



## Doing Business in Turkmenistan: 2009 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 only five million people. It gained independence in 1991 after the breakup of the Soviet Union.

Turkmenistan does not publish national statistics consistent with international standards. According to international estimates (EBRD Transition Report 2008), the country's GDP in 2008 was \$12 billion. Turkmenistan is the second-largest producer of natural gas among the countries of the former Soviet Union, following Russia. The country produced about 70.4 billion cubic meters of natural gas in 2008. In 2008, Turkmenistan's foreign trade totaled \$15.2 billion, \$9.8 billion of which consisted of exports. The dominant share of Turkmenistan's exports was natural gas sales to Russia. Other key sectors were oil, refined oil products, and textiles. U.S. direct investment in 2005 was \$40 million (no statistics are available for subsequent years). The Government does not acknowledge an unemployment problem, which could be as high as 50% of the labor force.

Market reforms in Turkmenistan have been minimal and extremely slow. The country has been pursuing a policy of providing substantial Government subsidies to the general public, as well as to such industries as agriculture. President Berdimuhamedov, elected in 2007, has promised to open up the country and improve the investment climate.

Turkmenistan does not have private ownership of land and most of its industries are state-owned. The domestic private sector's share of the economy is estimated at around 25%, with retail trade and services being the only sectors in which private ownership is permitted. A limited number of foreign petroleum companies successfully operate under production sharing agreements (PSAs). Turkmenistan's economy is centrally managed and many business decisions are politically motivated.

Turkmenistan maintained an inflation rate at around 10-12% per year for the last several years. The Government of Turkmenistan redenominated its national currency – the manat – at the beginning of 2009. Following the redenomination, the value of one new manat was equivalent to 5,000 old manat.

Turkmenistan has maintained a very stable political environment since independence in 1991. The country has a single-party political system, with the President being both the Head of State and the head of Government. The current President, Gurbanguly

Berdimuhamedov, was elected in 2007. Presidential decrees and resolutions can supersede existing legislation.

## **Market Challenges**

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Turkmenistan's challenges are very similar to those of other former Soviet Union countries. The country lacks consistent and transparent business legislation. Laws and regulations are subject to frequent change and personal interpretation of various Government agencies and officials. The judiciary branch operates under direct instruction from the President. Presidential decrees and resolutions have the force of law and frequently supersede existing legislation.

Corruption exists at all levels of the Government.

Qualified human resources, particularly with English language skills, are extremely scarce. Turkmenistan's labor force generally lacks knowledge of standard western business practices.

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The hydrocarbon sector is the country's largest industry. Opportunities exist for oil and gas service providers and related service companies, such as freight forwarders and logistics firms. Turkmenistan attempts to maximize value for its oil and gas and invests substantially in petroleum refining and processing facilities. It has several LPG plants and plans to build more. With the development of new gas and oil fields and the rehabilitation of old fields, there is a need for new pipeline networks and related infrastructure, such as compressor stations.

Many lucrative prospects have opened up for engineering and construction companies with the country's ambitious plans to invest in new transportation infrastructure and social projects.

There is a growing need for various telecommunications services and equipment, including mobile communications and the Internet.

## **Market Entry Strategy**

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Entering the market is extremely difficult. Due to a lack of accurate and comprehensive information on the market, company assessment visits are useful. Identifying and working through a local partner or agent is vital for a successful entry. Turkmenistan's visa procedures are exceptionally cumbersome and confusing.

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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.

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## Chapter 3: Selling U.S. Products and Services

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### Using an Agent or Distributor

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Distribution of equipment, spare parts and consumables for Turkmenistan's major industries, such as oil and gas, power generation, transportation and telecommunications is state-controlled. However, the Government of Turkmenistan 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 the Russian and Turkmen languages, as well as on certain websites. Agencies in the state-controlled oil and gas sector post tenders (in Russian) on the Internet at <http://www.oilgas.gov.tm/tendry.html>. Producers of large equipment are known to sell in Turkmenistan by establishing an office or through a locally established distributor. Most such distributors provide repair and servicing.

Pharmaceuticals, food items and consumer goods are almost exclusively sold through private channels. Distributorships for these products are widespread. Often such distributors are foreign-based.

Finding a reliable distributor is challenging because of a lack of reliable information on private companies.

Turkmenistan's Chamber of Commerce and Industry may provide leads for local partners and help identify potential partners for U.S. firms.

Chamber of Commerce and Industry of Turkmenistan  
Ms. Elmira Rahmanova  
Tel. (993 12) 35 47 17  
Fax (993 12) 35 13 52

## Establishing an Office

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The laws regulating establishment of an office are the Law on Enterprises, the Civil Code of Saparmurat Turkmenbashy, and the Law on Corporations (joint stock companies).

A foreign investor can establish a

- Representative office
- Branch
- Joint venture (JV)

A representative office has been 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 has been 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 the founder. 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 the founder.
3. Two copies of the charter of the representative office, in Turkmen and Russian, signed by the founder.
4. A personal information form for the head of the representative office in Turkmenistan with a 3x4 cm photo and copy of the passport.
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 legalized 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 (legalized) 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 (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 Ashgabat City Government of a legal address.
10. Registration fee payment receipt.

Requirements for establishing a branch:

1. An application to establish a branch signed by the founder. 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 the founder.
3. Two copies of the charter of the branch, in Turkmen and Russian, signed by the founder.
4. A personal information form for the head of the branch in Turkmenistan with a 3x4 cm photo and a copy of the passport.
5. Duly certified power of attorney for the head of the branch in Turkmenistan.
6. An authenticated copy of the foreign investor's Charter (legalized 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 (legalized) 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 a provincial Government or the Ashgabat City Government of a legal address.
10. Registration fee payment receipt.

Requirements for establishing a joint venture:

1. An application to establish a joint venture signed by founders. 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 founders.
3. Articles of Incorporation and two copies of the Charter, in Turkmen and Russian, signed by founders.
4. An economic feasibility assessment (investment project) of the joint venture signed by founders.
5. A personal information form for the head of the joint venture in Turkmenistan with a 3x4 cm photo and copy of the passport.
6. An authenticated copy of the foreign investor's charter (legalized 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 (legalized) 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% of the charter capital of the joint venture
11. Registration fee payment receipt.

Turkmenistani 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 Turkmenistani physical persons: Personal information form with a 3x4 cm photo and copy of the passport.

For all types of offices

Documents should be submitted as originals in the language of the investor's country with stamps (facsimile copies 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 to the local Government for approval of its legal address.

## **Franchising**

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There is only one franchise in Turkmenistan -- Coca-Cola. Small consumer capacity and an underdeveloped private sector make the franchising concept unlikely to thrive in the foreseeable future.

## **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 principally be established in the form of a corporation (also referred to in Turkmenistan as a "joint-stock company") or 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 contributions of physical and/or legal entities are combined as charter capital, which is divided into a certain number of shares certifying contractual rights of shareholders to the corporation. Corporations can be close-ended or open-ended (public). Registration and activities of corporations are regulated mostly by the Law on Corporations, Law on Foreign Investment in Turkmenistan and Law on Investment Activity in Turkmenistan.

The Law on Enterprises and the Law on Corporations provide for acquisitions and mergers. However, Turkmenistan's legislation is not clear about such activities when they involve 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 list lines of business that are subject to licensing and governs the licensing process. The law lists over 60 activities. There is not a single 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 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

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 body that procures 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.

The tender processes are not transparent, and falsification of bids and cancellation of tender results are commonplace. Companies with a strong market presence or in good standing with the Government have a higher chance of being selected. Very often the determining factor in awarding contracts is price, not value. The prices of tender winners need to be approved by the State Commodity and Raw Materials Exchange.

Announcement of most open tenders is made only in local mass media in the Turkmen and/or Russian languages, as well as on certain websites.

