CHAPTER IV

THE IMPLEMENTATION OF TURKMENISTAN'S STRATEGY TO SUPPORT ECONOMIC DEVELOPMENT IN THE GURBANGULY BERDIMUHAMEDOV'S REGIME

Following Niyazov's death in December 2006, the State Security Council of Turkmenistan appointed Berdimuhamedov as acting president. Article 60 of the Turkmen Constitution stipulated that the acting president "may not stand for election to the Presidency",[70] which would have barred Berdimuhamedov from running in the 2007 presidential elections. However, on December 24, 2006 People's Council voted to remove this provision, making him eligible for the election as one of the six chosen candidates, all members of the Democratic Party of Turkmenistan. Berdimuhamedov was supported by the current elite, and the official results showed him as winning 89% of the vote. In his prime address, the new president pledged to follow the ways of his predecessor Saparmurat Niyazov.[71]

The Turkmen government has taken initial steps in a reform process designed to foster private sector development, with the aim to increase the private sector share of non oil and gas GDP to 70 percent by 2020.[72] Following the recent unification of the exchange rate, the government has introduced a new foreign investment law, lifted the ban on international

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[70] Legislation Online, *The OSCE/ODIHR Has Recently Produced the Following Legal Reviews*, retrieved on May 19, 2013 at http://www.legislationline.org/

[71] BBC News, *New Turkmen Leader is Inaugurated*, retrieved on May 19, 2013 at http://news.bbc.co.uk/2/hi/asia-pacific/6359569.stm

[72] European Bank, *Strategy For Turkmenistan*, retrieved at May 19, 2013 at

banking operations of commercial banks and started to liberalise a small number of controlled prices. These are positive steps. However, much more remains to be done to establish the basis for market oriented economic development. Since the adoption of the last country strategy Turkmenistan has experienced double digit economic growth supported by very high world commodity prices.

Turkmenistan has some of the largest natural gas reserves in the world, yet the country faces a numerous of challenges in bringing those reserves to world markets. It is geographically far from end-use markets and lacks sufficient pipeline infrastructure to export more hydrocarbons. Also, other hydrocarbon rich, Central Asian and Caspian states, with more favorable investment climates and greater access to markets pose competition for Turkmenistan. The country is eager to diversify export routes for its oil and gas resources outside of the pipelines going to Russia, but must obtain capital, technical assistance, and political support for alternative pipelines.

A. Turkmenistan Financial Policy

The Turkmenistan Constitution declares the country a democratic presidential republic with independent legislative, judicial, and executive branches of power. The rule of law, democratic freedoms, and political rights are also proclaimed in the Constitution. In reality, power is highly centralized and is characterised by a strong presidency. In September 2008, Central Asian state's democratic credentials and assure investors of its economic openness.

The Government recognizes the need to diversify the economy by promoting private sector development and investment in non hydrocarbon activity, and launched several structural reform measures in 2008. The exchange rate unification, removal of limits on foreign exchange transactions, and denomination of the national currency (*manat*) have been positive steps. The Government has also been gradually liberalizing the financial sector. In June 2008, it issued new foreign exchange regulations, which enabled the Central Bank to provide commercial banks with ready access to foreign exchange and allowed commercial banks to open correspondent bank accounts to facilitate trade finance.[73]

The newly adopted constitution highlights the protection of private property rights. The Government has also passed new laws and legal reforms on foreign investments, accounting, financial reporting, and tax regulations; abolished import duties on some foodstuffs; and lowered import duties on some other products. In addition, in October 2008, the President signed a decree permitting the Ministry of Finance to establish a stabilization fund as a cushion against the impact of the global slowdown. Limited exposure to international financial markets, low external debt, and strong fiscal and external balances have kept Turkmenistan relatively protected from the global crisis. Favourable contractual prices for its gas exports shall boost further the country's fiscal revenues and external

[73] PWC, *Guide to Doing Business and Investing in Turkmenistan*, retrieved on July 19, 2013

reserves. This positive outlook provides a great opportunity to deepen and accelerate the economic reforms, which were initiated in 2008 with the successful unification of the exchange rate.

1. Investment Regulations

The Government regularly proclaims its wish to attract foreign investment, but its state control mechanisms have created a stiff foreign investment climate. the most promising areas for investment have been in the oil and gas sector. Other industries where the government has been most receptive to foreign investment are the textile and construction sectors, as they need modern technology, knowledge of international markets and experience in international business practices.

Until recently, many foreign companies have shunned investment in Turkmenistan's energy sector, despite the country's estimated 600 million barrels in oil reserves and 100 trillion cubic feet (Tcf) in gas reserves. Only a handful of foreign energy investors have active assets in the country, including the Arab Emirates' Dragon Oil, Malaysia's Petronas, and the UK's Burren Energy, now owned by Italy's Eni.[74]

Foreign investment activity is generally regulated by the Law of Turkmenistan on Foreign Investments, which provides overall regulatory framework for foreign investments and ensures their protection. One of the major substansial incentives under the above law is that the property contributed by foreign investors to the charter capital of their Turkmen subsidiaries is exempt from import customs duty. The Government favours

[74] Ibid

long term investment projects that do not require regular hard currency purchases of raw materials from foreign markets. Thus, existing textile factories with foreign capital, mainly Turkish, using domestic materials and labour serve as model investment projects supported by the Government.

Other incentives are mainly provided to companies operating in oil and gas sector and those involved in development of "Avaza" touristic area. Those companies enjoy preferential tax, customs and licensing regimes. In July 2007, President Berdimuhamedov announced the creation of the Avaza free tourist zone along 16 kilometers of the Caspian Sea coast.[75] The Ministry of Economy and Finance (MOEF) promised exemption from registration fees and Value Added Tax (VAT) to contracting and management companies, full convertibility of all manat denominated operations earnings into hard currency for amortization of foreign loans, payment for construction work or services, purchase of raw materials, equipment, and goods. This zone will have a special regime for making cash payments and overseas electronic transfers, and equipment and materials used in facility construction or management will be exempt from calibration fees in the zone. Amendments to the Land Code passed in October 2007 include a provision for 40 year land leases for construction of tourism facilities and 5 year leases for retail and services points, warehouses and car parking lots.[76] Construction equipment used in the Zone will not be subjected to the one percent property tax.

