

# U.S. Country Commercial Guides



## Turkmenistan 2020

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## Doing Business in Turkmenistan

### Market Overview

Turkmenistan is a physically large country (slightly larger than the state of California) but sparsely inhabited. The Turkmen government reports a population of 6 million people, but this number is widely viewed as inflated; most estimates are closer to 4 million. Although Turkmenistan's vast natural gas and 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 is truly welcomed and property rights are 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 are often not credible. According to official government figures, the country's Gross Domestic Product (GDP), using the official exchange rate of 3.5 TMT/1 USD was \$40.76 billion in 2018 (TMT 142.7 billion), \$38 billion in 2017 (TMT 133 billion), and \$36.18 billion (TMT 126.6 billion) in 2016. An official number for 2019 GDP was not yet available, though the government reported an implausibly high GDP growth of 6.2 percent in 2019. GDP growth in 2018 was reported as 6.5 percent. Most economic indicators released by the government are widely seen as unreliable. The black market exchange rate in 2019 and early 2020 hovered at five to seven times the official rate.

Turkmenistan continues to be a major producer and exporter of natural gas. According to the *BP Statistical Review of World Energy 2020*, Turkmenistan produced 63.2 billion cubic meters (bcm) of natural gas in 2019, a slight increase over its 2018 production of 61.5 bcm. Roughly half of Turkmenistan's natural gas production is used domestically and the remainder is exported. China is by far Turkmenistan's biggest gas customer, importing 33.2 bcm of Turkmen gas in 2019. Russia suspended its Turkmen gas imports entirely from January 2016 to April 2019 over a pricing dispute and now buys only low volumes of gas from Turkmenistan. Exports to Iran, Turkmenistan's only other significant market, have been suspended since January 2017, also due to a dispute over pricing.

According to UN Comtrade data and International Trade Centre statistics, Turkmenistan's total exports rose from \$10.1 billion in 2018 to \$10.3 billion in 2019, while imports fell from \$2.8 billion in 2018 to \$2.7 billion in 2019. The trade surplus, therefore, was reportedly \$7.6 billion in 2019 and \$7.3 billion in 2018.

In 2019 Turkmenistan's largest import partner was Turkey, followed closely by Russia. Turkmenistan's largest export partner after China is Turkey. According to the U.S. Census Bureau, in 2019 U.S. exports to Turkmenistan totaled \$28.3 million, down from \$30.9 million in 2018, while U.S. imports from Turkmenistan were \$16.2 million, up from \$11.5 million in 2018. The top U.S. exports to Turkmenistan in 2019 were agricultural machines and chemical products. The top U.S. imports from Turkmenistan were miscellaneous carbon products and vegetable extracts.

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

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 unfulfilled. Turkmenistan does not allow private ownership of land, and most of its industries are state-owned. The government provides subsidies in key sectors such as agriculture. State subsidies to the general public for utilities including natural gas, electricity, and water were eliminated in January 2019. According to official figures from the Turkmen government, the private sector share of the economy has reached 70 percent. This figure cannot be independently verified, however, and does not include the hydrocarbon sector, which makes up an estimated 35 percent or more of GDP. Retail trade, services, processing and production are the main sectors in which private ownership is permitted, although sometimes with government-set price controls. In 2012, Turkmenistan announced plans to privatize state-held properties under the State Program for Privatization of Enterprises and Objects of State Property. However, the process has 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 many business decisions appear politically motivated. Turkmenistan devalued its national currency – the manat (TMT) – by 19 percent on January 1, 2015, to an exchange rate of 3.5 TMT/1 USD. Between 2008 and 2014, the rate was 2.85 TMT/1 USD. Converting manat into U.S. dollars (or other hard currencies) is extremely difficult due to tight government restrictions on exchange. The black market exchange rate in 2019 was relatively steady at 18 TMT/1 USD but became more volatile during the COVID-19 pandemic, at times spiking to 25 TMT/1 USD. 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 has impeded trade and led to extra hurdles for businesses. In recent years, U.S. businesses have reported increasing difficulties converting manat into U.S. dollars. Currency conversion usually requires a company (or individual) to receive specific approval from a government bank and even then is usually limited to as little as 1.5-2% of the value of the company's bank account.

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 purports to represent the business interests of private entrepreneurs, it is quasi-governmental and its creation, like that of the Agrarian Party, has had virtually no effect on political decision making. The president, first and foremost, dominates the political arena. The Democratic Party and other parties play minor supporting roles.

### **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 or stagnant 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 can hinder business. The Government of Turkmenistan regularly blocks certain mainstream websites and private companies' Virtual Private Networks (VPN).

- Most industry is controlled by the government and formal communication (e.g., the transmission of documents) is slow, as it typically must be conducted 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 reserves 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.
- Turkmenistan wants to make the transition to a digital economy, which may present opportunities for foreign companies with expertise in digital technologies.
- Opportunities exist for gas-to-liquid (GTL) technology providers, as Turkmenistan recently built a major GTL plant and plans to develop this sector.
- With development of new gas and oil fields and the rehabilitation of existing 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.
- Turkmenistan continues to invest in development of the Caspian Sea resort of Awaza, which may present opportunities for foreign investment in Turkmenistan's nascent tourism industry. More generally, historic sites associated with the ancient Silk Road represent untapped potential for small adventure tour operators.

### **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 market entry.

## Leading Sectors for US Exports & Investments

There are limited opportunities for U.S. exporters interested in the Turkmen market. The Turkmen government has a reputation for non-payment of its contracts with international firms, in some cases going several million or even billion dollars into arrears. However, opportunities exist in certain areas. Below are the main sectors that historically have attracted foreign companies to Turkmenistan.

### Oil and Gas

#### Overview

Turkmenistan is rich in hydrocarbon 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 *BP Statistical Review of World Energy 2020* indicates that Turkmenistan has 600 million barrels of proven oil reserves and 19.5 trillion cubic meters in proven reserves of natural gas. According to the same report, Turkmenistan produced 63.2 bcm of natural gas in 2019; of that, Turkmenistan consumed 31.5 bcm domestically and exported 31.6 bcm to China. Oil production in 2019 reached 264,000 barrels per day. Turkmenistan consumes roughly 60 percent of its oil production domestically and exports the remainder over the Caspian Sea to world markets. The Turkmenbashi Complex of Oil Refineries and the gas-to-gasoline plant in Ahal province produce liquefied petroleum gas (LPG), though no official data on production is available.

#### 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, Caspian Sea offshore blocks, and the Central Karakum group of fields. Construction of gas treatment and processing units at the above mentioned fields. Opportunities also exist for gas-to-liquid (GTL) technology providers as Turkmenistan **is currently expanding production capacity in this sector.**

#### Web Resources

[NEBIT-GAZ \(http://www.oilgas.gov.tm/en/\)](http://www.oilgas.gov.tm/en/)

## **Oil and Natural Gas Refining**

### **Overview**

There are two oil refineries in Turkmenistan: one in Turkmenbashi and one in 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 government has demonstrated interest in attracting foreign investment to build factories producing end-user petroleum based products such as detergents and tires.