Turkmenistan's Program of Strategic Areas of Political, Economic and Cultural Development until the Year 2020 and Turkmenistan's Oil and Gas Industry Development Program for the Period until the Year 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 Saragt and one rail crossing at Saragt. Iran and Turkmenistan have different railroad gauges and cars have to be switched to a new gauge at the Saragt rail station in Turkmenistan.

Turkmenistan has a number of rail links with Uzbekistan in the north and north-east, but rail and road crossings at Turkmenabat are the most heavily used. Trucks coming to and from Uzbekistan have to cross the Amu Darya River by pontoon bridge. There is a limited capability for cross-boundary deliveries by trucks with Kazakhstan via Bekdash in the north-west. Although, the road is in a very poor condition, there are plans to rehabilitate it.

The bulk of air cargo comes via Ashgabat airport, although there are airports in all provincial centers. Airports in Ashgabat and Turkmenabat can land heavy aircraft. Most transportation of cargo within the country is by truck.

Turkmenbashi City, Balkanabat, Mary City 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 menus 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 advertisement is visual (billboards, cardboard, 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%.

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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Sales service and customer protection are increasingly becoming a must 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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## **Introduction**

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 IP consultants. The U.S. Commercial Service can often 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 US government generally cannot enforce rights for private individuals in Turkmenistan. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government 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, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should USG 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 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 incentive) 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-compete 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 stop counterfeiting. There are a number of these organizations, both Turkmenistan or U.S.-based. These include:

- The U.S. Chamber and local American 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)

## **IPR 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 US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For US 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](http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html)**
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. 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.
  - o For an in-depth examination of IPR requirements in specific markets, toolkits are currently available in the following countries/territories: Brazil, Brunei, China, Egypt, European Union, India, Italy, Malaysia, Mexico, Paraguay, Peru, Russia, Taiwan, Thailand, and Vietnam.
  - o For assistance in developing a strategy for evaluating, protecting, and enforcing IPR, use the free **Online IPR Training Module on [www.stopfakes.gov](http://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/>**.

## IPR Climate in Turkmenistan

Turkmenistan has yet to fulfill many of the commitments it made concerning IPRs in its 1993 bilateral trade agreement with the U.S. Turkmenistan has yet to join the Berne Convention for the Protection of Literary and Artistic Works, the Geneva Phonograms Convention, the World Trade Organization (and with it TRIPS), the WIPO Copyright Treaty (the "WCT"), or the WIPO Performances and Phonograms Treaty (the "WPPT"). Thus, foreign works and sound recordings are unprotected in Turkmenistan-not only as a matter of practice, but as a matter of law. The United States is concerned at this apparent policy decision to deny even the most minimal levels of protection of foreign copyrighted works.

The Turkmenistan copyright law is not in compliance with TRIPS, the WCT and the WPPT. This would include, among other things, protection of foreign works and pre-existing works, increasing penalties for infringement to deterrent levels, and providing ex officio authority to Customs to seize illegal materials and commence investigations.

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 Government does not maintain or publish lists of businessmen or companies that are known to have violated taxation, 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.

## **Local Professional Services**

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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. Names 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 lawyers.

### **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, do not speak English.

### **Kopetdag District State Legal Office**

62, Alisher Navoi Street, Ashgabat, Turkmenistan, 744000  
Tel: (993-12) 39-54-94, 39-54-92, 39-54-95, 39-54-96.  
Lawyers provide all types of services, do not speak English.

### **Azatlyk District State Legal Office**

25/22, Turkmenbashy Street, Ashgabat, Turkmenistan, 744004  
Tel: (993-12) 35-51-14, 35-51-07.  
Lawyers provide all types of services, 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 notarizations of documents.

Vladimir Dolzhikov, President  
77 Gorogly Street 3-floor  
Altyn Asyr Business Center  
Ashgabat, Turkmenistan 744000  
Tel/Fax: (993-12) 35-76-18, 35-76-19, 35-76-20, fax 35-75-94  
E-mail: actltd@mail.ru or actltd@online.tm

### **Private Lawyers**

Batyr Bayramsahatov, Geldymammed Ygdyrov  
Expertise in oil and gas related legal issues  
19, Gorogly Street, Turkmenistan Hotel, Room # 206,  
Ashgabat, Turkmenistan, Tel: (993-12) 35-73-75, 35-74-74  
E-mail: medet@online.tm

Igor Kaganovsky: independent lawyer (speaks Russian and some English), specializes in civil and economic law and provides consultations on the practical aspects of doing business in Turkmenistan.  
45-B, Gerogly Street, apt. 10 Ashgabat, Turkmenistan 744000  
Tel/fax: (993-12) 34-08-01

Rimma Aleksandrovna Marutyants,  
4, Telliya Street, apt. 44, Ashgabat  
Tel: (993-12) 36-24-11 – home, 36-06-12 – work

Annagul Atadzhanova  
11, Mir 4/1, apt. 12, Ashgabat  
Tel: (993-12) 44-70-75 – home

### **Tax/accounting firms:**

BDO  
Ovez Kuliev  
Ostrovskiy #23, Ashgabat  
Tel: (993-12) 34-34-60 or 34-40-30; e-mail: bdodenet@online.tm.

Deloitte & Touche  
Furmanov Street 240-v  
Almaty 050059 Kazakhstan  
Tel: +7 (3272) 58-13-40; fax: +7 (3272) 58-13-41

PricewaterhouseCoopers  
29/6 Satpayev Avenue  
Hyatt Regency Hotel, Office Tower 4th Floor  
Almaty 050040 Kazakhstan  
Tel: 7 (727) 298-0448; fax: 7 (727) 298-0252.



<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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### **Commercial Sectors**

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## Oil and gas production

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	2006	2007	2008 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

\* No statistics available.

Turkmenistan has rich oil and gas resources. In previous years, the Government of Turkmenistan estimated its resource base to be approximately 45 billion tons of oil equivalent, including 18 billion in the Caspian. International estimates have, however, reflected varying figures. The BP Statistical Review of World Energy 2008 indicated Turkmenistan had 10.9 billion tons of proven oil reserves and 2.67 trillion cubic meters (tcm) of gas. A 2008 audit conducted by the British firm Gaffney, Cline and Associates concluded that the three most significant gas fields in the country, Yolaten, Osman, and Yashlar, hold between 4.25 and 15.5 trillion cubic meters of natural gas.

At the end of 2008, the Government reported annual production figures of 10.2 million tons of oil and 70.4 billion cubic meters of natural gas. Turkmenistan's natural gas exports in 2008 reportedly amounted to 47.4 billion cubic meters.

### Best Prospects/Services

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Modern geological exploration technologies  
Seismic imaging software  
Drilling equipment and pipes  
Field development equipment  
Well workover services  
Offshore production equipment and services

### Opportunities

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Exploration and development of gas and gas condensate fields (Gurrukbil-Garabil group, Southern Yolaten, Tagtabazar-I and Central Karakum group of fields).

Construction of gas treatment and processing units at above mentioned fields

Offshore blocks

### Resources

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

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

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## Oil and Gas Refining

### Overview

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	2006	2007	2008 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

\* No statistics available.

There are two oil refineries in Turkmenistan -- in Turkmenbashy and Seydy. The Turkmenbashy oil refinery has a capacity of 6 million tons per year, with plans to increase capacity to 10 million tons by 2011. The refinery produces a range of products, including unleaded gasoline, petroleum coke, laundry detergent, hydro treated diesel and lube oil.

The country produces 90,000 tons of propane and propylene per year and around 380,000 tons of LPG per year.

### Best Prospects/Services

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Oil and oil products storage reservoirs  
Various modern oil and gas processing units  
GTL equipment

### Opportunities

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Oil and oil products storage reservoirs  
Various modern oil and gas processing units  
GTL equipment

### Resources

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

## Travel/tourism services

### Overview

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	2006	2007	2008 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

\* No statistics available.