2. Banking System

In late 2008, money demand contracted while the Central Bank of Turkmenistan (CBT) undertook large policy lending operations. To satisfy a spike in foreign exchange demand and sterilize the large liquidity injection from its lending operations, the CBT intervened heavily in the foreign exchange market. The successful introduction of the new manat in January 2009 and a stable exchange rate have raised confidence in the currency and internal demand for manat has been growing since.[77]

Turkmenistan's financial system has been under continuous development reform. Most of the banks including the largest ones are state owned. The largest banks include: State Bank for Foreign Economic Relations (Vnesheconombank); which has a monopoly over foreign economic transactions and which operates on its own account as a separate arm of government reporting to the President, rather than to the Central Bank or to the Ministry of Economics and Finance;[78] Dayhanbank, Turkmenbashy Bank, Turkmenistan Bank, Halk Bank, and President Bank. These state banks have narrow specialisations; foreign trade, agriculture, industry, society, savings and mortgages, respectively. Commercial banks are prohibited from providing services to state enterprises. There are also two banks with partial private capital, namely Garagum Bank and Senagat Bank, and two banks with foreign participation, Turkmen-Turkish Bank

[77] Ibid

[78] Annonymous, *Openness to, and Restrictions upon, Foreign Investment*, retrieved at July 22, 2013 at http://turkmenistan.usembassy.gov/ics.html

(joint venture with Ziraat Bank, owned by Turkey), and a branch of the National Bank of Pakistan.[79]

The accounting system in Turkmenistan is in the stage of development. A number of steps have been taken towards implementation of accounting reform, beginning with an adoption of The Law of Turkmenistan on Accounting on 20 December 1996, which set out the basis of the conduct of accounting and related requirements.[80] New Law on Accounting was enacted in 2010, according to which all credit institutions (banks) have to fully comply with International Financial Reporting Standards (IFRS) starting from 2011. Starting from 2013 other enterprises should start complying with new national accounting standards, which will be based on IFRS.[81]

The Law on Enterprises requires that companies registered in Turkmenistan maintain accounting books in compliance with Turkmenistan accounting standards. For reporting purposes, accounting records should be maintained in local currency and, where foreign currency transactions take place, conversion should be performed at the official exchange rate of the Central Bank of Turkmenistan as of the transaction date.

3. Tax Regulations

According to the Tax Code, the Main State Tax Service of Turkmenistan together with the Ministry of Finance of Turkmenistan are liable to elaborate and approve forms and procedures for completion and

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[79] PWC, Guide to Doing Business and Investing in Turkmenistan, retrieved on July 19, 2013 at http://www.pwc.com/uz/en/dbg_tkm_2011.pdf

[80] Ibid

[81] Ibid

submission of tax declarations. Tax declarations shall be submitted by each taxpayer for each tax due to be paid by taxpayer.

Turkmenistan payers of Value Added Tax (VAT) are legal entities and individual entrepreneurs trading goods and services. Contractors or subcontractors operating under the Law Concerning Hydrocarbon Resources might have certain privileges and exemptions with respect to VAT. Certain exceptions exist where state related transactions are concerned.[82]

The following entities are generally subject to profits tax in Turkmenistan are from legal entities that are residents of Turkmenistan, legal entities which are non residents of Turkmenistan carrying out activity in the territory of Turkmenistan through a permanent establishment or receiving income from sources in Turkmenistan.

The Tax Code adopted in 2004 was amended three times, in 2005, 2006 and 2007, but with most tax rates remaining unchanged. InSaparmurat regime, The Value Added Tax is 15%, an income tax of 8% is applied to JVs and an income tax of 20% to wholly-owned foreign companies and state owned enterprises. Dividends are taxed at 15%, and the personal income tax is 10%. In 2005, the government of Turkmenistan amended the tax code, giving more concessions to domestic private companies. The Code exempted domestic private companies from the VAT and property tax and reduced the income tax from 8% to 2%. In August 2006, Turkmenistan increased its excise tax on imported beer is 50% and wine is 100%. Similar taxes on domestically produced beer and hard liquor remain at previous

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[82] PWC, *Guide to Doing Business and Investing in Turkmenistan*, retrieved on July 22, 2013 at http://www.pwc.com/uz/en/dbg_tkm_2011.pdf

rates: 10% and 15% until 40% respectively,[83] and Berdimuhamedov still use those tax regulation.

The simple average of the overall rest of the world tariff, including preferences, faced by the country's exports is 9.8 percent. When its trade flows are taken into consideration, it is apparent that Turkmen exports have good access to international markets, especially in comparison to its comparators. Turkmenistan's weighted average rest of the world tariff, including preferences, is 1.5 percent, lower than the regional and income group averages of 2.1 and 2.9 percent, respectively. Different from the majority of countries in the region, Turkmen agricultural products face a more favorable trading environment, 0.8 percent tariff, than non agricultural products, 1.5 percent tariff.[84] An observer at the WTO, Turkmenistan signed a trade and investment framework agreement with the United States on June 1, 2008.[85]

4. Privatization

Turkmenistan has officially announced a large scale privatization of state owned industries to be launched beginning of 2013. In November 2012; Berdimuhamedov approved a strategic document entitled State Program for Privatization of Enterprises and Objects of State Property in Turkmenistan for 2013-2016[86], outlining the government's privatization goals. The program is a major step forward in an attempt to create a genuine

[83] Annonymous, *Macroeconomic Framework and Taxation System in Turkmenistan*, retrieved on July 22, 2013 at www.energydev.net/file/729/download/784
[84] World Bank, *Turkmenistan Trade Brief*, retrieved at August 29, 2013 at http://info.worldbank.org/etools/wti/docs/Turkmenistan_brief.pdf
[85] Ibid
[86] Martin Sieff, *Turkmenistan Continues Major Privatization Program*, retrieved on August

private sector in the country. The privatization process has the potential to move the least transformed of all post-communist countries further away from the inherited Soviet central command system towards a free market economy as it is envisaged in Turkmenistan's constitution.

The privatization program was officially discussed during a cabinet meeting of Turkmenistan's government on November 16, 2012, and was subsequently endorsed by President Berdimuhammedov. The proposed road map outlines existing national development goals and presidential directives, calling on Turkmenistan's private sector to increase its share of the country's GDP to as much as 70 percent by 2020[87], the hydrocarbon sector excluded. Taking more than two years, the preparation of the privatization plan has been conducted by the Institute of Strategic Planning and Economic Development.

The program provides for privatization of state enterprises and state owned property in Turkmenistan, and is extended into three phases till 2016. Major enterprises in manufacturing, construction, transportation and communications, and other industries are to be privatized through direct buyouts, auctions and sales, and transforming the state-owned enterprises into joint stock companies, along with establishing investment funds and stock exchanges and forming a securities market. Foreign and local investors will be allowed to participate in the auction.[88] At the same time, the program identifies key state-owned enterprises and state property

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[87] Jan Šír, *Turkmenistan to Launch Large Scale Privatization*, retrieved on August 28, 2013 at http://old.cacianalyst.org/?q=node/5895

[88] Martin Sieff, *Turkmenistan Continues Major Privatization Program*, retrieved on August

defined as being of nationwide importance, which will not be subject to privatization and will be excluded from denationalization and future transition of ownership.

These are part of his overall modernization and diversification effort aimed at bringing Turkmenistan closer to developed nations and facilitating the country's integration into the global economy. These reform attempts have focused on basic capital investments in such priority areas as upstream development of new oil and gas deposits and relevant energy infrastructure that generate most of Turkmenistan's export revenues and can be used to finance the president's national projects.