The refinery reports that its products are exported to Russia, China, Iran, Afghanistan, Turkey, Pakistan, Tajikistan, and Japan.

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

The government contracted the consortium of Hyundai Engineering (Korea), LG International (Korea) and Toyo Engineering (Japan) to construct a new \$3.4 billion gas chemical complex in Kiyanly village of Balkan province. Construction was completed in October 2018. The facility can produce up to 386,000 tons of polyethylene and 81,000 tons of polypropylene annually using 5 bcm of natural gas as feedstock.

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 June 2019 Turkmenistan opened a \$1.7 billion gas-to-gasoline plant at Ovadandepi in Ahal province. The new complex is designed to process 1.785 bcm of natural gas into 600,000 tons of A-92 gasoline per year. A framework agreement for this project was signed between 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 another 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 additional GTL plants in the coming years.

### **Leading Sub-Sectors**

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

### **Opportunities**

Construction of oil and gas processing units; new technologies in gas-to-liquid fuel processing; production and storage of petroleum products

### **Web Resources**

NEBIT-GAZ (<http://www.oilgas.gov.tm/>)



## **Chemical Industry**

### **Overview**

Turkmenistan has nine chemical plants that produce nitrogen and phosphorus 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 together use 500 million cubic meters of natural gas per year as feedstock.

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. According to unofficial reports, the Garlyk plant is currently operating well below its total capacity due technical complications. Turkmenistan also plans to increase iodine production from 500 to 1,515 tons per year by 2030.

In September 2018, a \$1.5 billion carbamide (urea) fertilizer plant opened on the Caspian coast in Garabogaz, Balkan province. The plant, built by Turkey's Gap Insaat and Japan's Mitsubishi Corporation, has the capacity to produce 1.1 million tons of urea annually using about 1 billion cubic meters of natural gas as feedstock. 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, Turkmenistan opened a float glass manufacturing plant in Ovadandep in Ahal province.

### **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, and potassium fertilizers.

### **Web Resources**

Ministry of Energy of Turkmenistan (<http://minenergo.gov.tm/>)

## **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 M-37 highway running from the Caspian Sea to the Uzbek border and the P-1 Dashoguz – Ashgabat highway crossing the country from north to south; both projects, however, remain under construction. All construction work on 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 from the Government of Turkmenistan. The government announced in January 2019 that closed joint stock company “Turkmen Awtoban” will design and construct the 600km long Ashgabat-Turkmenabat highway in three phases: Ashgabat-Tejen by December 2020, Tejen-Mary by December 2022 and Mary-Turkmenabat by December 2023. Road upgrades are needed in many parts of the country, in particular outside of Ashgabat. 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 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 expansion of the international seaport in Turkmenbashi, 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, 300,000 passengers, and 75,000 vehicles.

Turkmenistan Airlines (TurkmenHowaYollary or THY) is the state-owned air carrier, with a passenger fleet of Boeing aircraft. From 2013-2020 Boeing has delivered five new 737-800 passenger planes 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. In recent years, Turkmenistan Airlines briefly added new international flights to Kuala Lumpur and Riga, before cancelling them indefinitely, and announced new flights to Milan and Doha, which never commenced. Luxembourg’s Cargolux transports cargo via Turkmenbashi. The government constructed new airports in the cities of Turkmenbashi, Mary, and Turkmenabat as well as new runways at the Ashgabat and Dashoguz Airports. In 2018, the Government of Turkmenistan announced international tenders for the construction of new airports in Garabogaz and Kerki.

In addition to Turkmenistan Airlines, international carriers such as Turkish Airlines, S7, Belavia, FlyDubai, Cargolux, and China Southern Airlines operate international flights servicing Turkmenistan. The government expressed an interest in joining the International Air Transportation Association (IATA) in 2013 but at present is not an IATA member. Lufthansa suspended its service to Ashgabat indefinitely in October 2019. The Commercial Maritime Code of 2008 regulates commercial navigation, addresses freight transport, transport of passengers and their baggage to a foreign port, emergency operations, and accidents with other ships. In addition, it includes provisions on crew certification, state registration of ships and ship ownership titles, sea traffic control systems, maintenance of seaways, and environmental protection.

Severe disruptions to air travel associated with the COVID-19 pandemic have affected both passenger and cargo flights. Consult the embassy website or individual air carriers for the latest information.

### **Leading Sub-Sectors**

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

**Opportunities**

Road construction projects; supply of airport navigation equipment; supply of specialized machinery for transporting cement, water, or flour; supply of garbage trucks, street cleaners, cement mixers and dump trucks.

**Web Resources**

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

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

## **Customs, Regulations & Standards**

### **Trade Barriers**

Slow and bureaucratic customs procedures seriously inhibit trade. When the basis of a consignment is a contract (and 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 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 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). 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. U.S. companies are urged to include an international arbitration clause in their contracts, as political considerations still influence local courts. Several foreign companies have pursued international arbitration against the Turkmen government through the World Bank's International Center for Settlement of Investment Disputes and the Arbitration Institute of the Stockholm Chamber of Commerce. Turkmenistan's restrictive visa regime and taxation policy are also difficult issues for companies to overcome.

### **Import Tariffs**

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 five percent to 100 percent. Importers also must 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 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](http://statecustoms.gov.tm):

<https://customs.gov.tm/ru/info/tamozhennye-platezhi/aktsizy>

Turkmenistan applies import excise taxes on the following products:

#### **Beer**

Fifty percent of the cost, but not less than four 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 seven and a half percent of the customs value, but not less than USD 0.625 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 one kg, is exempted from customs duties; for larger quantities of jewelry 15 percent of the customs value import duty applies.

### **Automobiles**

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

In March 2016, the President imposed new customs fees for importing cars. For example, for a Toyota Corolla (2012 model, 1.8-liter engine) the customs fee is 38,574 manat (\$11,021 at the official exchange rate). 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 five 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 (and not a paid invoice):

1. A contract registered at 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 or a 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 conformity from Turkmen Standards (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 responsibility for the clearance process. During customs clearance, the State Customs Service 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

The United States imposes export controls to protect national security interests and promote foreign policy objectives related to dual-use goods through implementation of the Export Administration Regulations (EAR). The Bureau of Industry and Security (BIS) is comprised of two elements: Export Administration (EA), which is responsible for processing license applications, counselling exporters, and drafting and publishing changes to the [Export Administration Regulations](#); and Export Enforcement (EE), which is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure and comply with the EAR. BIS officials conduct site visits, known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR to verify compliance.