### Best Prospects/Services

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Previously neglected, the tourism industry is now a priority for the Government of Turkmenistan. In July 2007, the Government announced the Avaza National Tourist Zone (NTZ) on the Caspian coast near Turkmenbashi City, where it plans to attract \$4 billion in foreign investment to build this ambitious recreation and entertainment hub.

The Government of Turkmenistan passed legislation in October 2007 outlining incentives for Avaza 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 Government of Turkmenistan has signed contracts worth in excess of \$500 million for infrastructure improvements around Turkmenbashi City, 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.

### Opportunities

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The creation of a resort and entertainment center in Avaza NTZ is the most ambitious project ever launched in Turkmenistan. The Government of Turkmenistan is determined to make Avaza a success, which is reflected in the advantageous incentives the Government is offering to attract foreign investors. Opportunities are massive and 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.

### Resources

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There are no appropriate websites for this project.

## Transportation

### Overview

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	2006	2007	2008 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

\* No statistics available.

Large scale reforms to improve infrastructure in the auto, 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 trucks. Calculated by weight, in 2004, 86% of all goods exported from Turkmenistan left by trucks, 10% via pipelines, and 3% by railway. Turkmenistan plans to increase the overall transportation of freight by 5.4 times by 2020. This information is the latest available on Turkmenistan's export shipping volumes.

TurkmenAwtoYollary (Turkmen Motor Roads) State Concern oversees construction of roads and highways throughout Turkmenistan, including a 530-kilometer north-south highway between Dashoguz and Ashgabat. This agency is also engaged in improving over 1,000 kilometers of provincial highways.

A number of major projects in the railway transportation sector are also underway. A 540-kilometer north-south railway between Dashoguz and Ashgabat was completed at the end of 2006. On December 1, 2007 the Turkmenistan launched construction of its portion of the international Uzen – Gyzylgaya – Bereket – Etrek – Gorgan line, passing through Kazakhstan, Turkmenistan, and Iran. Over 700 kilometers of this 900-kilometer line will pass through Turkmenistan. Completion of this project is expected by December 2011.

TurkmenistanHowaYollary (Turkmenistan Airlines) is state-owned, and is used mostly for transporting passengers. Turkmenistan is improving civil aviation on all fronts, through the purchase of new Boeing aircraft, increased local and international flights and improved airport services. The authorities have begun renovations of the airports in the cities of Turkmenbashi and Mary, while the project of modernizing the Ashgabat International Airport has not yet been awarded.

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 sea ways, and environmental protection.

**Best Prospects/Services**[Return to top](#)

Road and railways construction and maintenance consultation services  
Specialized machinery

**Opportunities**[Return to top](#)

Apart from road construction, there are also opportunities to supply specialized machinery for transporting cement, water, or flour, as well as garbage trucks, street cleaners, and cement mixers.

There is a lack of street signage, especially in the provinces but also in cities.

**Resources**[Return to top](#)

There are no appropriate websites for this industry.



## Construction

### Overview

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	2006	2007	2008 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

\* No statistics available.

The massive construction boom begun during the first years of independence has maintained rhythm. In Ashgabat, the Government of Turkmenistan 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 and continue to be constructed in Ashgabat, as well as new universities, secondary schools, and kindergartens. In 2007 alone, Turkmenistan's Government signed over \$1.8 billion in housing and socio-cultural projects for Ashgabat and the regions. This trend continued in 2008.

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 Government of Turkmenistan.

### Best Prospects/Services

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Consultation on construction in seismic zone  
Urban development  
Construction materials

### Opportunities

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Although the French company, Bouygues Batiment, and various Turkish companies have dominated Turkmenistan's construction industry for years, the Government of Turkmenistan has said that it wants to see wider competition in this sector. Turkmenistan's priorities are 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 on seismic construction techniques is also necessary.

### Resources

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There are no appropriate websites for this industry.

## IT

### Overview

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	2006	2007	2008 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

\* No statistics available.

Integrating information technology into all segments of society is one of Turkmenistan's top priorities. The Government is emphasizing computerizing classrooms and is introducing high-end educational software, particularly in universities and secondary schools.

One of Turkmenistan's key projects throughout 2007 and 2008 was providing and expanding Internet access. Currently 18 public Internet centers exist in the country. However, the number and capacity of Internet access points will increase in the near future. The Russian company, TechnoServ, won a \$1.5 million contract to install 14 dial-up servers (four in Ashgabat and ten in the provinces), providing up to 20,000 accounts in 2008. In addition, dedicated high-speed lines for up to 1,100 subscribers will be installed.

### Best Products/Services

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Computer hardware  
Computer software  
Basic computer skills training

### Opportunities

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Many sectors and industries of Turkmenistan, including education institutions, the health, textile, and manufacturing sectors, continue to function using paper-based systems and need computer hardware and software. In addition, there is a need for basic computer training for children and adults.

### Resources

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There are no appropriate websites for this industry.

## Transportation

### Overview

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	2006	2007	2008 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

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## **Best Products/Services**

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Road and railways construction and maintenance consultation services  
Specialized machinery

## **Opportunities**

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(Insert text here)

## **Resources**

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Apart from road construction, there are also opportunities to supply specialized machinery for transporting cement, water, or flour, as well as garbage trucks, street cleaners, and cement mixers.

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## Construction

### Overview

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	2006	2007	2008 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

\* No statistics available.

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### Best Products/Services

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Consultation on construction in seismic zone  
Urban development  
Construction materials

### Opportunities

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Although the French company, Bouygues Batiment, and various Turkish companies have dominated Turkmenistan's construction industry for years, the Government of Turkmenistan has said that it wants to see wider competition in this sector. Turkmenistan's priorities are 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 on seismic construction techniques is also necessary.

### Resources

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There are no appropriate websites for this industry.

## IT

### Overview

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	2006	2007	2008 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

\* No statistics available.

Integrating information technology into all segments of society is one of Turkmenistan's top priorities. The Government is emphasizing computerizing classrooms and is introducing high-end educational software, particularly in universities and secondary schools.

One of Turkmenistan's key projects throughout 2007 and 2008 was providing and expanding Internet access. Currently 18 public Internet centers exist in the country. However, the number and capacity of Internet access points will increase in the near future. The Russian company, TechnoServ, won a \$1.5 million contract to install 14 dial-up servers (four in Ashgabat and ten in the provinces), providing up to 20,000 accounts in 2008. In addition, dedicated high-speed lines for up to 1,100 subscribers will be installed.

### Best Products/Services

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Computer hardware  
Computer software  
Basic computer skills training

### Opportunities

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Many sectors and industries of Turkmenistan, including education institutions, the health, textile, and manufacturing sectors, continue to function using paper-based systems and need computer hardware and software. In addition, there is a need for basic computer training for children and adults.

### Resources

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There are no appropriate websites for this industry.

## Power generation

### Overview

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	2006	2007	2008 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

\* No statistics available.

Power is generated by five gas fired power stations: Mary (southern Turkmenistan), Turkmenbashi and Balkanabat (both in western Turkmenistan), Abadan (central Turkmenistan), Seydy (eastern Turkmenistan) and one hydroelectric station Hindigush (southern Turkmenistan). Total existing generation capacity equals 3250 MW with a surplus for export of 600 MW per year. Turkmenistan exports electricity to Afghanistan, Iran and Turkey.

### Best Products/Services

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Power generating equipment  
Transformers  
Transmission Dispatch and Data Control equipment  
Switchgear

### Opportunities

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Turkmenabat – Mazar-i-Sharif, Afghanistan 500 KV line

Mary – Iran 400 KV line

### Resources

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There are no appropriate websites for this industry.

## Textiles

### Overview

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	2006	2007	2008 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

\* No statistics available.

Turkmenistan's textile industry started to develop in the early 1990's. Turkish textile companies helped build the sector since then. Over 20 textile firms with predominantly Turkish partners currently operate in the country.