On January 19th 2013, Berdymuhamedov ordered the establishment of a governmental commission to start membership talks with the World Trade Organization (WTO).[89] The corresponding work on the country's accession to the WTO has been conducted since the beginning of the year by order of the President Gurbanguly Berdymuhamedov in all branch ministries and agencies. A government commission was created for this purpose. Future membership in the WTO would hinge on a successful privatization campaign.[90] The accession to the WTO is aimed at improving the economic status of Turkmenistan on the international arena, which will facilitate the flow of credit and investment. Turkmenistan which is diversifying and modernizing its economy and implementing large scale

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[89] Murat Sadykav, *Turkmenistan: Ashgabat Talks Privatization and WTO, Surprising Observers*, retrieved on August 29, 2013 at http://www.eurasianet.org/node/66473

[90] Turkish Weekly, *Joining WTO Meets Turkmenistan's Interests*, retrieved on August 28,

socio-economic programs and projects can get access to modern technologies because their standards are also set up by the WTO system.[91]

5. Customs Regulation of Foreign Economic Activity

The foundations of market based competition are not secure. The state continues to control almost all aspects of the economy; state companies carry out all production and export of oil, natural gas and other raw materials. The state also enforces purchasing and trade monopolies on cotton and grain at prices well below world market levels. Nevertheless, President Berdymukhamedov initiated some economic reforms: currency convertibility was introduced in March 2008, which freely floated the Turkmen manat at around 14,300 per U.S. dollar. This value represented a middle point between the former market exchange rates and the former official U.S. dollar exchange rate of 5,200 manat. Currency reform continued in January 2009 when the new manat was introduced at an exchange rate of 5,000 old manat. Turkmenistan has initiated these reforms without IMF loans.[92] A new foreign investment law improved investment prospects in the country and authorities have modestly liberalized international trade by reducing import duty and exercise taxes.

Imposition of customs duties and taxation is one of the most effective administrative methods for regulating Foreign Economic Activity (FEA). Customs regulation of Turkmenistan is based on the Customs Code. The Customs Code identifies overarching objectives and principles of

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[91] Ibid

[92] Bertelsmann Stiftung's Transformation Index, *Turkmenisatan Country Report,* retrieved on July 12, 2013 at http://www.bti-

customs taxation; the structure, status and functions of customs bodies; the procedure for setting, approving and paying customs duties; sanctions for infringement of the customs treatment mode; and the appeal and review procedures Criteria for assessing the macroeconomic effect of FEA may include customs revenues from foreign trade that encompass customs payments. Customs payments include customs duty (import and export), Value Added Tax (VAT), excise taxes and customs charges. The procedure for paying VAT and excise taxes is provided for in the Tax Code of Turkmenistan,[93] and the list of goods impacted by custom duties regulations was established through a Presidential Resolution[94] which went into effect on 1st August, 2008.[95]

The Presidential Resolution resulted in the repeal of the old list of taxable imported goods, including fresh and refrigerated vegetables, cheeses of all types, fresh potatoes, semolina farina, vegetable oil, canned fish, confectioneries, laundry soap and bath soap. Yet, 48 items remain taxable. However, Turkmenistan has significantly reduced many customs duties and eliminated certain major customs barriers to the export and import of many types of goods. All types of garments and clothing accessories are now subject to a minimum fixed charge of 30%, rather than varying rates from 30% until 100% of their customs value, a 25% reduction in taxes was implemented on footwear; and rates of charges imposed on goods that were not on the initial list of taxable imported goods were

[93] Government of Turkmenistan, Tax Code of Turkmenistan (Ashgabat: Government of Turkmenistan, 2004).
[94] Government of Turkmenistan, retrieved on July 3, 2013

decreased from 5% to 2 %.

The state monopolizes all strategically important economic resources such as gas, petrochemical products, cotton and grain. In other areas, such as the import and trade of goods, it does not impede monopolies. Freedom of trade is highly limited. Foreign business people, primarily from Turkey, are given preferential treatment when concessions are awarded. Repatriation of profits is difficult and tied to reinvestment with the result that financially less powerful investors or investors without personal business relations with the president and governmental officials avoid investments in Turkmenistan. Nevertheless, the government's recent reduction of export and import taxes slightly improved the country's business environment; however, almost all foreign trade transactions must be registered with the Turkmen State Commodity Exchange.[96]

Table 1. The differences between Niyazov's Regime and Berdimuhamedov's Regime

No	Niyazov's Regime	Berdimuhamedov's Regime
1.	Closed state	Open state
2.	No foreign investment	Free tax for foreign investment in Avaza area
3.	Owned by state	Privatization

[96] Bertelsmann Stiftung's *Transformation Index, Turkmenisatan Country Report*, retrieved on July 12, 2013 at http://www.bti-

B. The Economy in Turkmenistan During Gurbanguly Berdimuhamedov's Regime

The country's current accounts grew by 6.5% by end 2007. These are expected to increase by another 2.2% by end 2008. Turkmenistan's real GDP is expected to grow at 9.5% in the first quarter of 2009, led by gas and oil exports. During 2009, the annual inflation will rise to 9.5% from 8.4% in 2007, according to IMF projections.[97] Current account surplus may increase by 8 percentage points by first quarter 2009 from its 23.6% in 2007. This will mainly be due to the country's expected expansion of the existing gas pipelines to export natural gas to regional countries. Turkmenistan's fiscal position will remain in surplus due to higher gas and oil revenues, which are also expected to keep the current account in surplus at 15.7% of real GDP during 2008, according to World Bank estimates.[98] In 2012, the real GDP in Turkmenistan is 8%.[99]

State sovereignty and economic independence facilitated Turkmenistan's entry into the world market. In the process of economic reforms in Turkmenistan, the state's foreign economic policy aimed to effectively include the national economy into the system of global economic relations and ensure the realization of related economic benefits and advantages. An important tool in achieving this goal is the development and further improvement of Foreign Economic Activity (FEA) aiming at the

[97] Economic Secretariat, *Reublic of Turkmenistan*, retrieved on May 23, 2013 at http://www.ecosecretariat.org/Countries/Turkmenistan/Republic%20of%20Turkmenistan.pdf

[98] Ibid

[99] The World Factbook, *Turkmenistan*, retrieved on July 3, 2013 at

optimal combination of openness of the Turkmen economy and economic security of the state.

The global financial crisis did not have a significant impact on the Turkmen economy, as confirmed by the annual missions of the International Monetary Fund in its press releases and reports. One observed a certain reduction in revenues associated with a material decrease in the procurement of natural gas by Russia, but that was significantly offset by the increase in sales of natural gas to Iran and China called "financial safety net", means comprises the deposit insurance function, prudential regulation and supervision, and the lender of last resort function, accumulated by the country over the pre crisis years.[100]

Turkmenistan maintains a relatively high level of investments in the socio-economic development of the country, resulting in high gross domestic product (GDP) growth rates and improvements in quality of life, including monetary incomes. Over the last few years, because of almost annual administratively ordered increases in salaries, pensions, benefits, and stipends, the rate of growth of nominal monetary incomes has somewhat outpaced inflation which ensures the growth of real incomes of the Turkmen population.