An EUC is an on-site verification of a non-U.S. party to a transaction to determine whether the party is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of transactions subject to the EAR, to include: confirming the legitimacy and reliability of the end use and end user; monitoring compliance with license conditions; and ensuring items are used, re-exported or transferred (in-country) in accordance with the EAR. These checks might be completed prior to the export of items pursuant to a BIS export license in the form of a Pre-License Check (PLC), or following an export from the U.S. during a Post-Shipment Verification (PSV).

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license application reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "red flags", or warning signs, and compiled "[Know Your Customer](#)" guidance intended to aid exporters in identifying possible violations of the EAR. Both of these resources are publicly available, and their dissemination to industry members is highly encouraged to help promote EAR compliance.

BIS also provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars that focus on the basics of exporting to coverage of more advanced, industry specific topics. Interested parties can check a [list of upcoming seminars and webinars](#) or reference BIS provided [online training](#).

BIS and the EAR regulate transactions involving the export of "dual-use" U.S. goods, services, and technologies. For advice and regulatory requirements, exporters should consult the other U.S. Government agencies which regulate more specialized items. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services, or munitions. A list of other agencies involved in export control can be found on the [BIS website](#) or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the [BIS website](#) and on the [e-CFR](#) (Electronic Code of Federal Regulations) and is updated as needed.

The [Consolidated Screening List](#) (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of parties to regulated transactions. Exporters are encouraged to classify their items prior to export, as well as consult the CSL to determine if any parties to the transaction may be subject to specific license requirements.

### **Temporary Entry**

According to Turkmenistan's Law on Foreign Investment, goods and property that are imported temporarily, including those for subcontracts, can be imported without duties, but only for the duration of the 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 which must be licensed for import/export 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 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](mailto: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 former Soviet countries and incorporating former Soviet standards. Standards and metrology are governed by the Law on Standardization and Metrology of 1993 as well as a series of by-laws.

### **Standards**

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

### **Testing, Inspection and Certification**

All imported goods must be certified as adhering to quality standards set by Turkmenstandartlary. Bilateral agreements on the acceptance of national state certificates allow for 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.



Turkmen legislation requires that products be certified. Gauging equipment also needs to be calibrated by 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. For food products, certificates of conformity must be accompanied by a Russian-language product description. In March 2019, the U.S. Agency for International Development (USAID) and the Union of Industrialists and Entrepreneurs of Turkmenistan (UIE) officially opened the first private sector food safety laboratory in Turkmenistan.

Turkmenistan joined the International Standard Association in 1991, and in 1992 began to adhere to the Interstate Council on Standards, Metrology, and Certification that covers CIS countries.

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](http://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 or countries 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.

### **Publication of Technical Regulations**

Turkmenstandartlary publishes national standards updates.

Contact Information:

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

<https://turkmenstandartlary.gov.tm/>

### **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.

## **Selling U.S. Products & Services**

### **Distribution & Sales Channels**

Despite the country's central geographic location, reliable transportation routes 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 transit point for a variety of products. A renovated and expanded 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 east, with rail and road crossings in the Farap district near Turkmenabat 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 in 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, and expansion of this line is currently underway. 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.

Severe disruptions to air travel associated with the COVID-19 pandemic have affected both passenger and cargo flights. Consult the embassy website or individual air carriers for the latest **information**.

### **Using an Agent to Sell U.S. 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 entities procure their needs via a tender process. Announcements in Russian and Turkmen are made in the local press and on some websites. Tenders offered by agencies in the state-controlled oil and gas sector can be found here:

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

Producers of heavy equipment usually sell their goods in Turkmenistan by establishing a local 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](#) can help identify potential partners for U.S. firms.

### **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 may 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. Includes 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. 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 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 the legal address;
10. Receipt for payment of the registration fee.

#### **Requirements for Establishing a Branch:**

1. An application to establish a branch signed by an authorized company official. Includes intended line(s) of business in Turkmenistan and information on the investor and 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 the legal address;
10. Receipt for payment of the registration fee.

#### **Requirements for Establishing a Joint Venture:**

1. An application to establish a joint venture signed by authorized company officials. Includes 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 the 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 persons physically residing in Turkmenistan: a personal information form with a 3x4 cm photo and copy of the 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**

Turkmenistan's small population, underdeveloped private sector, and severe limitations on currency conversion hinder franchising attempts. Only three U.S. franchises – Pepsi, Coca-Cola, and Levi's -- currently operate in Turkmenistan. Coca-Cola suspended operations in early 2019, largely due to limitations on currency conversion, but resumed partial operations in mid-2020.

### **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 the 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, including pharmaceutical sales
14. Import, production, and sale of alcohol and tobacco
15. Telecommunications
16. Tourism
17. Trade

### **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.

### **Due Diligence**

Due diligence is extremely difficult to carry out. 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 individuals or companies that are known to have violated tax, environmental, or other laws. [Business Turkmenistan](#) is the business news and information service accredited to operate in Turkmenistan. 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.

## **E-Commerce**

Electronic commerce is rudimentary and the country does not have specific laws or regulations to govern the e-commerce sector. 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, often with slow internet speeds. There are no major consumer buying holidays or shopping days for e-commerce in Turkmenistan, except for those announced on Chinese internet websites like [aliexpress.com](https://www.aliexpress.com). The major internet websites for commercial advertising in Turkmenistan include [VESTNIKTm](https://www.vestniktm.com/) (<https://www.vestniktm.com/>), [TMAWTO](https://www.tmawto.com/tm/) (<https://www.tmawto.com/tm/>), [EMLAK](http://www.emlak.tm/) (<http://www.emlak.tm/>), and [Satlyk](https://satlyk.org/) (<https://satlyk.org/>), although no online payment options are available. Currency convertibility is a major limitation to e-commerce or any other type of foreign transaction in Turkmenistan.

## **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 is not uncommon. Home appliances and electronics are labeled in English, Russian and German.

## **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 to 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. A customs duty is levied on approximately 100 different types of imported merchandise. 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.

## **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**

provides services such as consulting, analysis of legal documents, implementation of business projects (Russian and English), and legal support in company registration. Contact info:

10 yyl Abadanchylyk str. 60, "Paytagt" Trade center, 3rd floor, Ashgabat, Turkmenistan 744000

Tel: (993-12) 47-76-68, fax: (993-12) 47-76-69.

E-mail: [info@turkmens-law.com](mailto:info@turkmens-law.com), [kerim.akmamedov@turkmens-law.com](mailto:kerim.akmamedov@turkmens-law.com), [myahri.babayeva@turkmens-law.com](mailto:myahri.babayeva@turkmens-law.com).

**Ashgabat Consulting Team (ACT)**

provides information on doing business in Turkmenistan, registering foreign companies and investment projects, and arranging necessary licenses. ACT also provides market research, economic consultations, logistical procurement services, and business tour services. English-speaking lawyers provide translations and notarization of documents. Contact info:

Turkmenbashy shayoly 81, 15<sup>th</sup> floor, Ashgabat, Turkmenistan 744000

Tel: (993-12) 22-76-16

E-mail: [contact@act.tm](mailto:contact@act.tm).