Total investment in the textile sector is over \$1 billion, 20% of which is Turkish direct investment. The Turkish businesses maintain high-quality standards throughout their operation cycle, which allows them to export about 90% of all textile products made in Turkmenistan, including to the USA.

Textile products are Turkmenistan's third-largest export item, trailing only natural gas and petroleum products. The textile export share in 2004 was about 8%, behind natural gas (47%) and petroleum products (25%). However, in recent years, exports are in decline, partly due to the sector's internal and continuing production problems. Turkmenistan's textile/apparel exports in 2006 stood at \$91.159 million (according to a Government-sponsored Internet site, Turkmenistan.ru). These statistics are the latest that are available about Turkmenistan's textile production and exports.

According to several sources, Turkmenistan now processes between 100,000 and 110,000 tons of cotton per year.

### Best Products/Services

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Cotton ginning equipment  
Weaving equipment  
Knitting equipment  
Sawing equipment  
Dyeing equipment  
Marketing services

### Opportunities

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Company proposals may be discussed with the Government of Turkmenistan.



There are no appropriate websites for this industry.

According to press reports in July 2008, agricultural production makes up 7.9% of the GDP. It includes cotton, wheat, fruit and vegetable, and livestock production. In 2008, Turkmenistan produced some 1,000,011 tons of raw cotton and about 1 million tons of wheat. According to Government statistics Turkmenistan has over 2,067,000 cattle livestock, 19,511,000 sheep/goat and over 16,285,000 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 production of meat, dairy and wheat, however, domestic production is supplemented with imports from Ukraine, Kazakhstan and Iran. Food items, especially sugar, flour and other grain products, tea, vegetable oil, confectionary items, and some alcohol, fruits, and vegetables, constitute about 19% of Turkmenistan's total official imports.

Meat (mostly mutton, lamb, beef and a small amount of pork), fish and limited amounts of poultry are locally produced. Local poultry consumption heavily depends on imported eggs and chickens, as Turkmenistan does not produce sufficient amounts for its population's needs. In December 2007, the Government offered loans and tax benefits for poultry producers to increase production. Construction on a poultry farming complex that will produce 3,000 tons of bird meat a year is underway.

### **Food Processing**

There are few Turkmen processed food products in the market - mostly sausages, processed fish, alcohol and soft drinks, dairy products, processed tomatoes, vegetable oil (cotton seed and sesame), breads and pastries. Local fresh produce is available in-season, and during the off-season, most produce comes from Iran and Pakistan.

The State Food Industry Association runs 125 food processing plants. The largest among them are 5 cotton seed oil production plants, 24 meat and dairy plants and nine wine factories. The 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. 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 restaurants are independent and source on local markets.

There are only limited opportunities to introduce new items due to the flat economy, stagnant incomes, and stalled business developments resulting from Turkmenistan's slow adjustment to an open market environment. Small volumes and low prices are the

key to selling imported food products in Turkmenistan. There is potential to import chicken quarters, butter, sugar, rice, processed meat, dairy items, and soft drinks.

## **Opportunities**

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In January of 2008, the State Food Industry Association announced international tenders for reconstruction of the existing and building of new cotton seed oil processing facilities, tomato processing and soft drink production plants. The State Food Industry Association also announced an international tender for design and turnkey construction of a stockbreeding complex with an estimated annual capacity of 700 tons of meat products and 1,780 tons of dairy products in the Ruhabat district of Ahal province. The State Committee of the Fish Industry announced an international tender for procurement of cross-country vehicles for the subdivisions of the Committee and for design and turnkey construction of a trout breeding complex in Goekdepe district of Ahal province.

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## Chapter 5: Trade Regulations and Standards

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- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
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- [Temporary Entry](#)
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### Import Tariffs

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Turkmenistan does not apply tariffs as such on imported goods. However, in practice the Government creates other trade barriers in the form of customs duties and higher excise taxes on imports.

Under Presidential Resolution # 5121 of February 26, 2001, there is a customs duty on import of about 100 types of merchandise. Average rates range from 20% to 100% (imported carpets are subject to 200% duty).

Turkmenistan applies import excise tax for the following products:

Beer	50% of the cost, but not less than 4 manats per liter
Wines, strong drinks, liquors with alcohol content of 20% or less	100% of the cost, but not less than 20 manats per liter
Wines, strong drinks, liquors with alcohol above 20%	100% of the cost, but not less than 30 manats per liter
Spirits	\$4 per liter
Strong alcoholic drinks, liquors, and other alcoholic drinks	\$3 per liter
Tobacco products	150% of the customs value,

	but not less than \$1 per pack
Other tobacco products and products made of tobacco substitute	\$10 per kilogram
Jewelry	15% of the customs value
Cars with an engine volume of up to and including 2,000 cubic centimeters	\$0.25 per cubic centimeter of the engine's volume
Cars with an engine volume greater than 2000 cubic centimeters	\$0.25 per cubic centimeter of the engine's volume

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.

Turkmenistan requires that all 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 the contracts signed at the SCRME, but also to contracts signed between third parties. 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, taxation policy and the lack of business council 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:

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 the total price.

2. A bill of lading. Customs officers will check the bill of lading against the information contained in the contract.
3. A certificate of origin or quality. The importer is required to receive a certificate of conformance from the Main State Inspectorate “Turkmenstandartlary.”
4. A customs declaration. The customs declaration and clearance is the responsibility of the party specified in the contract. In most cases, however, the buyer takes on the clearance process. During the customs clearance process, Customs charges a service fee of 0.2% 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).

## **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. U.S. 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 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 Turkmenpatent. Turkmenpatent issues a certificate of registration within three months of application, after which the trademark is valid for ten years (from the date of application).

## **Prohibited and Restricted Imports**

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Presidential resolution # 1987 of November 24, 1994, outlines two separate sets of goods where import or export must be licensed by the President and the Cabinet of Ministers. President controls import or export of the following list of goods:

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 wastes;
4. Precious metals and alloys, ores, scrap material and wastes (for export only);
5. Precious stones and items including wastes, 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. Investment abroad;
10. Export of scientific research, technology and inventions, and
11. 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 wastes;
4. Turkmen national jewelry;
5. Culturally valuable goods;
6. Ancient 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. Ahalteke horses;
13. Pedigree cattle;
14. Wild animals;
15. Wild plants, bones of fossil animals, ivory, horns, hoofs, corals and other such materials; and
16. Information about energy resources and minerals of regions and fields located in Turkmenistan and within the continental shelf and offshore zone.

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

## Customs Regulations and Contact Information

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Customs regulations consist of the Customs Code of Turkmenistan, Tax Code of Turkmenistan (on excises) and a number of by-laws and presidential resolutions, including # 5121 of February 26, 2001 (import and export customs duties).

## 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 are developed to meet international standards. GOST standards have been 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 agreement on 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 into 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 the 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. Also, 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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## **Contacts**

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Main State Inspectorate "Turkmenstandartlary"

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## **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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There are no web resources for standards in Turkmenistan.

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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 but sparsely inhabited country (about five million) with abundant hydrocarbon resources. The Government regularly proclaims its wish to attract foreign investment, but its state-control mechanisms and restrictive currency-exchange system have created a difficult foreign investment climate. Historically, the most promising areas for investment are in the oil and gas, agricultural and construction sectors. Following President Berdimuhamedov's call to provide "Internet access to every home, school and kindergarten," the visibility of Turkmenistan's communication sector has also risen. Even in these areas, companies must conduct extensive due diligence. The lack of established rule of law, inconsistent regulatory practices, and unfamiliarity with international business norms are major disincentives to foreign investment. Although President Gurbanguly Berdimuhamedov has expressed his intent to improve investment conditions, to date he has taken no specific related actions.