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[100] Ishanguly Jumayev, *Foreign Trade of Turkmenistan: Trends, Problems and Prospects,*

Table 2. Primary economic indicators of Turkmenistan

Indicator	2007	2008	2009	2010	201
Gross Domestic Products in current prices, TMT	27 000	49 470	57 611	59 000	79 97
Rate of growth of production in comparable prices, %					
GDP	11.0	14.7	6.1	9.2	14.
Industry	10.1	7.1	-20.8	8.1	24.
Agriculture, fishery and forestry	6.1	4.0	8.6	7.8	0.
Construction	36.2	129.3	114.4	15.9	12.
Transportation and communications	17.1	8.7	14.7	12.2	8.
Trade and catering	15.4	9.9	27.0	11.3	9.
GDP industry structure, %					
Industry	36.7	50.5	42.7	39.7	49.
Agriculture, fishery and forestry	17.8	10.8	10.5	12.8	10.
Construction	6.4	10.1	18.2	16.1	13
Transportation and communications	5.7	4.1	5.0	5.9	4
Trade and catering	9.2	5.3	6.1	7.1	5
Other services	24.2	19.2	17.5	18.4	16
Investments in fixed assets, % GDP	17.0	31.4	47.5	4.9	43
Rate of inflation under the Consumer Price Index (annual), %	6.3	14.6	-2.7	4.4	5

Indicator	2007	2008	2009	2010	2011
Exchange rate (annualized), TMT/USD	1.04	2.32	2.85	2.85	2.85
Average monthly salary, TMT	507.1	604.4	677.6	742.8	795.9
Revenues of the state budget (current prices), TMT million	4 684	10 080	11 768	10 170	15 079
Expenditures of the state budget (current prices), TMT million	3 629	5 375	10 124	8 878	12 180

Sources: Website of the State Committee of Turkmenistan on Statistics, www.stat.gov.tm; State Committee of Turkmenist Statistics. Statistical Yearbook of Turkmenistan. (Ashgabat: State Committee of Turkmenistan on Statistics, 2011).

The transition to the market economy in Turkmenistan was accompanied by significant changes in the structure of public employment. Economic reforms and active investment policies of the state positively affected the increase in employment in various sectors and were accompanied by consistent redistribution of the labor force from state enterprises and organisations to the non state sector. Between 1991 and 2010, the number of employees in the non state sector of the economy, including the mixed form, increased by 2.7 times, while their share in the number of those employed grew from 44% to 75%. The increase in employment in the non state sector of the economy was facilitated by the development of joint ventures and entrepreneurship. In March 2011, the State Program for the Support of Small and Medium Enterprise in Turkmenistan for 2011 until 2015 was adopted.

The outbreak of inflation in Turkmenistan in 2008 was not related to the global economic crisis as much as it was to domestic financial and economic factors. In particular, due to the unification of the national currency exchange rate and the 11th February 2008 rise of prices for automobile gasoline and diesel fuel for owners of private automobile transportation vehicles inflation, as per the Consumer Price Index (CPI), that year totaled 14.6%. However, the implementation of a Presidential Resolution on import and export customs duties decreased the market value of certain goods within the country and facilitated the satiation, to a certain extent, of the consumer market with foodstuffs and necessary industrial

1. **Human Resources Empowerment**

The Government under the first President of Turkmenistan had somewhat weakened Turkmenistan's education system. Mandatory secondary education was reduced from 10 to 9 years under President Niyazov, but, in February 2007, the newly elected President, Gurbanguly Berdimuhammedov, announced the reinstatement of 10 years' mandatory education starting with the 2007 - 2008 academic year. The new President also increased higher education to five years and medical training to six years.[101]

Teaching English and other foreign languages had also been significantly reduced in most schools' curricula, but in 2006, English language instruction was officially reinforced again in school programs.[102] The general lack of foreign language learning has hampered the ability of students to study outside Turkmenistan and work with international companies.

The country's health and education sectors improved after Berdimuhamedov ordered that health care facilities closed under Niyazov should be reconstructed and reopened in rural areas. However, access to medical facilities remained difficult, often requiring patients to pay bribes for services in newly established facilities. Medical staff generally lacks the proper training to use new medical technology.

After ordering 23,000 teachers to return to work, re-establishing the

[101] PWC, *Guide to Doing Bussiness and Investing in Turkmenistan*, retrieved at July 12, 2013 at http://www.pwc.com/uz/en/dbg_tkm_2011.pdf
[102] Ibid

10th year of secondary education, extending studies at universities from three to five years and reopening the academy of science, Berdimuhamedov established new higher level and specialized educational establishments. The higher admission rate of Turkmen students to foreign universities within and outside the CIS was reversed in July 2010 when a new regulation restricted student mobility.[103]

The adult population of Turkmenistan was relatively well educated under the Soviet system, but lacked various marketable skills, including foreign languages and computer literacy. The lack of quality educational institutions and the government's unwillingness, until recently, to support technical training has impeded the development of a work force capable of supporting high tech foreign investment projects. Lack of familiarity with modern technology and business practices has been an additional weakness within the available labour pool, but the recent reforms have vowed to address those shortcomings.

The official unemployment rate is insignificant, but might be understated. The number of self-employed people is gradually increasing following the development of private property. Recent government incentives stimulating local construction companies to participate in government tenders improved unemployment rates. Government also introduced micro-financing program for private entities to expand their

[103] Bertelsmann Stiftung's Transformation Index, Turkmenistan Country Report, retrieved on May 21, 2013 at http://www.bti-

businesses.[104]

2. Trade Partners of Turkmenistan

After about 15 years of isolation and a political regime change, Turkmenistan began the process of renewing diplomatic relations with several countries including Russia, China, Europe, the United States of America, and other Central Asian neighbors in 2007. Foreign energy firms experienced extreme political challenges and investment impasses prior to 2007, and several exited the country leaving a dearth of investment. Since then, Turkmenistan created a more business friendly environment, attempting to attract foreign investment to increase both oil and gas production and expand its export portfolio.

In 2010, 108 countries, primarily in Asia and Europe, were trade partners of Turkmenistan.[105] The largest shares in the foreign trade turn over of the country belong to Iran (21.7%), Russia (18%), Turkey (16.4%) and China (10.8%).

In 2010, the share of Asia in Turkmen exports totalled 64%, and the European share was 35.5%. Asian countries became destinations for 54.9% of total exports of natural gas, 99.7% of liquefied gas, 82.2% of petroleum products, 74.2% of petroleum, 58.3% of polypropylene, 100% of electrical energy, 80.8% of iodine, 47.3% of cotton fibre, and 48.8% of textile products. Turkmenistan exported 45.1% of natural gas, 17.7% of petroleum products, 25.8% of petroleum, 58.3% of

[104] PWC, Guide to Doing Bussiness and Investing in Turkmenistan, retrieved at July 12, 2013 at http://www.pwc.com/uz/en/dbg_tkm_2011.pdf
[105] State Committee of Turkmenistan on Statistics, Foreign Trade of Turkmenistan with

polypropylene, 16.1% of iodine, 52.3% of cotton fibre, and 32.7% of textile products to European countries, natural gas goes to Europe via Russia. However, in 2011 until 2012, about 40% of natural gas is exported to the People's Republic of China (PRC) and 30% of natural gas is exported to both Iran and Russia.[106]

In 2010, Asian countries accounted for 67.2% of Turkmen imports, and European countries accounted for 30%. Asian countries were sources of imports of 55.2% of technological equipment, 57.6% of foodstuffs, 78.6% of items made of ferrous metals, 53.6% of ground transportation vehicles, and 50.3% of pharmaceutical products.[107]

Import criteria of the efficiency of Foreign Economic Relations (FER) of the country include foreign trade indices, particularly the Trade Conditions Index which is defined as the ratio of the Mean Exports Prices Index to the Mean Imports Prices Index. Since 1997, the Trade Conditions Index of Turkmenistan has been above the value of one, which implies the excess of rates of growth of exports prices relative to imports prices. The value of exports prices indices is determined by goods such as natural gas, crude oil, petroleum products and other primary exports goods. In the meantime, imports prices indices are formed based on imports goods regularly supplied to Turkmenistan.