**Baker Tilly**

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

Turkmenbashy shayoly 81, 15<sup>th</sup> floor, Ashgabat, Turkmenistan 744000

Tel: (993-12) 22-76-06

E-mail: [contact@bakertilly.tm](mailto:contact@bakertilly.tm).

**Konsul**

Provides services such as preparation and analysis of contracts, legal auditing, and preparation of legal documents.

Contact info: Mir 3/1 street, h.8 block "G", Ashgabat, Turkmenistan 744000

Tel/fax: (993-12) 45-17-22.

E-mail: [consulturkmenistan@gmail.com](mailto:consulturkmenistan@gmail.com), [consulturkmenistan2@gmail.com](mailto: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](mailto:medet@cat.glasnet.ru).

**SNR Denton**

An international law firm affiliated with local Turkmen law firm AK Counsel that 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](mailto:marla.valdez@snrdenton.com).

### **Principal Business Associations**

Turkmenistan's Union of Industrialists and Entrepreneurs (UIE) is the only association of businesses in Turkmenistan. Local companies are generally required to join. In March 2020 the UIE released new membership provisions for Turkmen companies with minority foreign ownership. There are no provisions in place for 100 percent foreign-owned firms to become members and there are no formal foreign business associations in the country. The Washington-based U.S.-Turkmenistan Business Council (USTBC) is a non-profit organization that promotes commercial relations between the United States and Turkmenistan. There is no American Chamber of Commerce.

#### Web Resources

- [Turkmenistan International Magazine \(http://turkmenistaninfo.ru/\)](http://turkmenistaninfo.ru/)
- [NEBIT-GAZ \(https://oilgas.gov.tm/en/\)](https://oilgas.gov.tm/en/)
- [Turkmen Business \(http://www.turkmenbusiness.org/\)](http://www.turkmenbusiness.org/)
- [Chamber of Commerce and Industry of Turlmenistan \(http://www.cci.gov.tm/index.php/ru/\)](http://www.cci.gov.tm/index.php/ru/)

### **Trade Financing**

#### **Methods of Payment**

Bank transfers and Letters of Credit are the most common methods of payment. For more information about the methods of payment or other trade finance options, please read the Trade Finance Guide available at <https://www.trade.gov/trade-finance-guide-quick-reference-us-exporters>

#### **Banking Systems**

The largest state banks include: the State Bank for Foreign Economic Relations (Vnesheconombank), Dayhanbank, Turkmenbashy Bank, Turkmenistan Bank, and Halk Bank. These banks have narrow specializations—foreign trade, agriculture, industry, social infrastructure, and 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 (with Ziraat Bank), a branch of the National Bank of Pakistan, German Deutsche Bank and Commerz Bank, 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 have 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 \(https://www.cbt.tm/en/\)](https://www.cbt.tm/en/).



## **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 1 USD until January 1, 2015, when it was devalued to 3.5 manat per 1 USD.

The government strictly controls foreign exchange flows and limits on currency conversion make it difficult to repatriate profits or make payments to foreign suppliers. In 2019, the black market rate was relatively steady at around 18 manat/dollar, roughly 5 times the official rate. The COVID-19 pandemic put additional pressure on Turkmenistan’s hard currency reserves and caused the black market rate to spike as high as 25 manat/dollar in the first part of 2020.

## **US Banks & Local Correspondent Banks**

There are no U.S. banks in Turkmenistan.

## **Protecting Intellectual Property**

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For additional information, visit [Stopfakes.gov website](http://Stopfakes.gov) or [contact ITA’s Office of Intellectual Property Rights Director, Stevan Mitchell at Stevan.Mitchell@trade.gov](mailto:Stevan.Mitchell@trade.gov).

### **IP Attaché Contact**

Regional IP Specialist

American Embassy Moscow

8 Bolshoi Devyatinskiy Pereulok

Moscow, Russia 121011

Office Phone: +7 495-728-5438

## **Selling to the Public Sector**

### **Selling to the Government**

Many governments finance public works projects with loans from multilateral development banks. Please refer to the “Project Financing” Section in “Trade and Project Financing” for more information.

Turkmenistan’s economy is dominated by state-owned entities. 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 a good relationship with the government have a higher chance of being selected. Tender winners receive bid approval by the State Commodity and Raw Materials Exchange. Most open tenders are announced only in local outlets. In the oil and gas sector tenders are typically announced online at: <http://www.oilgas.gov.tm/en/>. Turkmenistan’s National Program for Socio-Economic

Development for the period 2011-2030 and its Oil and Gas Industry Development Program provide a general idea of Turkmenistan's strategic development plans for specific industries.

U.S. companies bidding on government tenders may also qualify for U.S. Government advocacy. A unit of the U.S. Commerce Department's International Trade Administration, the Advocacy Center, coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Consult [Advocacy for Foreign Government Contracts](#) for additional information.

## **Financing of Projects**

### **Multilateral Development Banks and Financing Government Sales**

Price, payment terms, and financing can be a significant factor in winning a government contract. Many governments finance public works projects through borrowing from the Multilateral Development Banks (MDB). A helpful guide for working with the MDBs is the [Guide to Doing Business with the Multilateral Development Banks](#). The U.S. Department of Commerce's (USDOC) International Trade Administration (ITA) has a Foreign Commercial Service Officer stationed at each of the five different Multilateral Development Banks (MDBs): the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank; and the World Bank.

Learn more by contacting the:

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

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

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

### **Other Financing Web Resources**

- Export-Import Bank of the United States (<https://www.exim.gov/>)
- Country Limitation Schedule: <https://www.exim.gov/tools-for-exporters/country-limitation-schedule>
- Overseas Private Investment Corporation (OPIC) (<https://www.opic.gov/>)
- U.S. Trade and Development Agency ([www.ustda.gov](http://www.ustda.gov))
- SBA's Office of International Trade (<https://www.sba.gov/offices/headquarters/oit>)
- [USDA Commodity Credit Corporation \(www.fsa.usda.gov\)](http://www.fsa.usda.gov)
- U.S. Agency for International Development ([www.usaid.gov](http://www.usaid.gov))
- Asian Development Bank in Turkmenistan (<https://www.adb.org/countries/turkmenistan/main>)
- [European Bank for Reconstruction and Development \(EBRD\) in Turkmenistan](https://www.ebrd.com/turkmenistan.html)  
(<https://www.ebrd.com/turkmenistan.html>)
- [World Bank in Turkmenistan](http://www.worldbank.org/en/country/turkmenistan) (<http://www.worldbank.org/en/country/turkmenistan>)



## **Business Travel**

### **Business Customs**

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

The government verbally encourages foreign investment and business, but the current investment climate does not conform to international business norms. No commercial code has been adopted except for the 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 in Turkmenistan. Successful companies in Turkmenistan have established personal relationships with government officials through either representative offices or regular 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 and must be approved by the Cabinet of Ministers and then finalized by presidential decree.