Turkmenistan's economy depends heavily on production of natural gas, oil, petrochemicals and, to a lesser degree, cotton and textiles. The country is the second largest gas producer in the former Soviet Union. All other existing industrial production, with the exception of food processing, needs substantial development. The country's key industries are still state-owned. According to independent estimates (European Bank of Reconstruction and Development [EBRD] Transition Report 2008, the private-sector share in GDP in 2007 was 25%, mostly concentrated in retail trade, services and food processing.

The top economic development priority of the Government of Turkmenistan since independence in 1991 has been self-sustainability in food supplies and an increase in import-substituting production using hydrocarbon revenues. Other industries where the Government has been most receptive to foreign investment are the textile, construction and communication sectors, which all acutely need modern technology, knowledge of international markets and experience in international business practices. All investment proposals are screened for compliance with these Government priorities. The national program entitled "Economic, Political and Cultural Development Strategy for Turkmenistan to 2020" specifies Government plans for the petroleum, chemical, power generation, mining, metallurgy, textiles, construction, agriculture, transportation, communication and other industries. In October 2006, Turkmenistan adopted the Oil and Gas Development Plan for 2007-2030.

Turkmenistan has a closed investment climate. Decisions to allow foreign investment are politically driven; companies from "friendly" countries are more successful in winning tenders and signing contracts. The country has significantly reduced its foreign borrowing, particularly from international donor organizations, because of leadership fears that overseas loans may lead to political dependency on foreign states. However, since independence, Turkmenistan has accepted financing from IFIs for a variety of projects. 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 enter the local market. One way to penetrate the market has been to work through established foreign businessmen, who arrange deals through their personal relationship with top leaders, or via high-ranking foreign officials. Preliminary indications seem to demonstrate that establishing a personal relationship with the new President will remain the most direct -- and in some cases, the only way to gain entry to Turkmenistan's market.

Incoming foreign investment is regulated by the Law on Foreign Investment (last amended in 1993), 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 of corporations. 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 1993), and the Land Code approved in 2004. Foreign investment in the oil and gas sector is subject to the 2008 Petroleum Law. 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. Much foreign investment is governed by project-specific presidential resolutions, which may grant privileges not provided by the general legislation.

Legally, there are no limits on foreign ownership or control of companies. In practice, the Government has allowed fully-owned foreign operations only in the oil sector and, in one case, in cellular communications (MTS of Russia). There are various ways for the Government to discriminate against disfavored foreign as well as domestic investors: excessive tax examinations, license extension denial, and customs clearance and visa issuance obstacles. Starwood Hotels and Resorts operated two Sheraton franchise hotels in Ashgabat, but left Turkmenistan in 2006 as a result of disagreements over interpretation of its contract with the Government.

In most cases, the Government has insisted on maintaining a majority interest in any joint venture (JV). Foreign investors have been reluctant to enter JVs controlled by the Government, as a result of competing business cultures and conflicting management styles. Foreign investors may only sell shares or divest with Government permission, although there is no specific legislation. Coca-Cola Bottlers has been in Turkmenistan since the mid-1990s in a JV 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. Outdated technology, poor business structures, and Governmental obstacles make privatized firms unattractive as outright purchases for foreign investors. To date, Government privatization efforts have also been counteracted 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 is low on the Government's agenda.

All land is Government-owned. Neither domestic nor foreign entities can receive long-term land-use rights for "non-agricultural" purposes. Private citizens have land rights under specific circumstances. However, these rights exclude the sale or mortgage of land. Land rights can only be transferred 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. In many cases, Turkish companies have been hired to act as advisors in the tender process. Typically, these projects are politically motivated and/or economically unsound, and the tender process is badly managed and often not transparent, timely, well-prepared, or accessible. 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 double the U.S. company's tender price. Investors 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. However, the Government of Turkmenistan does not actively engage in regional efforts aimed at boosting investment projects. Turkmenistan sells electricity to Afghanistan at subsidized rates

In November 2008, sector officials reported that direct investment in the oil and gas sector was \$2.4 billion, up from \$884 million in 2007. The EBRD Transition Report 2008 projected net FDI for 2008 to total almost \$1.2 billion, per statistics furnished by Turkmenistan's State Statistics Committee.

The Government of Turkmenistan 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) until January 1, 2009, when it introduced redenominated manat (Denominated Turkmen Manat, or DTM) at 2.85 manat per \$1. The Government also opened more than 100 exchange points all over the country in May 2008. 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 15,000 TM or 3.0 DTM per \$1. The Central Bank controls the fixed rate by releasing U.S. dollars into the official and unofficial (but legal) exchange markets. New Foreign exchange regulations 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 in May 1, limits on foreign exchange transactions were officially lifted.

Oil producers operate under the Petroleum Law and receive their profit share in crude oil, which they ship by tankers to other Caspian Sea littoral states or swap in Iran or Persian Gulf countries. In many cases, investors in petrochemicals have negotiated deals with the Government of Turkmenistan to recoup their investment in the form of future petroleum products. Foreign investors generating revenue in foreign currency, such as textile factories, do not generally have problems with repatriating their profits. However, some foreign companies receiving income in local currency, such as Coca-Cola, 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 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.

Turkmenistan's legislation does not provide for private ownership of land, and thus offers opportunities for the Government to force investors to vacate their land. Article 21 of the Investment Law allows investors' property to be confiscated by a court decision. Although there have been no reported expropriatory actions against foreign investors in the last year, the Government of Turkmenistan has a history of arbitrary expropriation of the property of local businesses and individuals. Under the previous leadership, the Government often refused to pay any compensation, much less fair market value, when exercising "the right of eminent domain." For example, as part of a "city beautification" project to widen Ashgabat's streets, hundreds of homes and some local businesses were destroyed. Homeowners were given short notice and little, if any, compensation for loss of their dwellings. However, during a March 2007 Cabinet of Ministers meeting,

President Berdimuhamedov stated that residents of affected apartments or houses would be provided with alternative housing before their homes are demolished. In 2007, neighbors who were promised housing six months after their apartments were to be destroyed appealed to international organizations in order to obtain new housing immediately, and were given new apartments shortly thereafter.

## **Dispute Settlement**

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Most contracts negotiated with the Government have an arbitration clause. Embassy strongly advises U.S. companies to include an arbitration clause with a venue outside Turkmenistan.

There have been several 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. Turkmenistan's investment and commercial disputes have three common themes: non-payment of debts, non-delivery of goods or services, and contract renegotiations. The Government 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 the leadership of a Government agency that signed the original contract often triggers a Government call to reevaluate an entire contract, including profit distribution, management responsibilities and payment schedules.

A western oil and gas company and Turkmenneft, the Government-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 of \$495 million in damages. In spring 2006, the U.S. Court of Appeals upheld the 2001 decision and bound the Government of Turkmenistan to an arbitral award rendered by a tribunal sitting in Houston, Texas, in favor of a foreign party against State Concern Turkmenneft. In November 2006, the U.S. Supreme Court denied Turkmenistan's petition for a writ of certiorari. The award has not been paid.

Although Turkmenistan has adopted a number of laws designed to regulate foreign investment, the laws have not been consistently or effectively implemented. The concentration of power in the office of the President has undermined the rule of commercial law. Legislation is regularly made -- or overturned -- by presidential decree. The Law on Foreign Investment, as amended in 1993, is the primary legal instrument defining the principles of investment. The law also provides for protection of foreign investors. The foreign investor is defined in the law as an entity owning a minimum average of 20% of a company's assets during a calendar year, unless the Cabinet of Ministers waives the requirement.

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

-- All foreign and domestic companies and foreign investments must be registered at the Ministry of Economy and Finance (MOEF).

--The Petroleum Law (Law on Hydrocarbon Resources) 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 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 Law on Property of 1993.

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 by request from either party involved. Appeals on decisions of the Arbitration Court can be filed at the Arbitration Committee of the Supreme Court of Turkmenistan.

