenistan, under local laws. Companies may wish to seek advice from local attorneys or IPR consultants. The U.S. Embassy in Turkmenistan can provide a list of local lawyers upon request. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. Government generally cannot enforce rights for private individuals in Turkmenistan.

The following laws regulate protection of IPR in Turkmenistan: Law on Scientific Intellectual Property (1992); Law on Legal Protection of Algorithms, Software, Databases, and IC Devices (1994); Law on Inventions and Industrial Designs (2008); and Law on Trade and Service Marks and Places of Origin (2008), and Law on Copyright and Allied Rights (2012). Turkmenistan’s Civil Code regulates the protection of IPR and covers various aspects of IPR, including exclusive rights (absolute title), license agreements and collective management of ownership rights. It is the responsibility of the rights’ holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. No Turkmen Government agency will take action against suspected IPR violators without an official appeal from the IPR owner. Cases should be filed with the relevant district court in order to request a court order to stop illegal IPR activities and to obtain compensation for incurred losses.

In an effort to improve Turkmenistan’s IPR environment, in March 2013, the president authorized the creation of the State Service for Intellectual Property within the Ministry of Economy and Development. While the agency is still under development, its creation suggests a growing awareness by the GoTX on IPR issues.

While the U.S. government (USG) is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, or other estoppels, (unreasonable delays in adjudicating a law suit). In no instance should USG’s advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case. It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Keep an eye on your cost structure and

reduce the margins and the incentives of would-be bad actors. Projects and sales in Turkmenistan require constant attention. Work with legal counsel familiar with Turkmenistan laws to create a solid contract that includes non-competition clauses, and confidentiality/non-disclosure provisions. It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and to stop counterfeiting. There are a number of these organizations, both Turkmenistan or U.S.-based. These include:

- The U.S. Chamber and local Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the United States and other countries -- call the STOP! Hotline: 1-866-999-HALT or register at www.StopFakes.gov. This site is linked to the USPTO website for registering trademarks and patents (both in the United States as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199.
- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: 1-202-707-5959.
- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For assistance in developing a strategy for evaluating, protecting, and enforcing IPR, use the free Online IPR Training Module on www.stopfakes.gov.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Turkmenistan at: <http://www.buyusa.gov/kazakhstan/en/>.

Due diligence is extremely difficult to carry out in Turkmenistan. Turkmenistan does not have company disclosure requirements and companies in most cases do not publish their annual financial statements. The GoTX does not maintain or publish lists of businessmen or companies that are known to have violated tax, environmental or other laws. The country also does not have a professional business press that covers the market or provides company reports. Hiring a local professional may help with collecting some official data and anecdotal information on the ground.

DISCLAIMER: The U.S. Embassy in Ashgabat, Turkmenistan assumes no responsibility or liability for the professional ability or the quality of services provided by the following persons or firms. The firms are divided in two categories: state and private. Names in the categories are listed alphabetically, and the order in which they appear has no other significance. Prospective clients need to request professional credentials and areas of expertise directly from the attorneys.

State Organizations:

Azatlyk District State Legal Office 25/22, Turkmenbashy Street, Ashgabat, Turkmenistan, 744004 Tel: (993-12) 94-51-14, 94-51-07. Lawyers provide all types of services; however, they do not speak English.

Kopetdag District State Legal Office 62, Alisher Navoi Street, Ashgabat, Turkmenistan, 744000 Tel: (993-12) 93-60-04. Lawyers provide all types of services; however, they do not speak English.

Niyazov District State Legal Office 17, Mezhlauka Street, Ashgabat, Turkmenistan, 744001 Tel: (993-12) 36-06-12, 36-06-61. Lawyers provide all types of services; however, they do not speak English.

Private Law Firms:

Ashgabat Consulting Team (ACT) This firm provides information on doing business in Turkmenistan, registering foreign companies and investment projects, and arranging necessary licenses. It can also provide market research, economic consultations, logistical procurement services, and business tour services. English-speaking lawyers provide translations and notarization of documents 3rd floor, 77 Gorogly Str. ALTYN ASYR Business Center, 744000 Ashgabat, Turkmenistan Telephone Tel: (993-12) 92-18-00. E-mail: corporate@act.tm, actltd@lawyer.com.

"Medet Ltd." provides all kinds of legal services to companies engaged in investment and commercial activities in Turkmenistan. Contact info: Hotel "Turkmenistan" # 200, Bitarap Turkmenistan Street # 19, Ashgabat, Turkmenistan 744000, Tel: (993-12) 94-64-00. E-mail: medet@cat.glasnet.ru.

SNR Denton This international law firm, in affiliation with local Turkmen law firm AK Counsel, provides comprehensive commercial legal services for companies investing in Turkmenistan. U.S.-trained attorneys from SNR Denton work in collaboration with AK Counsel's Turkmen lawyers. Contact info: Marla Valdez, Managing Partner for Central Asia; 38 Dostyk Avenue, Almaty, Kazakhstan, 050010. Tel: +7 727 258-1950; Fax: +7 727 258-1905. E-mail: marla.valdez@snrdenton.com.

Web Resources

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<http://www.turkmenistan.ru/>

<http://turkmenistaninfo.ru/>

<http://www.oilgas.gov.tm/>

<http://www.turkmenbusiness.org/> <http://www.cci.gov.tm/>

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Oil and Gas Production

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	20.5 bcm	*	*	*
Total Local Production	51 bcm	*	*	*
Total Exports	30.5 bcm	*	*	*
Total Imports	0	*	*	*
Imports from the U.S.	0	*	*	*
Exchange Rate: 1 USD	2.85	2.85	2.85	*

* No statistics or estimates available.

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: N/A

Total Exports: N/A

Total Imports: N/A

Imports from U.S.: N/A

N/A – statistical data is not available.

Turkmenistan is rich in oil and gas resources. According to GoTX figures, Turkmenistan's resource base is approximately 71.64 billion tons of oil equivalent, including 53 billion tons located in onshore fields and 18.21 billion tons in the Caspian Sea. International estimates have, however, reflected varying figures. The 2012 British Petroleum's (BP) Statistical Review of World Energy indicated Turkmenistan, as of the end of 2011, had 100 million tons of proved oil reserves and 24.3 trillion cubic meters (tcm) of gas. According to the same report Turkmenistan, with a local consumption of 25 bcm of gas, produced 59.5 bcm of natural gas in 2011 and exported 34.5 bcm to China, Russia and Iran. Also in 2011, the British firm Gaffney, Cline, and Associates conducted an audit of the country's Galkynysh (formerly South Yoloten) gas field and concluded that it holds between 13.1 trillion and 21.2 trillion cubic meters of natural gas, making it the second-largest natural gas field in the world.

Sub-Sector Best Prospects

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Modern geological exploration technologies; seismic imaging software; drilling equipment and pipes; field development equipment; well rehabilitation services; offshore production equipment and services.

Opportunities

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Exploration and development of oil and natural gas fields, especially Galkynysh (formerly South Yoloten), Osman, Minara, Tagtabazar-I, offshore blocks, and the Central Karakum group of fields. Construction of gas treatment and processing units at above mentioned fields, and East – West gas pipeline.

<http://www.gasandoil.com/>

<http://www.oilgas.gov.tm/>

Oil and Natural Gas Refining

Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	*	*	*	*
Total Local Production	*	*	*	*
Total Exports	*	*	*	*
Total Imports	*	*	*	*
Imports from the U.S.	*	*	*	*
Exchange Rate: 1 USD	2.855	2.85	2.85	*

* No statistics or estimates available.

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: N/A

Total Exports: N/A

Total Imports: N/A

Imports from U.S.: N/A

N/A – statistical data is not available.

There are two oil refineries in Turkmenistan -- in Turkmenbashy and Seydi. The Turkmenbashy oil refinery has a refining capacity of 6 million tons per year. The refinery produces a range of products, including unleaded gasoline, petroleum coke, road bitumen, laundry detergent, hydro treated diesel and lube oil. The country produces 83,000 tons of polypropylene per year and around 412,000 tons of LPG per year. The GoTX has demonstrated interest in attracting foreign investment to build factories producing end-user petroleum based products such as detergents and tires.

According to the official reports, in 2012 the Turkmenbashy Complex of Oil Refineries increased its exports by eight percent and exported over \$3.2 billion worth of products, which is about 65 percent of all the products produced in the refinery. The refinery reported that its products are exported to Russia, China, Iran, Afghanistan, Turkey, Pakistan, Tajikistan and Japan. The GoTX has invested \$900 million in a number of projects designed to help increase the country's refining capacity by 95 percent by 2030. The projects include the construction of a facility for coking (carbonization) and tar de-asphalting with annual capacity of 900 and 500 thousand tons, respectively. The GoTX has also constructed a facility to produce bitumen with an annual capacity of 38 thousand tons as well as a facility to produce polypropylene film and an oil refinery with a capacity of three million tons per year. The GoTX has also commissioned a feasibility study regarding the construction of a new oil refinery in western Balkan province.

Turkmenistan's gas production potential continues to exceed its export obligations and internal consumption, a trend that will very likely continue in the short and midterm future. The Turkmen Government is interested in creating natural gas refining facilities to produce polyethylene, polyvinyl chloride, methanol, formaldehyde, amino-formaldehyde resin, synthetic rubber, and paint materials.

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Various modern oil and gas processing units; gas-to-liquid fuel equipment; oil and oil products storage reservoirs.

Opportunities[Return to top](#)

Various modern oil and gas processing units; gas-to-liquid fuel equipment; oil and oil products storage reservoirs.

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<http://www.oilgas.gov.tm/>

Power Generation

Overview

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	Unit: USD thousands			
	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	*	*	*	*
Total Local Production	18.27 billion kilowatt- hours (kWh)	*	*	*
Total Exports	2.523 billion kWh	*	*	*
Total Imports	0	*	*	*
Imports from the U.S.	0	*	*	*
Exchange Rate: 1 USD	2.85	2.85	2.85	*

* No statistics or estimates available.

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: Ministry of Energy

Total Exports: Ministry of Energy

Total Imports: N/A

Imports from U.S.: N/A

N/A – statistical data is not available.

There are nine gas-fired power stations in Turkmenistan: Mary (southern Turkmenistan), Turkmenbashi, Awaza and Balkanabat (western Turkmenistan), Ashgabat, Abadan, and Ak Bugday (central Turkmenistan), Seydi (eastern Turkmenistan), Dashoguz (northern Turkmenistan) and one hydroelectric station in Hindigush (southern Turkmenistan). Total existing generation capacity equals 4,100 megawatt (MW). In 2011, Turkmenistan produced approximately 18.27 billion kWh, of which about 2.523 billion kWh were exported to Afghanistan, Iran, and Turkey. Domestic consumption was 15.796 billion kWh. Turkmenistan's electricity exports to Tajikistan ceased in December 2009, after Uzbekistan withdrew from the united power grid of Central Asia's electricity system, thus halting the transmission of Turkmen electricity to Tajikistan.

The GoTX has ambitious plans to bring power generation capacity to about 26 billion kWh by 2020 and to 35 billion kWh by 2030 by upgrading existing power stations and building new ones.

In April 2013, the GoTX introduced a \$5 billion Concept to Develop the Electric Power Industry of Turkmenistan during the period 2013-2020, with a goal to increase the country's electricity exports fivefold to an estimated 12.6 billion kWh by 2020. The first phase of the program's implementation (2013-2016) includes the construction of eight gas turbine power plants in Akhal, Lebap and Mary provinces, the reconstruction of

power plants in Seydi, Balkanabat and Abadan cities, and the construction of high-voltage power transmission lines. When completed, phase one will allow Turkmenistan to double its electricity production by 2016 to approximately 36.5 billion kWh per year. The second phase, which will be completed during the period 2017-2020 involves the construction of six new combined cycle power plants.

Sub-Sector Best Prospects

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Power generating equipment; transformers; transmission dispatch; data control equipment; and switchgear.

Opportunities

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Reconstruction and modernization of the Mary Power Station modernization of the Turkmenbashy Power Station, switching gas turbine-driven power stations to the combined cycle of operation, Ashgabat power transmission system upgrade. and building new gas turbine power plants.

Web Resources

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<http://minenergo.gov.tm>

Chemical Industry

Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	*	*	*	*
Total Local Production	*	*	*	*
Total Exports	*	*	*	*
Total Imports	*	*	*	*
Imports from the U.S.	*	*	*	*
Exchange Rate: 1 USD	2.85	2.85	2.85	*

* No statistics or estimates available.

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: N/A

Total Exports: N/A

Total Imports: N/A

Imports from U.S.: N/A

N/A – statistical data is not available.

Turkmenistan has nine chemical plants that produce nitrogen and phosphorous fertilizers (700,000 tons per year), sulfuric and nitric acids, iodine, bromine, and mineral salts. In early 2011, Turkmenistan launched the construction of a urea plant with the capacity of 640,000 tons per year and an ammonia plant with the capacity of 400,000 tons per year. The plants, constructed in the eastern city of Mary, are expected to be completed by 2014.

The GoTX plans to increase fertilizer production to approximately 5 million tons per year of which 1.4 million tons will be potash fertilizers. Turkmenistan also plans to increase iodine production from 500 to 1,515 tons per year by 2030.