### **Travel Advisory**

The State Department travel alert is routinely updated to remind U.S. citizens of ongoing safety and security concerns and the potential for terrorist acts in Central Asia. U.S. 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 the [Department of State website \(https://travel.state.gov/content/travel.html\)](https://travel.state.gov/content/travel.html).

Elements and supporters of extremist groups are present in Central Asia, including the Islamic Jihad Union (IJU), al-Qaida, the Islamic Movement of Uzbekistan (IMU), and the Eastern Turkistan Islamic Movement. Previous terrorist attacks conducted in Central Asia involved improvised explosive devices and suicide bombers and have targeted public areas, such as markets and local government facilities. 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, U.S. citizens traveling abroad should regularly monitor the [Department's Internet website](https://travel.state.gov) (travel.state.gov) where the current Travel Warnings and Public Announcements, including the Public Announcement for Central Asia and the Worldwide Caution Public Announcement, can be found. Up-to-date information on safety and security can also be obtained by calling 1-888-407-4747 toll free in the U.S. and Canada, or for callers outside the U.S. and Canada, a regular toll line at 1-202-501-4444. These numbers are available from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays). The Department of State urges U.S. citizens to take responsibility for their own personal security while traveling overseas.

### **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 a U.S. 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 U.S. 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 Turkmen 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 deregister 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 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 deregister 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, as well as the State Department international travel information site:

<https://travel.state.gov/content/travel/en/international-travel/International-Travel-Country-Information-Pages/Turkmenistan.html>

U.S. companies that require travel of Turkmenistani nationals to the United States are advised to have those individuals apply for a visa at the U.S. Embassy in Ashgabat. The process for visa applicants can be found on the Embassy's website:

U.S. Embassy Ashgabat (<https://tm.usembassy.gov/>)

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/) (<http://travel.state.gov/visa/>)

[U.S. Embassy Ashgabat](https://tm.usembassy.gov/) (<https://tm.usembassy.gov/>)

[State Migration Service of Turkmenistan](http://migration.gov.tm/ru/) (<http://migration.gov.tm/ru/>)

## **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. State-run Turkmen telecom is the only mobile provider in the country. 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**

Several regional carriers, such as S7 and FlyDubai have service to Ashgabat. Turkish Airlines is the only major non-regional carrier that flies to Turkmenistan. Turkmenistan Airlines has flights to Abu Dhabi, Almaty, Ankara, Bangkok, Beijing, Dubai, Istanbul, Kazan, Minsk, Moscow, New Delhi, Saint Petersburg, and Yerevan. Russian S7 Airlines flies between Moscow and Ashgabat. FlyDubai flies between Dubai and Ashgabat. Severe disruptions to air travel associated with the COVID-19 pandemic have affected both passenger and cargo flights. Consult the embassy website or individual air carriers for the latest information.

Within the country, it is possible to fly to Balkanabat, Dashoguz, Mary, Turkmenabat, and Turkmenbashi. Road conditions in Turkmenistan can make driving difficult and dangerous. Most roads outside of major cities are narrow, riddled with potholes, poorly lit, 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 streets in heavy traffic, and drivers often make sudden stops in the right lane as they pick up and drop off passengers. Traffic accidents involving serious injuries are common.

In general, visitors should use extra 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. It is not unusual to 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. Travelers with smartphones are recommended to download the app MAPS.ME and then download the Turkmenistan map prior to traveling.

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 and is slowly displacing Russian as the common vernacular; 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**

It is extremely difficult to obtain accurate information or data regarding the presence or prevalence of COVID-19 in Turkmenistan. In general, health care does not meet Western standards. Disclaimer: U.S. Embassy Ashgabat 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 11<sup>th</sup> 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 Myradowa street, 2 (former Stepana Razina Street), telephone 28-63-44.

### **Medical Evacuations**

The following is a 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, emergency number for the home office: +1 (215) 244-1500.

International SOS Alarm Center, Moscow, Telephone: (+7-495) 937-64-77, 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; 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 9am to 6pm, Monday through Friday, with many employees in the public and private sectors working a  $\frac{3}{4}$  day on Saturdays.

2020 Turkmenistan Holidays:

January 1	New Year's Day
March 8	International Women's Day
March 21–22	National Spring Holiday
May 18	Constitution Day and National Flag Day
September 27	Independence Day
October 6	National Commemoration day
December 12	Neutrality Day

The dates of two additional national holidays, Oaza 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,



and protected animals. 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. U.S. 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 (<https://travel.state.gov/content/travel.html>)

Turkmenistan Embassy in Washington, DC

<https://usa.tmembassy.gov/tm/en>

U.S. Embassy in Turkmenistan

<https://tm.usembassy.gov/>

## Investment Climate Statement

This information is derived from the State Department's Office of Investment Affairs' Investment Climate Statement. Any questions on the ICS can be directed to [EB-ICS-DL@state.gov](mailto:EB-ICS-DL@state.gov).

### Executive Summary

Turkmenistan is slightly larger than the state of California but is sparsely inhabited, 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. The economy is still recovering from a deep recession that followed the late 2014 collapse in global energy prices. The current investment climate is considered high risk for U.S. foreign direct investment.

Official figures from the government of Turkmenistan show that the country's GDP at the official exchange rate was \$40.76 billion in 2018 and \$38 billion in 2017. The black-market exchange rate for dollars, on average 4 times the official rate in 2017-2018, suggests the true GDP numbers are much lower. An official number for 2019 GDP was not yet available, though the government reported an implausibly high GDP growth of 6.2 percent in 2019. GDP growth in 2018 was reported as 6.5 percent. Most economic indicators released by the government are widely seen as unreliable.

The government has not taken serious measures to incentivize foreign direct investment outside the petroleum industry and there is no significant U.S. FDI in Turkmenistan. Most U.S. commercial activity in Turkmenistan is related to exports. Some companies, such as General Electric and John Deere, have established themselves as key suppliers of industrial equipment in certain sectors, but their business operations are largely limited to sales to the Turkmen government. Government delays in payment to foreign companies are common and some firms require upfront payment prior to delivery of goods.

A lack of established rule of law, an opaque regulatory framework, and rampant corruption remain serious problems in Turkmenistan. Contracts are often awarded to companies with close ties to the President's family. The government strictly controls foreign exchange flows and limits on currency conversion make it difficult to repatriate profits or make payments to foreign suppliers. In 2019 the black market rate was relatively steady, hovering around 18 manat/dollar, while the official exchange rate was pegged at 3.5 manat (TMT)/dollar. The COVID-19 pandemic put additional pressure on Turkmenistan's hard currency reserves and caused the black-market rate to spike to 21 manat/dollar in the first part of 2020.