Turkmenistan has not become 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 disadvantaged by higher tax rates than most local companies. The Tax Code adopted in 2004 was amended three times, in 2005, 2006 and 2007, but with most tax rates remaining unchanged. 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 (50%) and wine (100%). Similar taxes on domestically produced beer and hard liquor remain at previous rates: 10% and 15%-40% respectively.

In May 2007 Turkmenistan introduced a National Tourism Zone (NTZ) to promote tourism development on the Caspian Sea coast. Tax and other incentives are provided in legislation passed on October 1, 2007 but only to those willing to invest in 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 NTZ from the VAT. Various services of tourist facilities, including catering and accommodation, are also VAT-exempt. Income tax on accommodation and catering of 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.

Tax and investment incentives can be negotiated on a case-by-case basis. The President has often issued special decrees granting taxation exemptions and other privileges to specific investors while recouping the initial investment. Assets and property of foreign investors should be insured with the State Insurance Company of Turkmenistan (Article 53 of the Petroleum Law, Article 3 of Insurance Law). 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% of the company's personnel be local. The Government can make exceptions for foreign construction 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 and Finance. The procedure applies not only to the contracts signed at the SCRME, but also to contracts signed between third parties. The SCRME is Government-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 Government mostly 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 holidays. Otherwise, there are no set requirements for local sourcing or exporting specific percentages of output.

Production Sharing Agreement (PSA) holders are mostly regulated by the Petroleum Law. They are subject to a 20% income tax and royalties ranging from 1% to 15%, depending on the level of production. The social welfare tax, 20% of the total local staff payroll, is also payable by all foreign investors and their subcontractors. PSA holders' employees and their subcontractors pay a personal income tax of 10%. Under the Petroleum Law, PSA concessions have been made to six foreign energy companies: three offshore and three onshore concessions for 20-25 years. Five of the existing concessions are in the oil sector and one in the gas sector.

Subcontractors of PSA holders can bring their equipment into the country only for the duration of a valid contract. There is no appropriate legislation that regulates operations of oil and gas subcontractors

Currently, Turkmenistan lists 94 import and nine export goods and materials subject to customs duties. Goods and materials not on the lists are subject to a 5% customs duty payment. In regard to exports, customs maintains a list of goods subject to customs duty payment. Export of fertilizers, non-ferrous metals, their alloys, and products made of non-ferrous metals is prohibited. 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 100% customs duties for exporting 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 by the national standards.

Turkmenistan, while not a member of the World Trade Organization (WTO), has enacted a number of laws in key areas relevant to the WTO: 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 Service for Registration of Foreign Citizens was created in 2003 with the specific aim of controlling access to the country and movement of foreign citizens within Turkmenistan. All visitors are required to register upon entry, and travel to most border areas requires a special permit. Inviting foreigners often is problematic because authorities can and do deny entry visas without explanation. With these travel strictures, foreign investors trying to enter Turkmenistan for the first time have difficulty obtaining entry visas unless invited by the Government. Even established investors continue to complain about bureaucratic procedures and delays in this context.

#### **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, though this is associated with onerous bureaucratic requirements. The 2000 Law on Enterprises establishes state and private businesses in various legal forms (state enterprises, sole proprietorships, cooperatives, partnerships, corporations and enterprises of non-Government organizations). The law allows foreign companies to establish subsidiaries, but the Government 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; these offices do not have legal entity status, but have to be registered at the Ministry of Economy and Finance.

The Government prohibits engagement in certain areas of commercial activity, such as mass media. The 1999 Law on Licensing Certain Types of Activities lists 65 types of activities that require Government licenses. Currently, state entities do not require licenses. Often private entities need to do more than public enterprises to access markets and credit.

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 local and with foreign participation. Government approval is necessary for acquisitions and mergers of certain enterprises, specifically those 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: private, state, non-Government organizations, cooperative, joint-venture, foreign states, legal entities and citizens, international organizations and mixed private and state. Most housing is state-owned and may not be resold. Turkmenistan adopted a new land code in 2004, addressing farmers' land rights. According to the new land law, citizens may have rights 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 the National Tourism Zone (NTZ). Land and built facilities have to be transferred after the expiry 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 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 new 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.

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 explicitly 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 legal 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 does 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 that was 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 as part of Turkmenistan's Civil Code, in force since 2000. The Law defines copyrighted products and the rights of owners of the copyrighted products, and provides their legal protection. However, there is no agency responsible for implementing or enforcing the copyright law. Turkmenistan has not adopted criminal penalties for IPR violations, and currently articles such as videos, cassette tapes, and literature are freely copied and sold. In general, state products increasingly dominate local markets and are well-protected by law enforcement bodies. State products, petroleum and textiles exported from Turkmenistan have been assigned trademarks to protect them in foreign markets.

## **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. Previously, Government officials acted on the President's verbal instructions, rather than written orders or governing legislation. Most often, personal relations with Government officials have played 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 Government does not generally provide information support to investors, and officials use the lack of information to their personal benefit. 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 and of English speakers. Good quality English-language material on Turkmenistan legislation is scarce, and there are very few business consultants to assist investors.

There are no standards-setting consortia or organizations besides the Turkmen State Standards (TDS) and the relevant licensing Government agency.

There is no independent body for filing complaints. Financial-disclosure requirements are not transparent and consistent with international norms, and 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 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. Under this law, three types of licenses can be issued: exploration, extraction, and a single exploration and extraction license. Two types of agreements can be signed for oil production: a production sharing agreement and a joint venture agreement. In 2006, the Government indicated it was considering the possibility of allowing joint operations in the gas sector, but no appropriate amendments have been made to that effect.

Turkmenistan's financial system significantly hinders the free flow of financial resources. Most numerous and largest in size are the six state banks: 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, society, savings and mortgages, respectively. Two additional commercial banks, one joint (with Ziraat Bank) Turkmen-Turkish bank, and a branch of the National Bank of Pakistan also operate in Turkmenistan. Total assets of the country's largest bank, Vnesheconombank, are estimated at \$1.3 billion (2006) at the then official exchange rate of 5,200 manats per dollar. Assets of the other banks are much smaller.

All banks, including commercial banks, are controlled by the state. Commercial banks are prohibited from providing services to state enterprises.

The U.S. Export Import (EXIM) Bank is not currently considering short and medium-term U.S. export financing for projects in Turkmenistan, although a number of U.S. companies have used EXIM Bank funds or guarantees in the past to finance their exports to Turkmenistan. State banks mostly serve state enterprises and allocate credit on subsidized terms to the state enterprises. Foreign investors are only able to get credit on the local market through 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 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 the mid 1990's, the Government turned some nearly bankrupt state-run enterprises into corporations. Foreign entities may theoretically purchase shares in these companies, but have shown no interest in so doing.

Turkmenistan's political system has showed no sign of immediate change since Gurbanguly Berdimuhamedov's ascension to the presidency in February 2007, although modest efforts thus far to reform the social sector -- education, health and agriculture -- are promising.

The politically repressive but stable existence Turkmenistan experienced in its first ten years of independence halted in November 2002 with an attack on former President Niyazov's motorcade in central Ashgabat. The regime reacted with a series of mass arrests, show trials and purges of Government ministries. There were credible reports that torture was employed to gain signed confessions. Authorities violated the Vienna

Convention for diplomatic immunity when they raided the Uzbekistan Ambassador's compound in December 2002.

In September 2008, Government forces surrounded a small group of well-armed individuals in the Khitrovka neighborhood on the north side of Ashgabat. After an almost three day standoff, more than 20 Government personnel were reportedly killed before the group was subdued. Government statements claimed that the group was involved in narcotics trafficking, and that all members of the group had been arrested or killed. Little additional information surfaced regarding the motives or intentions of the group.

The Government prohibits political opposition by banning opposition parties and requiring registration for all organizations. There have been no incidents involving politically-motivated damage to projects or installations.