Turkmenistan is a member of the United Nations and a number of other international organizations that provide aid programs for economic

[106] Ishanguly Jumayev, *Foreign Trade of Turkmenistan: Trends, Problems and Prospects,*

and social development. However, the influence of these external factors remains low. Despite formal declarations to the contrary, Turkmenistan frequently opposed the implementation of reforms intended to strengthen democracy. The new president, however, seemed to be committed to some elements of a market economy. During the observation period, the IMF did not grant Turkmenistan any loans to support the Turkmen currency. The European Bank for Reconstruction and Development (EBRD) increased its engagement in Turkmenistan by supporting micro small land medium sized businesses, whereas the Asian Development Bank (ADB) funded some ADB technical assistance projects at a low level. The Organization for Security and Cooperation in Europe (OSCE) has maintained a mission in Ashgabat since May 1999, but its influence on political development is limited. In addition, the activities of international NGOs are extremely limited. Berdimuhamedov increased international cooperation and intensified diplomatic relations with neighboring and economically important states.[108]

3. Primary Exports of Capacity in Turkmenistan

The availability of the rich fuel and energy capacity of the country shapes the structure of Turkmen exports have consistently been dominated by natural gas, petroleum, petroleum products and electrical energy. In 2000, they comprised 81%, and in 2010, 85%, of Turkmenistan's exports.

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[108] Bertelsmann Stiftung's Transformation Index, *Turkmenisatan Country Report*, retrieved on July 12, 2013 at http://www.bti-

3.1. Natural gas

One of the primary exports items of Turkmenistan has traditionally been natural gas. The dynamic of exports of natural gas since Turkmen independence in 1991 can be broken down into several stages.

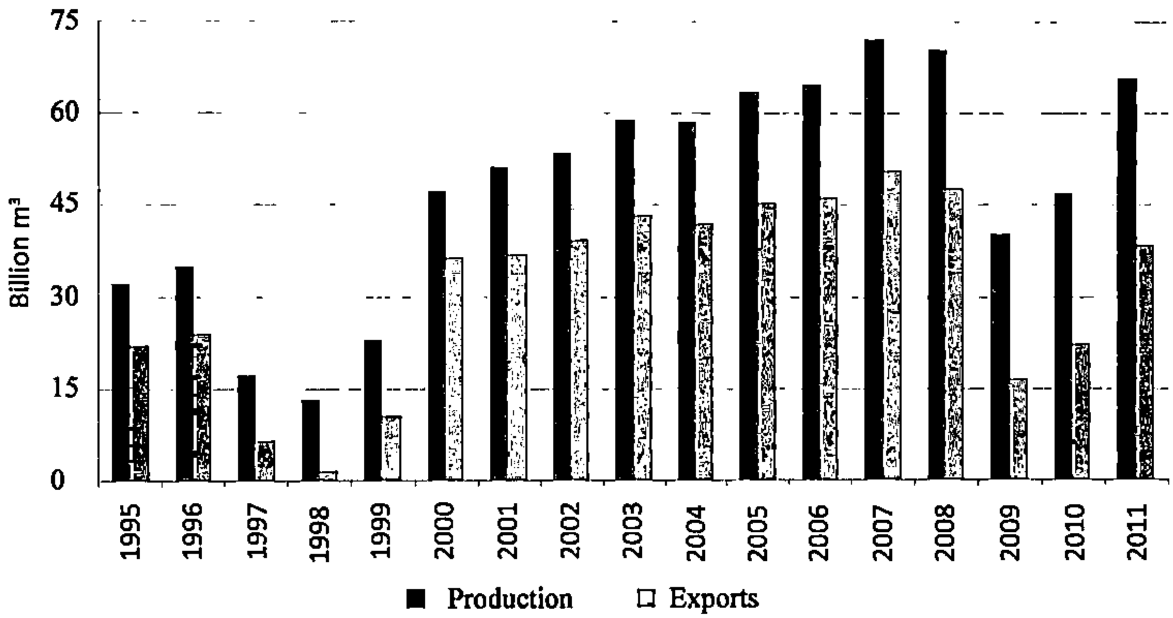
The first stage (1992–1996) was characterized by relatively stable production and exportation of natural gas in a conventional direction pre-determined by the framework of the unified, state driven commercial complex of the former USSR when supplies were transported via the unified Central Asia-Center pipeline system to Russia.

The second stage (1997–1998) was characterised by a significant decline in both exports and production of natural gas due to the insolvency of traditional buyers such as Russia. In 1998, the production of natural gas in Turkmenistan totaled only 13.3 billion cubic metres (m^3), which corresponded to the level of its domestic consumption, while exports totalled a mere 1.8 billion m^3, 73% less than in 1997.

The third stage (1998–2008) was shaped by the construction, in late 1997, of the new natural gas Korpeje–Kurtkui pipeline, which enabled the country to export natural gas in a new direction, to Iran. This was a major first step towards Turkmen independence from the former Soviet unified natural gas transport system.

In April 2003, Russia and Turkmenistan signed a 25 year cooperative agreement on natural gas and a long term contract on supplies of natural gas for the period under the agreement. Following an accident at the Central Asia natural gas pipeline in April 2009, supplies of Turkmen natural gas were frozen for almost a year since there was an overall decline in demand and prices for natural gas in the European Union, and procurement of the commodity became unprofitable for Russia.

Figure 1. Production and exports of natural gas.



Source: State Committee of Turkmenistan on Statistics

A new milestone in the deepening mutually beneficial energy dialogue between Iran and Turkmenistan was the 6 January 2010 unveiling of the new natural gas Dovletabat–Serakhs–Khangeran pipeline to Iran.[109] The project was first publicly mentioned by the President of Turkmenistan in July 2009, when Turkmenistan and Iran reached an agreement to increase exports of Turkmen natural gas to Iran from 8 billion m^3 to 14 billion m^3 by 2010, and progressively increase exports up to 20 billion m^3 of fuel a year. To achieve this goal, the country's fuel and energy complex divisions promptly built the 30.5 kilometer (km) long Dovletabat-Serakhs-Khangeran pipeline in southeast Turkmenistan

[109] "Year 2010 in the Annals of the Epoch of New Renaissance: Fuel and Energy Complex,"

with a capacity of 12.5 billion m^3 of natural gas a year.

In November 2010, in response to the agreements between Turkmenistan and Iran on the growing volumes of exports of the Turkmen natural gas, Turkmenistan commissioned the Khangeran-Sangbast natural gas pipeline, an important link in the trans-Iranian natural gas main and a continuation of the Turkmen-Iranian-Dovletabat-Serakhs-Khangeran pipeline. The new branch of the main Khangeran-Sangbast pipeline is 190 kilometres long with pipes 1220mm (millimetre) diameter, and is designed for a capacity of 12 billion m^3 of natural gas a year.

