

U.S. Country Commercial Guides



Turkmenistan 2018

Table of Contents

<i>Doing Business in Turkmenistan</i> _____	7
Market Overview _____	7
Market Challenges _____	8
Market Opportunities _____	8
Market Entry Strategy _____	9
Political Environment _____	10
<i>Selling US Products & Services</i> _____	10
Using an Agent to Sell US Products and Services _____	10
Establishing an Office _____	10
Requirements for Establishing a Representative Office: _____	10
Requirements for Establishing a Branch: _____	11
Requirements for Establishing a Joint Venture: _____	11
Turkmenistan joint venture participants also must submit: _____	12
Franchising _____	12
Direct Marketing _____	12
Joint Ventures/Licensing _____	12
Selling to the Government _____	13
Distribution & Sales Channels _____	14
Express Delivery _____	14
Selling Factors & Techniques _____	14
eCommerce _____	14
Trade Promotion & Advertising _____	14
Pricing _____	14
Sales Service/Customer Support _____	15
Protecting Intellectual Property _____	15
Due Diligence _____	15
Local Professional Services _____	15
State Organizations: _____	15
Private Firms: _____	16
Principal Business Associations _____	17
Limitations on Selling US Products and Services _____	17
Web Resources _____	17
<i>Leading Sectors for US Exports & Investments</i> _____	18

Oil and Gas	18
Leading Sub-Sectors	18
Opportunities	18
Web Resources	19
Oil and Natural Gas Refining	19
Overview	19
Leading Sub-Sectors	20
Opportunities	20
Web Resources	20
Chemical Industry	20
Overview	20
Leading Sub-Sectors	21
Opportunities	21
Web Resources	21
Transportation	21
Overview	21
Leading Sub-Sectors	23
Opportunities	23
Web Resources	23
<i>Customs, Regulations & Standards</i>	23
Trade Barriers	23
Import Tariff	23
Import Requirements & Documentation	24
Labeling/Marking Requirements	25
U.S. Export Controls	25
Temporary Entry	25
Prohibited & Restricted Imports	25
Customs Regulations	26
Standards for Trade	26
Overview	26
Standards	27
Testing, inspection and certification	27
Conformity Assessment	27
Product Certification	27
Accreditation	27

Publication of technical regulations _____	27
Contact Information _____	27
Trade Agreements _____	27
Licensing Requirements for Professional Services _____	28
Web Resources _____	28
<i>Investment Climate Statement</i> _____	29
Executive Summary _____	29
Openness to and Restrictions upon Foreign Investment _____	30
Policies Toward Foreign Direct Investment _____	30
Limits on Foreign Control and Right to Private Ownership and Establishment _____	32
Other Investment Policy Reviews _____	33
Business Facilitation _____	34
Outward Investment _____	35
Bilateral Investment Agreements and Taxation Treaties _____	35
Legal Regime _____	35
Transparency of the Regulatory System _____	35
Legal System and Judicial Independence _____	36
Laws and Regulations on Foreign Direct Investment _____	37
Competition and Anti-Trust Laws _____	38
Expropriation and Compensation _____	38
Dispute Settlement _____	38
Bankruptcy Regulations _____	39
Industrial Policies _____	39
Investment Incentives _____	39
Foreign Trade Zones/Free Ports/Trade Facilitation _____	40
Performance and Data Localization Requirements _____	40
Protection of Property Rights _____	41
Real Property _____	41
Intellectual Property Rights _____	41
Financial Sector _____	44
Capital Markets and Portfolio Investment _____	44
Money and Banking System _____	44
Foreign Exchange and Remittances _____	45
Sovereign Wealth Funds _____	46
State-Owned Enterprises _____	46

Privatization Program _____	47
Responsible Business Conduct _____	48
Corruption _____	48
Resources to Report Corruption _____	48
Political and Security Environment _____	49
Labor Policies and Practices _____	49
OPIC and Other Investment Insurance Programs _____	50
Foreign Direct Investment and Foreign Portfolio Investment Statistics _____	50
Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy _____	50
Table 3: Sources and Destination of FDI _____	51
Table 4: Sources of Portfolio Investment _____	51
Contact for More Information on the Investment Climate Statement _____	51
<i>Trade & Project Financing</i> _____	52
Methods of Payment _____	52
Banking Systems _____	52
Foreign Exchange Controls _____	52
US Banks & Local Correspondent Banks _____	52
Project Financing _____	52
Multilateral Development Banks: _____	52
Web Resources _____	53
Financing Web Resources _____	53
<i>Business Travel</i> _____	54
Business Customs _____	54
Travel Advisory _____	54
Visa Requirements _____	55
Currency _____	56
Telecommunications/Electronics _____	56
Transportation _____	56
Language _____	57
Health _____	57
Local Time, Business Hours and Holidays _____	58
Temporary Entry of Materials or Personal Belongings _____	59
Travel Related Web Resources _____	59

INTERNATIONAL COPYRIGHT, U.S. & FOREIGN COMMERCIAL SERVICE AND U.S. DEPARTMENT OF STATE, 2018. ALL RIGHTS RESERVED OUTSIDE OF THE UNITED STATES.

Doing Business in Turkmenistan

Market Overview

Turkmenistan is a physically large country (slightly larger than the state of California) but sparsely inhabited (about 5 million people). It gained independence in 1991 after the breakup of the Soviet Union. Although Turkmenistan's vast natural gas and its oil resources continue to attract some foreign companies, the Government of Turkmenistan has yet to implement reforms needed to create an inviting business climate where foreign investment and foreign investors are truly welcomed and property rights guaranteed. In addition, the government is centralized and non-transparent, with much information that is readily available in most other countries classified as a "state secret." Turkmenistan publishes limited national statistics, but its data collection and evaluation methodologies have not been verified by independent third parties and are often not credible. According to the *2017 Statistical Yearbook of Turkmenistan*, the country's 2016 Gross Domestic Product (GDP) was USD 36.18 billion (TMT126.6 billion) while 2015 GDP was USD 35.9 billion (TMT 125 billion), with official GDP figures as yet unavailable for 2017. The conversion from manat was done at the official rate of TMT3.5/USD. The government reported a GDP growth of 6.5 percent in 2017. These GDP figures and growth rate are implausible.

Turkmenistan continues to be a major producer of natural gas and, according to the *Statistical Yearbook of Turkmenistan*, in 2016 produced an estimated 69.4 billion cubic meters. In 2015, Russia bought 4 bcm from Turkmenistan but ceased to import refined natural gas from Turkmenistan in January 2016. Turkmenistan stopped exporting gas to Iran on January 1, 2017. Other key sectors include oil and petroleum products, plastics and textiles.

According to Turkmenistan's State Statistics Committee, Turkmenistan's exports rose from USD 7.5 billion in 2016 to USD 7.8 billion in 2017 while the country's imports fell from approximately USD 13 billion in 2016 to USD 10 billion. The trade deficit was USD 2.4 billion. Turkmenistan's largest importer is Turkey, with consumer goods, food, and construction materials. China is Turkmenistan's largest export market. According to the U.S. Department of Commerce, in 2017 U.S. exports to Turkmenistan totaled USD 282 million while U.S. imports from Turkmenistan were USD 13.8 million. The highest valued U.S. export category was civilian aircraft and spare parts, with industrial engines the second largest category. The U.S.'s largest import from Turkmenistan was cotton cloth and fabrics. Food inflation averaged 36 percent in Ashgabat in 2017.

The top four reasons why U.S. companies may want to consider exporting to Turkmenistan include Turkmenistan's readiness to import innovative technologies, plans to diversify its economy, strategic geographic location between the Middle East, Europe and Asia, and its political stability.

The government provides substantial state subsidies to the general public, as well as to specific sectors such as agriculture; however in the current economic and financial downturn, these subsidies are under threat. President Gurbanguly Berdimuhamedov, first elected in 2007 and re-elected in 2012 and 2017, initially promised to open up the country and improve its investment climate, but these promises remain yet unfulfilled. Turkmenistan does not allow private ownership of land, and most of its industries are state-owned. The domestic private sector's share of the economy is estimated to be below 20 percent. Retail trade, services, processing and production are the main sectors in which private ownership is permitted although often with government-set price controls. According to official statistics of the Government of Turkmenistan, the private sector share of GDP (excluding the dominant fuel and energy sector) was 63.1 percent as of April 2018. In 2012, Turkmenistan announced plans to privatize state-held properties under the State Program for Privatization of Enterprises and Objects of State Property during the period 2013-2016, with the goal of increasing the share of the non-state sector in GDP to 70 percent by 2020. Privatization has, however, so far proceeded slowly with few buyers willing to meet the government's asking prices. A limited number of foreign petroleum companies successfully operate under production sharing agreements (PSAs). Turkmenistan's economy is centrally managed and most business decisions appear politically motivated. Turkmenistan devalued its national currency – the manat – by 19 percent on January 1, 2015, to an exchange rate of 3.5 manat to a dollar. Between 2008 and 2014, the rate was 2.85 manat per 1 USD. Converting manat into U.S. dollars (or other hard currencies) is increasingly difficult due to tight government restrictions on exchange. The black market exchange rate reached 25

manat per 1 USD in Ashgabat on May 30, 2018. The government does not release information about its hard currency reserves. Lower global energy prices have slowed Turkmenistan's economy and put downward pressure on its currency as has its persistent current account deficit. In January 2016, the government eliminated consumers' easy access to hard currency and placed limitations on currency conversion, which impeded trade and led to extra hurdles for businesses. Throughout 2016, 2017 and Q1 2018, U.S. businesses reported increasing difficulties converting manat into U.S. dollars. On average, companies report receiving only 2% of their conversion requests every other week.

Turkmenistan has maintained a stable political environment since independence in 1991. The president is both the head of state and the head of government. Presidential decrees and resolutions have the force of law and often supersede existing legislation. The ruling Democratic Party is the re-branded Communist Party of Turkmenistan. After the Parliament adopted a new law on political parties in January 2012, a second political party drawn from the membership of the Union of Industrialists and Entrepreneurs, the Party of the Industrialists and Entrepreneurs was established. A third political party, the Agrarian Party, was established in September 2014. While the Party of Industrialists and Entrepreneurs allegedly represents the business interests of private entrepreneurs, it is quasi-governmental and its creation, like that of the Agrarian Party, has had little effect on political decision-making. The Democratic Party dominates the political arena.

Market Challenges

- Lack of consistent, transparent business legislation and sanctity of contracts.
- Laws and regulations are subject to frequent change and contradictory interpretation by various government agencies and officials.
- The judicial branch operates under direct instruction from the executive.
- Corruption is pervasive and endemic at all levels of the business stream.
- Qualified employees, particularly those with English language skills, are scarce.
- Turkmenistan's labor force generally lacks knowledge of standard, western business practices.
- The Agency for Protection from Economic Risks, under the Ministry of Finance and Economy, holds a wide mandate to vet foreign companies before issuing licenses allowing operation in Turkmenistan.
- The economy appears to have been in recession since the last quarter of 2014 when global hydrocarbon prices fell.
- Foreign businesses in Turkmenistan face steep barriers to collecting on bills owed by government ministries.
- Companies face tight foreign exchange controls.
- Turkmenistan's visa procedures are exceptionally cumbersome and time-consuming.
- Unreliable Internet access and slow download and upload speeds. The Government of Turkmenistan regularly blocks certain mainstream websites and private companies' Virtual Private Networks (VPN).
- Most industry is controlled by the government and all communication with it is slow as it typically must be accomplished via diplomatic notes to the Ministry of Foreign Affairs.

Market Opportunities

- The hydrocarbon sector is the country's largest industry. Turkmenistan strives to maximize value for its oil and gas and invests in petroleum refining and processing facilities. It has several liquefied petroleum gas (LPG) plants and plans to build more.
- The government has plans to attract foreign technology and investment to the chemical and petrochemical industries.
- Opportunities exist for gas-to-liquid (GTL) technology providers, as Turkmenistan is currently building two GTL plants and plans to develop this sector.
- With 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.

- The government has ambitious plans to build new transportation infrastructure; however, the ministries involved in such plans are some of the same ministries that are the most indebted already to foreign companies.
- Turkmenistan continues to invest in development of the Caspian Sea resort of Awaza,, which may present opportunities for foreign investment in Turkmenistan's nascent tourist industry.

Market Entry Strategy

- Due to a lack of accurate and comprehensive information on market sectors, company assessment visits are useful.
- Identifying and working through a local partner or agent is often vital for successful entry.

Political Environment

Selling US Products & Services

Using an Agent to Sell US Products and Services

The procurement of equipment, spare parts, and consumables for Turkmenistan's major industries, such as oil and gas, power generation, railway, air transportation, and telecommunications is state-controlled. However, the government does not have a centralized procurement and distribution agency. Individual ministries and state companies procure for their needs via a tender process. Announcements are made in the local press in Russian and Turkmen languages, as well as on some websites. Agencies in the state-controlled oil and gas sector post tenders (in Russian) on the Internet at [NEBIT-GAZ](#).

Producers of heavy equipment sell their goods in Turkmenistan by establishing an office or through a locally established distributor. Most local distributors provide some repair and maintenance services. Pharmaceuticals, food items, and consumer goods are sold mostly through quasi-private and public channels; distributorships are numerous and are often foreign based. Finding a reliable distributor is challenging because of a lack of accessible information on private companies. The Economic-Commercial section of the [U.S. Embassy in Ashgabat](#) and [Turkmenistan's Chamber of Commerce and Industry](#) provide leads for local partners and help identify potential partners for U.S. firms. Contact: Turkmenistan Chamber of Commerce, Tel. (993 12) 39 89 81, Fax (993 12) 39 89 79. E-mail: info@cci.gov.tm.

Establishing an Office

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

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

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

A branch is defined as a separate division of a legal entity, located at a different location from 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.

Requirements for Establishing a Representative Office:

1. An application to establish a representative office signed by an authorized company official. Include intended line(s) of business in Turkmenistan and information on the investor with an overview of the investor's activities;
2. A decision to establish a representative office signed by an authorized company official;
3. Two notarized copies of the charter of the representative office, in Turkmen and Russian, signed by a company official;
4. A personal information form for the head of the representative office in Turkmenistan with a 3x4 cm photo and copy of the representative office head's biographical page of passport;
5. A duly certified power of attorney for the head of the representative office in Turkmenistan;

6. An notarized copy of the foreign investor's Charter notarized by a Consulate or Embassy of Turkmenistan outside of Turkmenistan, or by the Ministry of Foreign Affairs of Turkmenistan in Ashgabat;
7. An original transcript of the foreign investor's official registration, issued by the foreign investor's national registration agency. The transcript should be notarized by a Consulate or Embassy of Turkmenistan overseas, or by the Ministry of Foreign Affairs of Turkmenistan;
8. An original foreign investor's financial status report (bank statement). The bank statement should be notarized by a Consulate or Embassy of Turkmenistan overseas or by the Ministry of Foreign Affairs of Turkmenistan;
9. Written confirmation from a Turkmenistan Governmental authority confirming legal address;
10. Receipt for payment of registration fee.

Requirements for Establishing a Branch:

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

Requirements for Establishing a Joint Venture:

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

11. Receipt for payment of registration fee.

Turkmenistan joint venture participants also must submit:

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

For all types of offices, documents should be submitted as originals in the language of the investor's country with appropriate official stamps (faxed copies are not accepted), with Turkmen and Russian translations. Translations 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, hotels, or in a building that belongs to a state organization or state/private enterprise. After a company has chosen office space, it must apply for approval of its legal address with the appropriate local government office.

Franchising

There are three U.S. franchises in Turkmenistan -- Coca-Cola, Pepsi and Levi's. The small population, an underdeveloped private sector, and severely limited currency conversion hinder franchising attempts.