The GoTX also announced plans to set up joint ventures with foreign companies to produce various types of chemicals based on local raw materials.

Sub-Sector Best Prospects

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Production of organic polymers such as polyethylene and polypropylene; construction of new industrial facilities for the production and export of products such as caustic soda, chlorine and its derivatives, as well as potassium fertilizers, high grade glass and insulation composite materials of basalt fibers.

Opportunities

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Construction of urea and ammonia plants; utilization of sulfur resulting from natural gas production processes, and construction of iodine and bromine plants. Building of new industrial facilities for the production and export of products such as caustic soda,

chlorine and its derivatives, potassium fertilizers, high grade glass and insulation composite materials of basalt fibers.

Web Resources

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There are no websites for this industry.

Travel and Tourism

Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	*	*	*	*
Total Local Production	*	*	*	*
Total Exports	*	*	*	*
Total Imports	*	*	*	*
Imports from the U.S.	*	*	*	*
Exchange Rate: 1 USD	2.85	2.85	2.85	*

* No statistics or estimates available.

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: N/A

Total Exports: N/A

Total Imports: N/A

Imports from U.S.: N/A

N/A – statistical data is not available.

Sub-Sector Best Prospects

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Previously neglected, the tourism industry is now a priority for the GoTX. In July 2007, the GoTX announced a National Tourist Zone (NTZ) in Awaza on the Caspian coast near the city of Turkmenbashi, where it plans to attract \$4 billion in foreign investment to build this ambitious recreation and entertainment hub. The GoTX passed legislation in October 2007 outlining incentives for Awaza investors. Construction and installation of tourist facilities in the NTZ, as well as various services provided at these facilities such as catering and lodging, are exempt from VAT. In addition, foreign companies are allowed to lease land for construction and other non-agricultural purposes for 40 years. The GoTX has signed contracts worth in excess of \$500 million for infrastructure improvements around the city of Turkmenbashi, including expanding the airport to support international flights, renovating water and sewage networks, and building a water desalination plant and artificial navigable river. By December 2007, eight foreign companies announced their intentions to invest almost \$200 million in resort hotels, villas, office buildings, shopping malls, tennis complexes, and other recreation facilities. In July 2010, the GoTX launched a new development phase for Awaza that will include the construction of several facilities, namely several health centers, cottages, and luxurious hotels, and an exhibition hall. The estimated cost of the new phase is \$1.5 billion.

Opportunities

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The creation of a resort and entertainment center in the Awaza NTZ is the most ambitious project ever launched in Turkmenistan. The GoTX is determined to make

Awaza a success, which is reflected in the advantageous incentives offered to attract foreign investors. Opportunities include setting up a seaside resort, building hotels, spas, restaurants, and sport complexes, managing hotels, providing tourist entertainment and sport activities, catering, and tourism services.

Turkmenistan will host the Fifth Asian Indoor and Martial Arts Games in 2017. Opportunities in the fields of construction, banking, finance and service delivery sectors are being generated by Turkmenistan's preparations for the Games.

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<http://www.turkmenistanembassy.org/turkmen/travel/travel.html>

Transportation

Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	*	*	*	*
Total Local Production	*	*	*	*
Total Exports	*	*	*	*
Total Imports	*	*	*	*
Imports from the U.S.	*	*	*	*
Exchange Rate: 1 USD	2.85	2.85	2.85	*

* No statistics or estimates available.

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: N/A

Total Exports: N/A

Total Imports: N/A

Imports from U.S.: N/A

N/A – statistical data is not available.

Large scale reforms to improve infrastructure in the road, railway, and air transportation sectors of Turkmenistan are underway. Since 1992, the volume of freight transportation in Turkmenistan has increased in all sectors, particularly by truck. During the period of 2011-2015, the GoTX plans to complete the upgrade of Turkmenbashi – Ashgabat – Mary – Turkmenabat – Farap road running from the Caspian Sea to the Uzbek border and the Dashoguz – Ashgabat road crossing the country from north to south. Road upgrades are generally badly needed across the country.

The construction of the international Uzen – Gyzylgaya – Bereket – Etrek – Gorgan railway is currently under way. It will connect the Kazakh and Iranian railway systems through the Turkmen territory. The new railway is expected to transport 10 million tons of goods annually. On May 10-11, 2013, the presidents of Turkmenistan and Kazakhstan officially launched the northern Turkmenistan-Kazakhstan segment of the “North-South” or Uzen – Gyzylgaya – Bereket – Etrek – Gorgan railroad. The expected date of completion is 2014. President Berdimuhamedov has also announced plans to construct a high speed railway connection between the city of Nebitdag in the western Balkan province and the city of Turkmenabat in the eastern province of Lebap through the Karakum desert. On March 20, 2013 the presidents of Turkmenistan Afghanistan and Tajikistan signed a Memorandum of Understanding (MoU) to construct a Turkmenistan-Afghanistan-Tajikistan railway. The railway will run from eastern Turkmenistan, through northern Afghanistan, before ending in the southern Tajikistan city of Pyandzh. Ground is expected to be broken on the line in late 2013, with the line scheduled to be completed in 2015.

Turkmenistan Airlines (TurkmenistanHowaYollary or THY) is state-owned, and primarily a passenger carrier. Turkmenistan is improving civil aviation on all fronts, through the purchase of new Boeing aircrafts, increased local and international flights, and improved airport services. In 2012, Turkmenistan purchased three new Boeing 737-800 passenger planes. According to the National Program for the Development of Civil Aviation of Turkmenistan for the period 2012-2030, the number of new aircraft in THY's commercial fleet will increase from 20 to 39. Turkmenistan Airlines plans to add 10 new international flights by 2015, including a flight to New York City. The GoTX has constructed new airports in the cities of Turkmenbashi and Mary and also started the construction of new airports in the cities of Ashgabat and Turkmenabat. Turkmenistan also plans to reconstruct its existing airports in Mary, Balkanabat (Balkan province), Magdanly (Lebap province), Gazachak (Lebap province), Urgench (Dashoguz province), Khazar (Balkan province) and Karabogaz (Balkan province).

In addition to Turkmenistan Airlines, international airlines, such as Turkish Airlines, Lufthansa, Uzbekistan Airways, S7, Belavia and Fly Dubai operate international flights servicing Turkmenistan. The GoTX is work to join the International Air Transportation Association (IATA). The Commercial Maritime Code of 2008 regulates commercial navigation, and addresses freight transport, carrying passengers and their baggage to a foreign port, emergency operations, and accidents with other ships. In addition, it includes provisions on crew certification, state registration of ships and ship ownership titles, sea traffic control systems, maintenance of seaways, and environmental protection.

Sub-Sector Best Prospects

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Road and railway construction and maintenance consultation services; specialized transportation machinery.

Opportunities

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Apart from road construction, there are also opportunities to supply airport navigation equipment, specialized machinery for transporting cement, water, or flour, as well as garbage trucks, street cleaners, cement mixers and dump trucks. There is a lack of street signs, especially in the provinces but also in cities.

Web Resources

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There are no websites for this industry.

Construction

Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	*	*	*	*
Total Local Production	*	*	*	*
Total Exports	*	*	*	*
Total Imports	*	*	*	*
Imports from the U.S.	*	*	*	*
Exchange Rate: 1 USD	2.85	2.85	2.85	*

* No statistics or estimates available.

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: N/A

Total Exports: N/A

Total Imports: N/A

Imports from U.S.: N/A

N/A – statistical data is not available.

The massive construction boom which began during the first years of independence has maintained rhythm. In Ashgabat, the GoTX has replaced the majority of buildings belonging to ministries and Government agencies. In addition, a plethora of 12-14 story Western-style apartment buildings, hotels, shopping centers, theaters, fountains, and parks have been and continue to be constructed in Ashgabat, as well as new universities, secondary schools, and kindergartens. Most new construction is taking place in Ashgabat's southern neighborhoods. Turkish and French companies have proposed several billion dollars in construction projects to the GoTX. In 2010, Turkmenistan began construction of the Ashgabat Olympic Village in preparation for hosting the Fifth Asian Indoor and Martial Arts Games (AIMAG) in 2017. The \$5 billion AIMAG project, which is being carried out by the Turkish firm Polimeks, is scheduled to be completed in 2016. In 2012, GoTX signed \$4.9 billion worth of contracts with Turkish companies for the construction of roads, bridges, railways, hotels, sport complexes and schools. The GoTX announced plans to construct an additional 1,800 facilities at a total cost of \$40 billion throughout the country.

Sub-Sector Best Prospects

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Consultation on construction in a seismic zone; urban development; and construction materials.

Opportunities

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Although the French company, Bouygues Bâtiment, and various Turkish companies have dominated Turkmenistan's construction industry for years, the GoTX has stated it

wants to see wider competition in this sector. Under President Berdimuhamedov, the government has pursued a policy of discouraging Turkish and other foreign participation in the construction of new housing. Turkmen authorities now prefer local companies to build new apartment buildings, although Turkish companies are still very active. The GoTX's main priorities and standards in construction include: 1) timely completion of the project, 2) high-quality results, and 3) incorporation of Turkmen cultural elements and heritage in the design and architecture of the buildings. In addition to construction, consulting services for seismic construction techniques is also needed. Turkmenistan does not have a private commercial real estate industry. Apartments in the new buildings are constructed and sold by the GoTX to the public. Each year, the GoTX allocates funds for housing loans at concessionary rates (1-1.5 percent per annum) to private owners.

Web Resources

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<http://turkmen-build.com/>

Information Technology

Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	*	*	*	*
Total Local Production	*	*	*	*
Total Exports	*	*	*	*
Total Imports	*	*	*	*
Imports from the U.S.	*	*	*	*
Exchange Rate: 1 USD	2.85	2.85	2.85	*

* No statistics or estimates available.

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: N/A

Total Exports: N/A

Total Imports: N/A

Imports from U.S.: N/A

N/A – statistical data is not available.

Integrating information technology into all segments of society is one of Turkmenistan's top priorities. The GoTX emphasizes computerizing classrooms and is introducing high-end educational software, particularly in universities and secondary schools. For example, the GoTX provided a laptop computer to children entering the first grade for the last three years. One of Turkmenistan's key projects is to provide and expand Internet access; however only 25 public Internet centers exist in the country and users are required to present personal identification to use the Internet. Politically sensitive websites, social network websites such as Facebook and Twitter are generally blocked. There are no private or foreign Internet providers in the country. The general receptiveness to new IT applications is low due to the exodus of trained engineers and technicians and the low level of technical training currently available in Turkmenistan's institutes and universities.

President Berdimuhamedov raised the idea of e-government in the beginning of 2010. In April 2010, he signed a decree instructing the Ministry of Economy and Ministry of Communications to start introducing e-government systems. No significant progress has been made since that time and the process of moving to e-government is very slow. It is not clear how the GoTX defines e-government, as no details have been published. However, based on local media reports, e-government will include establishing electronic document management systems and the creation of a fiber-optic communication system between the Cabinet of Ministers and other GoTX agencies. In 2011, President Berdimuhamedov authorized the creation of a National Space Agency to monitor satellite communication, and to conduct research. Also in 2011, Ministry of Communications signed a contract with a French company Thales Alenia Space to construct and launch Turkmenistan's first communication satellite by the end of 2014.

Sub-Sector Best Prospects[Return to top](#)

TV and broadcasting equipment; space technology; communication technology, computer hardware; computer software; basic computer skills training; and Internet services.

Opportunities[Return to top](#)

Many sectors and industries of Turkmenistan, including education institutions, health, textile, and manufacturing, continue to function using paper-based systems and require computer hardware and software. In addition, there is a need for basic computer training for children and adults. Equipping Ashgabat's Olympic Village with Information and Communication Technologies (ICT).

Web Resources[Return to top](#)

There are no websites for this industry.

Textiles

Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	*	*	*	*
Total Local Production	*	*	*	*
Total Exports	*	*	*	*
Total Imports	*	*	*	*
Imports from the U.S.	*	*	*	*
Exchange Rate: 1 USD	2.85	2.85	2.85	*

* No statistics or estimates available.

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: N/A

Total Exports: N/A

Total Imports: N/A

Imports from U.S.: N/A

N/A – statistical data is not available.

Turkmenistan's textile industry began to develop in the early 1990s. Turkish textile companies have played a key role in developing the sector. Over 20 textile firms with predominantly Turkish partners currently operate in the country. Total investment in the textile sector as of 2011 is \$1.3 billion, 20 percent of which is Turkish direct investment. Turkish businesses maintain high-quality standards throughout their operation cycle, which allows them to export about 70-80 percent of all textile products made in Turkmenistan, including exports to the United States, Russia and China. Textile products are Turkmenistan's third-largest export item, trailing only natural gas and petroleum products. However, in recent years, exports are in decline, partly due to the sector's internal and production challenges. As of 2011, there are 74 textile factories operating in Turkmenistan; 30 of which were constructed since independence. According to GoTX figures, Turkmenistan exported textile and textile products valued at \$153.6 million and cotton fiber \$260.9 million in 2011. According to several sources, Turkmenistan now processes between 100,000 and 150,000 tons of cotton per year. The processing capacity of Turkmenistan's textile industry has increased from fifteen fold since independence.