Supplies of natural gas via the Dovletabat-Serakhs-Khangeran pipeline are ensured due to the resource capacity of the Dovletabat natural gas deposit, one of the largest in Turkmenistan. Additionally, exports to Iran are also made via the Korpeje-Kurtkui natural gas pipeline, which has operated since 1997, which has considerable resource bases including large petroleum and natural gas deposits in western Turkmenistan, such as Korpeje. The pipeline infrastructure created in the territories of Turkmenistan and Iran will ensure the transportation of 20 billion m^3, and if necessary, even larger quantities of Turkmen natural gas through the Iranian pipeline mains that also have direct entry to international energy markets.

The fourth stage, since 2009, is characterized by the diversification of natural gas exports and increase in the types and quantities of products supplied to foreign markets. The Trans-Asian Pipeline was commissioned middle December 2009, and goes from Turkmenistan to China via Uzbekistan and Turkmenistan, with a total length of about 7 thousand kilometres. In the next three decades, the pipeline will ensure supplies to People's Republic of China (PRC) of up to 40 billion m3 of Turkmen natural gas a year.

In recent years, China has consistently pursued opportunities in the petroleum and natural gas sectors of Central Asia. Turkmenistan, having the region's richest reserves of natural gas, has a special role in this strategy. The interests of the two countries have overlapped since Turkmenistan needs vast investments to develop new natural gas deposits, and China has surplus cash to invest. In 2007, Turkmenistan extended a license to explore and extract natural gas in the pre-agreed territory of Bagtyyarlyk, located on the right bank of the River Amudarya to the Chinese petroleum and natural gas deposit operator, China National Petroleum Corporation (CNPC). The development of the deposit and construction of natural gas pipelines was finances by loans issued to Turkmenistan by China.[110]

In September 2010, Turkmenistan commissioned a natural gas compression station in Bagtyyarlyk which is considered an important part of the Turkmen-Sino natural gas transportation system. With a capacity of 70.5 MW (megawatts), it is capable of annually sending 60 million m^3 of natural gas to the pipeline, which will enable the country to significantly increase supplies of natural gas to the Trans-Asian Natural Gas Pipeline. In January 2011, Turkmenistan began re-pumping natural gas to the Jingbang compression station in China which supplies natural gas to Beijing and the adjacent provinces. This action enabled the commissioning of the western part of the West-East Natural Gas Pipeline connected to the

[110] Website "Country Fellows," http://www.russedina.ru

transnational Turkmen-Sino natural gas pipeline. Given the rate of Chinese economic growth, Chinese demand for natural gas is expected to consistently grow.

Since 2010, Turkmenistan has been constructing the nation's largest East-West natural gas pipeline, which will connect the eastern part of the country, which has the largest natural gas reserves, with the dynamically developing central and Trans-Caspian areas of Turkmenistan. The pipeline will be almost 1000 kilometres long, with a pipe diameter of 1420 mm and a capacity of 30 billion m^3 a year. It will stretch from the natural gas compression station Shatlyk located in the Mary Velayat or province to the compressor station Belek in Balkan Velayat. Construction is being done by state companies TurkmenGas and Turkmennebitgasgurlushik (Turkmen Petroleum and Gas Construction) with funding from TurkmenGas, at an estimated cost of US$2 billion. The pipeline and the required ground infrastructure are expected to be ready by middle 2015. Part of the Turkmen energy strategy, the pipeline will serve as an extra guarantee of uninterrupted supplies to existing and planned international pipelines, and will also serve growing domestic demand.

In 2010, Turkmenistan made significant progress promoting another large-scale infrastructure project which will play an important international role in establishing reliable energy supplies in Asia, like the construction of the Turkmenistan-Afghanistan-Pakistan-India Natural Gas Pipeline (TAPI) that has been under discussion for over ten years. The TAPI is projected to run for 1735 kilometres from Turkmenistan, through the territories of Afghanistan and Pakistan, to the border town of Fazilka in India, with a capacity for 33 billion m^3 of natural gas a year.

In 2010, meetings between the TAPI Technical Working Group and Steering Committee, and the Asian Development Bank (ADB) resulted in an agreement of concrete technical parameters of the pipeline and terms of supplies of natural gas. Final documents were prepared at the 12th Meeting of the Project Steering Committee on 10 December 2010, attended by the heads of line ministries and representatives of all project member states, and ADB representatives. The next day, at the Ashgabat Summit of Turkmenistan-Afghanistan-Pakistan-India dedicated to the TAPI Project, the line ministers of the four countries signed two documents paving the way for the practical implementation of the project: the Intergovernmental Agreement on the Implementation of the TAPI Natural Gas Pipeline Project, and the Framework Agreement on Natural Gas Pipeline between Governments of Turkmenistan, Afghanistan, Pakistan and India. Turkmenistan realises the importance of trade liberalization for integration.[111]

Earlier, the large Dovletabat natural gas deposit was considered the resource base for the pipeline. However, Dovletabat natural gas is currently supplying Russia and ensures a growing volume of exports to neighbouring Iran, so in 2011, Turkmentistan identified the South Yoloten-Osman deposit as the resource base for TAPI.

In May 2011, the Parliament of Afghanistan approved the decision

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[111] Trend S. Aliyev, *Minister: Turkmenistan Works on Further Diversification of Energy Resources*, retrieved on August 29, 2013 at

to build the TAPI, with construction to begin in 2012. Turkmenistan has already started preparing for construction, including equipping the construction base and the construction of the Atamurt-Akina-Andkhoi railroad. The implementation of the TAPI will markedly enhance the Turkmen position in the prospective and ever-growing natural gas market of the Asia. Taking into consideration existing natural gas pipelines leading to China and Iran, supplies of Turkmen natural gas under the TAPI will overall ensure the possibility of exports to Asia of over 90 billion m^3 of natural gas a year.

Pursuant to the Programme for the Development of the Petroleum and Natural Gas Industry of Turkmenistan until 2030, the annual volume of extraction of natural gas will be brought to 230 billion m^3. By 2015, the country expects to bring its exports supplies of natural gas to 125 billion m^3 a year (barring a global economic crisis).

3.2. Petroleum and Petroleum Products

The Turkmen petroleum industry has experienced major developments and expansion over the past few years. Recently, Turkmenistan created a state of the art natural gas and petroleum extraction infrastructure in the western part of the country, using innovative engineering solutions and best Western experiences and practices. The Government of Turkmenistan is attracting large investments into modernizing the national petroleum industry. Enterprises of the state run company Turkmennebit are being equipped with advanced plants and equipment manufactured by leading heavy equipment manufacturers from the United States, Germany, China and Russia. This state of the art equipment and technology is enabling the country to discover new deep deposits of petroleum in previously inaccessible sediment, significantly expanding the volumes of accessible reserves of hydrocarbon fuel.

Seeking to attract more foreign investment and diversify export routes, the Turkmen government began reforming the country's energy sector and regulatory environment. In March 2007, the government established a hydrocarbon regulatory authority, State Agency on Management and Use of Hydrocarbon Resources, to issue licenses and contracts for oil and gas field development and provid greater revenue transparency.[112] According to the World Bank, foreign direct investment in Turkmenistan was $1.4 billion in 2009, up 65% from 2008, and country officials anticipate higher investment in the future.