Direct Marketing

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

Joint Ventures/Licensing

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

The Law on Enterprises and the Law on Corporations provide for mergers and acquisitions. However, Turkmenistan's relevant legislation does not clearly define activities involving foreign parties, nor does it have specific provisions for disposition of interests in business enterprises, both local and those involving foreign participation. Government approval is necessary for acquisitions and mergers of certain enterprises, specifically those with state shares. The Law on Licensing Certain Types of Activities lists the kinds of businesses that are subject to licensing and governs the licensing process. The law lists 44 activities. There is no comprehensive licensing agency; licenses should be obtained from the relevant authorized government agencies and are generally not issued for less than three years. Oil and gas production and exploration licenses are issued by Turkmen Oil State Concern and TurkmenGas State Concern respectively for a duration of 20-25 years. Below is the list of main business activities subject to licensing:

1. Oil and gas exploration and production
2. Oil and gas processing
3. Design, construction, maintenance and operation of trunk 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 counsel or services
12. Quality and product certification
13. Healthcare services and production, and sale of pharmaceuticals
14. Import, production, and sale of alcohol and tobacco
15. Telecommunications
16. Tourism
17. Trade

Selling to the Government

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to “Project Financing” Section in “Trade and Project Financing” for more information.

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 goods and services, including construction projects. The tender rules permit closed tenders. In 2014, Turkmenistan adopted the Law on Tenders, which seeks to develop competition among bidders, ensure transparency and effective implementation of tender procedures, and compliance with international standards. Turkmenistan does not have a centralized procurement body, and individual government agencies and state-owned companies conduct their own tenders. Comparable goods are often purchased at different prices by different organizations. Tender processes are not transparent, and falsification of bids and cancellation of tender results can and do occur. Companies with a strong market presence or that are in good standing with the government have a higher chance of being selected. Often the determining factor in awarding contracts is price, not value. Tender winners receive bid approval by the State Commodity and Raw Materials Exchange. Most open tenders are announced only in local outlets or for the oil and gas sector at [NEBIT-GAZ](#). Turkmenistan’s National Program for Socio-Economic Development for the period 2011-2030 and its Oil and Gas Industry Development Program (current-2030) provide a general idea of Turkmenistan’s strategic development plans for specific industries.

Multilateral Development Banks (European Bank for Reconstruction and Development, Asian Development Bank, World Bank)

The U.S. Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development, the Asian Development Bank, and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the [Commercial Liaison Offices to the European Bank for Reconstruction and Development](#), the [Asian Development Bank](#) and the [World Bank](#).

The European Bank for Reconstruction and Development makes loans to private businesses in Turkmenistan.

Web Resources

[Commercial Liaison Office to the European Bank for Reconstruction and Development](#)

[Commercial Liaison Office to Asian Development Bank](#)

[Commercial Liaison Office to the World Bank](#)

Distribution & Sales Channels

Despite the country's geographic location, routes for transporting products to or through 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. A renovated port opened in May 2018 and has a total annual capacity of 17 million tons of dry cargo, 300,000 passengers, and 75,000 vehicles.

Turkmenistan has a number of rail links with Uzbekistan in the north and northeast, but rail and road crossings in the Farap district are the most heavily used. In March 2017, the president opened new railway and highway bridges between the cities of Turkmenabat and Farap. The bridges are expected to improve transportation between eastern Turkmenistan and the Uzbek border. There is limited capability for crossboundary deliveries by trucks with Kazakhstan via Garabogaz in the northwest; the road is in very poor condition. The North-South Railway connecting Iran, Kazakhstan and Turkmenistan was opened on December 2014. It has an anticipated transportation capacity of 10 million tons of goods annually. In November 2016, a rail line linking Kerki, Turkmenistan to Aqina, Afghanistan was opened. In February 2018, a rail link from Serhetabat, Turkmenistan to Toraghundi, Afghanistan was opened. The bulk of air cargo enters the country via the Ashgabat airport, although there are airports in all provincial centers. Airports in Ashgabat, Mary, Turkmenbashi and Turkmenabat can handle heavy aircraft. Most cargo transportation within the country is by truck. Mary, Turkmenbashi, Balkanabat, and, to a lesser extent Ashgabat, are the main destinations for heavy industrial equipment and supplies, while Ashgabat is the major destination for most consumer products.

Express Delivery

The Express Mailing Service (EMS) of the state-owned Turkmenpochta (Turkmen Postal Service) was the only express delivery service in the country until July 2018 when a private company, Beyik Yupek Yoly, became an authorized service contractor for DHL.

Selling Factors & Techniques

Food items for distribution in Turkmenistan need to be labeled in Turkmen and/or Russian, although additional Turkish, Farsi and Arabic labeling are not uncommon. Home appliances and electronics are labeled in English, Russian and German.

eCommerce

Electronic commerce is rudimentary and the country does not have a specific law or regulation of eCommerce. Chinese websites are the top destination for Turkmen citizens shopping online. Electronics and clothing constitute the major types of goods purchased online from abroad. Most customers access internet shopping websites from mobile phones with slow internet speeds. There are no major consumer buying holidays or shopping days for eCommerce in Turkmenistan except for those announced on Chinese internet websites like aliexpress.com. The major internet websites for commercial advertising in Turkmenistan include [VESTNIKTM](#), [TMAWTO](#), [EMLAK](#), and [Satlyk](#), although no online payment options are available.. Currency convertability is a major limitation to eCommerce or any type of foreign transaction in Turkmenistan.

Trade Promotion & Advertising

Printed ads and commercials are used on a limited basis; radio advertisements are uncommon. Most advertising is visual (billboards, posters, stickers and various memorabilia). Entities not registered in Turkmenistan are not allowed to place ads in the press or air commercials on TV. The most commonly used language for advertising is Turkmen. There are no Russian-language radio stations in Turkmenistan.

Pricing

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

There is a customs duty levied on approximately 100 types of imported merchandise. See: Trade Regulations and Standards for information on excise taxes and customs duties. Prices are usually fixed and controlled by the government.

Sales Service/Customer Support

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

Protecting Intellectual Property

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For background, please link to our article on [Protecting Intellectual Property](#) and [Stopfakes.gov](#) for more resources.

IP Attaché Contact

Regional IP Specialist

American Embassy Moscow

8 Bolshoi Devyatinskiy Pereulok

Moscow, Russia 121011

OFFICE PHONE

+7 495-728-5438

Due Diligence

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 publish lists of businessmen or companies that are known to have violated tax, environmental, or other laws. The country does not have a professional business press that covers the market or provides company reports. Hiring a local professional may help with collecting some data and anecdotal information on the ground. Consulting other outlets, like the Economist Intelligence Unit, may also be helpful.

Local Professional Services

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

State Organizations:

Berkararlyk District State Legal Office 13, Turkmenbashy Street, Ashgabat, Turkmenistan, Tel: (993-12) 94-61-63,. Lawyers providing all types of services; however, they do not speak English.

Bagtyyarlyk District State Legal Office 3, Bitarap Turkmenistan Shayoly, Ashgabat, Turkmenistan, Tel: (993-12) 24-31-94,. Lawyers providing all types of services; however, they do not speak English.

Buzmeyin District State Legal Office 3, Kesearkach Street, Ashgabat, Turkmenistan, 744000 Tel: (993-12) 33-01-31. Lawyers providing all types of services; however, they do not speak English.

Kopetdag District State Legal Office 36A, Oguzhan Street, Ashgabat, Turkmenistan, 744000 Tel: (993-12) 95-72-30. Lawyers providing all types of services; however, they do not speak English.

Private Firms:

Altyn Kanun Counsel Legal Company This company provides services such as consulting, analysis of legal documents, implementation of business projects (Russian and English), and legal support in company registration. Contact info: Turkmenistan, Ashgabat, 10 yil Abadanchylyk str. 60, "Paytagt" Trade center, 3rd floor.

Tel: (99312) 47-76-68, fax: (99312) 47-76-69.

E-mail: info@turkmens-law.com, kerim.akmamedov@turkmens-law.com, myahri.babayeva@turkmens-law.com.

Ashgabat Consulting Team (ACT) This firm provides information on doing business in Turkmenistan, registering foreign companies and investment projects, and arranging necessary licenses. It can also provide market research, economic consultations, logistical procurement services, and business tour services. English-speaking lawyers provide translations and notarization of documents. Contact info: Turkmenistan, Ashgabat, Turkmenbashy shayoly 81, 15th floor.

Tel: (993-12)22-76-16. E-mail: contact@act.tm.

Baker Tilly

This company provides services such as risk management, forecasting, development of business transparency, auditing, outsourcing and tax advisory. Contact info:

Turkmenistan, Ashgabat, Turkmenbashy shayoly 81, 15th floor..

Tel: (99312) 22-76-06. E-mail: contact@bakertilly.tm.

Konsul This company provides services such as preparation and analysis of contracts, legal auditing, and preparation of legal documents.

Contact info: Turkmenistan, Ashgabat, Mir 3/1 street, h.8 block "G".

Tel/fax: (99312) 45-17-22.

E-mail: consulturkmenistan@gmail.com, Consulturkmenistan2@gmail.com.

Medet Ltd.

Provides all kinds of legal services to companies engaged in investment and commercial activities in Turkmenistan.

Contact info:

Bitarap Turkmenistan Street # 19, Ashgabat, Turkmenistan 744000

Tel: (993-12) 94-64-00. E-mail: medet@cat.glasnet.ru.

SNR Denton

This international law firm, in affiliation with local Turkmen law firm AK Counsel, provides comprehensive commercial legal services for companies investing in Turkmenistan. U.S.-trained attorneys from SNR Denton work in collaboration with AK Counsel's Turkmen lawyers.

Contact info: Marla Valdez, Managing Partner for Central Asia; 38 Dostyk Avenue, Almaty, Kazakhstan, 050010.

Tel: +7 727 258-1950; Fax: +7 727 258-1905. E-mail: marla.valdez@snrdenton.com.

Principal Business Associations

Turkmenistan's Union of Industrialists and Entrepreneurs is the only association of businesses in Turkmenistan and there is no information whether foreign companies can join. There are no formal, foreign business associations in the country. There is no American Chamber of Commerce.

Limitations on Selling US Products and Services

There is no information on any manufacturing sectors or services that may only be owned or provided by citizens or a sub-set of the population.

Web Resources

- [Turkmenistan International Magazine](#)
- [NEBIT-GAZ](#)
- [Turkmen Business](#)
- [Chamber of Commerce and Industry of Turkmenistan](#)

Leading Sectors for US Exports & Investments

With the drop of the global prices, Turkmenistan's hydrocarbon dependent economy is under tremendous pressure. There are dwindling opportunities to purchase exports from the United States and many reports of the Government of Turkmenistan's payment issues with foreign companies throughout the year. Nevertheless, below are the major sectors that have historically attracted foreign companies to Turkmenistan.

Oil and Gas

Overview

Turkmenistan is rich in oil and especially gas resources. According to official figures, Turkmenistan's resource base is approximately 71.64 billion tons of oil equivalent, including 53 billion tons located in onshore fields and 18.21 billion tons in the Caspian Sea. The Government of Turkmenistan announced at May's 2017 Turkmenistan Gas Conference its reserves were 50.4 trillion cubic meters (tcm). International estimates, however, vary. The *2018 British Petroleum (BP) Statistical Review of World Energy* indicated that Turkmenistan, as of the end of 2017, had 100 million tons of proven oil reserves and 19.5 tcm of gas. According to the same report Turkmenistan, with a local annual consumption of 28.4 bcm of gas, produced 62 bcm of natural gas in 2017 and exported 33.6 bcm in 2017, 31.7 to China. In May 2018 the China National Petroleum Corporation (CNPC) reported that the accumulated volume of natural gas exported from Turkmenistan to China reached 204 bcm. CNPC did not specify how much of the 204 bcm was produced by TurkmenGas and how much by CNPC. The State Committee of Statistics of Turkmenistan reported a total production of 69.4bcm in 2016. According to Turkmenistan's State Statistics Committee, Turkmenistan produced about 11,397 million tons of oil, including gas condensate, in 2016. According to official figures, the Turkmenbashi Complex of Oil Refineries produced 270 thousand tons of liquefied petroleum gas (LPG) in 2014 with no official data released since.

Oil & Gas:

	2015	2016	2017	2018 (Estimated) ¹
Total Local Production	71.9 ²	69.4 ³	62 ⁴	*
Total Exports ⁵	38.1	37.3	33.6	*
Total Imports	0	0	0	*
Imports from the US	0	0	0	*
Total Market Size	33.8	32.1	28.4	*
Exchange Rates	3.5	3.5	3.5	3.5

(total market size = (total local production + imports) - exports)

Leading Sub-Sectors

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

Opportunities

Exploration and development of oil and natural gas fields, especially Galkynysh (formerly South Yoloten), Osman, Minara, Tagtabazar-I, offshore blocks, and the Central Karakum group of fields. Construction of gas treatment and

¹ No estimate yet available for 2018.

² *2017 Statistical Yearbook of Turkmenistan.*

³ *2017 Statistical Yearbook of Turkmenistan.*

⁴ *BP Statistical Review of World Energy 2018.*

⁵ *BP Statistical Review of World Energy 2018.*

processing units at the abovementioned fields. Opportunities also exist for gas-to-liquid (GTL) technology providers as Turkmenistan is currently building two GTL plants.

Web Resources

- [Alexander's Gas & Oil Connections: An Institute for Global Energy Research](#)
- [NEBIT-GAZ](#)

Oil and Natural Gas Refining

Overview

There are two oil refineries in Turkmenistan, in Turkmenbashi and Seydi. The Turkmenbashi oil refinery has a refining capacity of more than 10 million tons of oil per year as of May 2016. The refinery produces a range of products, including unleaded gasoline, petroleum coke, road bitumen, laundry detergent, hydro-treated diesel, and lube oil. The country produces 83,000 tons of polypropylene per year and around 412,000 tons of LPG per year. The government has demonstrated interest in attracting foreign investment to build factories producing end-user petroleum based products such as detergents and tires.

According to the last available official report, in 2012 the Turkmenbashi Complex of Oil Refineries increased exports by eight percent, exporting more than USD 3.2 billion worth of products, which is about 65 percent of all the products produced in the refinery. The refinery reported that its products are exported to Russia, China, Iran, Afghanistan, Turkey, Pakistan, Tajikistan and Japan. There are no statistical data available for 2013-2017.

Turkmenistan has invested USD 900 million in a number of projects designed to help increase the country's refining capacity by 95 percent by 2030. The projects include the construction of a facility for coking (carbonization) and tar de-asphalting with annual capacity of 900,000 and 500,000 tons, respectively. The government also constructed a facility to produce bitumen with an annual capacity of 38,000 tons as well as a facility to produce polypropylene film and an oil refinery with a capacity of 3 billion tons per year. Turkmenistan has commissioned a feasibility study regarding the construction of a new oil refinery in its western Balkan province.

The government contracted the consortium of Hyundai Engineering (Korea), LG International (Korea) and Toyo Engineering (Japan) to construct a new USD 3.432 billion gas chemical complex in the Kiyarly village of Balkan province. The construction is expected to be completed by the end of 2018. The facilities will have a feedstock capacity 5 bcm of gas annually to produce up to 386,000 tons of polyethylene and 81,000 tons of polypropylene.

The Turkmen Government wants to diversify and create natural gas refining facilities to produce polyethylene, polyvinyl chloride, methanol, formaldehyde, resins, synthetic rubber, and paint materials.