Sub-Sector Best Prospects

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Cotton ginning equipment; weaving equipment; knitting equipment; sewing equipment; dyeing equipment; marketing services.

Opportunities

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Textile, fabric design; ginning equipment. In addition any new company proposals may be offered and discussed with the GoTX.

Web Resources

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There are no websites for this industry.

Agricultural Sectors

Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	*	*	*	*
Total Local Production	*	*	*	*
Total Exports	*	*	*	*
Total Imports	*	*	*	*
Imports from the U.S.	*	*	*	*
Exchange Rate: 1 USD	2.85	2.85	2.85	*

* No statistics or estimates available.

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: N/A

Total Exports: N/A

Total Imports: N/A

Imports from U.S.: N/A

N/A – statistical data is not available.

Agricultural sectors include cotton, wheat, fruit and vegetable, and livestock production. According to GoTX reports, Turkmenistan produced more than 1.235 million tons of raw cotton and about 1.2 million tons of wheat in 2012. According to GoTX statistics, Turkmenistan has over 2,067,000 cattle livestock, 19,511,000 sheep and goats, and over 15,000,000 poultry. In the past, because of its specialization in cotton and natural gas, Turkmenistan imported a large percentage of the food it consumed. Presently, in an effort to become self-sufficient in foodstuffs, Turkmenistan has increased domestic production of meat, dairy products and wheat. Domestic production, however, continues to be supplemented with imports from Russia, Ukraine, Belarus, Kazakhstan, Iran, Turkey, Azerbaijan, India, and Pakistan. In an effort to increase efficiency and production, in March 2013, the GoTX introduced soft loans for private producers to improve their ability to purchase agricultural and irrigation equipment. The loans have very favorable terms, including a one percent annual interest rate and ten-year repayment period. The GoTX also authorized banks to issue loans to financing projects supporting the development of the poultry and livestock industries. Loans for these ventures have a five percent annual interest rate and a ten-year repayment period.

Food items, especially sugar, flour and other grain products, tea, vegetable oil, confectionary items, and some alcohol, fruits, and vegetables, constitute about 19 percent of Turkmenistan's total official imports. Meat (mostly mutton, lamb, beef and a small amount of pork), fish and poultry are locally produced. Turkmenistan supplements its local meat supplies by importing chicken quarters ("Bush" legs) from the United States and buffalo meat from India.

Food Processing

There are few Turkmen processed food products on the market - mostly sausages, processed fish, alcohol, soft drinks, dairy products, processed tomatoes, vegetable oil (cottonseed and sesame), breads and pastries. Local fresh produce is available in-season, and during the off-season, most produce comes from Iran, Pakistan, and Turkey. The State Food Industry Association runs 125 food processing plants. The largest among them are 5 cotton seed oil plants, 24 meat and dairy plants and 9 wineries. The State Food Industry Association licenses private food processors and maintains quality control for processed food. Meat, dairy, fruit, vegetables, grains, and alcohol are the primary items processed.

Restaurant and Hotel Food Service

No international restaurants or hotels operate within the country: all hotels are state-owned. However, the Turkmen Government gave management rights for the country's largest hotel, Oguzkent, to the French Sofitel company and two other major hotels, located in the capital, to a small Italian hospitality company. There are only about 20 hotels throughout Turkmenistan, and a few international caterers, including Catermar and Damac, which serve foreign oil companies in the country. All major restaurants are independent and source on local markets. Only a handful of GoTX-run restaurants host government-sponsored events.

There are only limited opportunities to introduce new items due to a stagnant economy, low income, and stalled business developments resulting from Turkmenistan's slow adjustment to an open market economy. Small volumes and low prices are the key to selling imported food products in Turkmenistan. There are opportunities, however, to import chicken quarters, butter, sugar, rice, processed meat, dairy items, and soft drinks.

Land tillage and Harvesting Equipment

Turkmenistan has around 2,000,000 hectares of arable land with wheat and cotton representing the major crops produced. The GoTX owns nearly all of the country's arable land, and cultivates the land using equipment imported primarily from the United States, Germany, and Belarus. Turkmenistan is an arid country, requiring the effective application of effective irrigation and water management techniques.

Sub-Sector Best Prospects

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Turkmenistan has 36 cotton ginning plants, mostly outdated Soviet-era factories. There are opportunities to bring modern cotton-ginning equipment to Turkmenistan to replace the outdated equipment.

Tillage Equipment; wheat and cotton harvesting equipment; food processing equipment;

Opportunities

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Animal husbandry; dairy and meat processing equipment; equipment for processing cotton seed into cotton seed oil; food processing for public catering; irrigation and water saving technologies; feed production equipment.

There are no websites for this industry.

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Chapter 5: Trade Regulations, Customs and Standards

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Import Tariffs

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Turkmenistan does not apply tariffs per se on imported goods. However, in practice the GoTX levies customs duties and higher excise taxes on imports which are significant barriers to trade. Under Presidential Resolution # 9925 dated July 27, 2008, there is a customs duty on the import of 49 types of merchandise. Average rates range from 5 percent to 100 percent. Importers also pay small administrative fees to the Customs Service. Turkmenistan applies import excise taxes on the following products:

Beer

50 percent of the cost, but not less than 4 manat per liter.

Wines, strong drinks, liquors with alcohol content of 20 percent or less
100 percent of the cost, but not less than 20 manat per liter.

Wines, strong drinks, liquors with alcohol above 20 percent.
100 percent of the cost, but not less than 30 manat per liter.

Spirits

\$4 per liter.

Strong alcoholic drinks, liquors, and other alcoholic drinks \$3 per liter.

Tobacco products

30 percent of the customs value, but not less than \$0.50 per pack.

Other tobacco products and products made of tobacco substitute \$10 per kilogram.

Jewelry

Gold Jewelry (excluding gold bullion) - up to 1 kg is exempted from customs duties, for larger quantities of jewelry 15 percent of the customs value import duty applies.

Automobiles

30 cents for every cubic centimeter of the engine volume plus 5.2 percent of the initial price of the vehicle.

An April 2011 presidential decree prohibits the import of the vehicles older than 5 years. In September 2010, the Turkmen Customs Service started prohibiting imports of damaged cars citing a presidential decree, which has never been made public.

A presidential resolution may waive all or some customs duties and taxes, including the excise tax.

Trade Barriers

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Slow, bureaucratic customs procedures seriously inhibit trade. When the basis of the consignment is a contract but not a paid invoice, Turkmenistan requires that export and import contracts be registered at the State Commodity and Raw Materials Exchange (SCRME), the only exchange in the country. The procedure applies not only to contracts signed at the SCRME, but also to contracts signed between third parties. The contract's feasibility is also scrutinized by the Supreme Chamber of Control. The contract registration procedure includes an assessment of price justifications. All import contracts must be registered before goods are delivered to Turkmenistan. Contract registration is a cumbersome process, involving approval from various agencies and ministries. Investment projects, including civil construction projects, are required to be registered at the Ministry of Economy and Development. Turkmenistan has not acceded to the New York Convention on International Arbitration. As a result, a foreign company with a commercial dispute has no recourse to an international dispute resolution body. Turkmenistan's restrictive visa regime and taxation policy are also difficult issues for companies to overcome.

Import Requirements and Documentation

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The following documents are required for customs clearance of imported goods when basis of the supply is a contract, but not a paid invoice:

1. A contract registered at the SCRME: The contract should be registered before the goods are delivered to Turkmenistan. Contracts are required to include the specifications of the goods, information on their origin, the currency involved, item price, and total price.

2. A Bill of Lading for Maritime Transportation: Cargo Movement Report “CMR” for transportation by truck. Customs officers will check the CMR or Bill of Lading against the information contained in the contract.

3. A Certificate of Origin and Quality: The Certificate of the Country of Origin should be obtained from Turkmenistan Chamber of Commerce and Industry at the place of origin prior to the departure of goods. The importer is required to receive a certificate of conformance from the Main State Inspectorate “Turkmenstandartlary.”

4. A Customs Declaration: Customs declaration and clearance is the responsibility of the party specified in the contract. In most cases, however, the buyer takes on clearance process responsibility. During the customs clearance process, Customs charges a service fee of 0.2 percent of the contract cost. Additional licenses may be required of the buyer, depending on the type of imported product (an alcohol trade license to import alcohol, or a State Radio Frequencies Commission permit to import radio electronics and high frequency devices). Turkmenistan has freelance customs clearance agents, who can assist with customs processing.

U.S. Export Controls

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Exports and re-exports of munitions, as well as dual-use commodities and technology, to Turkmenistan are subject to U.S. export controls. American companies exporting to Turkmenistan need to apply for an export license from the Bureau of Industry and Security (BIS) if their products or services are controlled for any of the following reasons: CB1, CB2, CB3, NP1, NS1, NS2, MT1, RS1, RS2, CC1, and CC2 (see Part 738 of the EAR for a description). If a firm does not know its export commodity control number, it should contact its local U.S. Export Assistance Center for more information on BIS commodity classifications, or review the Export Administration Regulations database. Additional information about the types of products covered may be obtained from the State Department’s Directorate of Defense Trade or the Commerce Department’s Bureau of Industry and Security.

Temporary Entry

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According to Turkmenistan’s Law on Foreign Investment, goods and properties that are imported temporarily, including those under subcontracts can be imported into the country without duties, but only for the duration of an existing contract. Presidential Resolution # 5121 of February 26, 2001, stipulates that customs duties are payable on temporarily imported goods, but are reimbursable if they are exported within one year. The one-year requirement may be extended. Goods cannot be imported under consignment contracts.

Labeling and Marking Requirements

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Food items in Turkmenistan need to be labeled in Turkmen and/or Russian although English, Turkish, Persian and Arabic labeling is not uncommon. Home appliances and electronics are almost exclusively labeled in English. However, Russian-language instructions and operational menus are preferred.

Prohibited and Restricted Imports

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Presidential resolution # 1987 of November 24, 1994, outlines two separate sets of goods where imports or exports must be licensed by the President and the Cabinet of Ministers. Import or export of the following goods requires presidential approval:

1. Arms and military equipment and special items used for military production and military services;
2. Gunpowder, explosive substances, explosive and pyrotechnic devices;
3. Radioactive materials, technology, equipment and installations, special non-nuclear materials and radioactive waste;
4. Precious metals and alloys, ores, scrap material and industrial waste (for export only);
5. Precious stones and items including industrial waste, powder, recuperation of precious stones, pearls and amber;
6. Narcotics and psychotropic substances;
7. Special raw materials, equipment, technology and scientific information used for arms and military equipment production;
8. Dual-use materials, equipment and technology, that may be used for production of nuclear, chemical and other weapons of mass destruction;
9. Export of scientific research, technology and inventions, and
10. Poisons (except those included in the list below).

The Cabinet of Ministers licenses export or import of the following goods:

1. Chemicals;
2. Poisons;
3. Industrial waste;
4. Turkmen national jewelry;
5. Culturally valuable goods;
6. Antique printed products and manuscripts;
7. Archaeological findings;
8. Numismatics;
9. Art pieces;
10. Collections of materials on mineralogy and biology;
11. Central Asian sheep-dogs;
12. Ahal Teke horses;
13. Pedigree cattle;
14. Wild animals;
15. Wild plants, bones of fossil animals, ivory, horns, hoofs, corals and other such materials;
16. Information about energy resources and minerals of regions and fields located in Turkmenistan and within the continental shelf, offshore zones;
17. Export of original and copy documentation related to the registered in Turkmenistan private business' activities in accounting, human resources etc;
18. Import of any number of religious literature without permission of the Council for Religious Affairs.

Import of cattle, sheep, goats, camels and pigs requires a permit from the Cabinet of Ministers.

Customs regulations consist of the Customs Code of Turkmenistan, Tax Code of Turkmenistan (on excises) and a number of by-laws and presidential resolutions: # 9925 of July 27, 2008 (import and export customs duties). Contact info: 2022 Street (former Alisher Novai St.) No. 86 (Adalat Palace), Phone: (+993-12) 38 06 46. E-mail: customs@online.tm.

Standards

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Overview

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Turkmenistan uses National Standards of Turkmenistan (TDS) and General Interstate Standards (GOST). Turkmenistan's national standards have been developed to meet international standards. GOST standards were developed by 12 FSU countries and incorporate former Soviet Union standards. Standards and metrology are governed by the Law on Standardization and Metrology of 1993 and a series of by-laws.

Standards Organizations

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The Main State Inspectorate "Turkmenstandartlary" is the regulating agency in the area of standards and metrology in Turkmenistan. There are no other standards organizations in Turkmenistan.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>.

Conformity Assessment

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All imported goods must be certified as adhering to quality standards set by the Main State Inspectorate "Turkmenstandartlary." Those countries that signed bilateral agreements on the acceptance of national state certificates may enjoy mutually simplified procedures on issuing conformance certificates for imported/exported goods.

The United States and Turkmenistan do not have an intergovernmental agreement on standards, metrology and certification.