Although Turkmenistan regularly amends its laws to meet international standards, the country often fails to implement or consistently enforce investment-related legislation. There are no meaningful legal protections against government expropriation of assets and there is no independent judiciary. In December 2016, the government expropriated the largest (and only foreign-owned) grocery store in Ashgabat, as well as the shopping center where it was located and a business center, without compensation or other legal remedy. There have also been consistent reports in recent years of officials associated with the family of President Gurbanguly Berdimuhamedov seizing local companies. There have been reports that local Turkmenistani business owners have been jailed using security-related laws as a pretext to reopen the business under new ownership.

Political stability is the most positive aspect of doing business in Turkmenistan. Where opportunities exist, U.S. companies may be able to secure contracts with the Turkmen government for export of goods or services, in particular

for construction materials, agricultural equipment, oil and gas extraction parts, medical devices, and food processing equipment. Many foreign firms working with the Turkmen government are able to provide some form of financing, often through export credit agencies and development banks. The Turkmen government has expressed interest in attracting more U.S. companies to compete for tenders and take part in infrastructure projects and bringing more western technology to the Turkmen market.

Key issues to watch: developments in the financial sector, including the TMT/USD black market exchange rate and the severity of restrictions on currency conversion, will determine to some extent the health of the investment climate. The COVID-19 pandemic is expected to have lasting economic consequences for Central Asia in particular, although the extent of the crisis remains to be seen. Downward pressure on global energy prices and fundamental shifts in natural gas markets are also expected to have an outsized impact on Turkmenistan’s government revenue.

*Table 1: Key Metrics and Rankings*

Measure	Year	Index/Rank	Website Address
<b>TI Corruption Perceptions Index</b>	2019	165 of 180	<a href="https://www.transparency.org/country/TKM">https://www.transparency.org/country/TKM</a>
<b>World Bank’s Doing Business Report</b>	2020	N/A	<a href="https://www.doingbusiness.org/en/rankings">https://www.doingbusiness.org/en/rankings</a>
<b>Global Innovation Index</b>	2019	N/A	<a href="https://www.globalinnovationindex.org/userfiles/file/reportpdf/GII_2019_EN_English.pdf">https://www.globalinnovationindex.org/userfiles/file/reportpdf/GII_2019_EN_English.pdf</a>
<b>U.S. FDI in partner country (\$M USD, stock positions)</b>	2019	N/A	<a href="https://apps.bea.gov/international/factsheet/factsheet.cfm?Area=343&amp;UUID=912a1109-0ce4-466a-8e93-3c0adb2c4b89">https://apps.bea.gov/international/factsheet/factsheet.cfm?Area=343&amp;UUID=912a1109-0ce4-466a-8e93-3c0adb2c4b89</a>
<b>World Bank GNI per capita</b>	2018	6,740	<a href="https://data.worldbank.org/indicator/NY.GNP.PC.AP.CD?locations=TM">https://data.worldbank.org/indicator/NY.GNP.PC.AP.CD?locations=TM</a>

## 1. 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 reviewing foreign companies wishing to enter Turkmenistan’s market, including an 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 facing foreign firms.

Historically, the most promising areas for investment are in the energy, agricultural, and construction sectors and the government often touts foreign loans as investment. However, a number of foreign companies have been forced out of the market in recent years 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 facilities. Decisions to allow foreign investment are often politically driven; companies offering more “friendly” terms are generally more successful in winning tenders and signing contracts. The tender process is opaque and not all tenders are publicly announced.

According to government sources, total capital investment amounted to TMT 54.2 billion (USD 15.5 billion) in 2017 and TMT 40.3 billion (USD 11.5 billion) in 2018. There is no publicly available information on the percent of capital investment that comes from foreign direct investment or loans. In February 2019, the government announced TMT 22 billion (USD 6.3 billion) would be invested in the construction sector in 2019. In June 2018, the State Bank for Foreign Economic Affairs of Turkmenistan announced it was creating an open-ended investment fund to attract 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 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. The government has released no information on the status of this program and it is impossible to verify it independently.

Turkmenistan’s key industries are state owned. According to the Union of Industrialists & Entrepreneurs (UIE), the private sector share of the Turkmen economy had reached 70 percent as of March, 2020. However, this number excludes the hydrocarbon sector, which is estimated to be 35 percent or more of GDP. While the UIE has stated that it has reached the government’s goal to increase the private sector’s participation in the economy to 70 percent, there are no independent estimates available to verify the official statistics. The top economic priorities for the government include increasing domestic production as part of its drive toward import substitution and self-sufficiency in food production. The economy’s health remains reliant on natural gas exports.

In May 2010, the government adopted its National Program for the Socio-Economic Development of Turkmenistan (2011-2030). The program envisages diversification of the economy and recognizes, at least in theory, the importance of market and institutional reform. The program also includes the privatization of small- and medium-sized 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, including rhetoric about the importance of privatization, Turkmenistan operates largely as a planned economy.

The government selectively chooses its investment partners and establishing 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.

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. 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 the Islamic Development Bank would provide a \$710 million loan to finance the Turkmenistan segment of TAPI. Part of the pipeline in Turkmenistan is reportedly complete but the three partner countries have not yet broken ground on their respective segments. If successful, the project would have a transformative impact on the region, but adequate financing remains an open question.

## **Screening of FDI**

The government tends to support companies wishing to invest in the country and foreign companies with approved government contracts generally do not face problems or significant delays when registering their operations in Turkmenistan. Under Turkmen 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 must 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 a reason when 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 the 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 the company's 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 foreign ownership or control of companies. In practice, the government has only allowed fully owned foreign operations in the oil sector. The law permits foreigners to establish and own businesses and generally engage in business activities, but revenue repatriation is very challenging as currency conversion remains difficult. 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 Tax Department of the Ministry of Finance and Economy (formerly 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 foreign-owned companies. (This policy does not apply to foreign-owned oil and gas companies, which are subject to a more lenient policy requiring only 30 percent of the workforce to be Turkmen citizens, with the expectation that expats will also gradually be replaced by local experts through training programs).

Moreover, there are several ways for the government to discriminate against investors, including excessive and arbitrary 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, mainly because of differing 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). Turkmenistan has expressed interest in exploring the WTO accession process and in January 2013 created an intergovernmental commission to review the benefits of accession, but until recently, there was little sign of progress or serious interest. In July 2020 Turkmenistan became an observer to the WTO This may be a precursor to the lengthy process of applying for full membership. According to the United Nations Conference on Trade and Development's (UNCTAD) World Investment Report (WIR), the volume of FDI into Turkmenistan amounted to USD 2.3 billion in 2016, USD 2.1 billion in 2017 and USD 2 billion in 2018.

*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://www.minjust.gov.tm/ru/php/home.php>.

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 terrorism financing (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, Turkmenistan remains one of the most closed economies in the region and financing of many large projects remains opaque.