In 2014, Turkmenistan launched the construction of a major USD 1.7 billion plant for processing natural gas to liquid fuel (GTL) or gasoline in Ahal province. The new complex is designed to process 1.785 bcm of natural gas per year into 600,000 tons of A-92 gasoline per year. The plant is projected to open in 2018. A framework agreement for this project was signed between the State Concern TurkmenGas and a consortium of companies including Kawasaki Heavy Industries Ltd (Japan) and Rönesans Türkmen (Turkey) in 2013. In April 2016, the Ministry of Oil & Gas announced that a consortium of South Korean LG International Corp., Hyundai Engineering Co, and Japanese Itochu Corporation will start the construction of a new plant to produce synthetic liquid fuels (GTL, gas-to-liquid). The complex is designed to process 3.7 bcm of natural gas into 1,100,000 tons of diesel fuel, as well as more than 400,000 tons of straight-run gasoline (naphtha), per year.

The country has plans to build two more GTL plants in the coming years.

Refining (No statistics or estimates available):

	2015	2016	2017	2018 (Estimated)
--	------	------	------	------------------

Total Local Production	*6	*	*	*
Total Exports	*	*	*	*
Total Imports	*	*	*	*
Imports from the US	*	*	*	*
Total Market Size	*	*	*	*
Exchange Rates	3.5	3.5	3.5	3.5

(total market size = (total local production + imports) - exports)

Leading Sub-Sectors

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

Opportunities

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

Web Resources

- [NEBIT-GAZ](#)

Chemical Industry

Overview

Turkmenistan has nine chemical plants that produce nitrogen and phosphorous fertilizers (700,000 tons per year), sulfuric and nitric acids, iodine, bromine, and mineral salts. In 2014, Turkmenistan inaugurated a urea plant with capacity of 640,000 tons per year and an ammonia plant with the capacity of 400,000 tons per year in the south-eastern city of Mary. These plants will annually utilize 500 million cubic meters of natural gas as feed stock. The government reported that Turkmenistan produced 448,000 tons of various mineral fertilizers in 2015.

Turkmenistan has plans to increase fertilizer production to approximately 5,000,000 tons per year, of which 1,400,000 tons will be potash fertilizers. In March 2017, Turkmenistan opened a major potash fertilizer plant in Garlyk village of Lebap province, capable of producing 1,400,000 tons of fertilizer per year. However, the government of Turkmenistan stated in March 2018 Belarus hasn't completely fulfilled its contractual obligations when building the Garlyk plant. Turkmenistan also plans to increase iodine production from 500 to 1,515 tons per year by 2030. According to official statistics, Turkmenistan produced 571.3 tons of iodine, 460.5 tons of mineral fertilizers and 119.2 tons of sulphuric acid in 2016.

The government also announced plans to set up joint ventures with foreign companies to produce various types of chemicals based on local raw materials. In February 2018, Turkmeistan opened a float glass manufacturing plant in Owadan Depe in Ahal province..

Chemical Industry (No statistics or estimates available):

	2015	2016	2017	2018 (Estimated)
--	------	------	------	------------------

No statistics or estimates available.

Total Local Production	* ⁷	*	*	
Total Exports	*	*	*	
Total Imports	*	*	*	
Imports from the US	*	*	*	
Total Market Size	*	*	*	
Exchange Rates	3.5	3.5	3.5	

(total market size = (total local production + imports) - exports)

Leading Sub-Sectors

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

Opportunities

Construction of urea and ammonia plants; utilization of sulfur resulting from natural gas production processes, and construction of iodine and bromine plants. Building of new industrial facilities for the production and export of products such as caustic soda, chlorine and its derivatives, potassium fertilizers, high grade glass and insulation composite materials of basalt fibers.

Web Resources

- [Ministry of Energy of Turkmenistan](#)

Transportation

Overview

Large scale reforms to improve infrastructure in the road, railway, maritime, and air transportation sectors of Turkmenistan are underway. Since 1992, the volume of freight transportation in Turkmenistan has increased in all sectors, particularly by road. Between 2011 and 2015, the government planned to complete upgrades to the Turkmenbashi – Ashgabat – Mary – Turkmenabat – Farap road running from the Caspian Sea to the Uzbek border and the Dashoguz – Ashgabat road crossing the country from north to south; it only partially completed both projects as of the end of 2017. Construction of the 564 km Turkmenbashi – Ashgabat highway, which was expected to be the country's first toll road, was suspended when the Turkish contractor Polimeks walked away from the project, reportedly because of non-payment problems with the Government of Turkmenistan. Road upgrades are badly needed across the entire country. In March 2017, the Government of Turkmenistan reported the overall length of motor roads in Turkmenistan is 13,737 km, of which 6,540 km are of national importance, and 2,280 km are of international importance.

The Uzen–Gyzylgaya–Bereket–Etrek–Gorgan international railway, also known as the North-South Railway (NSR) or the Kazakhstan-Turkmenistan-Iran Railway, opened in 2014. The NSR connects the Kazakh and Iranian railway systems through Turkmenistan with a junction at Bereket linking to Turkmenistan's east-west mainline. The new railway is expected to transport 10 million tons of goods annually. In November 2016, the Turkmen and Afghan

⁷ * No statistics or estimates available.

Presidents opened a single-track rail linking Kerki, Turkmenistan to Aqina, Afghanistan and a rail link from Serhetabat, Turkmenistan to Toraghundi, Afghanistan in February 2018.

In May 2018, Turkmenistan completed the construction of an international seaport in Turkmenbashy, on the Caspian Sea shore. The new port includes ferry, passenger and container terminals, as well as ship repair facilities. These new services are intended to increase cargo traffic in the region. The new port has a total annual capacity of 17 million tons of dry cargo and 300,000 passengers with 75,000 vehicles.

Turkmenistan Airlines (TurkmenHowaYollary or THY) is the state-owned primarily passenger carrier, made up of Boeing aircraft. In 2013-2014, Boeing delivered three new Boeing 737-800 passenger planes. In September 2016, Turkmenistan received one of the Boeing 737-800 planes ordered in 2014. In 2017, U.S. Department of Commerce figures indicate the United States exported USD 147,388,000 in aircraft and parts to Turkmenistan. According to the National Program for the Development of Civil Aviation of Turkmenistan for the period 2012-2030, the number of new aircraft in THY's commercial fleet will increase from 20 to 39. Turkmenistan Airlines added new international flights to Kuala Lumpur and Riga, before cancelling them indefinitely. New flights to Milan and Doha were announced, but never started. Luxembourg's Cargolux transports cargo via Turkmenbashy. The government constructed new airports in the cities of Ashgabat, Turkmenbashy, Mary and Turkmenabat as well as a new runway at the Dashoguz Airport. Turkmenistan also recently announced international tenders for the construction of new airports in Garabogaz and Kerki.

In addition to Turkmenistan Airlines, international airlines such as Turkish Airlines, Lufthansa, S7, Belavia, Fly Dubai, Cargolux and China Southern Airlines operate international flights servicing Turkmenistan. However, a number of airlines are cutting back the number of flights as a result of the poor economic situation. The government expressed an interest in joining the International Air Transportation Association (IATA) in 2013 but at present is not an IATA member.

The Commercial Maritime Code of 2008 regulates commercial navigation, and addresses freight transport, passengers transport and their baggage to a foreign port, emergency operations, and accidents with other ships. In addition, it includes provisions on crew certification, state registration of ships and ship ownership titles, sea traffic control systems, maintenance of seaways, and environmental protection.

Transportation (No statistics or estimates available):

	2015	2016	2017	2018 (Estimated)
Total Local Production	* ⁸	*	*	
Total Exports	*	*	*	
Total Imports	*	*	*	
Imports from the US	*	*	*	
Total Market Size	*	*	*	
Exchange Rates	3.5	3.5	3.5	

(total market size = (total local production + imports) - exports)

⁸ * No statistics or estimates available.

Leading Sub-Sectors

Road, railway and port construction and maintenance consultation services; specialized transportation machinery; and solutions to create logistics centers.

Opportunities

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

Web Resources

<http://turkmenairlines.com/>

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

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

Customs, Regulations & Standards

Trade Barriers

Slow, bureaucratic customs procedures seriously inhibit trade. When the basis of the consignment is a contract but not a paid invoice, Turkmenistan requires that export and import contracts be registered at the State Commodity and Raw Materials Exchange (SCRME), the only exchange in the country. The contract registration procedure at SCRME includes a justification of prices. The procedure applies not only to contracts signed at the SCRME, but also to contracts signed between third parties. The contract's feasibility is also scrutinized by the Supreme Chamber of Control. 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 Finance and Economy. Turkmenistan has not acceded to the New York Convention on International Arbitration. As a result, a foreign commercial company with a commercial dispute has no recourse to an international dispute resolution body. Turkmenistan's restrictive visa regime and taxation policy are also difficult issues for companies to overcome.

Import Tariff

Turkmenistan does not officially apply tariffs per se on imported goods. However, in practice the government levies customs duties and higher excise taxes on imports. These duties and taxes are significant barriers to trade. Under Presidential Resolution #9925 dated July 27, 2008, there is a customs duty on the import of 49 types of merchandise. Average rates range from 5 percent to 100 percent. Importers also pay small administrative fees to the Customs Service. In 2015 Turkmenistan launched a policy of import substitution and there are reports of rising customs duties. Turkmenistan has introduced new customs fees for a list of six types of imported goods, including vegetables, fruits, juices and other unannounced products. A presidential resolution may waive all or some customs duties and taxes, including the excise tax.

More information with a list of detailed items subject to excise taxes is available in the Russian and Turkmen languages at the website of the [State Customs Service of Turkmenistan](#).

Turkmenistan applies import excise taxes on the following products:

Beer

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

Wine

Wines, spirits, liquor with alcohol content of 20 percent or less: One hundred percent of the cost, but not less than 20 manat per liter.

Wines, spirits, liquor with alcohol content above 20 percent: One hundred percent of the cost, but not less than 30 manat per liter.

Spirits

USD 4 per liter of spirits used in the manufacturing of beverages (exceptions made for spirits destined for medical purposes or imported by state enterprises or consumer cooperative enterprises)

Tobacco products

Thirty percent of the customs value, but not less than USD 0.50 per pack.

Other tobacco products and products made of tobacco substitute, USD 10 per kilogram.

Three state agencies are empowered by the President to issue a license for the import and sale of cigarettes: the Ministry of Health and Medical Industry, Ministry of Trade and Foreign Economic Relations and the Main State Standards Service (Turkmenstandartlary AKA Turkmen Standards). Regular Turkmen citizens are limited to bringing two packs of cigarettes from abroad.

Jewelry

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

Automobiles

USD 0.30 USD for every cubic centimeter of the engine volume plus 5.2 percent of the initial price of the vehicle.

On March 4, 2016, the President imposed new customs fees for importing cars. For example, for a Toyota Corolla (2012 model, 1.8 liters engine) the customs fee is 38,574 manats (USD 11,021). Due to these new customs fees, it makes little economic sense to import used cars. An April 2011 presidential decree prohibits the import of vehicles older than 5 years. In September 2010, the Turkmen Customs Service prohibited the import of damaged cars citing a presidential decree, which has not been made public. The import of sedans and SUVs with engines larger than 3.5 liters is also prohibited. De facto bans prohibit importation of black cars and cars with tinted windows.

Import Requirements & Documentation

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

1. A contract registered at the SCRME: The contract should be registered before the goods are delivered to Turkmenistan. Contracts are required to include the specifications of the goods, information on their origin, the currency involved, item price, and total price.
2. A Bill of Lading for Maritime Transportation: Cargo Movement Report “CMR” for transportation by truck. Customs officers will check the CMR or Bill of Lading against the information contained in the contract.
3. A Certificate of Origin and Quality: The Certificate of the Country of Origin should be obtained from Turkmenistan Chamber of Commerce and Industry at the place of origin prior to the departure of goods. The importer is required to receive a certificate of conformance from the Main State Inspectorate “Turkmenstandartlary.”
4. A Customs Declaration: Customs declaration and clearance is the responsibility of the party specified in the contract. In most cases, however, the buyer takes on clearance process responsibility. During the customs clearance process, Customs charges a service fee of 0.2 percent of the contract price. 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, for example). Turkmenistan has freelance customs clearance agents, who can assist with customs processing.

Labeling/Marking Requirements

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

U.S. Export Controls

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

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available at the [Developer trade website](#).

Temporary Entry

According to Turkmenistan's Law on Foreign Investment, goods and properties that are imported temporarily, including those for subcontracts, can be imported without duties, but only for the duration of an existing contract. Presidential Resolution #5121 (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.

Prohibited & Restricted Imports

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

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

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

1. Chemicals;
2. Poisons;
3. Industrial waste;
4. Turkmen national jewelry;
5. Culturally valuable goods;
6. Antique printed products and manuscripts;
7. Archaeological artifacts;
8. Numismatics;
9. Art pieces;
10. Collections of materials on mineralogy and biology;
11. Central Asian sheep-dogs (Alabay);
12. Ahal Teke horses;
13. Pedigree cattle;
14. Wild animals;
15. Wild plants, bones of fossil animals, ivory, horns, hoofs, corals and other such materials;
16. Information about energy resources and minerals of regions and fields located in Turkmenistan and within the continental shelf, offshore zones;
17. Export of documents related to accounting, human resources and other internal details of private businesses registered in Turkmenistan,;
18. Import of any number of religious literature without permission of the State Commission on Religious Organizations and Expert Evaluation of Religious Information Resources (SCROEERIR) including the Bible and Koran; and,
19. Import of cattle, sheep, goats, camels and swine requires a permit from the Cabinet of Ministers.

Customs Regulations

Customs regulations consist of the Customs Code of Turkmenistan, Tax Code of Turkmenistan (on excises) and a number of by-laws and presidential resolutions:

9925 of July 27, 2008 (import and export customs duties).

Contact info:

138, Archabil shayoly, Ashgabat

Phone: (+993-12) 39 41 55. E-mail: customs@online.tm.

Standards for Trade

Turkmenistan has made small steps to transition to international trade standards. “Turkmenstandartlary” is the Main State Standards Service that regulates and oversees the entire processes of conformity assessment, product certification and publication of technical regulations. Products made in Turkmenistan are labelled with a barcode that starts with number 483.

Overview

Turkmenistan uses National Standards of Turkmenistan (TDS) and General Interstate Standards (GOST). GOST standards are developed and maintained by the Euro-Asian Council for Standardization, Metrology and Certification (EASC) composed of 12 FOSU 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

The Main State Standards Service (Turkmenstandartlary) is the regulating agency in the area of standards and metrology in Turkmenistan. There are no other standards organizations in Turkmenistan. Turkmenistan became a correspondent member of the International Organization for Standardization (ISO) in 1993. In 2015, Turkmenistan created a national organization for bar coding and in May 2015 GS1, a global standards organization, issued a GS1 country prefix of 483 for products made in Turkmenistan.

Testing, inspection and certification

Conformity Assessment

All imported goods must be certified as adhering to quality standards set by the Main State Inspectorate “Turkmenstandartlary.” Those countries that signed bilateral agreements on the acceptance of national state certificates may enjoy mutually simplified procedures on issuing conformance certificates for imported/exported goods. The United States and Turkmenistan do not have an intergovernmental agreement on standards, metrology and certification.

Product Certification

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 conformity. Certificates of conformance for food products must be accompanied by a Russian-language product description.

Accreditation

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.

Publication of technical regulations

The Main State Standards Service “Turkmenstandartlary” publishes national standards updates.

“Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.”

Turkmenistan is not a WTO member.