Product Certification

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Turkmen legislation requires that products be certified. Gauging equipment also needs to be calibrated by the Main State Inspectorate "Turkmenstandartlary." In 1998, Turkmenistan introduced a sanitary certification requirement for food products imported to Turkmenistan. The State Sanitary and Epidemiological Inspectorate (SSEI) conducts tests of imported food products to issue certificates of conformance. Certificates of conformance for food products must be accompanied by a Russian-language product description.

Accreditation

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Turkmenistan joined the International Standard Association in 1991, and in 1992 began to adhere to the Interstate Council on Standard, Metrology and Certification that covers CIS countries. Turkmenistan became a member of the International Standard Organization (ISO) in 1993.

Publication of Technical Regulations

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The Main State Inspectorate "Turkmenstandartlary" publishes national standards updates.

Labeling and Marking

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Food items in Turkmenistan need to be labeled in Turkmen and/or Russian, although English, Turkish, Persian and Arabic labeling is not uncommon. Home appliances and electronics are almost exclusively labeled in English. However, Russian-language instructions and operational menus are preferred. The Law on Trademarks of 2008 provides for the legal protection and use of trademarks, which must first be registered at the Patent Department of the Ministry of Economy and Development. The Patent Department issues a certificate of registration within three months of application, after which the trademark is valid for ten years (from the date of application).

Contacts

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Main State Inspectorate "Turkmenstandartlary"
12 Galkynysh Ashgabat, Turkmenistan, 744004
Tel: (993-12) 49-58-59 Fax: (993-12) 51-04-48

Trade Agreements

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Turkmenistan signed a Trade and Investment Framework Agreement (TIFA) with the United States, Kazakhstan, Tajikistan, Kyrgyzstan, and Uzbekistan on June 1, 2004. The TIFA established a regional forum to discuss ways to improve investment climates and expand trade within Central Asia.

Web Resources

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The website of the Main State Inspectorate “Turkmenstandartlary” is <http://www.stat.gov.tm>.

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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Turkmenistan is a relatively large country (slightly larger than the state of California), but sparsely inhabited (about five million), with abundant hydrocarbon resources, particularly natural gas. According to unverifiable GoTX statistics, in 2012 the country's GDP increased by 11.1 percent and totaled \$22.2 billion. In comparison, 2011 World Bank data shows Turkmenistan's GDP in current U.S. dollars at \$28 billion and the country's gross national income converted to international dollars using purchasing power parity rates (GNI, PPP) at \$44.3 billion. In July 2012, the World Bank elevated Turkmenistan from a "lower middle income" country to an "upper middle income" country, to reflect the country's recent robust economic growth. Turkmenistan regularly announces its desire to attract more foreign investment, but tight state control of the economy, the slow pace of economic reform, and a restrictive visa regime have hindered the creation of an attractive foreign investment climate. The planned 2013 creation of a new GoTX foreign investment oversight agency may create additional barriers to international investment in Turkmenistan. Historically, the most promising areas for investment are in the oil and gas, agricultural, and construction sectors. The Turkmen government continues to seek foreign technology and investment in order to diversify its economy through the development of domestic chemical and petrochemical industry facilities.

In October 2012 the Chairman of the Central Bank reported that 21 percent of investment in Turkmenistan came from foreign sources and that while the Government of Turkmenistan remained the largest domestic investor (40 percent), sizeable

investment came from private enterprises (22 percent). According to government sources, in 2012 the majority of foreign investment was concentrated in the energy (57 percent), chemical (27 percent), and transportation (14 percent) sectors.

President Berdimuhamedov has expressed his intent to improve investment conditions, and since the beginning of 2008, the Government of Turkmenistan (GoTX) has adopted legal reforms on foreign investment and licensing. Nevertheless, the lack of established rule of law, inconsistent regulatory practices, and unfamiliarity with international business norms are major disincentives to foreign investment. Turkmenistan's economy depends heavily on production of natural gas, oil, petrochemicals and, to a lesser degree, cotton and textiles.

The country remains one of the largest gas producers among the former Soviet republics. The country's key industries are still state-owned. According to independent estimates (2011 European Bank of Reconstruction and Development (EBRD) Transition Report), the private-sector share of GDP in 2010 was 25 percent, mostly concentrated in retail trade, services and food processing. No independent estimates are available for 2011 and 2012. The top economic development priority of the GoTX since independence in 1991 has been self-sufficiency in food supplies and an increase in import-substitution production, with a recent emphasis placed on transforming Turkmenistan from a commodity producer to value-added manufacturer. Other industries to which the government has been most receptive to foreign investment are textiles and communications, which acutely need modern technology, knowledge of international markets, and experience with best international business practices.

In May 2010, the GoTX adopted its National Program for Socio-Economic Development of Turkmenistan for 2011-2030. The program envisages diversification of the economy and increased competition, and recognizes the importance of further market and institutional reforms. The program also includes privatization of small and medium enterprises (SMEs). In October 2006, Turkmenistan adopted the Oil and Gas Development Plan for 2007-2030. Despite these initiatives, however, Turkmenistan's investment climate remains generally closed. Decisions to allow foreign investment are politically driven; companies from "friendly" countries are often more successful in winning tenders and signing contracts. A potentially important development in Turkmenistan's investment climate is the December 20 statement by President Berdimuhamedov mandating the establishment of a new government agency to scrutinize the activities of foreign companies operating or seeking to operate in Turkmenistan. The unnamed agency, to be created in 2013, reportedly will offer customized, sector-specific market research to potential foreign investors and grant permits to companies to operate in Turkmenistan, including those seeking GoTX tenders. The agency will also be empowered to levy fines against companies that violate Turkmenistan's business regulations.

In this environment, where the government selectively chooses its investment partners, a strong relationship with the government is essential. Often, government officials expect personal gain for allowing or helping foreign investors to enter the local market. One way to penetrate the market has been to work through already-established foreign business representatives, who conduct business through their personal relationships with top leaders, or to secure the advocacy of high-ranking foreign government officials in a bilateral context.

Since independence, Turkmenistan has accepted financing from international financial institutions (IFIs) for a variety of projects. In 2009, the GoTX accepted a reported loan of \$4 billion from the Chinese Development Bank to develop the Galkynysh (former South Yoloten) gas field and significantly smaller loans for transportation and communication projects from the Chinese Export-Import Bank. In 2011, the GoTX secured a second \$4.1 billion loan from the China Development Bank to develop the Bagtyarlyk contractual territory and the Galkynysh gas fields.

The GoTX accepted a \$1 billion dollar loan from the Islamic Development Bank for road and social infrastructure construction projects in 2010. In July 2011, the Asian Development Bank provided a \$125 million loan to the Turkmen government to finance the procurement and installation of a power supply, signaling, and control system at a 311-kilometer section of the Kazakhstan–Turkmenistan– Iran railway. Reportedly, in 2010 and 2011, the GoTX approached a number of international financial organizations and foreign governments attempting to secure more loans to implement large scale government projects. The Government of Turkmenistan sent a delegation to the Asian Development Bank-facilitated Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline road show in September 2012. In meetings in Singapore, New York, and London GoTX representatives met with a number of international oil companies (IOCs) and financial institutions in an effort to attract technical and financial partners to the project.

Incoming foreign investment is regulated by the Law on Foreign Investment (last amended in 2008), the Law on Investments (last amended in 1993) and the Law on Corporations of 1999, with respect to start-up corporations, acquisitions, mergers and takeovers. Foreign investment activities are affected by appropriate bilateral or multilateral investment treaties, the Law on Enterprises of 2000, the Law on Business Activities (last amended in 2008), and the 2004 Land Code. Foreign investment in the oil and gas sectors is subject to the 2008 Petroleum Law (also known as Law on Hydrocarbon Resources, amended in 2011 and 2012). The Tax Code provides the legal framework for the taxation of foreign investment. The 2000 Civil Code defines what constitutes a legal entity in Turkmenistan, as well as requirements for registration.

The GoTX has taken a number of steps to promote economic reforms, including a law to combat money laundering and terrorism financing and a presidential decree that mandates the use of International Financial Reporting Standards (IFRS). In January 2010, Turkmenistan established a Financial Intelligence Unit under the Ministry of Finance to strengthen its anti-money laundering (AML) efforts and combating financing of terrorism (CFT). In June 2010, Turkmenistan became a full member of the Eurasian Group (EAG), a regional AML/CFT organization and part of the Financial Action Task Force (FATF). In October 2012, President Berdimuhamedov said that Turkmenistan will join the Egmont Group, an international organization specializing in the exchange of best practices on AML/CFT. Turkmenistan's membership, he said, would demonstrate to the international community its commitment to combating money laundering and terrorism financing.

In July 2010, President Berdimuhamedov signed a decree ordering all Turkmen banks to switch to IFRS beginning January 1, 2011, and ordered other government agencies to gradually introduce IFRS by January 1, 2013, with the goal of completely switching to IFRS by January 1, 2014. Despite these positive steps, Turkmenistan remains one of the most closed economies in the region.

Much foreign investment is governed by project-specific presidential resolutions, which can grant privileges not provided by general legislation. Legally, there are no limits on foreign ownership or control of companies. In practice, however, the government has allowed fully-owned foreign operations only in the oil sector and, in one case, in cellular communications. (Note: This cellular company reportedly filed for international arbitration when its license was suspended by the GoTX in December 2010. After months of negotiations, the company re-entered the Turkmenistan market in September 2012. Since re-entry, however, the company has struggled to regain the market share it lost to Turkmen carrier Altyn Asyr. End Note) There are several ways for the government to discriminate against foreign as well as domestic investors: excessive tax examinations, license extension denial, and customs clearance and visa issuance obstacles. In most cases, the government has insisted on maintaining a majority interest in any joint venture (JV). A Western soft drink company has been in Turkmenistan since the mid 1990s in a JV with the government. Foreign investors have been reluctant to enter JVs controlled by the government, as a result of competing business cultures and conflicting management styles. Although there is no specific legislation requiring that foreign investors have to receive government permission to sell shares or divest, de facto they are expected to coordinate such actions with the government.

Government efforts since 1991 to privatize former state enterprises have attracted little foreign investment. Privatization has been limited to the service and trade sectors, with most industry still in state hands. Out-dated technology, poor business infrastructure, and governmental obstacles make privatized firms unattractive as outright purchases for foreign investors.

In November 2012, the Government of Turkmenistan announced plans to undertake a large-scale privatization of state properties under the State Program for Privatization of Enterprises and Objects of State Property (2013-2016). According to the program, privatization is scheduled to be implemented in three phases, in 2013, 2014-2015, and 2016, respectively. The plan calls for the privatization of state enterprises and properties in a variety of sectors including construction, transportation and communication as well as the establishment of joint stock companies. The plan identifies strategic state-owned enterprises and properties that will not be subject to privatization, and calls for the drafting of a new version of the law "on Denationalization and Privatization".

To date, government privatization efforts have also been stymied by lingering prejudice against the private sector. In cases where there is income potential, the government has been quick to crowd out the private sector as a competitor. Despite official comments regarding the priority of the growth of the private sector, privatization has been low on the government's agenda. All land is government-owned, for example, and neither domestic nor foreign businesses can receive long-term land-use rights for "non-agricultural" purposes. Private citizens have some land usage rights; however, these rights exclude the sale or mortgage of land. Land rights can be transferred only through inheritance. Foreign companies or individuals are permitted to lease land for non-agricultural purposes, but only the president has the authority to grant the lease.

The government has attempted to introduce an element of competition for state contracts by announcing international tenders for some projects. Often these projects are politically driven and/or economically unsound, and the tender process is badly managed and nontransparent. Following the president's announcement of a potential

project, interested foreign investors and/or suppliers often contact the relevant government agency directly in case the tender is not announced publicly. There is one case of a U.S. company being told it was awarded a tender, investing in initial project design, and then being informed the government was considering other options. The tender was offered a second time, and the contract was awarded to a new company at twice the U.S. company's tender price. Foreign businesses should always put agreed upon terms in writing and never act on verbal promises.

Turkmenistan signed a Trade and Investment Framework Agreement (TIFA) with the United States, Kazakhstan, Tajikistan, Kyrgyzstan, and Uzbekistan on June 1, 2004. The TIFA established a regional forum to discuss ways to improve investment climates and expand trade within Central Asia. Historically, the GoTX has not actively engaged in regional efforts designed to boost trade and investment. Recently, however, the government has expressed interest in exploring regional and multilateral trade mechanisms.