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 energy sector. Some companies take the presidential decree as a sovereign guarantee.

## **Industrial Promotion**

In 2007, Turkmenistan created the Awaza (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 2021. 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. In addition, as of August 2017, Turkmenistan charges a \$2 daily fee for foreigners traveling to Turkmenistan, as well as foreigners residing in Turkmenistan if they travel within the country. Information on these programs is not publicly available. While development of tourism is perpetually on the government's agenda, the concept is largely one of organized tour operators seeking letters of invitation for clients who travel as a group, often to archeological and cultural heritage sites.

## **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 the local statistics office, the

Agency for Protection from Economic Risks, the Registration and Tax Departments under the Ministry of Finance and Economy, and the State Commodity and Raw Materials Exchange 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 *Ease of Doing Business Index* has no 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 decisions 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-sized enterprises as follows: in industry, power generation, construction, and gas and water supply sectors, small enterprises are defined as those with up to 50 employees and medium enterprises are those with up to 200 employees; in all other sectors small enterprises are those with up to 25 employees and medium enterprises are those with up to 100 people.

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.

As in many countries, business-related activities, particularly any large scale contracts for goods or services, benefits from face-to-face contact. Foreigners wishing to visit Turkmenistan usually request 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. It can also be possible to conduct business with the government by hiring a local agent. The U.S. Embassy in Ashgabat can assist with U.S. companies interested in identifying potential local partners and in requesting a letter of invitation, which allows a traveler to board a plane for Turkmenistan and to request a visa on arrival at the airport.

## **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 reducing imports and promoting exports. According to unofficial reports, individual entrepreneurs have been known to invest in real estate abroad, namely 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 inquiries from private businesses that want to invest in the United States has also increased over the past several years.

### **2. Bilateral Investment and Taxation Treaties**

According to UNCTAD, Turkmenistan has signed bilateral investment agreements with 28 countries, including Armenia, Azerbaijan, 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 2009, the European Parliament passed a resolution on the EU-Turkmenistan Interim Trade Agreement, 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.

Turkmenistan is one of the former Soviet Republics which are now covered by the 1973 income tax treaty with the Commonwealth of Independent States (CIS).

### 3. 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. Some local officials may enforce certain verbal directives as if they were official laws or regulations, without providing any proof of the existence of such laws or regulations. Some successful business people left the country fearing possible targeting by the authorities. In some cases, authorities have jailed the (Turkmenistani citizen) legal owners of an enterprise using security-related laws as a legal pretext and reopened the business under new ownership. There is no information available on whether the government conducts any market study or quantitative analysis of the impact of regulations. Regulations often appear to follow the government's try-and-see approach to addressing pressing issues. See "Expropriation and Compensation," below, for specific examples of expropriation.

Some U.S. firms, including General Electric and John Deere, have established themselves as key suppliers in some sectors, but their business operations are largely limited to sales of industrial equipment to the Turkmen government. Some companies require upfront payment prior to delivery of goods. Government delays in payment to foreign companies and restrictions on converting earnings into hard currency are major contributors to the country's challenging investment climate. Moreover, arbitrary audits and investigations by several government bodies are common in relation to both foreign and local companies. Belarusian firm Belgorkhimprom is in litigation with Turkmenistan over contractual and non-payment issues.

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 the Main State Standards Service. 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 Financial 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 discernible 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 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. Public finances and debt obligations are not transparent at all.

### **International Regulatory Considerations**

Turkmenistan pursues a policy of neutrality (acknowledged by the United Nations in 1995) and generally does not join regional blocs. Turkmenistan is, however, 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 international agreements and laws will prevail in the case of a conflict between local and international legislation. Turkmenistan is not a member of Eurasian Economic Union. In July 2020 Turkmenistan became an observer to the 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 parliament, adopts nearly 50 laws per year without involving the public. Most contracts negotiated with the government have an arbitration clause. The Embassy strongly advises U.S. companies to include an arbitration clause identifying a dispute resolution 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 purview. This body 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 as of 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 arbitration decision only to the Supreme Court of Turkmenistan and nowhere abroad. The government of Turkmenistan recognizes foreign court judgements on a case-by-case basis.

- 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 import/export transactions and investment projects be registered at the State Commodity and Raw Materials Exchange (SCRME) and at the Ministry of Finance and Economy. The procedure applies not only to the contracts and agreements signed at SCRME, but also to contracts signed between third parties. SCRME is state-owned and is the only exchange in the country. The contract registration procedure includes an assessment of “price justification”, and while SCRME does not directly dictate pricing, it does generally set a ceiling for imports and a minimum price for exports. Import transactions 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 must approve it. There is no “one-stop-shop” website for investment that provides relevant laws, rules, procedures, and reporting requirements for investors.

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 cases raise expropriation concerns for foreign businesses investing in Turkmenistan. In December 2016, the government expropriated the largest (and only foreign-owned) grocery store in Ashgabat, Yimpaş (Yimpash) shopping and business center, without compensation or other legal remedy. In April 2017, the Turkish Hospital in Ashgabat was expropriated without compensation. In September 2017, cell phone service provider MTS suspended its operations after the state-owned Turkmen Telecom cut it off from the network over an alleged expired license. In each case the companies involved had valid licenses or leases.

Turkmenistan's legislation does not provide for private ownership of land. 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 were evicted from their homes when the government demolished their houses in preparation for the 2017 Asian Indoor and Martial Arts Games and were forced to stay with relatives and friends or rent temporary housing.

## **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). 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 required 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 does not always distinguish between foreign investment and loans from foreign financial institutions. 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.

#### *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's dispute settlement clause in contracts generally does not allow for arbitration in a venue outside the country. However, the government is sometimes willing to codify the right to international arbitration in contracts with foreign companies. We urge U.S. companies to include an international arbitration clause in their contracts, as political considerations still influence local courts. Several foreign companies have pursued international arbitration against the Turkmen government through the World Bank's International Center for Settlement of Investment Disputes and the Arbitration Institute of the Stockholm Chamber of Commerce.

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 in 1993 (last amended March 2016), 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 2020 Doing Business Report.

## **4. 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 inconsistently 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 eight 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 the Simplified Tax System of Turkmenistan, most individual entrepreneurs pay a flat two 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 (if applicable) 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 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 trade-related investment measures (TRIMs).

### **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 zones were not successful in drawing increased economic activity, to some extent because the government interfered in the business decisions of firms located in the zones and did not provide financing for FEZ 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. There have been reports over the last year that some Turkish citizens working for foreign companies in Ashgabat had difficulty renewing their visas and little or no explanation was provided as to why. All visitors staying for more than three business days are required to register with the State Migration Service. Visa-related decisions are not transparent. Travel to most border areas, which covers a large portion of the country, 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 only internet provider is state-owned telecommunications company Turkmen Telekom and service can be unreliable in some areas, particularly outside Ashgabat. 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.