Turkmenistan is a small net exporter of crude and refined oil. Oil export options for Turkmenistan are limited. Turkmenistan has almost no international oil pipelines apart from a cross border pipeline in the east running from Kazakhstan and Uzbekistan where Turkmenistan can import Uzbek crude oil to feed the Chardhzou refinery. A small amount of crude oil is exported from Turkmenistan across the Caspian Sea to Azerbaijan and the Russian port of Makhachkala. Securing pipeline access in Russia has been a problem due to the poor quality of some Turkmen crude. A portion of Turkmenistan's total petroleum exports is in the form of refined products.

[112] Energy Information Administration, *Country Analysis Brief: Turkmenistan*, retrieved at July 3, 2013 at http://www.eia.gov/cabs/Turkmenistan/pdf.pdf

EIA reports exports of crude and total refined products were 48 bbl/d and 74 bbl/d, respectively, in 2008.[113]

Law on Hydrocarbon Resources of 20th August 2008 (the Petroleum Law) establishes a legal framework for the exploration, development and other activities related to the production of hydrocarbon resources in Turkmenistan. Petroleum Law regulates activities in oil and gas sector conducted under subsurface use agreements (PSA, Royalty Contracts, Service Contracts, etc.) between contractors and Turkmenistan Government. The Petroleum Law stipulates a preferential tax regime to contractors under the above agreements and other subsurface use payments and exempt from all other Turkmenistan taxes. The above preferential tax regime also extends to subcontractors under those agreements.

International companies can participate in Joint Ventures (JVs) or Production Sharing Agreements (PSAs) with Turkmenneft for offshore oil and gas blocks in the Caspian Sea. Turkmenistan currently limits investment opportunities for international companies to offshore oil and gas developments, with exception for the PSA with China *vis-à-vis* the Bagtyiarlyk onshore natural gas project in the country's southeastern region. In 2009, the Turkmen government signed several PSAs with foreign companies, including Russia's Itera and Germany's RWE, for offshore field development in the Caspian Sea.[114]

Recently commissioned deposits include Chekishler, South Kamyshlyja, started developing the Northern Goturdepe deposit that is partially located on the Caspian shore. In April 2010, new prospective oil reserves were discovered in this area, in the Altyguyi deposit which until then had only been considered a natural gas deposit. In 2010, Turkmenistan also began extracting petroleum in the Central Karakum desert where newly identified Yilakly and Mydar deposits are being developed.

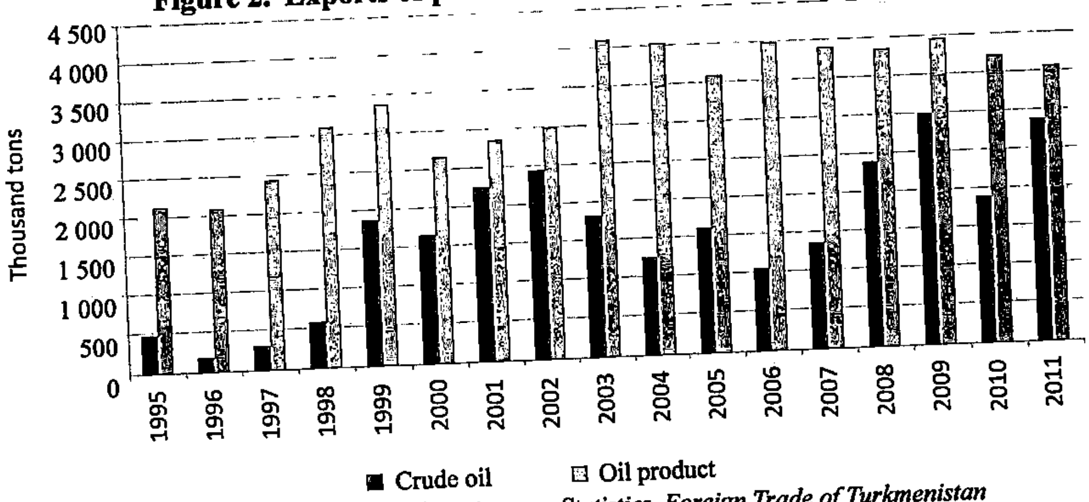
Other efforts to increase the volume of petroleum production include the development of the South Yoloten deposit where, in addition to vast natural gas reserves, highly lucrative oil reserves are expected.

Petroleum is also being extracted at the Yashyldepe deposit on the right bank of the River Amudarya. Petroleum from these deposits account for a significant share of all volumes of commodities delivered to the Seyidi Petroleum Refining Plant (PRP). Other deposits supply Turkmenistan's second refinery, the Turkmenbashy PRP.

Comprehensive efforts to stabilize and increase volumes of extracted commodities at deposits in the western part of Turkmenistan such as Goturdepe, Nebitdag, Kumdag, Barsagelmes, Ekerem, and Cheleken, are paying off, with booster pumping and natural gas compression stations erected, multiple new drill holes prepared, and hundreds of kilometers of pipeline and petroleum collection points constructed. All this coupled with the application of state of the art technologies and equipment has led to improvements in petroleum recovery rate in petroleum beds and the intensification of petroleum extraction. The government is working towards to a shifting interest to natural gas production, lagging foreign investment, and heavy competition for investment within the Caspian region. Under the Programme for the Development of the Petroleum and Natural Gas Industry of Turkmenistan until 2030, the country plans to bring the petroleum production rate to 67 million tons.

Some major prospects for the further development of the vast potential of Turkmenistan's petroleum and natural gas industries are associated with the expansion of mutually beneficial international cooperation in the energy sector. Priorities include projects aimed at the development of deposits in the Turkmen sector of the Caspian Sea, the implementation of new transportation routes for energy supplies, and the implementation of advanced technologies in surface based hydrocarbon extraction and in processing hydrocarbons and the petroleum chemistry industry.

Figure 2. Exports of petroleum and petroleum products



Source: State Committee of Turkmenistan on Statistics, Foreign Trade of Turkmenistan (statistical compilation, 1995-2011).

While quantities and direction of exports supplies of petroleum products are sensitive to fluctuations in the global market and the degree of solvency of trade partners, investments in state of the art technologies in the petroleum processing industry facilitates the production of high quality, environmentally sound petroleum products that remain in high demand in the global market.

Turkmenistan had proven oil reserves of roughly 600 million barrels in January 2012 based on estimates by Oil and Gas Journal (OGJ). Most of the country's oilfields are situated in the South Caspian Basin and the Garashyzlyk onshore area in the west of the country. In addition, Turkmenistan claims its section of the Caspian Sea contains 80.6 billion barrels of oil,[115] though much is unexplored.

3.3. Cotton, Textiles and Other Goods

The share of other goods in Turkmenistan's exports remains relatively small and is decreasing. The share of cotton fibre in the structure of exports decreased from 19.7% in 1996 to 4.6% in 2010, due to the development of the domestic production of interim finished goods, primarily cloth. The primary importer of Turkmen textiles is Turkey.