Relevant International Rankings and Figures

Measure	Year	Index/Ranking
TI Corruption Index	2012	170 of 174
Heritage Economic Freedom	2012	168 of 179
World Bank Doing Business	2012	not ranked
MCC Government Effectiveness	2012	-1.11 (0 percent)
MCC Rule of Law	2012	-0.98 (3 percent)
MCC Control of Corruption	2012	-0.95 (0 percent)
MCC Fiscal Policies	2012	6.6 (96 percent)
MCC Trade Policy	2012	79.2 (76 percent)
MCC Regulatory Quality	2012	-1.53 (0 percent)
MCC Business Start Up	2012	n/a
MCC Land Rights Access	2012	n/a
MCC Natural Resource Protection	2012	30.4 (36 percent)
MCC Access to Credit	2012	n/a
MCC Inflation	2012	4.5 (44 percent)

The GoTX maintains tight control over the country's main foreign-exchange flows. On May 1, 2008, the government introduced a single exchange rate, which remained fixed at 14,250 Turkmen Manat (TM) per \$1 until January 1, 2009, when it introduced the redenominated manat (Denominated Turkmen Manat, or DTM) at 2.85 manat per \$1. The government also opened more than 100 exchange points throughout the country in May 2008. The GoTX allowed "old" manat to remain in circulation until January 1, 2010. Foreign bankers considered the unified exchange rate and expansion of currency exchange points modest steps towards overall liberalization of the foreign exchange market. An unofficial exchange market still operates on a very small scale, and provides exchanges at rates that are very close to official rates. The current unofficial exchange rate is 2.85 DTM per \$1. On October 1, 2011, Turkmenistan adopted the Law on Hard Currency Control and Regulation in Foreign Economic Relations as a step towards bringing the national legislation in compliance with international standards. The Central Bank controls the fixed rate by releasing U.S. dollars into the official and unofficial (but legal) exchange markets. Foreign exchange regulations adopted in June 2008 allow the Central Bank to provide banks with ready access to foreign exchange. These regulations also allowed commercial banks to open correspondent accounts.

Along with exchange rate unification on May 1, 2008, limits on foreign exchange transactions were officially lifted. The GoTX has been able to keep up with the growing demand for U.S. dollars to date, however, the currency remains not fully convertible and holdings of excess manat are problematic for many companies operating in Turkmenistan. Oil producers operate under the Petroleum Law of 2008 and receive profit shares in crude oil, which they ship by tankers to other Caspian Sea littoral states. In many cases, petrochemical investors have negotiated deals with the GoTX to recoup their investment in the form of future petroleum products. Foreign investors generating revenue in foreign currency, such as textile factory investors, do not generally have problems with repatriating their profits. Some foreign companies receiving income in local currency seek indirect ways to convert local currency to hard currency through the purchase of petroleum and textile products in manat for resale on the world market.

Turkmenistan imports the vast majority of its industrial equipment and consumer goods. The government's foreign-exchange reserves and foreign loans pay for this industrial equipment and various investment projects. The demand for hard currency in Turkmenistan's private retail sector seems to be satisfied by the official and unofficial, but legal, exchange markets. Due to continuing concerns about foreign exchange, Turkmenistan is taking some initial steps toward trading in the national currencies of select countries. In January 2012, for example, during a meeting of the Turkish-Turkmen joint inter-governmental economic committee, Turkey's Economic Minister Zafer Caglayan announced that Turkey and Turkmenistan would trade in their national currencies once the central banks of the respective countries made the necessary arrangements. At the Commonwealth of Independent States Heads of States Summit in December 2012, President Berdimuhamedov joined other presidents in signing an agreement to develop an integrated CIS currency market and an agreement to create a coordination council for the heads of member states' financial intelligence services.

Expropriation and Compensation

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Turkmenistan's legislation does not provide for private ownership of land, and thus allows the government to force investors to vacate their land. Article 21 of the

Investment Law (last amended in 1993) allows investors' property to be confiscated via an official court decision. Although there have been no reported expropriation actions against foreign investors in 2012, the GoTX has a history of arbitrary expropriation of the property of local businesses and individuals. Under President Niyazov, the government often refused to pay any compensation, much less fair market value, when exercising "the right of eminent domain." However, during a March 2007 Cabinet of Ministers meeting, current President Berdimuhamedov stated that residents of affected apartments or houses would be provided alternative housing before their homes were demolished.

The following case can be considered an example of "creeping expropriation." In November 2010, the GoTX reportedly initiated a campaign to force MTS, a Russian cellular phone operator, out of the country. As a result of administrative measures taken by Turkmen government agencies, MTS suspended its services in Turkmenistan on December 21, 2010. According to MTS officials, the company received notifications from Turkmentelecom, other state agencies, and a local state-owned telecommunications company, about early termination of contracts on renting technical bases, digital ports and data transmission lines, and other communication facilities by MTS. According to Russian media, MTS filed a suit against the Turkmen Ministry of Communications, Turkmentelecom, and Altyn Asyr (a local mobile operator) in the International Court of Arbitration of the International Chamber of Commerce. To date, there is no official information which adequately explains the reason for MTS's reported forced exit from Turkmenistan or details regarding the negotiated terms of MTS' return to Turkmenistan in 2012.

Dispute Settlement

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Most contracts negotiated with the GoTX have an arbitration clause. The Embassy strongly advises U.S. companies to include an arbitration clause with a venue outside Turkmenistan. There have been commercial disputes over the past few years involving U.S. and other foreign investors or contractors in Turkmenistan, though not all the disputes were filed with arbitration courts. Investment and commercial disputes involving Turkmenistan have three common themes: non-payment of debts, non-delivery of goods or services, and contract renegotiations. The GoTX may claim the provider did not meet the terms of a contract as justification for non-payment. Most disputes have centered on the government's unwillingness to pay in hard currency as contractually required. In cases where government entities have not delivered goods or services, the government has often ignored demands for delivery. Finally, a change in leadership in the government agency that signed the original contract often triggers a government call to re-evaluate an entire contract, including profit distribution, management responsibilities and payment schedules.

A Western oil and gas company and Turkmennebit, the Turkmenistan state-owned oil company, have been in litigation since 1996. Under the auspices of the International Chamber of Commerce, in 2001, the Western company was awarded \$495 million in damages. In 2006, the U.S. Court of Appeals upheld the 2001 decision and bound the GoTX to an arbitral award. In November 2006, the U.S. Supreme Court denied Turkmenistan's petition for a writ of certiorari; to date, the award has not been paid.

A U.S. telecommunications company has been pursuing payment from the Ministry of Communications of Turkmenistan since 2006. The Turkmen Ministry acknowledges its

contract with the company and that it has an outstanding debt, but disagrees on the amount owed. The issue remains unresolved.

Although Turkmenistan has adopted a number of laws designed to regulate foreign investment, the laws have not been consistently or effectively implemented. The Law on Foreign Investment, as amended in 2008, is the primary legal instrument defining the principles of investment. The law also provides for protection of foreign investors. A foreign investor is defined in the law as an entity owning a minimum of 20 percent of a company's assets.

The following is an ad hoc list of relevant legislation regarding foreign investments:

- According to the 2008 Law on Foreign Investment, all foreign and domestic companies and foreign investments must be registered at the Ministry of Economy (MOE).
- The Petroleum Law of 2008 (Law on Hydrocarbon Resources, last amended in May 2012) regulates offshore and onshore petroleum operations in Turkmenistan, including petroleum licensing, taxation, accounting and other rights and obligations of state agencies and foreign partners. The Petroleum Law supersedes all other legislation pertaining to petroleum activities, including the Tax Code.
- According to the 2004 Land Code, foreign companies or individuals are permitted to lease land for non-agricultural purposes, but only the president has the authority to grant the lease. Foreign companies may own real estate property other than land.
- Turkmenistan adopted a Bankruptcy Law in 1993. Other laws affecting foreign investors include the Law on Investments (last amended in 1993), the Law on Corporations of 1999, the Law on Enterprises of 2000, the Law on Business Activities (last amended in 1993), the Civil Code enforced since 2000, and the 1993 Law on Property.

The commercial law enforcement system includes the Arbitration Court of Turkmenistan (Arachy Kazyyet) which tries 13 categories of disputes, both pre-contractual and post-contractual, including taxation, legal foundations, and bankruptcy issues. The court does not interfere in enterprises' economic relations, but considers disputes upon the request of either party involved. Appeals on decisions of the Arbitration Court can be filed at the Arbitration Committee of the Supreme Court of Turkmenistan. Turkmenistan is not a Party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (also known as the Washington Convention) or the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards or any other internationally recognized arbitration agreement.

Performance Requirements and Incentives

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Foreign investors are more disadvantaged because they face higher tax rates than most local companies. The Tax Code adopted in 2005 was amended three times: 2006, 2007, and 2008, but most tax rates remained unchanged. The value added tax rate (VAT) is 15 percent, an income tax of 8 percent is applied to JVs, and an income tax of 20 percent is applied to wholly-owned foreign companies and state-owned enterprises. Dividends are taxed at 15 percent. The personal income tax rate is 10 percent. In 2005, the GoTX amended the Tax Code, giving more concessions to domestic, private

companies. The Tax Code exempted domestic, private companies from the VAT and property tax and reduced the income tax from 8 percent to 2 percent. In August 2006, Turkmenistan increased its excise tax on imported beer (50 percent) and wine (100 percent). Similar taxes on domestically produced beer and hard liquor remain at previous rates: 10 percent and 15-40 percent, respectively.

In May 2007, Turkmenistan introduced the Awaza (or Avaza) Tourist Zone (ATZ) to promote the development of its Caspian Sea coast. Tax and other incentives are provided in legislation passed on October 1, 2007, but only to those willing to invest in the construction of hotels and recreational facilities. The amendments to the Tax Code passed on October 1, 2007, exempt construction and installation of tourist facilities in the ATZ from VAT. Various services offered at tourist facilities, including catering and accommodations, are also VAT-exempt. Income tax on accommodations and catering at tourist facilities will not be levied for the first 15 years. Equipment purchased by the investor as part of the registered capital, other assets to be used in production, and personal household effects of investors' employees are duty free. In general, tax and investment incentives for ATZ can be negotiated on a case-by-case basis.

In the past, the president has issued special decrees granting taxation exemptions and other privileges to specific investors while they recoup their initial investment. Assets and property of foreign investors should be insured with the State Insurance Company of Turkmenistan (Article 53 of the 2008 Petroleum Law and Article 3 of Insurance Law of 1995). National accounting and financial reporting requirements also apply to foreign investors. All contractors operating in Turkmenistan for a period of at least 183 days a year must register at the Main State Tax Service. There is a general requirement for foreign investors that 70 percent of the company's personnel be citizens of Turkmenistan. The government has made exceptions for foreign construction and energy companies executing large-scale turnkey projects.

Turkmenistan requires that all export and import contracts and investment projects be registered at the State Commodity and Raw Materials Exchange (SCRME) and the Ministry of Economy. The procedure applies not only to the contracts signed at the SCRME, but also to contracts signed between third parties. The SCRME is state-owned and is the only exchange in the country. The contract registration procedure includes an assessment of "price justification." All import contracts must be registered before goods are delivered to Turkmenistan. The GoTX generally favors long-term investment projects that do not require regular hard-currency purchases of raw materials from foreign markets. Textile factories operated by Turkish companies using domestic resources and labor serve as model investment projects supported by the government. These companies encounter relatively few currency conversion problems and enjoy tax breaks. Otherwise, there are no set requirements for local sourcing or exporting specific percentages of output.

Petroleum Production Sharing Agreement (PSA) holders are regulated in large part by the 2008 Petroleum Law. They are subject to a 20 percent income tax and royalties ranging from 1 percent to 15 percent, depending on the level of production. The social welfare tax, 20 percent of the total local staff payroll, is paid by all foreign investors and their subcontractors. PSA holders' employees and their subcontractors pay a personal income tax of 10 percent. Under the Petroleum Law, PSA concessions have been made to eight foreign energy companies: five offshore and three onshore concessions for periods ranging from 20-25 years. Subcontractors of PSA holders can bring their

equipment into the country only for the duration of a valid contract. There is no specific legislation that regulates operations of oil and gas subcontractors. Currently, Turkmenistan lists 49 import and 20 export goods and materials subject to customs duties. Goods and materials not on the lists are subject to a 0.2 percent customs fee payment and a charge of \$1.76 to the Customs official for every hour he/she spends inspecting the imported goods. Regarding exports, the Customs Service maintains a list of goods subject to customs duty payment. State enterprises often receive preferential treatment; for example, wool carpets produced at state factories are exempt from customs duties. In contrast, private carpet producers have to pay \$20 per square meter of carpet in customs duties in order to export carpets. Foreign investors are required to adhere to the sanitary and environmental standards of Turkmenistan.

Foreign investors' products should be of equal or higher quality than prescribed in national standards. Turkmenistan, while not a member of the World Trade Organization (WTO), has enacted a number of laws which mirror WTO standards including: investment, banking, intellectual property rights, customs, and privatization. However, the legislation is not enforced uniformly. Turkmenistan is not a signatory to and is not in compliance with the Agreement on Trade-Related Investment Measures (TRIMS).

The State Migration Service controls access to the country and the movement of foreign citizens. All visitors are required to register upon entry. Travel to most border areas requires a special permit. Inviting foreigners is often problematic because authorities can and do deny entry visas without explanation. Foreign business persons trying to enter Turkmenistan for the first time often have difficulty obtaining entry visas unless invited by a government agency. Even established investors continue to complain about bureaucratic procedures and delays in entering the country.