## **Corruption**

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Turkmenistan has legislation to combat corruption, but the laws are ineffective and corruption is rampant. The non-transparency of the economic system provides fertile soil for corruption, and the common assumption is that nearly any decision desired can be obtained for a price. 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. There are several known cases of local businessmen being arrested without charges until they pay local officials for their release.

Turkmenistan joined the UN Convention against Corruption in March 2005. The non-Government organization Transparency International, ranked Turkmenistan 166 among 180 countries in the world in its Corruption Perceptions Index for 2008. President Berdimuhamedov has restructured some offices in charge of expenditures that appear to be geared toward rooting out corruption. 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 repeatedly stated that corruption will not be tolerated. Berdimuhamedov replaced the Minister of Internal Affairs at an April 2007 session of the Cabinet of Ministers and directed the incoming minister to wipe out corruption. In contrast to official corruption, violent criminal organizations are largely non-existent in Turkmenistan.

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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 Government of Turkmenistan 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 Turkey, China, France, Malaysia, Pakistan, Romania, Slovakia, the United Kingdom, Northern Ireland, Egypt, India, Uzbekistan, Iran, Armenia, Georgia, Germany, Ukraine, and the United Arab Emirates.

In 2006, the European Union decided to withdraw from negotiations on a trade agreement with Turkmenistan, citing the country's poor human rights record.

## **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.

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Labor matters are governed by the Labor Code of Turkmenistan, the Law on Leaves of Absence, the Law on Occupational Safety, the Law on Pensions and a number of regulations approved by presidential resolutions. Turkmenistan joined the International Labor Organization in 1993.

Unemployment and underemployment are major problems. The last official survey, conducted in 1995, implausibly estimated unemployment at 3% of the labor force. Current unofficial estimates are above 50%.

Since 1997, Turkmenistan has introduced "labor exchanges" or employment offices, operating as self-sustaining entities under local Government offices. Turkmenistan's regulations require that all vacancies be posted via such labor offices. Although most vacancies in the labor exchanges' databases are low-skilled jobs, employment offices have not been an effective tool in reducing unemployment. Finding suitable candidates via these offices is also problematic for international companies. Investors recruit directly, though candidates still pay a nominal fee to the relevant labor exchange. Although the Government requires foreign companies to have 70% of the local workforce be local citizens, it has made exceptions for foreign construction companies executing large-scale turnkey projects. Officials are known to request investors to employ their relatives and friends.

The Government is still working to shore up its education system, which under President Niyazov was greatly weakened with mandatory secondary education reduced from ten to nine years. This exacerbated the unemployment problem. In February 2007, one of Gurbanguly Berdimuhamedov's first announcements as President of Turkmenistan concerned the reinstatement of ten years' mandatory education starting with the 2007-2008 academic year. The President also increased higher education from two to five

years and medical training to six years. After years when teaching of English and other foreign languages had little part in most schools' curriculum, President Niyazov in 2006 reinstated mandatory English-language training. The general lack of foreign language learning has hampered the ability of students to study outside Turkmenistan and work with international companies. 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 labor pool, but the recent reforms should begin to address these shortcomings.

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, and all social and economical activities are limited.

The normal workday in Turkmenistan is eight hours, and the standard workweek is 40 hours over five days. In practice, many private sector employees are required to work ten hours on a sixth day with or without one day paid off-day. The minimum age for employment of children is 16. In a few heavy industries it is 18. The labor law prohibits 16-18 year-olds from working more than six hours a day, and only with parental and trade union permission. 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 these zones 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 product of foreign origin;
- Export of products;
- Setting product prices.

There are ten such zones in Turkmenistan: Mary-Bayramaly, Ekerem-Hazar, Turkmenabat-Seydy, Bakharly-Serdar, Ashgabat-Anew, Ashgabat-Abadan, Saragt, Guneshli, Ashgabat International Airport, and Dashoguz Airport. The zones have not been successful in drawing increased economic activity. Despite the legal guarantees, the Government continues to meddle in business decisions even for firms located in these zones. The zones have not been financially supported by the Government and lack infrastructure, such as advanced telecommunications, to attract businesses. The



infrastructure at Ashgabat International Airport is more developed and has modern cargo transit facilities.

In July 2007, President Berdimuhamedov announced the creation of the Avaza free tourist zone along 16 kilometers of the Caspian Sea coast. The Ministry of Economy and Finance (MOEF) promised exemption from MOEF 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 five-year leases for retail and services points, warehouses and car parking lots. Tourism-related services such as catering and hotels - - but not casinos -- are also granted VAT exemption. Construction equipment used in the Zone will not be subject to the one percent property tax. In addition, the Government will not levy income taxes related to tourist accommodations and catering for the first 15 years.

## Foreign Direct Investment Statistics

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State data on many economic indicators, including Foreign Direct Investment (FDI) remain unreliable and mostly unavailable. 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 project operated by Burren Energy UK/ENI, the Khazar project operated jointly by the Turkmenneft state concern and Mitro International of Austria, and a PSA signed with the China National Petroleum Corporation (CNPC) in 2007. The remaining three PSAs are offshore operations, including the Cheleken project operated by Dragon Oil of the United Arab Emirates, the Block-1 project operated by Petronas of Malaysia and the Blocks 11, 12 project operated jointly by Maersk Oil of Denmark and Wintershall of Germany.

By early 2007, Dragon Oil has invested a total of \$618 million. It has estimated that its investment for 2007 will total about \$250 million and its investment in 2008 will be \$500 million. Petronas' total investment by the beginning of 2007 amounted to \$705 million. Petronas intends to invest \$600 million in 2007. Burren and Mitro have invested \$450 and \$225 million respectively. Although these investment statistics are incomplete, they represent at least a two-fold increase over the \$418 million foreign investment figure in 2005 (EBRD Transition Report 2008).

Other potential investors, including Chevron, BP, Lukoil and ConocoPhillips, are holding high-level discussions with the Government of Turkmenistan.

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<http://www.ebrd.org/>

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## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [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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Turkmenistan has a very small banking sector. Most numerous and largest in size are the six state banks: State Bank for Foreign Economic Relations (Vneshekonombank), Dayhanbank, Turkmenbashy Bank, Turkmenistan Bank, Halk Bank, and President Bank. These state banks have narrow specializations -- foreign trade, agriculture, industry, social sector, savings and mortgages, respectively. Two additional commercial banks -- one joint venture (with Ziraat Bank) Turkmen-Turkish bank, and a branch of the National Bank of Pakistan -- also operate in Turkmenistan.

All banks, including commercial banks, are controlled by the state. Commercial banks are prohibited from providing services to state enterprises.

All bank transfers have to be made via the Central Bank's correspondent account at the Deutsche Bank in Frankfurt, Germany. This significantly hinders the flow of money in and outside Turkmenistan.

### **Foreign-Exchange Controls**

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The Government of Turkmenistan 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 approximately 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. Local banks do not have direct correspondent relationships with any foreign banking institutions.

## **Project Financing**

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Project financing has not been used in Turkmenistan.

## **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](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://ebrd.org/country/country/turk/index.htm>

International Finance Corporation:  
[http://www.ifc.org/ifcext/eca.nsf/Content/Turkmenistan\\_Home](http://www.ifc.org/ifcext/eca.nsf/Content/Turkmenistan_Home)

International Monetary Fund: <http://www.imf.org/external/country/TKM/index.htm>

World Bank:  
<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/TURKMENISTANEXTN/0,,menuPK:300741~pagePK:141159~piPK:141110~theSitePK:300736,00.html>

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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 Government of Turkmenistan 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. Turkmenistan is not familiar with the concept of franchising; therefore, it is not yet used here. 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-U.S. 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 Government of Turkmenistan 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 Service for the Registration of Foreigners (SSRF) in Ashgabat. An individual

or organization in Turkmenistan must submit the letter of invitation on behalf of an American citizen to the SSRF, 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 SSRF 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 SSRF in Ashgabat. Under Turkmenistan's 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 the visa will vary according to the intended length of stay. For an additional charge, the SSRF 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's 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 SSRF to travel to areas of the country that have been restricted by the Government of Turkmenistan, including almost all border areas.