Contact Information

Main State Standards Service “Turkmenstandartlary”
12 Galkynysh Ashgabat,
Turkmenistan, 744004
Tel: (993-12) 49-58-59
Fax: (993-12) 51-04-48

Trade Agreements

Turkmenistan signed a Trade and Investment Framework Agreement (TIFA) with the United States, Kazakhstan, Tajikistan, Kyrgyzstan, and Uzbekistan in 2004. The TIFA established a regional forum to discuss ways to improve

investment climates and expand trade within Central Asia. There is no Central Asia Free Trade Agreement at this time.

Licensing Requirements for Professional Services

The Law on Licensing Certain Types of Activities lists the kinds of businesses that are subject to licensing and governs the licensing process. The law lists 44 activities. There is no comprehensive licensing agency; licenses should be obtained from the relevant authorized government agencies. Licenses are generally not issued for less than three years.

Web Resources

- [Main State Standards Service “Turkmenstandartlary”](#)

Investment Climate Statement

Executive Summary

Turkmenistan is a physically large country (slightly larger than the state of California) but is sparsely inhabited (about 5 million people), with abundant hydrocarbon resources, particularly natural gas. Turkmenistan's economy depends heavily on the production and export of natural gas, oil, petrochemicals and, to a lesser degree, cotton, wheat, and textiles. According to the *2017 Statistical Yearbook of Turkmenistan*, the country's Gross Domestic Product (GDP) was USD 36.18 billion in 2016 (TMT 126.6 billion), USD 35.8 billion (TMT 125 billion) in 2015, and USD 43.5 billion (TMT 124 billion) in 2014. Official figures for 2017 are not yet available. The government reported an implausibly high GDP growth of 6.2 percent in 2017 and 2016. The economy actually appears to have been in recession since the last quarter of 2014 when global hydrocarbon prices fell. Food inflation hovered around 36 percent in Ashgabat in 2017. The Government of Turkmenistan does not appear to have enough U.S. dollars to meet current dollar obligations and therefore the current investment climate is not conducive to U.S. investment. (**Note:** Due to heavy official limitations on data sharing, official economic figures cannot be verified.)

Foreign businesses in Turkmenistan face steep barriers to realizing return on investment, including the government's non-payment to both local and international companies on orders received; failure to respect contract law; and the inability to convert local money into hard currency for repatriation of profits, dividends, and payment to foreign suppliers. Turkmenistan has had little success in attracting FDI from American companies. While American companies, including Coca-Cola and Caterpillar, have been present in the local market for years and have performed successfully, government delays in payment to foreign companies and restrictions on converting earnings into hard currency have complicated the investment picture. French (Bouygues, Vinci), Korean (Hyundai) and Turkish (Polimeks) companies have reportedly faced similar issues during the last year as energy-related revenues dry up. In August 2016, Turkmen-Turkish University was closed down. In December 2016, the government expropriated the largest (and only foreign-owned) grocery store, Yimpaş shopping and business center, in Ashgabat without compensation or other legal remedy. In April 2017, the Turkish Hospital in Ashgabat was closed indefinitely. In September 2017, MTS suspended its operations after the state-owned Turkmen Telecom cut it off from its network. The Government of Turkmenistan objects to these three incidents being called expropriations, but in each case, the foreign company had valid licenses and leases.

There have been consistent reports over the last few years that officials or agents associated with the Berdimuhamedov family, particularly the ubiquitous "nephews," seized local companies. In many cases, authorities jailed the legal owners of the enterprises using security-related laws as a legal pretext and reopened the businesses under new ownership.

A lack of established rule of law, an opaque regulatory framework, and rampant corruption remain serious problems in Turkmenistan. The government has a preference for doing business with entities who are members of the quasi-statist Union of Industrialists and Entrepreneurs, membership in which appears to be a key criterion for access to contracts and state loans. In certain cases, some contracts have been won by companies reportedly close to the presidential family. The government strictly controls foreign exchange flows and the conversion to hard currency of the local currency, the manat (TMT), is increasingly difficult. On the black market, the dollar trades at 18 to 20 manat as of July, 2018 while the official exchange rate is 3.5 manat per dollar. The government's dispute settlement clause in contracts generally does not allow for arbitration in a venue outside of Turkmenistan, but we urge U.S. companies to include an international arbitration clause in their contracts as political considerations still rule local courts.

Although Turkmenistan regularly amends its laws to meet international standards, the country fails to implement investment-related legislation. There is no independent judiciary. The country's autocratic political system has been relatively stable, despite a reported coup attempt in 2002. The constitution was amended in September 2016 to extend the presidential term from five to seven years, remove the 70-year age limit, and to allow the president to serve without term limits. On October 9, 2017, the constitution was amended again to reinstitute the People's Council as the highest representative body.

Lower global oil and natural gas prices slowed the economy and put pressure on its currency. The government's introduction of severe limitations on currency conversion and pursuit of an import substitution policy serve as impediments to foreign trade. The State Committee on Statistics reported Turkmenistan's imports fell from approximately \$13 billion in 2016 to \$10 billion in 2017. Exports supposedly rose from \$7.5 billion in 2016 to \$7.8 billion in 2017.

- Political stability is the most positive aspect of doing business in Turkmenistan, although rampant corruption, high inflation, failure to uphold private contract law, and an inability to convert currency are the most negative conditions underpinning the country's investment climate. Turkmenistan has also not traditionally allowed a PSA agreement for onshore resources, which hampers additional interest in energy exploration.
- Energy, construction, and petrochemicals are the sectors that have historically attracted the most investment in Turkmenistan.
- Starting from January 1, 2017, the government implemented a labor rule that requires foreign companies to hire 9 local employees for every one international staff member employed in the country.

Key issues to watch: developments in the financial sector, including the TMT/USD exchange rate and the severity of restrictions on currency conversion, and the degree to which Turkmenistan pays its debts to foreign and domestic companies.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2017	167 of 180	http://www.transparency.org/research/cpi/overview
World Bank's Doing Business Report "Ease of Doing Business"	2017	not ranked	doingbusiness.org/rankings
Global Innovation Index	2017	not ranked	https://www.globalinnovationindex.org/analysis-indicator
U.S. FDI in partner country (\$M USD, stock positions)	2017	No data disclosed.	http://www.bea.gov/international/factsheet/
World Bank GNI per capita	2016	6,670	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Openness to and Restrictions upon Foreign Investment

Policies Toward Foreign Direct Investment

Turkmenistan regularly announces its desire to attract more foreign investment, but tight state control of the economy, the government's inability to meet its financial obligations, a lack of transparency, and a restrictive visa regime have created a difficult foreign investment climate. In January 2013, Turkmenistan created the Agency for Protection from Economic Risks to oversee international investments in the country. The Agency is responsible for a comprehensive review of foreign companies wishing to enter Turkmenistan's market that includes assessment of the financial and political risks associated with allowing the company to do business in Turkmenistan. The arbitrary nature of the agency's assessments further increases the already opaque and arduous bureaucratic procedures.

Historically, the most promising areas for investment are in the oil and gas, agricultural, and construction sectors. However, a growing number of foreign companies have been forced out of the market due to their inability to convert local manat into hard currency and non-payment of invoices by the government. The government seeks foreign technology and investment in order to diversify its economy through the development of domestic chemical and petrochemical industry facilities. Decisions to allow foreign investment are often politically driven; companies offering more "friendly" terms, including sales side credit that is later forgiven, are generally more successful in winning tenders and signing contracts. The tender process is opaque and sometimes not announced.

According to government sources, total capital investment amounted to 59.5 billion manat (USD 17 billion) in 2016 and TMT 49.8 billion (USD 14.2 billion) in 2017. There is no publicly available information on how much of this total is foreign direct investment. There is a general lack of integrity and consistency in official economic numbers.

In 2012, the government announced that it would invest USD 80.6 billion to construct 450 industrial and social facilities throughout the country by 2020. According to the national program for the transformation of the rural areas, of that, TMT 4.9 billion (USD 1.4 billion) was invested in Turkmenistan's five provinces, including TMT 1.13 billion in Ahal; TMT 1.14 billion in Balkan; TMT 814 million in Dashoguz TMT 964 million in Lebap; and TMT 850 million in Mary.

Turkmenistan's key industries are state-owned. According to the Chairman of the Union of Industrialists & Entrepreneurs (UIE), the private sector's share in the Turkmen economy is 63-65 percent (excluding the energy sector) as of February 2018. The government numbers, however, are misleading since they exclude the hydrocarbon sector, which is the single largest component of GDP. While the government has stated that it seeks to increase the private sector's participation in the economy to 70 percent by 2020, there are no independent estimates available to verify the official statistics. The top economic priorities for the government remain achieving self-sufficiency in food supplies and increasing domestic production as part of import substitution. The economy rests almost entirely on extracting natural resources.

In May 2010, the government adopted its National Program for the Socio-Economic Development of Turkmenistan (2011-2030). The program envisages the diversification of the economy and recognizes the importance of market and institutional reform. The program also includes the privatization of small and medium enterprises (SMEs). In October 2006, Turkmenistan adopted an Oil and Gas Development Plan (2007-2030). The Council of Elders, precursor to the People's Council, adopted the president's 2018-2024 program on socio-economic development in October 2017. Despite these initiatives, Turkmenistan remains largely a planned economy and largely closed to foreign investment.

The government selectively chooses its investment partners; making a strong relationship with a government official is often essential to achieving commercial success. Officials may "seek rents" for permitting or assisting foreign investors to enter the local market. Some foreign investors have found success working through foreign business representatives who are able to leverage their personal relationships with senior leaders to advance their business interests. The government has a preference for doing business with entities who are members of the quasi-statist Union of Industrialists and Entrepreneurs.

Turkmenistan has accepted financing from international financial institutions (IFIs) since its independence in 1991. In 2009, the government reportedly accepted a USD 4 billion loan from the Chinese Development Bank (CDB) to develop Galkynysh, the world's second largest natural gas field, as well as several significantly smaller loans from

the Chinese Export-Import Bank for transportation- and communication-related projects. In 2011, Turkmenistan secured a second USD 4.1 billion loan from CDB to further develop the Galkynysh field. The government also accepted a USD 1 billion dollar loan from the Islamic Development Bank in 2010 to fund infrastructure projects. In 2011, the Asian Development Bank (ADB) provided a USD 125 million loan to the government to finance the procurement and installation of power and signaling equipment for a 311-kilometer section of the Kazakhstan–Turkmenistan–Iran railway. Turkmenistan approached a number of international financial organizations, private companies, and foreign governments in an attempt to secure additional loans to fund large-scale government projects but failed to secure them. In November 2013, the ADB was appointed as transaction advisor for the Turkmenistan–Afghanistan–Pakistan–India (TAPI) natural gas pipeline project and TurkmenGas was identified as consortium lead in 2015. In October 2016, the government announced that Islamic Development Bank would provide a \$710 million loan to finance the Turkmenistan segment of TAPI. The government has failed so far to identify a financial advisor. Financing appears to still be an open question.

Screening of FDI

The government seeks to attract FDI to Turkmenistan and tends to support companies wishing to invest in the country. Consequently, foreign companies with approved government contracts generally do not face problems or significant delays when registering their operations in Turkmenistan. Under Turkmenistan law, all local and foreign entities operating in Turkmenistan are required to register with the Registration Department under the Ministry of Finance and Economy. Before the registration is granted, however, an inter-ministerial commission that includes the Ministry of Foreign Affairs, the Agency for Protection from Economic Risks, law enforcement agencies, and industry-specific ministries has to approve it.

Foreign companies without approved government contracts that seek to establish a legal entity in Turkmenistan must go through a lengthy and cumbersome registration process involving the inter-ministerial commission mentioned above. The commission evaluates foreign companies based on their financial standing, work experience, reputation, and perceived political and legal risks. The inter-ministerial commission does not give the reasons for denying the registration of a legal entity.

In order to participate in a government tender, companies are not required to be registered in Turkmenistan. However, a company interested in participating in a tender process must submit all the tender documents to the respective ministry or agency in person. Many foreign companies with no presence in Turkmenistan provide a limited power of attorney to local representatives who then submit tender documents on their behalf. A list of required documents for screening is usually provided by the state agency announcing the tender.

Before the contract can be signed, the State Commodity and Raw Materials Exchange, the Central Bank, the Supreme Control Chamber, and the Cabinet of Ministers must approve the agreement. The approval process is not transparent and is often politically driven. There is no legal guarantee that the information provided by companies to the government will be kept confidential.

Competition Law

While Turkmenistan does not have a specific law that governs competition, Article 17 (Development of Competition and Antimonopoly Activities) of the Law on State Support to Small and Medium Enterprises seeks to promote fair competition in the country.

Limits on Foreign Control and Right to Private Ownership and Establishment

There are no legal limits on the foreign ownership or control of companies. In practice, the government has only allowed fully-owned foreign operations in the oil sector. Foreigners may establish and own businesses and also engage in business activities within the boundaries of domestic laws, but revenue repatriation is very challenging as currency conversion remains difficult in the country. The nature of government-awarded contracts may vary in terms of the

requirements for ownership of local enterprises. All contractors operating in Turkmenistan for a period of at least 183 days a year must register with the Main State Tax Service. National accounting and international financial reporting standards apply to foreign investors. In the energy sector, Turkmenistan precludes foreign investors from investing in the exploration and production of its onshore gas resources. All land in Turkmenistan is government-owned. The State Migration Service of Turkmenistan requires that citizens of Turkmenistan make up 90 percent of the workforce of a company owned by a foreign investor.

Moreover, there are several ways for the government to discriminate against investors, including excessive tax examinations, arbitrary license extension denials, and customs clearance and visa issuance obstacles. 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, because of competing business cultures and conflicting management styles. Although there is no specific legislation requiring foreign investors to receive government approval to divest, in practice they are expected to coordinate such actions with the government. The court system is subject to government interference.

Private entities in Turkmenistan have the right to establish and own business enterprises. The 2000 Law on Enterprises defines the legal forms of state and private businesses (state enterprises, sole proprietorships, cooperatives, partnerships, corporations and enterprises of non-government organizations). The law allows foreign companies to establish subsidiaries, though the government does not currently register subsidiaries. The Civil Code of Turkmenistan and the Law on Enterprises govern the operation of representative and branch offices in Turkmenistan. Enterprises must be registered with the Registration Department of the Ministry of Finance and Economy. The 2008 Law on the Licensing of Certain Types of Activities (last amended in November 2015) lists 44 activities that require government licenses. The Law on Enterprises and the Law on Joint Stock Societies allow acquisitions and mergers. Turkmenistan's legislation is not clear, however, about acquisitions and mergers involving foreign parties, nor does it have specific provisions for the disposition of interests in business enterprises, both solely domestic and those with foreign participation. Governmental approval is necessary for acquisitions and mergers of enterprises with state shares.

Other Investment Policy Reviews

The government has not undergone an investment policy review by the Organization for Economic Cooperation and Development (OECD) or World Trade Organization (WTO). While Turkmenistan has expressed interest in exploring the WTO accession process and created an intergovernmental commission in January 2013 to review the benefits of accession, the country has not yet formally applied to join the organization and does not appear to be progressing towards joining. The United Nations Conference on Trade and Development's (UNCTAD) World Investment Report (WIR) for 2015 ranked Turkmenistan among the top five countries in the category of Landlocked Developing Countries in its foreign direct investment (FDI) attraction index. According to WIR, the volume of FDI into Turkmenistan amounted to USD 4.3 billion in 2015 and USD 4.5 billion in 2016.