Right to Private Ownership and Establishment

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Foreign and domestic private entities in Turkmenistan have the right to establish and own business enterprises, subject to bureaucratic requirements. The 2000 Law on Enterprises defines the legal forms of state and private businesses (state enterprises, sole proprietorships, cooperatives, partnerships, corporations and enterprises of non-government organizations). The law allows foreign companies to establish subsidiaries, but the GoTX does not currently register subsidiaries. The Civil Code of Turkmenistan and the Law on Enterprises provide for representative and branch offices to operate in Turkmenistan. Enterprises have to be registered with the Registration Chamber at the Ministry of Economy. The 2008 Law on Licensing Certain Types of Activities lists 44 types of activities that require government licenses. The Law on Enterprises and the Law on Corporations provide for acquisitions and mergers. However, Turkmenistan's legislation is not clear about acquisitions and mergers involving foreign parties, nor does it have specific provisions for disposition of interests in business enterprises, both solely domestic and those with foreign participation. Governmental approval is necessary for acquisitions and mergers of enterprises with state shares.

Protection of Property Rights

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All land is owned by the government. The 1993 Law on Property defines the following types of property owners: private, state, non-government organizations, cooperative, joint-venture, foreign states, legal entities and citizens, international organizations and

mixed private and state. Though a significant amount of housing remains state-owned, a number of dwellings have been privatized, allowing citizens to rent and sell apartments and houses.

Turkmenistan adopted a new land code in 2004, addressing farmers' land rights. According to the new land law, citizens may have rights to up to three hectares of land but they cannot sell, exchange, or transfer it, except to their children. Based on the law, foreign citizens and stateless persons, foreign states, and companies and international organizations may only lease land. The October 1, 2007, amendments to the Land Code provide for up to 40-year land leases for hotels and recreational facilities in National Tourist Zones. Land and facilities subsequently built on the parcel must be transferred back to the state after the expiration of the contract. According to the Law on Foreign Investment, foreign investments in Turkmenistan are not subject to nationalization and requisition; foreign properties may be confiscated only by a court decision.

The government has enacted laws designed to protect intellectual property rights (IPR) domestically, but these laws are either arbitrarily implemented or not implemented at all. Among them are the 1993 Law on the Protection of Scientific Research, the 1993 Patent Law and the December 2008 regulation, which includes the Law on Inventions and Industrial Designs and the Law on Trade and Service Marks and Places of Origin. The 2008 regulation provides legal protection of intellectual property upon its registration with the Patent Agency, which was established in 1993. However, due to significant deficiencies in Turkmenistan's intellectual property protection regime, there is an ongoing review of Turkmenistan's status as a beneficiary country under the U.S. Generalized System of Preferences (GSP) Program. Turkmenistan has been on the Special 301 Watch List since 2000.

In March 2013 the President Berdimuhamedov issued a decree ordering the Ministry of Economy and Development of Turkmenistan to establish the State Service for Intellectual Property. While the full scope of its mandate is still unknown, the creation of the agency offers reason for cautious optimism.

The Law on Foreign Investment guarantees the protection of intellectual property of foreign investors, including literary, artistic and scientific works, software, databases, patents and other copyrighted items, but Turkmenistan has yet to adopt more explicit and comprehensive administrative and civil procedures and criminal penalties for Intellectual Property Rights (IPR) violations. Turkmenistan has not adopted a separate Copyright Law and consequently does not provide any protection to foreign sound recordings or pre-existing works. The 1993 Most Favored Nation Agreement between the United States and Turkmenistan also provides for favorable treatment of copyrighted materials. The agreement envisages Turkmenistan's accession to the Berne Convention of 1971 for the Protection of Literary and Artistic Works and Creation of a Working Group on Intellectual Property Matters. To date, Turkmenistan has not joined the Berne Convention or the Geneva Phonograms Convention. It is a challenge to purchase legally recorded material in Turkmenistan. Current border enforcement is weak. As a result, pirated recordings freely cross into Turkmenistan for sale. Additional personnel and training courses are needed for more effective border enforcement. Turkmenistan's laws do not provide for either civil or criminal ex parte search procedures needed for effective anti-piracy enforcement.

Turkmenistan signed the World Intellectual Property Organization's (WIPO) documents on industrial property rights and patent cooperation in 1995. Turkmenistan has also joined the Eurasian Patent Organization created as part of the WIPO for the CIS countries. Turkmenistan has not signed the 1996 WIPO Copyright Treaty (WCT), WIPO Performances and Phonograms Treaty (WPPT), or WIPO Internet Treaties. The Copyright Law was enacted in 2000 as part of Turkmenistan's Civil Code. This law defines copyrighted products and the rights of owners of the copyrighted products, and provides their legal protection. In January 2012 the law was amended to include intellectual property rights-related (IPR) provisions, including exclusive rights (absolute title), licensing agreements, and the collective management of ownership rights. Reportedly, Turkmenistan's Parliament was considering a Copyright Law in March of 2011, but it was not adopted. There is a Patent Department in the Ministry of Economy and Development which issues patents on intellectual property, but it does not enforce copyright laws. Turkmenistan has not adopted criminal penalties for IPR violations. Currently articles such as videos, cassette tapes, software, and literature are freely copied and sold. In general, products manufactured by government-owned entities increasingly dominate local markets and are well-protected by law enforcement bodies.

Transparency of Regulatory System

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The government does not use transparent policies to foster competition and foreign investment. Laws have frequent references to by-laws that are often not publicly available. Most by-laws are passed in the form of presidential decrees. Such decrees are not categorized by subject, which makes it difficult to find relevant cross references. Personal relations with government officials can play a decisive role in determining how and when government regulations are applied. Bureaucratic procedures are confusing and cumbersome. There is no single body that coordinates registration and activities of domestic and foreign private companies. The GoTX does not generally provide information support to investors, and officials can use this lack of information to their personal benefit. As a result, foreign companies may spend months conducting due diligence in Turkmenistan. A serious impediment to foreign investment is the lack of knowledge of internationally-recognized business practices and concepts, as well as the fact that there are few English speakers. Good quality English-language material on Turkmenistan legislation is scarce, and there are very few business consultants to assist investors. Proposed laws and regulations are not published in draft form for public comment. The general public is not invited to make contributions during parliamentary deliberations on the proposed bills or amendments to legislation.

There are no standards-setting consortia or organizations besides the Turkmen State Standards and the relevant licensing government agency. There is no independent body for filing complaints. Financial disclosure requirements are neither transparent nor consistent with international norms. Government enterprises are not required to publicize financial statements, even to foreign partners. Financial audits are often conducted by local auditors, not internationally recognized firms.

The 2008 Law on Petroleum was a partial step toward creating a more transparent policy in the oil and gas sector. It provides a detailed legal framework for conducting oil and gas business.

Efficient Capital Markets and Portfolio Investment

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Turkmenistan's underdeveloped financial system significantly hinders the free flow of financial resources. The largest state banks include the following: The State Bank for Foreign Economic Relations (Vnesheconombank), Dayhanbank, Turkmenbashi Bank, Turkmenistan Bank, Halk Bank, and President Bank. These state banks have narrow specializations—foreign trade, agriculture, industry, social infrastructure, savings and mortgages, respectively. There are two smaller state banks: Senagat Bank and Garagum Bank that provide general banking services only. In September 2011, the GoTX established the State Development Bank to provide soft loans to state-owned and private enterprises, which implement projects aimed at increasing production and creating jobs. There are also five foreign commercial banks in the country: a joint Turkmen-Turkish bank (with Ziraat Bank), a branch of the National Bank of Pakistan, the German Deutsche and Commerz Banks, and a branch of Saderat Bank of Iran. The two German banks provide European bank guarantees for companies and for the Turkmen government; they do not provide general banking services.

Total assets of the country's largest bank, Vnesheconombank, are estimated at \$1 billion (2007) at the then official exchange rate of 5,200 manat per dollar. No information is available regarding Vnesheconombank's current assets. Other banks' assets are much smaller. All banks, including commercial banks, are regulated by the state. Commercial banks are prohibited from providing services to state enterprises. The U.S. Export Import (EXIM) Bank announced on January 4, 2010, that it had extended its available financing to include long-term public sector transactions in Turkmenistan. Previously, EXIM had only been open for short- to medium-term public sector financing. Short-term financing is available for up to two years, medium-term up to seven years, and long-term up to 18 years.

State banks primarily service state enterprises and allocate credit on subsidized terms to the state enterprises. Foreign investors are only able to secure credit on the local market through the Pakistan National Bank and EBRD equity loans. There is no capital market in Turkmenistan, although the 1993 Law on Securities and Stock Exchanges outlines the main principles for issuing, selling and circulating securities. The 1999 Law on Corporations further provides for issuance of common and preferred stock and bonds and convertible securities in Turkmenistan, but in the absence of a stock exchange or investment company, there is no market for securities. In November, 2011, the Turkmen Government approved the State Program for Stock Market Development for the period 2012–2016, which portends that new regulations and procedures might be developed in this area.

Competition from State Owned Enterprises

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State-owned enterprises still dominate Turkmenistan's economy and control the lion's share of the country's industrial production, especially in such sectors as onshore hydrocarbon production, transportation, refining, electricity generation and distribution, chemical industry, railway and air transportation, and production of construction materials. Education, healthcare, and media enterprises are state-owned and tightly controlled. State-owned enterprises are also heavily involved in agriculture, food processing, textiles, communications, construction, trade, and services. Although state-owned enterprises are often not as efficient as private ones, the GoTX considers them strategically important. Although there are a growing number of small scale private enterprises in Turkmenistan, the GoTX continues to exert significant influence over

these enterprises. There are no functioning mechanisms or measures to ensure transparency or accountability in the business decisions or operations of state-owned enterprises.

Corporate Social Responsibility

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Corporate social responsibility (CSR) is an unfamiliar concept in Turkmenistan. In the past, foreign companies operating in Turkmenistan did not implement large social projects, neither were they required to do so. The situation seems to be changing, however as the State Agency for Management and Use of Hydrocarbon Resources reportedly now pays more attention to a foreign company's willingness to contribute to social programs when negotiating production sharing agreements with energy companies. CSR activities in Turkmenistan generally take the form of financial sponsorship of cultural or athletic events, providing scholarships to Turkmen students to study abroad, or the construction of small scale facilities, such as a medical clinic, to benefit the locality around a company's facilities.

Political Violence

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Turkmenistan's political system has remained stable since Gurbanguly Berdimuhamedov became president in February 2007.

The GoTX does not permit political opposition and maintains a tight grip on all politically sensitive issues by, in part, requiring all organizations to register their activities. The country's parliament passed a Law on Political Parties in January 2012 that defines the legal grounds for the establishment of political parties, including their rights and obligations. In August 2012, under the directive of President Berdimuhamedov, Turkmenistan created a second political party, the Party of Industrialists and Entrepreneurs. This pro-government party, created from the membership of the Union of Industrialists and Entrepreneurs, has a platform nearly identical to the President's Democratic Party and is not an opposition party. There have been no incidents involving politically-motivated damage to projects or installations and no politically-motivated demonstrations or violent actions were noted in 2012. Organized crime is rare and authorities have effectively rooted out organized crime groups and syndicates.

The GoTX does not publish crime statistics or information about crime, so it is difficult to assess crime trends.

Corruption

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Although Turkmenistan has legislation to combat corruption, laws are not generally enforced, and corruption remains a problem. Formally, the Ministry of Internal Affairs, the Ministry of National Security, and the General Prosecutor's Office are responsible for combating corruption. President Berdimuhamedov has publicly stated that corruption will not be tolerated. Turkmenistan joined the UN Convention against Corruption in March 2005. Still, the non-transparency of Turkmenistan's economic, financial, and banking systems provides fertile soil for corruption. The non-government organization, Transparency International, ranked Turkmenistan 170 among 174 countries in the world in its Corruption Perceptions Index for 2012. U.S. firms have identified widespread government corruption, usually in the form of bribe requests, as an obstacle to

investment and business throughout all economic sectors and regions. It is most pervasive in the areas of government procurement and performance requirements.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international

business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website:

<http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department’s annual Human Rights Report available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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The governments of Turkmenistan and the United States began negotiations on a bilateral investment treaty after 1991, but talks were suspended in early 1994. The GoTX expressed interest in renewing the talks in 1998, but negotiations have not recommenced. The United States government considers the Convention with the Union of Soviet Socialist Republics on Matters of Taxation, which entered into force in 1976, to continue to be in effect and applicable between the United States and Turkmenistan. There have been no discussions on a new dual taxation treaty.

Turkmenistan has signed bilateral investment agreements with Armenia, China, Egypt, France, Georgia, Germany, India, Iran, Ireland, Malaysia, Pakistan, Romania, Slovakia, Turkey, Ukraine, the United Arab Emirates, the United Kingdom, and Uzbekistan. In July 2009, EU Ministers passed a trade agreement with Turkmenistan reasoning that economic and trade engagement with the country would stimulate political reforms in Turkmenistan.

OPIC and Other Investment Insurance Programs

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Turkmenistan signed an Investment Incentive Agreement with the U.S. Government in 1992, but there has been no investment insurance, investment guarantees or financing provided by the Overseas Private Investment Corporation (OPIC) for Turkmenistan.