Upon arrival at an airport or border entry point, foreigners will be charged approximately \$12 for an immigration card issued by Turkmenistan's authorities. All foreigners are required to carry this immigration card for the duration of their stay in Turkmenistan. Authorities will collect the immigration card upon departure. Those departing Turkmenistan from the Ashgabat airport and flying with a non-Turkmenistani flagged carrier are required to pay a \$25 departure fee.

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 SSRF. SSRF 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 SSRF office to register their departure. Foreigners should be registered and deregistered at the SSRF 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 SSRF 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 SSRF 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](http://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 security options are handled via an interagency process. Visa applicants should go to the following links.

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

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

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

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

## Telecommunications

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Mobile phone service exists throughout Turkmenistan and is generally reliable. However, some rural and mountainous areas may have limited coverage. 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 079). The rate for calls to the United States placed through an operator is \$3.90 per minute. Currently, the major hotels are charging from \$6.00 to \$9.00 per minute for telephone calls and from \$7.00 to \$9.00 for a fax message. 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 (England), Frankfurt, Istanbul, Minsk, Moscow and New Delhi. S2 Airlines also flies from Moscow to Ashgabat.

Within the country, it is possible to fly to Balkanabat, Dashoguz, Mary, Turkmenabat, and Turkmenbashy.

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 heavy 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. Local law requires that traffic fines be paid within 12 hours. If a fine is not paid within that period, the amount may double every 12 hours up to 72 hours, after which time the vehicle in question may be seized.

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 the 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 Government has declared that English is to 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: Nury Kakabaevich Amannepesov (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: 34-86-21

Sanitary Aviation of the Ministry of Health of Turkmenistan  
Dr. Dovran Saparovich  
Telephone: 35-27-12 Monday through Saturday (working hours)  
39-07-19; 39-07-30 - numbers for emergency medical evacuation from the different  
areas of the country

Ambulance Services Government Ambulance Service  
Tel.: 03

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

**Medical Evacuations:**

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

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

**Local Doctors List**

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; Cell: 866-55-62-16; 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; Cell: 800-66-34-32-06

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

Delta Consulting  
Moscow, Telephone: 7-495-937-6477

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) 9376477  
Fax: (+7-495) 9376470 / 72  
E-mail: mowopsmed@internationalsos.com

AEA International  
Worldwide emergency assistance  
Almaty, Kazakhstan  
Dr. Francois Gourraud, Medical Director for Central Asia  
Telephone: (7-3272) 581-911 or doctor on call at (7-3007) 441-111

Pharmacies  
Andalyp street, 15 (former Mira street, based in Burgan store), telephone 27-03-03  
Gorogly street, 29 (former Pervomayskaya street, just across the Student Polyclinic),  
telephone 35-35-80  
Azadi, 65 (based in Ovadan Center), telephone 39-51-85  
Sona Muradova street, 2 (former Stepana Razina Street), telephone 28-63-44

## **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.

2009 holidays are:  
January 1      New Year's Day

3/10/2009

January 12	Memorial Day
February 19	National Flag Day
May 18	Day of Revival, Unity and Poetry of Magtymguly Pyragy
October 6	Remembrance Day
October 27-28	Independence Days

Additional National holidays of KURBAN BAIRAM (70 days after Oraza 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 is not of 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.

### **Web Resources**

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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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- [Market Research](#)
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### Contacts

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Ministry of Communications  
69 Azady Street  
Ashgabat, Turkmenistan, 744000  
Tel: (993 12) 35 44 10

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) 35-55-45

Turkmenhovayollary (national airways and civil aviation authority)  
3-A Chary Nurymova  
Ashgabat, Turkmenistan, 744000  
Tel: (993 12) 510156

Turkmenenderyayollary (sea and river lines)  
8 Shagadam  
Turkmenbashi City, Turkmenistan, 745000  
Tel: (993 243) 20360/ (993 12) 510429  
Fax: (993 243) 20744

State Agency for Management and Use of Hydrocarbon Resources  
56 Arçabil Avenue  
Ashgabat, Turkmenistan, 744036

Tel: (993 12) 403801  
Fax: (993 12)403831  
e-mail: stateagency@online.tm

Turkmennebit (oil and gas production)  
Representative in Ashgabat  
56 Arçabil Avenue  
Ashgabat, Turkmenistan, 744036  
Tel: (993 12) 403620  
Fax: (993 12) 403622

Turkmengaz (gas production)  
56 Arçabil Avenue  
Ashgabat, Turkmenistan, 744036  
Tel: (993 12) 403201/02  
Fax: (993 12) 403254

Turkmengeology  
56 Arçabil Avenue  
Ashgabat, Turkmenistan, 744036  
Tel: (993 12) 403401  
Fax: (993 12) 403439

Turkmennebitgazgurlushyk (construction in oil and gas sector)  
56 Arçabil Avenue  
Ashgabat, Turkmenistan, 744036  
Tel: (993 12) 403501  
Fax: (993 12) 403144

State Customs Service  
Adalat Koshgi  
2022 Street  
Ashgabat, Turkmenistan,744000  
Tel: (993 12) 380633  
Fax: (993 12) 380665

Food Industry Association  
Address: 109 Magtymgyly Street  
Ashgabat, Turkmenistan  
Tel: (993 12) 351825, 355840  
Fax: (993 12) 354781, 511982

Ministry of Water Resources  
Address: 30 Atamyrat Niyazov Street  
Ashgabat, Turkmenistan  
Tel: (993 12) 390615  
Fax: (993 12) 398532

Ministry of Agriculture  
Address: 63 Azady Street  
Ashgabat, Turkmenistan

Tel: (993 12) 356691  
Fax: (993 12) 350518

Ministry of Textile  
Address: 47 Garashsyzlyk Street  
Ashgabat, Turkmenistan  
Tel: (993 12) 407171, 407034  
Fax: (993 12) 355442

Ministry of Health  
Address: 20 Arçabil Street  
Ashgabat, Turkmenistan,  
Tel: (993 12) 400673  
Fax: (993 12) 400568

Main State Inspectorate "Turkmenstandartlary"  
12 Galkynysh  
Ashgabat, Turkmenistan, 744004  
Tel: (993 12) 495859  
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Main State Tax Inspectorate  
63 Garashsyzlyk Shayoly  
Ashgabat, Turkmenistan, 744036  
Tel: (993 12) 482401/03  
Fax: (993 12) 482411

State Commodity and Raw Materials Exchange  
111 Magtymguly Shayoly  
Ashgabat, Turkmenistan, 744000  
Tel: (993 12) 354321  
Fax: (993 12) 510304

Ministry of Education  
2 Gorogly  
Ashgabat, Turkmenistan, 744000  
Tel: (993 12) 355803  
Fax: (993 12) 356672

Ministry of Energy and Industry (power generation and distribution)  
6 2008 Street  
Ashgabat, Turkmenistan  
Tel: (993 12) 353870, 379459  
Fax: (993 12) 390682

Ministry of Trade and Foreign Economic Relations  
44 Goroly  
Ashgabat, Turkmenistan, 744000  
Tel: (993 12) 351047, 251578  
Fax: (993 12) 395108

## **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/marketresearch.html> 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, but free of charge.

## **Trade Events**

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

<http://www.cci.gov.tn/>

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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.

<http://www.buyusa.gov/>

The U.S. Commercial Service is currently not represented in Turkmenistan. However, the U.S. Embassy's [Economic Section](#) can provide some assistance and counseling to firms interested in doing pursuing export opportunities in this market. For more information visit our website at <http://turkmenistan.usembassy.gov/pes.html>

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

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.