Laws/Regulations on Foreign Direct Investment

Incoming foreign investment is regulated by the Law on Foreign Investment (last amended in 2008), the Law on Investments (last amended in 1993), and the Law on Joint Stock Societies (1999), which pertains to start-up corporations, acquisitions, mergers and takeovers. Foreign investment activities are affected by bilateral or multilateral investment treaties, the Law on Enterprises (2000), the Law on Business Activities (last amended in 2008), and the Land Code (2004). Foreign investment in the energy sector is subject to the 2008 Petroleum Law (also known as the Law on Hydrocarbon Resources, which was amended in 2011 and 2012). The Tax Code provides the legal framework for the taxation of foreign investment. The Civil Code (2000) defines what constitutes a legal entity in Turkmenistan. The Organization for Security and Co-operation in Europe (OSCE) Center in Ashgabat maintains a database of Turkmenistan's laws, presidential decrees and resolutions at <http://www.turkmenlegaldatabase.info>. This information is also available on the Ministry of Justice of Turkmenistan's website at <http://minjust.gov.tm/ru>.

Turkmenistan has taken a number of steps to promote economic reform, including a law to combat money laundering and terrorism financing and a presidential decree that mandates the use of International Financial Reporting Standards (IFRS). In January 2010, Turkmenistan established a Financial Intelligence Unit under the Ministry of Finance to strengthen its anti-money laundering (AML) efforts and its ability to combat the financing of terrorism (CFT).

On January 1, 2012, Turkmenistan's banks switched to International Financial Reporting Standards (IFRS). Government agencies transitioned to National Financial Reporting Standards (NFRS) in January 2014. Despite these positive steps, however, Turkmenistan remains one of the most closed economies in the region and some financing of large projects remains off the banks' books.

Most foreign investment is governed by project-specific presidential decrees, which can grant privileges not provided by legislation. Legally, there are no limits on the foreign ownership of companies. In practice, however, the government has allowed fully owned foreign operations only in the oil sector. Some companies take the presidential decree as a sovereign guarantee.

Industrial Promotion

In 2007, Turkmenistan created the Avaza (Avaza) Tourist Zone (ATZ) to promote tourism and the development of its Caspian Sea coast. It granted some tax incentives to those willing to invest in the construction of hotels and recreational facilities. Amendments to the Tax Code in October 2007 exempted construction and tourist facilities in the ATZ from Value Added Tax (VAT). Services offered at tourist facilities, including catering and room accommodations, are also exempt from VAT until 2020. In general, tax and investment incentives for the ATZ can be negotiated case by case. Turkmenistan also adopted multiple-year national development programs in various sectors of economy, which might include separate sub-sections on attracting investment in these sectors. However, the country's visa regime is rigid, making an increase in foreign tourism unlikely in the near term. Information on these programs is not publicly available. As of July 2018, President Berdimuhamedov announced the intention to privatize all Avaza tourist facilities.

Business Facilitation

Turkmenistan does not have a business registration website for use by domestic or foreign companies. Depending on the type of business activity a foreign company seeks in Turkmenistan, registration with Turkmenistan's Main State Tax Service, the Local Statistics Office, the Agency for Protection from Economic Risks, the Registration Department under the Ministry of Finance and Economy, and the State Commodity and Raw Materials Exchange of Turkmenistan could all be required. Business registration usually takes about six months and often depends on personal connections in various government offices. The World Bank's *Doing Business* that measures business regulations and starting a business across 190 economies does not have data for Turkmenistan.

Development and implementation of public policies to attract foreign investment, investment coordination, and assistance to foreign investors are carried out by the Cabinet of Ministers of Turkmenistan. The Agency for Protection from Economic Risks under the Ministry of Finance and Economy makes a decision on providing any investment-related services to potential foreign investors based on criteria such as the financial status of the investor.

Turkmenistan's Law on State Support to Small and Medium Enterprises (adopted in August 2009) defines small and medium enterprises as follows: small enterprises are those with an average staff number of up to 50 people employed in industry, power generation, construction, gas and water supply and up to 25 people in other sectors; medium enterprises are those with an average staff number of up to 200 people employed in industry, power generation, construction, gas and water supply and up to 100 people in other sectors. However, the benefits of the Law on State Support to Small and Medium Enterprises do not apply to: 1) state-owned enterprises; 2) enterprises with foreign investment carrying out banking or insurance activities; and 3) activities related to gambling and gaming for money.

Almost all business-related activities must be conducted by foreigners in person after receiving a letter of invitation from the MFA to travel to the country; permission also must be received from the government to meet with state ministries, agencies, and enterprises. The only other way to conduct business with the government is to hire a local agent.

Outward Investment

The government of Turkmenistan does not promote or incentivize outward investment and there is no investment promotion agency. The existing policies are aimed at substituting imports and promoting exports. According to unofficial reports, individual entrepreneurs continue investing in real estate abroad in Turkey and the United Arab Emirates. Those entrepreneurs who invest abroad tend not to disclose such information fearing possible retribution from the government. The number of approaches from private businesses that want to invest in the United States has also increased over the past two years.

Bilateral Investment Agreements and Taxation Treaties

According to UNCTAD, Turkmenistan has signed bilateral investment agreements with 27 countries, including Armenia, Bahrain, Belgium, China, Egypt, France, Georgia, Germany, India, Indonesia, Iran, Israel, Italy, Luxembourg, Malaysia, Pakistan, Romania, Russian Federation, Slovakia, Spain, Switzerland, Tajikistan, Turkey, Ukraine, the United Arab Emirates, the United Kingdom, and Uzbekistan. In July 2009, European Union Ministers passed a trade agreement with Turkmenistan reasoning that economic and trade engagement with the country would stimulate political reforms in Turkmenistan.

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 between the United States and Turkmenistan. There is no bilateral investment treaty between Turkmenistan and the United States.

Legal Regime

Transparency of the Regulatory System

The government does not use transparent policies to foster competition and foreign investment. Laws have frequent references to bylaws that are not publicly available. Most bylaws are passed in the form of presidential decrees. Such decrees are not categorized by subject, which makes it difficult to find relevant cross references. Personal relations with government officials can play a decisive role in determining how and when government regulations are applied. Conversely, running a successful foreign business can lead to problems with local authorities. Local authorities may enforce certain verbal directives as if they were official laws and regulations without providing any proof of the existence of such regulations. There have been consistent reports throughout the year that the government seized profitable local companies. Some businesspeople left the country fearing possible imprisonment. In December 2016, the government expropriated the largest (and only foreign-owned) grocery store, shopping center, and business center in Ashgabat without compensation or other legal remedy. In April 2017, the Turkish Hospital in Ashgabat was closed indefinitely. In September 2017, Russian cellphone provider MTS was closed indefinitely. There have been consistent reports over the last year that officials or their agents seized local companies. In many cases, authorities jailed the legal owners of the enterprises using security-related laws as a legal pretext and reopened the businesses under new ownership. There is no information available on whether the government conducts any scientific study or quantitative analysis of the impact of regulations. Most regulations often appear to follow the government's try-and-see approach to addressing pressing issues.

While American companies, including Coca-Cola and Caterpillar, have been present in the local market for years and have performed successfully, government delays in payment to foreign companies and restrictions on converting earnings into hard currency have begun to complicate the investment picture. French (Bouygues, Vinci), Korean

(Hyundai), Ukrainian (Altcom), Belarusian (Belgorkhimprom), and Turkish (Polimeks) companies have reportedly faced similar issues during the last year as energy-related revenues dry up.

Bureaucratic procedures are confusing and cumbersome. The government does not generally provide information support to investors, and officials use this lack of information to their personal benefit. As a result, foreign companies may spend months conducting due diligence in Turkmenistan. A serious impediment to foreign investment is the lack of knowledge of internationally-recognized business practices, as well as the fact that there are few fluent English speakers in Turkmenistan. English-language material on legislation is scarce, and there are very few business consultants to assist investors. Proposed laws and regulations are not generally published in draft form for public comment. The general public is typically not invited to make contributions during parliamentary deliberations on the proposed bills or amendments to legislation and finds out about such laws only when published in the official newspaper.

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

The legal framework contained in the Law on Petroleum (2008) was a partial step toward creating a more transparent policy in the energy sector. Turkmenistan's banks completed transitioning to International Financing Reporting Standards (IFRS). State-owned agencies began the transition to the IFRS in 2012 and fully transitioned to National Financing Reporting Standards (NFRS) in January 2014, which is reportedly in accordance with IFRS. While the IFRS may improve accounting standards by bringing them into compliance with international standards, it has no discernable impact on Turkmenistan's fiscal transparency since fiscal data remains inaccessible to the public. There is no publicly available information regarding the budget's conformity with the IFRS. There is no public consultation process on draft bills and there are no informal regulatory processes managed by nongovernmental organizations or private sector associations.

International Regulatory Considerations

Turkmenistan pursues a policy of neutrality (acknowledged by United Nations in 1995) and does not join regional blocs. Turkmenistan is currently a member of the Economic Cooperation Organization (ECO), a ten-member intergovernmental organization created in 1985 to promote trade and economic cooperation among its members. In drafting laws and regulations, the government usually includes a clause that states the international agreements and laws will prevail in case there is a conflict between local and international legislations. Turkmenistan is not a member of WTO.

Legal System and Judicial Independence

Turkmenistan is a civil law country in terms of the nature of the legal system and many laws have been codified in an effort to transition from Soviet laws. The *Mejlis*, the country's rubber-stamp parliament, adopts nearly 50 laws per year without involving the public and these laws are rarely implemented. Most contracts negotiated with the government have an arbitration clause. The Embassy strongly advises U.S. companies to include an arbitration clause identifying a venue outside Turkmenistan. There have been commercial disputes involving U.S. and other foreign investors or contractors in Turkmenistan, though not all disputes were filed with arbitration courts. Investment and commercial disputes involving Turkmenistan have three common themes: nonpayment 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 nonpayment. Several disputes have centered on the government's unwillingness to pay in freely convertible currency as contractually required. In cases where government entities have not delivered goods or services, the government has often ignored demands for delivery. Finally, a change in leadership in the government agency that signed the original contract routinely triggers the government's desire to re-evaluate the entire contract,

including profit distribution, management responsibilities and payment schedules. The judicial branch is independent of the executive on paper only and is largely influenced by the executive branch.

On February 28, 2015, President Berdimuhamedov signed an updated law entitled “On the Chamber of Commerce and Industry of Turkmenistan” (first adopted in 1993). The new law redefined the legal and economic framework for the activities of the Chamber, defined the state support measures, and created a new body for international commercial arbitration under the Chamber’s structures. International commercial arbitration can consider disputes arising from contractual and other civil-legal relations in foreign trade and other forms of international economic relations, if at least one of the parties to the dispute is located outside of Turkmenistan. The enforcement of the decisions of commercial arbitration outside of Turkmenistan may be denied in Turkmenistan under certain conditions listed under Article 47 of the Law of Turkmenistan “On Commercial Arbitration” adopted in 2014 and in force in 2016. International commercial arbitration is governed by the Law of Turkmenistan “On International Commercial Arbitration” and other domestic laws. According to the commercial arbitration law, the parties in dispute can appeal the decision of the arbitration only to the Supreme Court of Turkmenistan and nowhere abroad. The judgments of foreign courts might or might not be recognized by the government of Turkmenistan, depending on a case-by-case review.

- According to the 2008 Law on Foreign Investment, all foreign and domestic companies and foreign investments must be registered at the Ministry of Finance and Economy.
- The Petroleum Law of 2008 (last amended in 2012) regulates offshore and onshore petroleum operations in Turkmenistan, including petroleum licensing, taxation, accounting and other rights and obligations of state agencies and foreign partners. The Petroleum Law supersedes all other legislation pertaining to petroleum activities, including the Tax Code.
- According to the Land Code (last amended February 2017), foreign companies or individuals are permitted to lease land for non-agricultural purposes, but only the Cabinet of Ministers has the authority to grant the lease. Foreign companies may own structures and buildings.
- Turkmenistan adopted a Bankruptcy Law in 1993. Other laws affecting foreign investors include the Law on Investments (last amended in 1993), the Law on Joint Stock Societies (1999), the Law on Enterprises (2000), the Law on Business Activities (last amended in 1993), the Civil Code enforced since 2000, and the 1993 Law on Property.

Turkmenistan requires that all export and import contracts and investment projects be registered at the State Commodity and Raw Materials Exchange (SCRME) and at the Ministry of Economy. The procedure applies not only to the contracts signed at the SCRME, but also to contracts signed between third parties. The SCRME is state-owned and is the only exchange in the country. The contract registration procedure includes an assessment of “price justification.” All import contracts must be registered before goods are delivered to Turkmenistan. The government generally favors long-term investment projects that do not require regular hard currency purchases of raw materials from foreign markets.

Laws and Regulations on Foreign Direct Investment

Under Turkmenistan’s law, all local and foreign entities operating in Turkmenistan are required to register with the Registration Department under the Ministry of Finance and Economy. Before the registration is granted, however, an inter-ministerial commission that includes the Ministry of Foreign Affairs, the Agency for Protection from Economic Risks, law enforcement agencies, and industry-specific ministries has to approve it.

Foreign companies without approved government contracts that seek to establish a legal entity in Turkmenistan must go through a lengthy and cumbersome registration process involving the inter-ministerial commission mentioned above. The commission evaluates foreign companies based on their financial standing, work experience, reputation, and perceived political and legal risks.

In order to participate in a government tender, the companies are not required to be registered in Turkmenistan. However, a company interested in participating in a tender process must submit all the tender documents to the respective ministry or agency in person. Many foreign companies with no presence in Turkmenistan provide a limited power of attorney to local representatives who then submit tender documents on their behalf. A list of required documents for screening is usually provided by the state agency announcing the tender.

Before the contract can be signed, the State Commodity and Raw Materials Exchange, the Central Bank, the Supreme Control Chamber, and the Cabinet of Ministers must approve the agreement. The approval process is not transparent and is often politically driven. There is no legal guarantee that the information provided by companies to the government of Turkmenistan will be kept confidential.

Competition and Anti-Trust Laws

There is no publicly available information on which agencies review transactions for competition related concerns. The government does not publish information on any competition cases. While Turkmenistan does not have a specific law that governs competition, Article 17 (Development of Competition and Antimonopoly Activities) of the Law on State Support to Small and Medium Enterprises seeks to promote fair competition in the country.

Expropriation and Compensation

Three recent cases raise expropriation concerns for foreign businesses investing in Turkmenistan. In December 2016, the government expropriated the largest (and only foreign-owned) grocery store, Yimpaş (Yimpash) shopping and business center, in Ashgabat without compensation or other legal remedy. In April 2017, the Turkish Hospital in Ashgabat was expropriated without compensation. In September 2017, MTS was expropriated without fair compensation. The government objects to these three incidents being called expropriations, but in each case, the foreign company had valid licenses and leases.

Turkmenistan's legislation does not provide for private ownership of land. Article 21 of the Investment Law (amended in 1993) allows investors' property to be confiscated via an official court decision. The government has a history of arbitrarily expropriating the property of local businesses and individuals. Under former President Niyazov, the government frequently refused to compensate those affected when the government exercised its right of eminent domain. However, during a March 2007 Cabinet of Ministers meeting, President Berdimuhamedov stated that residents of affected apartments or houses would be provided alternative housing before their homes were demolished. Despite these assurances, many families evicted from their homes when the government demolished their houses in preparation for the 2017 Asian Indoor and Martial Arts Games were forced to stay with relatives and friends because of the shortage of apartments in Ashgabat. Given the dearth of apartments in Ashgabat, the price of real estate had increased drastically over the last several years before it dropped significantly in 2015 due to a weakening economy and increased supply.

There have been consistent reports throughout the year that the government seized profitable smaller local companies. The number of expropriations appears to be rising as the Turkmen economy shrinks.

Dispute Settlement

ICSID Convention and New York Convention

Turkmenistan is a Party to the 1995 Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID), but it is not a member of the 1958 Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) as of March 2018. The commercial law enforcement system includes the Arbitration Court of Turkmenistan 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 an enterprise's economic relations,

but reviews disputes upon the request of either party involved. Appeals to decisions of the Arbitration Court can be filed at the Arbitration Committee of the Supreme Court of Turkmenistan.