Labor

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Labor issues are governed by the Labor Code of Turkmenistan (last amended in July 2009), the Social Welfare code, and a number of regulations approved by presidential resolutions. Turkmenistan joined the International Labor Organization in 1993. Unemployment and underemployment are major problems. No official unemployment figure is available. Current unofficial estimates range from 35- 50 percent. Unemployment appears to be more of a problem among Turkmenistan's youth and among rural residents. The Law on Child Labor of May 2004 prohibits the employment of children under the age of 16 and makes employment in hazardous and harmful labor illegal for children under the age of 18. The GoTX continues to be the largest employer in the country, with seventy to eighty percent of employment originating in the public sector.

Turkmenistan's labor regulations require that all vacancies be posted at local employment offices. Most vacancies are low-skilled jobs. Employment offices have not been effective tools in reducing unemployment, or in providing suitable candidates for international companies. Investors recruit directly, although candidates still pay a nominal fee to the relevant employment office. The government requires the work force of foreign companies to have 70 percent local employees. The Association of Trade Unions of Turkmenistan -- successor to the Soviet-era system of government-controlled trade unions-is the only trade union allowed in the country. The Association's unions are divided along both sectoral and regional lines.

Officially, the normal workday in Turkmenistan is eight hours, and the standard workweek is 40 hours over five days. In practice, government and many private sector employees are required to work 10 hours a day or a sixth day without compensation.

The new Labor Code of 2009 reconfirmed a 40-hour work week, protected worker's rights by promoting the role of trade unions, guaranteed job security by restricting short-term contracts, and extended the duration of annual leave from 24 calendar days to 30 calendar days. Teachers of all types of educational institutions were entitled to 45 days of annual leave. Scientists with a doctoral degree holding posts in research institutions were also entitled to the same amount of annual leave. Health and safety regulations exist, but are commonly not enforced. Foreigners with government permission to reside in Turkmenistan may work, but are subject to the same labor regulations as citizens unless otherwise specified by law.

Foreign-Trade Zones/Free Ports

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The Law on Economic Zones for Free Enterprise was enacted in 1993. The law guarantees the rights of businesses -- foreign and domestic -- to operate in free economic zones (FEZs) without profit ceilings. The law forbids nationalization of enterprises operating in the zones and discrimination against foreign investors. Other rights guaranteed include:

- Preferential tax status, including exemption from profit tax if profits are reinvested in export-oriented, advanced technology enterprises;
- Repatriation of after-tax profits;
- Exemption from customs duties, except on products of foreign origin;
- Export of products; and
- Setting product prices.

There are ten FEZs in Turkmenistan: Mary-Bayramaly; Ekerem-Hazar; Turkmenabat-Seydi; Bakharly-Serdar; Ashgabat-Anew; Ashgabat-Abadan; Saragt; Guneshli; Ashgabat International Airport; and Dashoguz Airport. These FEZs have not been successful in drawing increased economic activity. Despite legal guarantees, the government interferes in business decisions of firms located in the FEZs. Moreover, FEZs have not been financially supported by the government and lack infrastructure, such as advanced telecommunications, to attract businesses. The infrastructure of the Ashgabat International Airport is more developed and has modern transit facilities.

In September 2011, the GoTX announced it was working on a new Law on Special Economic Zones. The new Law has not been passed yet.

Foreign Direct Investment Statistics

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State data on most economic indicators, including Foreign Direct Investment (FDI) remain unreliable and mostly unavailable. According to the Chairman of the Central Bank of Turkmenistan's October 2012 report, 21 percent of investment in Turkmenistan came from foreign sources, and an additional 17 percent came from loans from China. The GoTX remained the largest domestic investor (40 percent) with sizeable investment coming from private enterprises (22 percent). According to his report, Turkmenistan received \$3.4 billion in foreign direct investment in 2011—mostly to the energy (57 percent), chemical (27 percent), and transportation (14 percent) sectors. 143 foreign companies from 25 countries invested in Turkmenistan, including those from Malaysia

(39 percent), Russia (9 percent), China (8 percent), Turkey (6 percent), Great Britain (5 percent), UAE (5 percent) and France (3 percent).

However, according to various independent analysts, most foreign investment is directed toward the country's oil and gas sector. Such investments include three onshore Production Sharing Agreements (PSAs): the Nebitdag Contractual Territory operated by Burren Energy UK/ENI; the Khazar project operated jointly by the Turkmennebit state oil concern and Mitro International of Austria; and the Bagtyarlyk Contractual Territory operated by the Chinese National Petroleum Corporation (CNPC). In addition, there are six PSAs for offshore operations: Block 1 operated by Petronas of Malaysia; Block 2 (Cheleken Contractual Territory) operated by Dragon Oil (UAE); Block 3 operated by Buried Hill (Canada); Blocks 11 and 12 operated jointly by Maersk Oil of Denmark and Wintershall of Germany; Block 21 operated by Itera of Russia; and Block 23 operated by RWE of Germany.

Web Resources

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There are no websites for this industry.

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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Bank transfers and Letters of Credit are the most common methods of payment.

How Does the Banking System Operate

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The largest state banks include the following: The State Bank for Foreign Economic Relations (Vnesheconombank), Dayhanbank, Turkmenbashi Bank, Turkmenistan Bank, Halk Bank, and President Bank. These state banks have narrow specializations-- foreign trade, agriculture, industry, social infrastructure, savings and mortgages, respectively. There are two smaller state banks: Senagat Bank and Garagum Bank that provide general banking services only. There are also five foreign commercial banks in the country: a joint Turkmen-Turkish bank (with Ziraat Bank), a branch of the National Bank of Pakistan, the German Deutsche and Commerz banks, and a branch of Saderat Bank of Iran. The two German banks provide European bank guarantees for companies and for the Turkmen government; they do not provide general banking services.

Foreign-Exchange Controls

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The GoTX redenominated its national currency – the manat – and reduced the face value of bills by a factor of 5,000 at the beginning of 2009. The exchange rate is fixed at 2.85 Turkmen manat per \$1.

U.S. Banks and Local Correspondent Banks

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There are no U.S. banks in Turkmenistan.

Project Financing

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The European Bank for Reconstruction and Development provides project financing to Turkmen businesses.

Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

European Bank for Reconstruction and Development: <http://www.ebrd.org/>

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Chapter 8: Business Travel

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Business Customs

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Doing business in Turkmenistan requires patience, persistence and personal contact. The GoTX encourages foreign investment and business, but current structures do not conform to international business norms. No commercial code has been adopted, most local officials are unfamiliar with western business practices and internationally accepted norms, and business is often a matter of personal influence and politics. Many marketing methods employed in the West do not work well here. Successful companies in Turkmenistan have established personal contact with Government officials through either representative offices or visits. Smaller or lesser known companies must establish their bona fides before being accepted at the highest levels.

Large-scale contracts are signed at the presidential level and usually require the travel to Ashgabat of the company's president or CEO to close the deal. Follow-up visits are also critical. Communication by fax and telephone enhances but is no substitute for personal contact. There are locally-based distributors representing U.S. companies, but most are foreign companies themselves (usually Turkish), which have had established offices in Ashgabat since independence. Franchising has not become popular yet. Almost all companies investing in Turkmenistan form joint ventures. Since there is limited privatization, joint ventures generally include Government partners, except in the oil and gas sector. There is no standard form for a joint venture agreement; each agreement is negotiated individually, approved by the Cabinet of Ministers, and finalized by presidential decree.

Travel Advisory

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This travel alert is routinely updated to remind American citizens of ongoing security concerns and the potential for terrorist acts in Central Asia. The countries of Central Asia are comprised of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. American citizens are reminded to maintain a high level of vigilance and to take appropriate steps to increase their security awareness.

The U.S. Government continues to receive information that terrorist groups in Central Asia may be planning attacks in the region, possibly against U.S. Government facilities, Americans or American interests. Elements and supporters of extremist groups present in Central Asia, including the Islamic Jihad Union (IJU), al-Qaida, the Islamic Movement of Uzbekistan (IMU), and the Eastern Turkistan Islamic Movement, have expressed anti-American sentiments in the past and have demonstrated the capability to conduct terrorist operations in the region. Previous terrorist attacks conducted in Central Asia have involved improvised explosive devices and suicide bombers and have targeted public areas, such as markets, local Government facilities, and, in 2004, the U.S. and Israeli Embassies in Uzbekistan. In addition, hostage-takings and skirmishes have occurred near the Uzbek-Tajik-Kyrgyz border areas.

U.S. Embassy personnel in Central Asia continue to observe heightened security precautions at work, as well as in public places, such as markets and bazaars. Terrorists do not distinguish between official and civilian targets. As security is increased at official U.S. facilities, terrorists and their sympathizers seek softer targets. These targets may include facilities where Americans and other foreigners congregate and visit, such as residential areas, clubs, restaurants, places of worship, hotels, schools, outdoor recreation events, resorts, beaches, maritime facilities, airports, and aircraft. U.S. citizens in Central Asia are urged to register and update their contact information at the nearest U.S. Embassy or through the Department of State's travel registration website at <https://travelregistration.state.gov>.

For the latest security information, Americans traveling abroad should regularly monitor the Department's Internet web site (<http://travel.state.gov>) where the current Travel Warnings and Public Announcements, including the Public Announcement for Central Asia, and the Worldwide Caution Public Announcement, can be found. Up-to-date information on safety and security can also be obtained by calling 1-888-407-4747 toll free in the U.S. and Canada, or for callers outside the U.S. and Canada, a regular toll-line at 1-202-501-4444. These numbers are available from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays). The Department of State urges American citizens to take responsibility for their own personal security while traveling overseas. For general information about appropriate measures travelers can take to protect themselves in an overseas environment, see the Department of State's pamphlet *A Safe Trip Abroad*.

Visa Requirements

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American citizens must have a valid passport and visa and/or letter of invitation from the GoTX to enter and exit Turkmenistan. To apply for a visa, all U.S. citizens must complete an application and have a letter of invitation approved by the State Migration Service (SMS) in Ashgabat. An individual in Turkmenistan must submit the letter of invitation on behalf of an American citizen to the SMS, accompanied by a copy of the traveler's passport ID page. Each traveler's passport must be valid for at least six months following the date of the application. The SMS requires at least 15 working days for approval. The U.S. Embassy in Ashgabat does not issue letters of invitation to citizens interested in private travel to Turkmenistan. Applications for a visa can be submitted to the Embassy of Turkmenistan in Washington, D.C., or directly to the SMS in Ashgabat.

Under Turkmenistan law, a traveler with a stamped and approved invitation letter may also obtain a visa at the Ashgabat International Airport upon arrival in Turkmenistan; however, some travelers have reported difficulties with airlines not boarding passengers who only have approved invitation letters in lieu of a visa for onward travel to Turkmenistan. Travelers are strongly urged to obtain a visa before traveling.

The price for a visa will vary according to the intended length of stay. For an additional charge, the SMS can extend a visa in Ashgabat beyond its initial validity. Any traveler arriving without a visa or without the documents necessary to obtain a visa will be denied entry and may be held at the airport or border until the traveler has secured transportation out of Turkmenistan. The U.S. Embassy in Ashgabat is unable to intervene with Turkmenistan authorities regarding the admission of private travelers to Turkmenistan. Travelers departing Turkmenistan must have a current valid visa or they will be denied exit until they have extended the validity of the visa through their departure date.

In addition, U.S. citizens traveling in Turkmenistan should be aware that they need special permission from the SMS to travel to areas of the country that have been restricted by the GoTX, including almost all border areas.

Upon arrival at an airport or border entry point, the bearers of official passports will be charged \$17 to cover the GoTX's actual expenses in issuing the visa. Bearers of regular/tourist passports will be charged \$99 for a ten-day visa. The visa fees for regular/tourist passport holders may vary depending on the length of stay in the country. Those seeking a 20-day visa, for example, will be charged \$109. In addition to the immigration requirements mentioned above, foreigners are subject to local registration requirements. Americans who plan to stay more than three working days in Turkmenistan must register with the SMS. SMS offices are located in all of Turkmenistan's five major cities: Ashgabat, Dashoguz, Mary, Turkmenabat and Turkmenbashi.

One day prior to their departure from Turkmenistan, foreigners must return to an SMS office to register their departure. Foreigners should be registered and deregistered at the SMS in the city in which their sponsoring organization is located. Foreigners who fail to register their departure may be prevented by immigration authorities from leaving the country until they have done so. The penalties for remaining in Turkmenistan with an expired visa or for failing to register with the SMS include fines, arrest, and/or deportation. Foreigners who are deported for these violations may be prohibited from returning to Turkmenistan for up to five years.