Table 3. Production and Exports of Textile Products

Product		Unit of measure	2000	2007	2008	2009	2010
Cotton fibre	Production	Thousand tons	235.1	273.5	297.5	297.5	335.7
	Exports	Thousand tons	213.2	181.4	147.5	100.7	240.0
		US$ millions	2223.5	208.7	212.9	122.1	447.1
Production Exports	US$ millions	thousand tons	49.1	85.6	88.7	72.2	92.4
	million metres (m)²	thousand tons	23.6	37.1	39.5	33.6	53.3
			54.5	162.7	100.6	52.3	116.5
Production	US$ millions		55.1	177.1	173.9	154.5	145.0
	million items		19.6	90.3	76.7	78.0	109.1
			29.5	136.2	59.0	36.8	53.9
Knitted goods			19.4	18.7	20.7	17.3	14.8
	Exports	million items	15.7	13.4	16.1	14.8	11.1
		US$ millions	27.3	25.4	13.3	8.9	7.2
Knitted fabric	Production	thousand tons	7.0	7.7	7.1	5.6	4.3
	Exports	thousand tons	3.2	1.6	1.2	1.5	2.9
		US$millions	14.9	5.6	3.3	3.2	6.7
Textile apparel	Exports	thousand items	1.9	2.7	2.3	3.2	2.5
		US$ millions	12.1	45.8	16.0	20.6	16.8

Sources: State Committee of Turkmenistan on Statistics, Statistical Yearbook, 2011, and Foreign Trade of Turkmenistan (s compilation, 2000-2010).

Other products exported include technical iodine, sodium sulphate, technical carbon, raw (grege) silk, washed (scoured) wool, and carpets and carpet goods.

4. Imports of Goods

Prior to 1991, Turkmenistan’s imports were dominated by consumer and food products. However, between 2005 and 2010, imports became dominated by investment products (78% of total imports), including industrial plant and other equipment (27%–30%) and raw materials and commodities (25%–35%), creating the preconditions for an increase in exports of finished goods.

Today, consumer goods account for about a third of total imports. While food accounts for a small fraction of total imports, Turkmenistan continues to import staple food items such as flour, meat, fruit and sugar. The country also imports huge quantities of consumer-purpose industrial goods, and domestic demand for household appliances and consumer electronics is almost fully satisfied by imports, accounting for 8%–11% of total imports. Turkmenistan also depends on imports for pharmaceuticals. The chemical industry maintains a vast intraindustry trade and the volume of its imports exceeds that of its exports by 6%–8%.

Exports of light consumer industry goods exceed imports of this industry by 1.8 times, and this ratio is growing, due to increase domestic processing of raw materials such as cotton fiber, wool and raw hides.

According to Turkmen customs statistical data, in 2010, the share of imports of goods by individuals, or ‘shuttle trade’, accounted for less than 2% of total imports (in 2000, about 6%), while value of these imports [illegible] in absolute terms. The largest share or 70% of ‘shuttle trade’ is transported by passenger cars (in 2000, over 30%).

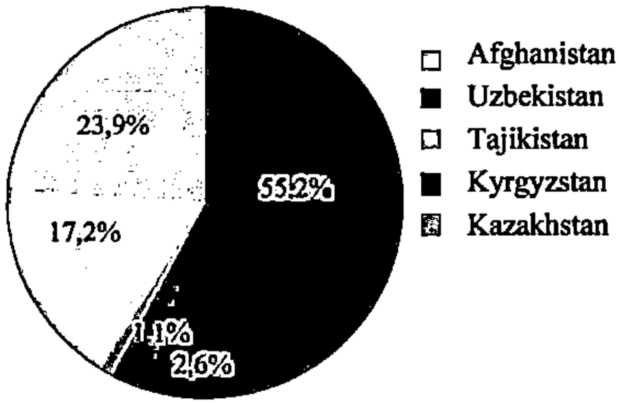
Recently, large volumes of imports come from the following countries (in descending order of volume): Turkey, China (including Taiwan and Xianggang or Hong Kong), Russia, United Arab Emirates (UAE) and Iran. Production and technical products are mainly imported from Turkey, China and Russia. In both exports and imports, Asian countries account for the largest share (over 60 %).

5. Trade Relations with Central Asian Countries

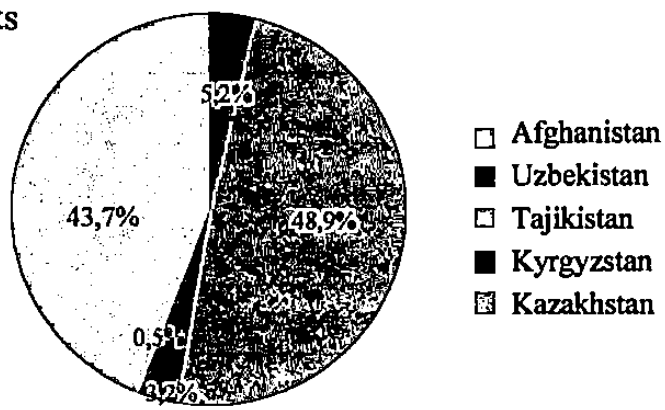
The proximity of Turkmenistan to other Central Asian (CA) countries has resulted in close economic ties with them. Over the past 10 years, Turkmen foreign trade turnover with other CA countries grew by 3.8 times, exports by 2.4 and imports by 5.1. Volumes of imports from other CA countries by Turkmenistan exceed those of exports to them more than twofold.

The primary CA trade partners of Turkmenistan include Afghanistan, Kazakhstan and Uzbekistan. Afghanistan imports Turkmen petroleum products, liquefied gas and other products. Turkmenistan imports grain, flour, meat and meat products, mechanical engineering and metal working products from Kazakhstan, and exports petroleum products, natural gas and chemical industry products to Kazakhstan. Turkmenistan imports agricultural machinery and replacement parts, technological equipment for light (consumer) industry, and fruit and vegetable products from Uzbekistan, and exports petroleum refinery products, glass and light (consumer) industry products and construction industry products to Uzbekistan.

a) Exports



b) Imports



Source: State Committee of Turkmenistan on Statistics. Foreign Trade of Turkmenistan with Countries of the World in 2010, (Ashgabat: State Committee of Turkmenistan on Statistics, 2011).

However, CA countries only account for a small share of Turkmen imports and exports. For example, in 2010, Kazakhstan's share totaled 0.18 % of total exports and 1.53 % of total imports. This is likely due to the fact that Turkmenistan's neighbours possess similar export commodities such as petroleum, natural gas and cotton, or have limited solvency

CHAPTER V

CONCLUSION

Economic development generally includes such trends as technological innovation, improvements in the standard of living and life expectancy, and increases in the amount of invested assets per capita. In addition, it also requires the role of government as a ruler and public representation to well manage all national sectors, such as people, natural resources, technology and relations to other countries. Turkmenistan government is trying to develop the economy and they are using neoliberalism because Gurbanguly Berdimuhamedov, Turkmenistan president, believes to use this system, Turkmen's economy will be more developing.

The government changed the economic system from socialism system to neoliberalism system. Turkmenistan's transition from a command economy to a free market economy was initially cushioned by its relatively low level of development, as well as by the central government's plans for a gradual reform over a 10 year period with the state continuing to play strong directive and protective roles in the economy.

The decision of Turkmenistan's government to launch a large scale privatization program marks an important watershed for Turkmenistan. It could potentially allow the country to depart from the Soviet-style command system towards a new economic model based on market principles. There is