Investor-State Dispute Settlement

Turkmenistan does not have a Bilateral Investment Treaty (BIT) or Free Trade Agreement (FTA) with an investment chapter with the United States.

There are several examples, as recently as 2017, of Western companies being unable to enforce contracts or prevail in formal procedures in investment disputes. In some instances, the government bluntly refused to pay awards to the companies despite a court decision that requires it to do so. In others, the government disputes the amount owed, which has made any collection efforts by the companies futile. There are also scattered reports of the government falsifying documents to win arbitration cases.

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

No known investment disputes have involved a U.S. person over the course of the past ten years.

Generally, arbitration disputes associated with FDI are handled in Turkmenistan, although the government is sometimes willing to codify the right to international arbitration in contracts with foreign companies.

International Commercial Arbitration and Foreign Courts

There are no alternative dispute resolution mechanisms in Turkmenistan as a means for settling disputes between two private parties. The government prefers that international companies use its arbitration mechanism but has in the past accepted the international arbitration of investment disputes.

The commercial law enforcement system includes the Arbitration Court of Turkmenistan 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 an enterprise's economic relations, but reviews disputes upon the request of either party involved. Appeals to decisions of the Arbitration Court can be filed at the Arbitration Committee of the Supreme Court of Turkmenistan.

Bankruptcy Regulations

Turkmenistan adopted a Bankruptcy Law (1993), which protects certain rights of creditors, such as the satisfaction of creditors' claims in case of the debtor's inability or unwillingness to make payments. The law allows for criminal liability for intentional actions resulting in bankruptcy. The law does not specify the currency in which the monetary judgments are made. Turkmenistan's economy is not ranked by the World Bank's Doing Business Report, including its ranking for ease of "resolving insolvency."

Industrial Policies

Investment Incentives

According to the Law on Foreign Investments, foreign investors, especially those operating in the free economic zones, may enjoy some incentives and privileges including license and tax exemptions, reduced registration and certification fees, land leasing rights, and extended visa validity. However, the law is haphazardly implemented and enforced.

Foreign investors are more disadvantaged because they face higher tax rates than most local companies. Amendments to the 2005 Tax Code did not affect tax rates. The value added tax rate (VAT) is 15 percent, an income tax of 8 percent is applied to JVs, and an income tax of 20 percent is applied to wholly-owned foreign companies and state-owned enterprises. Dividends are taxed at 15 percent. The personal income tax rate is 10 percent. Under a Simplified Tax System of Turkmenistan, most individual entrepreneurs pay a flat 2 percent income tax.

The president has issued special decrees granting exemptions from taxation and other privileges to specific investors while they recoup their initial investments. The assets and property of foreign investors should be insured with the State Insurance Company of Turkmenistan pursuant to Article 53 of the 2008 Petroleum Law and Article 3 of the 1995 Insurance Law. National accounting and financial reporting requirements 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. As of January 2017, 90 percent of the workforce of a company owned by a foreign investor must be composed of citizens of Turkmenistan. Even large construction and engineering companies executing large-scale turnkey projects must comply with the new 90 percent law.

Petroleum Production Sharing Agreement (PSA) holders are regulated by the 2008 Petroleum Law. They are subject to a 20 percent income tax and royalties up to 15 percent, depending on the level of production. The social welfare tax, which is 20 percent of the total local staff payroll, is paid by foreign investors and their subcontractors. PSA holders' employees and their subcontractors pay a personal income tax of 10 percent. Under the Petroleum Law, PSA concessions have been made to eight foreign energy companies: five offshore and three onshore concessions for periods ranging from 20-25 years. Subcontractors of PSA holders can bring their equipment into the country only for the duration of a valid contract. There is no specific legislation that regulates the operations of oil and gas subcontractors. Turkmenistan currently lists 49 import and 20 export goods and materials that are subject to customs duties. The goods and materials on these lists are subject to a 0.2 percent customs fee payment and a charge of TMT20 (USD5.7) for every hour a Customs official spends inspecting the imported goods. The Customs Service maintains a list of goods subject to customs duty payment. State enterprises often receive preferential treatment; for example, wool carpets produced at state factories are exempt from customs duties. In contrast, private carpet producers pay USD 20 per square meter in customs duties to export a carpet. Foreign investors are required to adhere to the sanitary and environmental standards of Turkmenistan and should produce products of equal or higher quality than prescribed in national standards. Since Turkmenistan is not a member of WTO, the Embassy is not aware of any measures that U.S. businesses allege are inconsistent with WTO TRIMs obligations.

Foreign Trade Zones/Free Ports/Trade Facilitation

The Law on Free Economic Zones was enacted in October 2017. The law guarantees the rights of businesses, both foreign and domestic, to operate in free economic zones (FEZs) without profit ceilings. The law forbids the nationalization of enterprises operating in the zones and discrimination against foreign investors. Other rights guaranteed include:

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

The Law on Free Economic Zones does not list any FEZs currently in Turkmenistan. Previously there were ten FEZs, but these FEZs have not been successful in drawing increased economic activity, as the government interfered in the business decisions of firms located in the zones and did not financially supported zones' infrastructure.

Performance and Data Localization Requirements

Ninety percent of the workforce of foreign-owned enterprises must be citizens of Turkmenistan by law. The regulation on this ratio does not differentiate between senior management and other employees. The State Migration Service controls access to the country and monitors the movement of foreign citizens. All visitors staying for more than three business days are required to register with the State Migration Service upon entry. Visa-related decisions are not transparent. Travel to most border areas requires a special permit. Representatives of foreign businesses seeking to enter Turkmenistan for the first time often have difficulty obtaining an entry visa unless invited by a government agency or by a local business partner. Established investors frequently complain about bureaucratic delays in securing visas to return to the country. The Government of Turkmenistan does not follow forced localization policies and does not officially require foreign investors to use domestic content in goods and technology. A few foreign companies working in the construction sector on government contracts reported that the government required them to use locally produced cement for their projects. However, this seems to be more of an exception than a rule. The Internet is provided only by state-owned telecommunications company Turkmen Telekom and data transmission is not reliable. The government does not require foreign IT providers to turn over source code or encryption keys. We are not aware of any rules that require foreign companies to maintain a certain amount of data storage in Turkmenistan.

Protection of Property Rights

Real Property

All land is owned by the government. The 1993 Law on Property defines the following types of property owners: private, state, non-government organizations, cooperative, joint venture, foreign states, legal entities and citizens, international organizations and mixed private and state. A small number of dwellings have been privatized, allowing Turkmenistan's citizens to rent and sell apartments and houses. The Law on Privatization of State Housing came into force in January 2014. The October 2007 amendments to the Land Code (last amended February 2017) provide for up to 40-year land leases for hotels and recreational facilities in National Tourist Zones. Land and facilities subsequently built on the parcel must be transferred to the state after the expiration of the contract. According to the Law on Foreign Investment, foreign investments in Turkmenistan are not subject to nationalization and requisition; foreign properties may be confiscated only following a court decision. However, this law is not respected in practice.

Banks provide preferential mortgage loans (annual interest rate of 1% for up to 30 years with five years grace period) for buying new apartments. Only government employees qualify for such concessional loans. In addition, the state agencies/employers can also pay 50% of the price of the new apartment for their employees, if their financial positions are strong enough to do so. Before mid-2015, the banks also provided mortgage loans (with an annual interest rate of 7-8% for up to 10 years) for housing in locations other than so-called "elite" apartments. Liens are not common in Turkmenistan, in part because the 30-year mortgage payment dates have not expired for most of the apartments bought since the country's independence in 1991.

Intellectual Property Rights

While the legal structure to protect IP is strong, enforcement is bad, and the infringement of rights and theft is common. The government has enacted laws designed to protect intellectual property rights (IPR) domestically, but these laws are either arbitrarily implemented or not implemented at all. Among them are the Law on Publishing (2014), Law on State Policy on Research and Technology (2014), Law on Inventions and Industrial Samples (2008), Law on the Protection of Scientific Research (1993), the Patent Law (1993), the Law on Inventions and Industrial Designs (2008), and the Law on Trade and Service Marks and Places of Origin (2008). These regulations provide legal protection to intellectual property registered with the Patent Agency, which was established in 1993. However, due to significant deficiencies in Turkmenistan's intellectual property protection regime, Turkmenistan has been on the United States government's [Special 301 Watch List](#) since 2000.

As the economy has worsened, more potential intellectual property rights violations are appearing on store shelves. In the case of President butter, the knockoff is on the left and the real one on the right. Below the butter, please see locally produced Spiderman ice-cream.



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. Turkmenistan has not yet adopted more explicit and comprehensive administrative and civil procedures and criminal penalties for IPR violations. In 2012 Turkmenistan adopted a law on copyright and related rights. The 1993 Most Favored Nation Agreement between the United States and Turkmenistan also provides for favorable treatment of copyrighted materials.

The following table presents the major international IPR treaties that Turkmenistan has signed:

Treaty	Instrument	In force
Berne Convention	Accession: February 29, 2016	May 29, 2016
Hague Agreement	Accession: December 16, 2015	March 16, 2016
Nairobi Treaty	Accession: December 16, 2015	January 16, 2016
Locarno Agreement	Accession: March 7, 2006	June 7, 2006
Madrid Protocol	Accession: June 28, 1999	September 28, 1999
Nice Agreement	Accession: March 7, 2006	June 7, 2006
Paris Convention	Declaration of Continued Application: March 1, 1995	December 25, 1991
Patent Cooperation Treaty	Declaration of Continued Application: March 1, 1995	December 25, 1991
Strasbourg Agreement	Accession: March 7, 2006	March 7, 2007
Vienna Agreement	Accession: March 7, 2006	June 7, 2006
WIPO Convention	Declaration of Continued Application: March 1, 1995	December 25, 1991

Turkmenistan has not signed the World Intellectual Property Organization (WIPO)'s 1996 Copyright Treaty, the 1996 WIPO Performances and Phonograms Treaty (collectively known as the WIPO Internet treaties), or the 2000 Patent Law Treaty. In August 2015, Turkmenistan adopted an Action Plan for the Development of an Intellectual Property System in Turkmenistan for 2015-2020, and the plan includes a section on the role of IPR in attracting foreign investment into the country. However, it is still a challenge to purchase legally-recorded material in Turkmenistan. Border enforcement of IPR material is weak, allowing pirated goods to cross easily into Turkmenistan for sale. Additional personnel and training courses are needed for more effective border enforcement. Turkmenistan's laws do not provide for either civil or criminal ex-parte search procedures needed for effective anti-piracy enforcement.

Turkmenistan signed the WIPO's treaties on industrial property rights and patent cooperation in 1995. Turkmenistan has also joined the Eurasian Patent Organization created as part of the WIPO for CIS countries. The Copyright Law was enacted in 2000 as part of Turkmenistan's Civil Code. This law defines copyrighted products, the rights of owners of the copyrighted products, and provides for their legal protection. In January 2012, the law was amended to include additional IPR-related provisions, including exclusive rights (absolute title), licensing agreements, and the collective management of ownership rights. There is a Patent Department in the Ministry of Finance and Economy which issues patents on intellectual property but does not enforce copyright laws. In November 2014, the government enacted a new Law on Publishing that establishes the legal basis for oversight of publishers, manufacturers, distributors and consumers of printed materials. The law states that illegal reproduction of printed materials and other violations of intellectual property rights of the publisher will carry monetary penalties and allow for full recovery of losses incurred, including lost income. Article 153 of the Criminal Code details the criminal penalties for IPR-related violations. Currently articles such as videos, cassette tapes, software, and literature are freely copied and sold. In general, products manufactured by government-owned entities increasingly dominate local markets and are well-protected by law enforcement bodies. Counterfeit goods constitute a significant share of most consumer goods including imported textile products, footwear and electronics. There is no publicly available information or estimate on any seizure, storage and destruction of counterfeit goods. Most software used is unlicensed, including in many government ministries. Turkmenistan is not listed in USTR's notorious market report. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Financial Sector

Capital Markets and Portfolio Investment

Turkmenistan's underdeveloped financial system and severe limitations on conversion of local currency (in early 2018 about two percent of invoices were converted into U.S. dollars per week) significantly hinder the free flow of financial resources. The largest state banks include: The State Bank for Foreign Economic Relations (Vnesheconombank), Dayhanbank, Turkmenbashi Bank, Turkmenistan Bank and Halk Bank. These banks have narrow specializations—foreign trade, agriculture, industry, social infrastructure, savings and mortgages, respectively. Senagat Bank took over Garagum Bank in 2017 and now is the sole remaining local bank providing general banking services for businesses. In September 2011, the government established the State Development Bank to provide loans to state-owned and private enterprises implementing projects that increase production and create jobs. The government also established Rysgal Bank in 2011 to provide general banking services to the members of the Union of Industrialists and Entrepreneurs. There are also five foreign commercial banks in the country: a joint Turkmen-Turkish bank (joint venture of Dayhanbank and Ziraat Bank), a branch of the National Bank of Pakistan, the German Deutsche and Commerz Banks, and a branch of Saderat Bank of Iran. The two German banks provide European bank guarantees for companies and for the Turkmen government; they do not provide general banking services. The government generally welcomes any type of investment in all sectors of the economy. Insufficient liquidity in the market can make it difficult for investors to exit the country easily. There were no reported cases where foreign investors received credit on the local market. The Union of Industrialists and Entrepreneurs, a nominally independent organization of private companies and businesspeople, is in fact closely controlled by the government and issues loans with no more than one per cent interest per annum to its member companies to finance their projects in such areas as animal husbandry, agricultural and food production and processing, and industrial development. According to unofficial reports, credit is not allocated on market terms. EBRD provided loans to a few private Small and Medium Enterprises (SME) in Turkmenistan and also extended a limited credit line to Government of Turkmenistan in 2016. There is no publicly available information to confirm whether the government or central bank respect IMF Article VIII.

Money and Banking System

The total assets of the country's largest bank, Vnesheconombank, were TMT 27,775,073 or about USD 8 billion (at a rate of 3.5 manat per \$1) as of December 31, 2016. The bank's financial statements are published at <http://www.tfeb.gov.tm/en/about-bank-en/financial-statements>. Vnesheconombank's list of correspondent banks is available at <http://www.tfeb.gov.tm/index.php/en/about-bank-en/correspondent-relations>. The assets of other banks are believed to be much smaller. All banks, including commercial banks, are tightly regulated by the state. Commercial banks are prohibited from providing services to state enterprises. The U.S. Export Import (EXIM) Bank announced in January 2010 that it had extended available financing to include long-term public sector transactions in Turkmenistan. Previously, EXIM had only been open for short- to medium-term public sector financing. Short-term financing is available for up to two years, medium-term for up to seven years, and long-term for up to 18 years. For private sector transactions, EXIM requires detailed financial information to enable the bank to reach a credit decision. Financial statements provided in support of the transaction should be audited by an affiliate of an international accounting firm and prepared in accordance with International Financial Reporting Standards (IFRS). Coverage under the Working Capital Guarantee Program requires that the transaction be supported by an irrevocable Letter of Credit issued by a bank acceptable to EXIM. Exceptions may be made for private sector transactions that are insured for comprehensive political and commercial risk. The Government of the United States of America and the Government of Turkmenistan have an Intergovernmental Agreement (IGA) in principle under the 2010 U.S. Federal Foreign Account Tax Compliance Act (FATCA), signed in July 2017.