American citizens in Turkmenistan are strongly urged to ensure that their visas do not expire and that they register with the SMS upon arrival and upon departure. Visitors holding tourist visas organized by a travel agency must stay in hotels; other visitors may stay in private accommodations whose owner must register the visitor's presence. Visit the Embassy of Turkmenistan web site at www.turkmenistanembassy.org for the most current visa information.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that Turkmen citizens must apply for a U.S. visa. For detailed visa information visit:

State Department Visa Website: <http://travel.state.gov/visa/index.html>

U.S. Embassy Ashgabat: <http://turkmenistan.usembassy.gov/>

Turkmen Embassy website: <http://www.turkmenistanembassy.org/>

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

Consular Section of U.S. Embassy Ashgabat:
<http://turkmenistan.usembassy.gov/consular-section.html>

Telecommunications

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Cellular phone service exists throughout Turkmenistan, but its quality and reliability is substandard. There are two operators in the country: Russia's MTS and local cell phone operator Altyn Asyr. Long distance direct dialing is possible, but very expensive (\$4 per minute). Operator-assisted calls can be made from Turkmenistan to the United States. The operator usually speaks some English and will be able to put the call through (dial 072, 073, 074). The rate for calls to the United States placed through an operator is \$3.90 per minute. Direct calls to the United States from Turkmenistan are made through dialing: 8 wait for dial tone 10 – 1 – area code – telephone number. Currently, major hotels charge from \$6.00 to \$9.00 per minute for telephone calls and from \$7.00 to \$9.00 per fax page. Internet access in hotels is often slow or not available, and it can be difficult to arrange an Internet connection for a private home or office.

Transportation

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The only two major western carriers flying to Ashgabat are Turkish Airlines and Lufthansa Airlines. Turkmenistan Airlines has flights to Abu Dhabi, Almaty, Amritsar, Bangkok, Beijing, Birmingham and London (England), Frankfurt, Istanbul, Minsk, Moscow and New Delhi. S7 Airlines flies from Moscow to Ashgabat. Fly Dubai flies between Dubai and Ashgabat. Within the country, it is possible to fly to Balkanabat, Dashoguz, Mary, Turkmenabat, and Turkmenbashi. Road conditions in Turkmenistan make driving difficult and sometimes dangerous. Most roads outside of major cities are narrow, riddled with potholes, unlit at night, and without proper road signs. Driving at night on these roads should be avoided. City roads are better in comparison to rural routes but may be hazardous due to potholes, uncovered manholes, poor lighting, and pedestrian traffic. Pedestrians frequently cross against traffic and create dangerous conditions. Traffic accidents involving serious injury to drivers, passengers, and pedestrians are common.

In general, visitors should use caution when driving in Turkmenistan. Drivers pay little attention to lanes and other road markings, with weaving and sudden lane changes (usually without use of a turn signal) a common occurrence. Drivers will often encounter cars going the wrong way on one-way streets or divided highways. Cars also frequently

make left-turns from the right lane and vice versa. Pedestrians regularly walk or stand in the middle of busy streets during the day and night, often without paying attention to oncoming traffic. Roadside assistance does not exist in Turkmenistan, where vast stretches of highway are often unmarked.

The U.S. Embassy in Ashgabat has received reports that police stationed at checkpoints may arbitrarily fine motorists. Because of the lack of reliable local transportation, visitors and new arrivals may find it convenient to hire a local driver. These drivers are usually relatively inexpensive. Arrangements can be made at most hotels. Taxis are also available in Ashgabat and are inexpensive.

Language

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Turkmen is the official language of Turkmenistan; however, Russian is widely used in government and business. The GoTX has declared that English be taught widely, but as yet a very limited number of people in Turkmenistan speak English.

Health

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Disclaimer: The U.S. Embassy Ashgabat, Turkmenistan assumes no responsibility or liability for the professional ability or reputation of, or the quality of services provided by, the medical professionals, medical facilities or air ambulance services whose names appear on the following lists. Names are listed alphabetically, and the order in which they appear has no other significance. Professional credentials and areas of expertise are provided directly by the medical professional, medical facility or air ambulance service.

Ashgabat Medical Facilities

Central Hospital (Turkish) # 1, Emre Yunus St. (Building of International Business Center) Telephone: 45-03-03.

S.A. Niyazov International Medical Center Berzengi, Ashgabat Telephone: 48-90-06; 48-90-08 Contact: Annaniyazova Sona Agajanovna (Speaks Russian and Turkmen) Telephone: 48-90-05; 48-90-09.

Saparmurat Turkmenbashy the Great International Medical Center for Internal Diseases Berzengi, Ashgabat Telephone: 48-90-32. Contact: Nury Kakabaevich Amannepesov.

Central Hospital Named After Turkmenbashy the Great Bikrova, Ashgabat. Telephone: 90-86-21.

Sanitary Aviation of the Ministry of Health of Turkmenistan

Dr. Dovran Saparovich Telephone: 93-82-12

Monday through Saturday (working hours) 92-07-19; 97-07-30 - numbers for emergency medical evacuation from different areas of the country.

Ambulance Services Government Ambulance Service Telephone: 03.

Central Hospital (Turkish) Turkmenbashy Shayoly/Yunus Emre Street, No. 1 Ashgabat
Telephone: (993-12) 45-03-03.

Local Doctors

Dr. Elena Raisovna Ulmasova Trauma Surgeon, Internal Medicine Specialist, Central Hospital Call for trauma (bones, joints, etc.) (Speaks Russian and a little English) (W) 45-03-03.

Dr. Rita Rakhmanova Dentist-Orthodontist Saparmurat Turkmenbashy the Great International Medical Center for Internal Diseases (Speaks Russian and German) Work: 48-90-89; Home: 47-55-88.

Dr. Nataliya Gritsayenko Dentist, Call for evaluations, infections and fillings (Speaks Russian) Work: 48-90-06, 48-90-08; Home: 45-69-86.

Pharmacies

Andalyp street, 15 (former Mira street, based in Burgan store), telephone 94-63-03,
Gorogly street, 29 (former Pervomayskaya street, just across the Student Polyclinic),
telephone 92-03-03.

Azadi, 65 (based in Ovadan Center), telephone 93-01-85.

Sona Muradova street, 2 (former Stepana Razina Street), telephone 28-63-44.

Medical Evacuations

The following is the list of companies that can assist U.S. citizens with medical evacuations. Please be aware that the Embassy cannot provide administrative assistance, such as airport and flight clearance assistance, for private medical evacuations.

Delta Consulting Moscow, Telephone: (+7-495) 937-64-77

Geneva SOS Emergency Telephone: 41-22-785-6464 SOS

Philadelphia, PA, the emergency number for the home office is 215-244-1500.

International SOS Alarm Center, Moscow Telephone: (+7-495) 937-64-77 Fax: (+7-495) 937-64-70 / -72. E-mail: mowopsm@internationalsos.com

AEA International Worldwide emergency assistance (in Almaty, Kazakhstan): Dr. Francois Gourraud, Medical Director for Central Asia Telephone: (+7-327) 258-19-11 or doctor on call at (+7-300) 744-11-11.

Local Time, Business Hours, and Holidays

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Local time is one hour ahead of Moscow in the summer and two hours ahead in daylight savings time or 9-10 hours ahead of the U.S. east coast. Businesses are generally open from 9 to 6, Monday through Saturday.

2013 Turkmenistan Holidays are:

January 1 New Year's Day
January 12 Memorial Day
February 19 National Flag Day
March 8 International Women's Day
March 21-2 National Spring Holiday
May 9 Victory Day
May 18 Day of Revival, Unity and Poetry of Magtymguly Pyragy
October 6 Remembrance Day
October 27-28 Independence Day of Turkmenistan
December 12 Neutrality Day

Additional National holidays of KURBAN BAIRAM (70 days after Oaza Bairam) and ORAZA BAIRAM (end of Ramadan) – the dates to be determined by lunar calendar and announced by Turkmen Government as non-working days.

Temporary Entry of Materials and Personal Belongings

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Turkmenistan customs authorities may enforce strict regulations concerning temporary importation into or export from Turkmenistan of items such as carpets, jewelry, musical instruments, pieces of art, archaeological artifacts, antiques, protected animals, etc. It is advisable to contact the Embassy of Turkmenistan in Washington for specific information regarding customs requirements. Travelers who wish to take carpets out of Turkmenistan must obtain a certificate from the Carpet Museum in Central Ashgabat indicating that the carpet does not have historical value. In addition, buyers may have to pay a tax calculated according to the size of the carpet. Travelers who have purchased other items that could be perceived to be of historical value, such as jewelry, have also reported difficulties in taking these items out of Turkmenistan. Turkmenistan's indigenous dog, the Alabay, is considered a national treasure and is banned for export without prior permission. American citizens should also check to ensure that any item they intend to bring into the United States is permitted by U.S. customs regulations.

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<http://travel.state.gov>
<http://www.turkmenistanembassy.org>
<http://www.unitedstatesvisas.gov/>
<http://turkmenistan.usembassy.gov/>

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Chapter 9: Contacts, Market Research and Trade Events

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Contacts

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Ministry of Communications 69 Azady Street Ashgabat, Turkmenistan, 744000. Tel: (993- 12) 49-43-30.

Ministry of Construction and Construction Materials Industry 56 Alisher Navoi Ashgabat, Turkmenistan, 744000. Tel: (993-12) 51-15-04.

Ministry of Motor Transportation 95 Azady Street Ashgabat, Turkmenistan, 744000. Tel: (993-12) 51-13-05.

Turkmenavtoyollary (road construction) 95 Azady Street Ashgabat, Turkmenistan, 744000. Tel: (993-12) 51-07-00.

Ministry of Railways 7 Turkmenbashy Shayoly Ashgabat, Turkmenistan, 744000. Tel: (993-12) 94-23-32.

Turkmenhovayollary (national airways and civil aviation authority) 3-A Chary Nurymova Ashgabat, Turkmenistan, 744000. Tel: (993-12) 51-01-56.

Turkmendenizderyayollary (sea and river lines) 8 Shagadam Turkmenbashi City,

Turkmenistan, 745000. Tel: (993 24) 32 03 60/ (993 12) 51 04 29 Fax: (993 24) 32 07 44.

State Agency for Management and Use of Hydrocarbon Resources 56 Arçabil Avenue Ashgabat, Turkmenistan, 744036. Tel: (993-12) 40-38-01 Fax: (993-12) 40-38-31. E-mail: stateagency@online.tm.

Turkmennebit (oil and gas production) Representative in Ashgabat 56 Arçabil Avenue Ashgabat, Turkmenistan, 744036. Tel: (993-12) 40-36-20 Fax: (993-12) 40-36-22.

Turkmengaz (gas production) 56 Arçabil Avenue Ashgabat, Turkmenistan, 744036. Tel: (993-12) 40-32-01/02 Fax: (993-12) 40-32-54.

Turkmengeology 56 Arçabil Avenue Ashgabat, Turkmenistan, 744036. Tel: (993-12) 40-34-01 Fax: (993 12) 40 34 39.

Turkmennebitgazgurlushyk (construction in oil and gas sector) 56 Arçabil Avenue Ashgabat, Turkmenistan, 744036. Tel: (993-12) 40-35-01 Fax: (993-12) 40-31-44.

State Customs Service Adalat Koshgi 2022 Street Ashgabat, Turkmenistan, 744000. Tel: (993-12) 38-05-41. Fax: (993-12) 38-06-65.

Food Industry Association Address: 109 Magtymguly Street Ashgabat, Turkmenistan. Tel: (993-12) 93-76-25. Fax: (993-12) 35-47-81, 51-19-82.

Ministry of Water Resources Address: 30 Atamyrat Niyazov Street Ashgabat, Turkmenistan. Tel: (993-12) 22-71-99. Fax: (993-12) 39-85-32.

Ministry of Agriculture Address: 63 Azady Street Ashgabat, Turkmenistan. Tel: (993-12) 44-74-55. Fax: (993-12) 35-05-18.

Ministry of Textile Address: 47 Garashsyzyk Street Ashgabat, Turkmenistan. Tel: (993-12) 40-71-71, 40-70-34. Fax: (993-12) 35-54-42.

Ministry of Health Address: 20 Archabil Street Ashgabat, Turkmenistan. Tel: (993-12) 40-06-73. Fax: (993-12) 40-05-68.

Main State Inspectorate "Turkmenstandartlary" 12 Galkynysh Ashgabat, Turkmenistan, 744004. Tel: (993-12) 49-58-59. Fax: (993-12) 51-04-48.

Main State Tax Inspectorate 63 Garashsyzyk Shayoly Ashgabat, Turkmenistan, 744036. Tel: (993-12) 48-24-01/03. Fax: (993-12) 48-24-11.

State Commodity and Raw Materials Exchange 111 Magtymguly Shayoly Ashgabat, Turkmenistan, 744000. Tel: (993-12) 94-23-21. Fax: (993-12) 51-03-04.

Ministry of Education 2 Gorogly Ashgabat, Turkmenistan, 744000. Tel: (993-12) 44-86-63, 44-84-53. Fax: (993-12) 44-86-93.

Ministry of Energy and Industry (power generation and distribution) 6 2008 Street Ashgabat, Turkmenistan. Tel: (993-12) 92-38-07, 37-94-59. Fax: (993-12) 39-06-82.

Ministry of Trade and Foreign Economic Relations 52 Archabil Avenue, Ashgabat, Turkmenistan, 744000. Tel: (993-12) 44-64-65, 44-61-40. Fax: (993-12) 44-63-40.

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

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Please click on the link below for information on upcoming trade events.
<http://www.export.gov/tradeevents.html>

<http://www.buyusa.gov/kazakhstan/en/105.html>

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.
(Insert link to Products and Services section of local buyusa.gov website here.)

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.**

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center at (800) USA-TRAD(E).**

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct

their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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