State banks primarily service state enterprises and allocate credit on subsidized terms to state entities. Foreign investors are only able to secure credit on the local market through the Pakistan National Bank and EBRD equity loans. There is no capital market in Turkmenistan, although the 1993 Law on Securities and Stock Exchanges outlines the main principles for issuing, selling and circulating securities. The 1999 Law on Joint Stock Societies further provides for the 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 late 2015, the President signed a decree on the issuance of government bonds for a term of up to five years on the basis of the refinancing rate of the Central Bank of Turkmenistan (five percent). The bonds have not yet been issued as of March 2018, although there are rumors that the state banks have been forced to buy government bonds. The Embassy is not aware of any official restrictions on a foreigner's ability to establish a bank account based on residency status, though in practice foreigners may only open foreign currency accounts, not accounts in manat. There is no publicly available information on any rules on hostile takeovers.

Foreign Exchange and Remittances

Foreign Exchange Policies

The government tightly controls the country's foreign-exchange flows. On January 1, 2009, Turkmenistan introduced the redenominated manat (TMT), which had a fixed exchange rate of 2.85 manat per USD 1 until January 1, 2015, when Turkmenistan devalued its currency against the U.S. dollar to TMT3.50 per USD. In October 2011, Turkmenistan adopted the Law on Hard Currency Control and the Regulation of Foreign Economic Relations as a step towards bringing the national legislation into compliance with international standards. The Central Bank controls the fixed rate by releasing U.S. dollars into the official exchange markets. Foreign exchange regulations adopted in June 2008 allow the Central Bank to provide banks with ready access to foreign exchange. These regulations also allowed commercial banks to open correspondent accounts.

In the last three years, the government has been unable to meet demand for U.S. dollars. It limited the amount of U.S. dollars that can be withdrawn per month to USD50 and imposed administrative procedures that make withdrawals more cumbersome (i.e., proof of residency is now required). On January 12, 2016, the Central Bank of Turkmenistan further restricted access to foreign currency and issued a press release preventing banks from selling U.S. dollars at the country's exchange points. In addition, when an individual purchases foreign currency through a wire transfer

(limited to the equivalent of a person's and his/her immediate family members' monthly salaries), the currency (at an exchange rate of 3.5 manat per USD) must be deposited onto the individual's international debit card (Visa or MasterCard). The individual does not receive cash. There have been media reports throughout the year that Vnesheconombank has blocked the Visa cards of most of its customers without notice. Moreover, the TMT used to purchase the foreign currency must be transferred through the individual's TMT account. If the individual wishes to pay cash, s/he must prove the origins of the cash with an official document. The government also introduced an amendment to the Administrative Offences Code that raises the fines for illegal foreign exchange transactions (i.e., selling and purchasing foreign currency via informal channels) and also trading in foreign currency on the territory of Turkmenistan.

The currency is not convertible, and an inability to convert enough TMT into a hard currency is problematic for many companies operating in Turkmenistan. Oil producers operating under the Petroleum Law (2008) receive a share of their profit in crude oil, which they ship to other Caspian Sea littoral states. In many cases, petrochemical investors have negotiated deals with the government to recoup their investment in the form of future petroleum products. Two American consumer goods companies have temporarily stopped production or importing their products in/to Turkmenistan due to their inability to convert local currency into hard currency. Similarly, several American companies are not being paid by various agencies and ministries of Turkmenistan for services and goods delivered. Converting the local currency and repatriating funds have become nearly impossible for foreign companies and their local distributors operating in Turkmenistan.

Turkmenistan imports the vast majority of its industrial equipment and consumer goods. The government's foreign-exchange reserves and foreign loans pay for industrial equipment and infrastructure projects.

At the end of 2015, a black market for U.S. dollars emerged in Turkmenistan. During the period covered by this report, the manat fell from TMT6.2/USD on January 1, 2017 to TMT9/USD on December 24, 2017.

Remittance Policies

Foreign investors generating revenue in foreign currency do not generally have problems repatriating their profits; the problem lies with foreign companies earning manat. These companies struggle to convert and repatriate earnings. Some foreign companies receiving income in Turkmen manat seek indirect ways to convert local currency to hard currency through the local purchase of petroleum and textile products for resale on the world market. Since the government of Turkmenistan introduced numerous limitations on foreign currency exchange on January 12, 2016, converting local currency into a foreign currency has become nearly impossible. Some foreign companies have complained of non-payment or major delays in payment by the government. In June 2010, Turkmenistan became a full member of the Eurasian Group (EAG), a regional AML/CFT organization part of the Financial Action Task Force (FATF).

Sovereign Wealth Funds

The government maintains sovereign wealth funds, including a Stabilization Fund, but there is no publicly available information about these accounts. Auditing and oversight information related to these accounts is not publicly available.

State-Owned Enterprises

State-owned enterprises (SOEs) still dominate Turkmenistan's economy and control the lion's share of the country's industrial production, especially in the sectors of onshore hydrocarbon production, transportation, refining, electricity generation and distribution, chemicals, transportation, and construction material production. Education, healthcare, and media enterprises are with rare exceptions state-owned and tightly controlled. State-owned enterprises are also heavily involved in agriculture, food processing, textiles, communications, construction, trade, and services. Although

state-owned enterprises are often inefficient, the government considers them strategically important. While there are some small-scale private enterprises in Turkmenistan, the government continues to exert significant influence over these enterprises. There are no mechanisms to ensure transparency or accountability in the business decisions or operations of state-owned enterprises. There is no publicly available information on the total assets of SOEs, total net income of SOEs, the number of people employed by SOEs and the expenses these SOEs allocate to research and development (R&D). There is no published list of SOEs. Turkmenistan is not a member of the WTO and is not a party to the Government Procurement Agreement (GPA) within the framework of the WTO. SOEs are not uniformly subject to the same tax burden as their private sector competitors, as SOEs are entirely subsidized by the government.

Privatization Program

Efforts to privatize former state enterprises have attracted little foreign or domestic investment. Privatization has been limited by the government to the service, trade, and agricultural sectors and includes facilities such as old cattle farms, shops, restaurants and tomato processing plants built several decades ago; most industry remains under state control. Outdated technology, poor infrastructure, and bureaucratic obstacles make privatized enterprises unattractive for foreign and local investors. One commonly sees the same assets listed month after month. The privatization process is moribund.

In November 2012, Turkmenistan adopted a national program related to the privatization of state-owned enterprises and facilities. The document identifies the main goals and procedures for privatizing state property. The program is scheduled to be implemented in three phases: in 2013 (privatization of small enterprises), during the period 2014-2015 (privatization of mid-size enterprises), and 2016 (privatization of large enterprises). The third phase actually started in 2017. The privatization of state enterprises in the sectors of construction, transportation, communications, and the creation of joint stock companies are part of the program. Strategic facilities, as identified by the government, are not subject to privatization, including those related to natural resources. Other property not subject to privatization includes objects of cultural importance, the property of the armed and security forces, government institutions, research institutes, the facilities of the Academy of Sciences, the integrated energy system, and the public transportation system.

The rules and procedures governing privatization in Turkmenistan lack transparency, leading to corruption. Foreign investors are allowed to participate in the bidding process only after they have been approved by the State Agency for Protection from Economic Risks under the Ministry of Finance and Economy. In December 2013, the parliament passed the Law on the Denationalization and Privatization of State Property, which took effect in July 2014. The Ministry of Finance and Economy reported that 36 and 30 facilities were privatized in 2015 and 2016 respectively under the State Program for Privatization of Enterprises and Objects of State Property in Turkmenistan for 2013-2016. There is no publicly available information as to how many facilities were privatized in 2017.

Despite official comments regarding the priority of the growth of the private sector, supporting privatization has been low on the government's agenda. All land is government-owned, for example, and neither domestic nor foreign businesses can receive long-term land-use rights for "non-agricultural" purposes. While private citizens have some land usage rights, these rights exclude the sale or mortgage of land. Land rights can be transferred only through inheritance. Foreign companies or individuals are permitted to lease land for non-agricultural purposes, but only the cabinet of ministers has the authority to grant the lease.

The government has attempted to introduce an element of competition for state contracts by announcing international tenders for some projects. Often these projects are driven by political rather than economic considerations. The tender process, in addition, is often badly managed and nontransparent. On December 20, 2014, Turkmenistan adopted the Law on Tenders that went into effect on July 1, 2015. The law seeks to develop competition among bidders, ensure transparency and effective implementation of tender procedures, and compliance with international standards.

Responsible Business Conduct

The government does not have a definition of responsible business conduct (RBC) per se; instead it adopts and implements various policies and regulations that it states promote socially responsible business conduct. In the past, foreign companies operating in Turkmenistan were not required to implement social projects. Social project activities connected with doing business in Turkmenistan generally take the form of financial sponsorship of cultural or athletic events, providing academic scholarships to Turkmen students, or the construction of small-scale facilities, such as a medical clinics, to benefit the locality around a company's facilities. There are no independent NGOs, investment funds, worker organizations/unions, or business associations promoting or monitoring RBC in Turkmenistan.

In March 2013, Turkmenistan introduced mandatory environmental insurance for all types of entities, enterprises and organizations carrying out potentially environmentally hazardous activities (except for government-financed organizations). This insurance program was adopted with the stated purposes of protecting the environment, raising environmental awareness, and increasing the responsibility of industries and businesses for violating environmental laws and regulations, and for preventing and responding to environmental disasters. The mandatory environmental insurance regulation includes a list of hazardous work and facilities subject to such insurance. The mandatory environmental insurance also applies to foreign legal entities, their branch offices and entrepreneurs. The State Committee for Environmental Protection and Land Resources conducts ecological inspections for companies' compliance with regulations.

Turkmenistan is not a participant in the Extractive Industries Transparency Initiative (EITI). It is also not clear whether the government of Turkmenistan follows the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights.

Corruption

Resources to Report Corruption

There is no single specifically designated government agency responsible for combating corruption. In June 2017, Turkmenistan set up the State Service for Combatting Economic Crimes (SSCEC) to investigate officials and state-owned enterprises on corruption charges. The SSCEC, which reports regularly to the president, does not appear to be an independent, objective investigative body. There is no independent watchdog organization in the country that monitors corruption.

Although Turkmenistan has legislation to combat corruption, these laws are not generally enforced, and rampant corruption remains a problem. Formally, the Ministry of Internal Affairs (including the police), the Ministry of National Security, and the General Prosecutor's Office are responsible for combating corruption. President Berdimuhamedov has publicly stated that corruption will not be tolerated. The opaque nature of Turkmenistan's economic, financial, and banking systems provides fertile soil for corruption. In 2017, Transparency International ranked Turkmenistan 167 among 180 countries in the world in its Corruption Perceptions Index. American firms have identified widespread government corruption, usually in the form of bribe seeking, as an obstacle to investment and business throughout all economic sectors and regions. It is most pervasive in the areas of government procurement, the awarding of licenses and customs. In March 2014, the parliament adopted a law on Combatting Corruption that establishes a legal and institutional framework to help identify and prosecute cases of corruption. The law prohibits government officials from accepting gifts (in person or through an intermediary) from foreign states, international organizations and political parties. It also severely limits the ability of government officials to travel on business at the expense of foreign entities. Notwithstanding the 2014 law, corruption remains rampant. There are no NGOs involved in either monitoring or investigating corruption. Certain government officials including the traffic police officers find asking for bribes normal behavior. There are no indications that the government encourages or requires the private companies to prohibit bribery of public officials in reality.

Political and Security Environment

Turkmenistan's political system has remained stable since Gurbanguly Berdimuhamedov became president in February 2007 and, with the exception of a reported coup attempt in 2002, there is no history of politically-motivated violence. There have been no recorded examples of damage to projects and installations.

The government does not permit political opposition and maintains a tight grip on all politically sensitive issues, in part, by requiring all organizations to register their activities. The Ministry of National Security and the Ministry of Internal Affairs maintain control over all aspects of people's lives. Independent thinking is not encouraged and deviations from the current administration's policies are often harshly punished. The country's parliament passed a Law on Political Parties in January 2012 that defines the legal grounds for the establishment of political parties, including their rights and obligations. In August 2012, under the directive of President Berdimuhamedov, Turkmenistan created a second political party, the Party of Industrialists and Entrepreneurs. This pro-government party, created from the membership of the Union of Industrialists and Entrepreneurs, has a platform nearly identical to the President's Democratic Party. The same is true for the Agrarian Party, which was created in September 2014 in an effort to move Turkmenistan towards a multi-party system. No politically-motivated demonstrations or violent actions were noted in 2017. Organized crime is rare, and authorities have effectively rooted out organized crime groups and syndicates. Turkmenistan does not publish crime statistics or information about crime.

Labor Policies and Practices

Labor issues are governed by the Labor Code of Turkmenistan (last amended in July 2009), the Social Welfare code, and a number of regulations approved by presidential resolutions. Turkmenistan joined the International Labor Organization in 1993. Unemployment and underemployment are major societal issues, particularly among Turkmenistan's youth and in its rural communities. While the Government of Turkmenistan stopped releasing the official figures for unemployment, unofficial estimates range from 20-50 percent. Due to a severe shortage of jobs in the country, anecdotal evidence indicates that growing numbers of young Turkmen are emigrating to countries such as Turkey, Russia and other former Soviet republics. In order to stop the outward migration, the State Migration Service of Turkmenistan arbitrarily denies exit at the airport and border points to hundreds of citizens who are unemployed but want to travel abroad for various purposes. In February 2016, President Berdimuhamedov signed a decree "[On Matters of Registration of the Individuals Arriving in Ashgabat for Employment Purposes.](#)" which discriminates against residents from the regions, who want to seek employment in capital city Ashgabat. The decree introduces a work permit system by the Ministry of Labor and Social Protection, which may issue work permits for a maximum of one year. Ashgabat residents are given priority over non-residents for job openings in the city, thereby eliminating merit-based hiring. The government has also introduced a requirement that 90 percent of any firm's workforce be Turkmen citizens.

The Law on Child Labor (2004) prohibits the employment of children under the age of 16 and makes employment in hazardous and harmful labor illegal for any individual under the age of 18. The government continues to be the largest employer in the country, with seventy to eighty percent of employment originating in the public sector.

Turkmenistan's labor regulations require that all vacancies be posted at local employment offices. Most vacancies are for low-skilled jobs. Only a few state agencies post job advertisements in the local newspaper. Most government positions are filled through personal connections. Employment offices have not been effective tools in reducing unemployment, or in providing suitable candidates for international companies. Investors recruit directly, although candidates still pay a nominal fee to the relevant employment office. The Association of Trade Unions of Turkmenistan, the 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 sectorial and regional lines. The government increasingly seeks to prevent workers from other parts of the country from migrating to the capital, Ashgabat, in search of work. Due to low oil prices, the government has also taken steps to reduce expenses by laying off some public sector employees. Turkmenistan abolished a major government institution, the Ministry of Oil & Gas, on July 15, 2016. There have been many reports of ministries not meeting salary requirement of their employees. Article 294 of

the Labor Code of Turkmenistan states that the courts handle employer-employee labor disputes. Disputes arising out of collective bargaining and collective agreements can be investigated by commissions on labor disputes, trade unions of enterprises, and the courts, as per Article 368 of the same code. Although the Labor Code allows for collective bargaining, in practice it is not used and the courts do not perform the labor dispute resolution function they are assigned. No strike took place in 2017 that would pose an investment risk.

The Department of State’s Turkmenistan 2016 Human Rights Report is available at: <https://www.state.gov/documents/organization/265764.pdf>. International Labor Organization’s Turkmenistan-specific profile is also available at: http://www.ilo.org/dyn/normlex/en/f?p=1000:11110:0::NO:11110:P11110_COUNTRY_ID:103551.

The official workday in Turkmenistan is eight hours, with the standard workweek consisting of 40 hours over five days. The 2009 Labor Code reconfirmed a 40-hour work week, protected workers’ rights by promoting the role of trade unions, guaranteed job security by restricting short-term contracts, and extended the duration of annual leave from 24 calendar days to 30 calendar days. In practice, government and many private sector employees are required to work 10 hours per day and/or a sixth day without compensation. Health and safety regulations exist, but are not commonly enforced. Foreigners with the government’s permission to reside in Turkmenistan may work and are subject to the same labor regulations as citizens unless otherwise specified by law.

OPIC and Other Investment Insurance Programs

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

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Government data on most economic indicators, including Foreign Direct Investment (FDI), remain generally unavailable or unreliable. According to various independent analysts, however, most foreign investment is directed toward the country’s oil and gas sector. Such investments include three onshore production sharing agreements (PSAs): the Nebitdag Contractual Territory operated by ENI; the Hazar project operated jointly by the Turkmennebit state oil concern and Mitro International of Austria; and the Bagtyyarlyk Contractual Territory operated by the China National Petroleum Corporation (CNPC). In addition, there are six PSAs for offshore operations: Block I operated by Petronas of Malaysia; Block II (Cheleken Contractual Territory) operated by Dragon Oil (UAE); Block III operated by Buried Hill (Canada); Block 23 operated by RWE of Germany; and Block 21 operated by Areti of Russia. RWE is in the process of terminating its PSA with the Government of Turkmenistan and closing down its Turkmenistan branch.

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country		USG or international		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Statistical source*	Year	Year	Amount	
		Amount	Year	Amount	

Host Country Gross Domestic Product (GDP) (\$M USD)	2014	\$43.514 billion	2016	\$36.2 billion	http://www.worldbank.org/en/country/turkmenistan/overview
Foreign Investment	Direct	Host Country Statistical source*	USG or international statistical source	USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other	
U.S. FDI in partner country (\$M USD, stock positions)	2014	N/A	2015	N/A	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States (\$M USD, stock positions)	2014	N/A	2015	N/A	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2014	N/A	2015	N/A	Calculate, and then delete this text

Table 3: Sources and Destination of FDI

The IMF does not detail the sources and destination of FDI for Turkmenistan (<http://data.imf.org/CDIS>.)

Table 4: Sources of Portfolio Investment

The IMF does not provide sources of portfolio investment for Turkmenistan (<http://data.imf.org/CDIS>.)

Contact for More Information on the Investment Climate Statement

U.S. Embassy

Economic-Commercial Section

9 Pushkin Street,

Ashgabat, Turkmenistan (+993 12) 94-00-45

trade-Ashgabat@state.gov

Trade & Project Financing

Methods of Payment

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

Banking Systems

State banks include: The State Bank for Foreign Economic Relations (Vnesheconombank), Dayhanbank, Turkmenbashi, Turkmenistan, and Halk. These state banks have narrow specializations--foreign trade, agriculture, industry, social infrastructure, savings, and mortgages, respectively. Other smaller state banks, such as Senagat Bank, provide general banking services only. There are also five foreign commercial banks in the country: a joint Turkmen-Turkish bank (with Ziraat Bank), a branch of the National Bank of Pakistan, German Deutsche and Commerz banks, and a branch of Saderat Bank of Iran. The two German banks provide European bank guarantees for companies and for the Turkmen government; they do not provide general banking services. Companies increasingly report dealing with vendors only in cash as vendors report difficulties accessing their money in bank accounts. More detailed information on the payment system of Turkmenistan is available in English at the website of the [Central Bank of Turkmenistan](#).

Foreign Exchange Controls

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 was fixed at 2.85 Turkmen manat per USD 1 until January 1, 2015, when it was devalued to 3.5 manat per U.S. dollar.

Plummeting global prices for oil and gas have slowed Turkmenistan's economy and put pressure on its national currency. The Government of Turkmenistan started initiating significant limitations on foreign currency exchange in October 2015. New limitations on foreign currency exchange have spurred a higher black market exchange rate for USD, and the government introduced an amendment to the Administrative Offences Code levying higher fines for illegal foreign exchange transactions. As of June 8, 2018, black market exchange rate was 20 manat per U.S. dollar. There have been reports throughout the year of foreign companies downsizing or halting their businesses due to an inability to repatriate their profits and pay off debts denominated in dollars.

US Banks & Local Correspondent Banks

There are no U.S. banks in Turkmenistan.

Project Financing

The European Bank for Reconstruction and Development provides project financing to a select number of Turkmen businesses.

Multilateral Development Banks:

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development, the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the [Commercial Liaison Offices to the European Bank for Reconstruction and Development](#), the [Asian Development Bank](#) and the [World Bank](#).

Web Resources

- [Commercial Liaison Office to the European Bank for Reconstruction and Development](#)
- [Commercial Liaison Office to Asian Development Bank:](#)
- [Commercial Liaison Office to the World Bank](#)
- [Central Bank of Turkmenistan](#)

Financing Web Resources

- Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team:
<http://www.export.gov/tradefinanceguide/index.asp>
- [Export-Import Bank of the United States](#)
- Country Limitation Schedule: <https://www.exim.gov/tools-for-exporters/country-limitation-schedule>
- [Overseas Private Investment Corporation \(OPIC\)](#)
- [U.S. Trade and Development Agency](#)
- [SBA's Office of International Trade](#)
- [USDA Commodity Credit Corporation](#)
- [U.S. Agency for International Development](#)
- [Asian Development Bank in Turkmenistan](#)
- [European Bank for Reconstruction and Development \(EBRD\) in Turkmenistan](#)
- [World Bank in Turkmenistan](#)

Business Travel

Business Customs

Doing business in Turkmenistan requires patience, persistence, and personal contacts.

The government verbally encourages foreign investment and business, but current structures do not conform to international business norms. No commercial code has been adopted except for Law on Trade Activity in March 2016. Most local officials are unfamiliar with western business practices and internationally accepted norms. Few senior members of the government have been educated abroad. 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 travel to Ashgabat by the company's president or CEO to close a deal. Follow-up visits are also critical. The Internet is filtered and communications with headquarters can be challenging. There are locally-based distributors representing U.S. companies, but most distributors are foreign companies themselves (usually Turkish), with established offices in Ashgabat. Franchising is not popular. Almost all foreign companies investing in Turkmenistan form joint ventures. Since there is limited privatization, joint ventures generally include government partners. There is no standard form for a joint venture agreement; each agreement is negotiated individually must be approved by the Cabinet of Ministers and finalized by presidential decree.

Travel Advisory

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 include 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 most recent relevant travel warning for Turkmenistan can be found on [Department of State website](#).

The U.S. Government continues to receive information that terrorist groups in Central Asia may be planning attacks in the region, possibly against U.S. Government facilities, Americans, or American interests. Elements and supporters of extremist groups present in Central Asia, including the Islamic Jihad Union (IJU), al-Qaida, the Islamic Movement of Uzbekistan (IMU), and the Eastern Turkistan Islamic Movement, have expressed anti-American sentiments in the past and have demonstrated the capability to conduct terrorist operations in the region. Previous terrorist attacks conducted in Central Asia 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 sympathizer often 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 STEP service](#).

For the latest security information, Americans traveling abroad should regularly monitor the [Department's Internet website](#) 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 tollline 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

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

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

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

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

Upon arrival at an airport or border entry point with a valid letter of invitation, the bearers of official passports will be charged USD 19 to cover the government's actual expenses in issuing the visa. Bearers of regular/tourist passports will be charged USD 99 for a ten-day visa. The visa fees for regular/tourist passport holders may vary depending on the length of stay in the country. Those seeking a 20-day visa, for example, will be charged USD 109. In addition to the immigration requirements mentioned above, foreigners are subject to local registration requirements. Americans who plan to stay more than three working days in Turkmenistan must register and de-register with the SMS. SMS offices are located in all of Turkmenistan's five major cities: Ashgabat, Dashoguz, Mary, Turkmenabat and Turkmenbashi.

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

American citizens in Turkmenistan are strongly urged to ensure that their visas do not expire and that they register with the SMS upon arrival and upon departure. Visitors holding tourist visas organized by a travel agency must stay in hotels; other visitors may stay in private accommodations whose owner must register the visitor's presence. Visit the [Embassy of Turkmenistan in Washington, DC website](#) for the most current visa information.

U.S. companies that require travel of foreign businesspersons to the United States are advised to have the foreign businessperson apply for a visa. . Visa applicants should go to the links below.

Turkmen Citizenship Law generally prohibits dual citizenship for its citizens. If travelers have dual U.S.–Turkmen citizenship, they may be denied exit from Turkmenistan until they renounce their Turkmen citizenship, a process that can take between six months and a year to complete. If you are a dual U.S.–Turkmen citizen wishing to travel to Turkmenistan, please contact the U.S. Embassy in Ashgabat prior to your arrival in Turkmenistan.

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

[U.S. Embassy Ashgabat](#)

[Turkmen Embassy website](#)

[State Migration Service of Turkmenistan](#)

Currency

Turkmenistan's local currency is the manat, which is the only legal means of payment in Turkmenistan. The government has introduced higher fines for illegal foreign exchange transactions (i.e. selling and purchasing foreign currency via informal channels) and requires that most transactions be in local currency. Although credit cards are not widely accepted, some hotels in Ashgabat accept Visa credit and debit cards; travelers checks are not accepted.

Telecommunications/Electronics

Cellular phone service exists throughout Turkmenistan, but its quality and reliability are substandard. There is one mobile operator in the country, which is local cell phone operator Altyn Asyr. Long distance direct dialing is possible, but very expensive. Operator-assisted calls can be made from Turkmenistan to the United States. The operator usually speaks some English and will be able to put the call through (dial 072, 073, 074). The rate for operator-assisted calls to the United States is USD 2.30 per minute. Direct calls to the United States from Turkmenistan are made through dialing: 8 wait for dial tone 10 – 1 – area code – telephone number. Currently, major hotels charge from USD 6.00 to USD 9.00 per minute for telephone calls and from USD 7.00 to USD 9.00 per fax page. Internet access in hotels is often slow or not available, and it can be difficult to arrange an Internet connection for a private home or office. The government restricts access to some websites and filters online usage.

Transportation

The only two major western carriers flying to Ashgabat are Turkish Airlines and Lufthansa Airlines. Turkmenistan Airlines has flights to Abu Dhabi (expected to start July 15th, 2018), Almaty, Amritsar, Ankara, Bangkok, Beijing, Birmingham, Dubai, Frankfurt, Istanbul, Kazan, London, Minsk, Moscow, New Delhi, Paris, Saint Petersburg, and Yerevan. Russian S7 Airlines flies from Moscow to Ashgabat. Fly Dubai flies between Dubai and Ashgabat. Within the country, it is possible to fly to Balkanabat, Dashoguz, Mary, Turkmenabat, and Turkmenbashi. Road conditions in Turkmenistan make driving difficult and dangerous. Most roads outside of major cities are narrow, riddled with potholes, unlit at night, and do not have proper road signs. Driving at night on these roads should be avoided. City roads are better in comparison but may be hazardous due to potholes, uncovered manholes, poor lighting, and pedestrian traffic. Pedestrians frequently cross against traffic and create dangerous conditions as do sudden stops by cars in the right lane as they pick up and discharge passengers. 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. Travellers with smartphones are recommended to download the app MAPS.ME and Turkmenistan map to aid navigation.

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

Language

Turkmen is the official language of Turkmenistan; however, Russian is widely used in government and business. The government has decreed that English be taught in schools widely, but only a limited number of people in Turkmenistan speak English.

Health

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.

International Trauma Hospital, 118, Gorogly Street, Ashgabat Telephone: 34-14-29

Ashgabat City Children's Hospital, 29, Garaja Burunow St. (formerly known as Children's Hospital on Shaumyan St.), Ashgabat Telephone: 92-67-21

Physiology Scientific Clinical Center's Hospital (former Railroad Hospital), 60, Magtymguly Avenue, Ashgabat Telephone: 94-24-87; 94-00-89

Cardiology Scientific Clinical Center's Hospital (former Red Cross Hospital), 192, Atamurat Niyazov Avenue, Ashgabat Telephone: 97-13-79

Scientific-Clinical Center on Maternal and Child Health, 80, Gorogly Street, Ashgabat Telephone: 97-21-73

National Clinical Hospital named after S. Niyazov (formerly known as Treatment and Consultation Clinical Center named after S. Niyazov at the 11th micro-district), 11, Oguzhan Street, Ashgabat Telephone: 43-85-27

International Eye Clinic, 27, 1970 Street, Berzengi, Ashgabat Telephone: 48-94-23

Dental Clinic, 25, 1970 Street, Berzengi, Ashgabat Telephone: 48-71-05

International Cardiology Center (formerly known as International Cardiology Center named after S. Niyazov), 30, 1970 Street, Berzengi, Ashgabat Telephone: 48-90-09

Maternal and Child Health Center "Ene Mahri" ("Mother's Love), 30, 1970 Street, Berzengi, Ashgabat Telephone: 48-93-03

Sanitary Aviation of the Ministry of Health of Turkmenistan

Dr. Dovran Saparovich Telephone: 93-82-12

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

Ambulance Services Government Ambulance Service Telephone: 03.

Pharmacies

Andalyp street, 15 (former Mira street, based in Burgan store),
telephone 94-63-03,

Gorogly street, 29 (former Pervomayskaya street, just across the Student Polyclinic), telephone 92-03-03.

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

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

Medical Evacuations

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

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

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

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

International SOS Alarm Center, Moscow

Telephone: (+7-495) 937-64-77

Fax: (+7-495) 937-64-70 / -72

E-mail: mowopsmed@internationalsos.com

AEA International Worldwide emergency assistance (in Almaty, Kazakhstan):

Dr. Francois Gourraud,

Medical Director for Central Asia

Telephone: (+7-327) 258-19-11 or doctor on call at (+7-300) 744-11-11.

Local Time, Business Hours and Holidays

Local time is five hours ahead of GMT (Zulu) or 9-10 hours ahead of the U.S. east coast, depending on spring or fall scheduling.

Businesses are generally open from 9 to 6, Monday through Friday, with many employees in the public and private sectors working a $\frac{3}{4}$ day on Saturdays.

2018 Turkmenistan Holidays are:

January 1	New Year's Day
March 8	International Women's Day
March 21 --22	National Spring Holiday
May 9	Victory Day

May 18	Constitution Day and National Flag Day
October 6	National Commemoration day
September 27	Independence Day
December 12	Neutrality Day

The dates of two additional national holidays, Oraza Bairam and Kurban Bairam are determined by the lunar calendar and announced by Turkmen Government as non-working days. If a holiday falls on a Sunday, then the following working day usually becomes a holiday.

Temporary Entry of Materials or Personal Belongings

Turkmenistan customs authorities may enforce strict regulations concerning temporary import into, or export from, Turkmenistan of items such as carpets, jewelry, musical instruments, pieces of art, archaeological artifacts, antiques, protected animals, etc. It is advisable to contact the Embassy of Turkmenistan in Washington for specific information regarding customs requirements. Travelers who wish to take carpets out of Turkmenistan must obtain a certificate from the Carpet Museum in Central Ashgabat indicating that the carpet does not have historical value. In addition, buyers may have to pay a tax calculated according to the size of the carpet. Travelers who have purchased other items that could be perceived to be of historical value, such as jewelry, have also reported difficulties in taking these items out of Turkmenistan. Turkmenistan's indigenous dog, the Alabay, is considered a national treasure and cannot be exported 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.

Travel Related Web Resources

- [U.S. Department of State: Bureau of Consular Affairs](#)
- [Turkmenistan Embassy in Washington, DC](#)
- [U.S. Embassy in Turkmenistan](#)