### **5. Protection of Property Rights**

#### **Real Property**

All land is owned by the government. Individuals and entities may own property on the land. The 1993 Law on Property (last amended November 2015) 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. Some 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 land leases for up to 40 years for hotels and recreational facilities in National Tourist Zones. Land and facilities subsequently built on the plot 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 has not been respected in practice.

Banks provide preferential mortgage loans (at an annual interest rate of 1% for up to 30 years, including a five-year grace period) for the purchase of a new residence. Only government employees qualify for such concessional loans. In addition, government entities often pay 50% of the price of the new residence for their employees. Until mid-2015, banks also provided regular 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 after the country's independence in 1991.

#### **Intellectual Property Rights**

While the legal structure to protect IP is strong, enforcement is weak. IP infringement and theft are 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.

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:

<b>Treaty</b>	<b>Instrument</b>	<b>In force</b>
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
Nice Agreement	Accession: March 7, 2006	June 7, 2006
Vienna Agreement	Accession: March 7, 2006	June 7, 2006
Strasbourg Agreement	Accession: March 7, 2006	March 7, 2007
Madrid Protocol	Accession: June 28, 1999	September 28, 1999
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
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 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 WIPO 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 and 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 DVDs, , software, and literature are freely copied and sold. 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, or destruction of counterfeit goods. Most software in use is unlicensed, including in many government ministries. The government has not committed to purchasing licensed software. 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 <https://www.wipo.int/directory/en/>.

## 6. Financial Sector

### **Capital Markets and Portfolio Investment**

Turkmenistan's underdeveloped financial system and severe hard currency shortage 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, and 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, a branch of Saderat Bank of Iran, as well as Deutsche Bank and Commerzbank offices, which provide European bank guarantees for companies and for the Turkmen government; they do not provide general banking services. Insufficient liquidity can make it difficult for investors to exit the market 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 projects in strategic sectors, including animal husbandry, agriculture, food production and processing, and industrial development. According to unofficial reports, credit is not allocated on market terms. The European Bank for Reconstruction and Development (EBRD) provides some loans to private small- and medium-sized enterprises (SMEs) in Turkmenistan. In November 2018, the Asian Development Bank (ADB) announced it allocated USD 500 million loan to Turkmenistan to reinforce its power transmission network, improve reliability of power supply and increase electricity exports. The Islamic Development Bank is also active in Turkmenistan and provides financing for infrastructure projects, including \$700 million for the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline. There is no publicly available information to confirm whether the government or Central Bank respect IMF Article VIII. There is no stock market in the country.

### **Money and Banking System**

The total assets of the country's largest bank, Vnesheconombank, were TMT 36.2 billion or about USD 10.4 billion at the official exchange rate as of December 31, 2018. 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.

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 equity loans from EBRD and Turkmen-Turkish Bank. There are no capital markets 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 2020. 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, and not manat accounts. There is no publicly available information on any rules related to hostile takeovers.

## **Foreign Exchange and Remittances**

### *Foreign Exchange*

The government tightly controls the country's foreign exchange flows. On January 1, 2009, Turkmenistan introduced the re-denominated manat (TMT), which had a fixed exchange rate of 2.85 TMT/1 USD until January 1, 2015, when Turkmenistan devalued its currency against the U.S. dollar to 3.50 TMT/1 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 official exchange markets. Foreign exchange regulations adopted in June 2008 allow the Central Bank to provide banks with access to foreign exchange. These regulations also allowed commercial banks to open correspondent accounts.

For the last several years, the government has been unable to meet demand for U.S. dollars. For example, debit cards have daily and monthly withdrawal limits. (The limits fluctuate, but tend to hover around USD 15 per day and USD 150 per month.). The government has also imposed administrative procedures that make withdrawals more cumbersome (e.g. 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 the monthly salaries of the individual 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 in the past that Vnesheconombank has blocked the Visa cards of some 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, he or she must prove the origins of the cash with an official document. The government also introduced an amendment to the Administrative Offenses 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.

Turkmen manat is not freely convertible, and the inability to convert enough manat into a hard currency is problematic for many companies operating in Turkmenistan. The energy sector is somewhat shielded from the problem, as 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. Some U.S. companies, however, are not being paid by various government agencies and ministries for services and goods delivered. Converting the local currency and repatriating funds remains a challenge 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 export earnings, 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 TMT 9.3/USD on January 1, 2018 to TMT 18.9/USD on December 29, 2019.

### *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 in January 2016, converting local currency remains a challenge in many sectors. 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 organization to combat money laundering and terrorism financing. EAG is an associate member of the Financial Action Task Force (FATF). EAG aims to increase the transparency of financial systems in the region, including measures related to correspondent banking, money and value transfer services, and wire transfer services.

### **Sovereign Wealth Funds**

The government maintains a sovereign wealth fund known as the Stabilization Fund, which mainly holds state budget surpluses. The government also keeps a separate fund known as the Foreign Exchange Reserve Fund (FERF) for oil and gas revenues. There is no publicly available information about the size of these funds or how they are managed.

### **7. State-Owned Enterprises**

State-owned enterprises (SOEs) dominate Turkmenistan's economy and control the lion's share of the country's industrial production, especially in onshore hydrocarbon production, transportation, refining, electricity generation and distribution, chemicals, transportation, and construction material production. Education, healthcare, and media enterprises are, with some rare exceptions, also state owned and tightly controlled. SOEs are also to varying degrees involved in agriculture, food processing, textiles, communications, construction, trade, and services. Although SOEs 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 in this area. There are no mechanisms to ensure transparency or accountability in the business decisions or operations of SOEs. 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.

### **Privatization Program**

Efforts to privatize former state enterprises have attracted little foreign or domestic investment. Outdated technology, poor infrastructure, and bureaucratic obstacles can make privatized enterprises unattractive for foreign and local investors.

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 was implemented in three phases: privatization of small enterprises (2013), privatization of medium-sized enterprises (2014-2015), and privatization of large enterprises (2016-2017).

The privatization of state enterprises in construction, transportation, and 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. 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 official newspaper *Biznes Reklama* (Business Advertising) of the Ministry of Trade and Foreign Economic Affairs published the following state

statistics on privatized state property as of January 1, 2019. It is difficult to verify the validity of these numbers.

Privatized State Property in Turkmenistan									
2010-2018									
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Entities available for privatization	20	24	31	32	118	154	200	247	333
Entities Privatized	20	4	7	1	86	36	46	47	86

Despite official comments emphasizing the importance of private sector growth, supporting privatization has been low on the government’s agenda. All land is government owned. Private citizens have some land usage rights, but 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 leases. Since 2018, the government offers some agricultural land for long-term 99-year leases to farmers. As of 2019, 40 such leases existed.

The government has attempted to introduce an element of competition for state contracts by announcing international tenders for some projects. The tender process is nontransparent. On December 20, 2014, Turkmenistan adopted the Law on Tenders that went into effect on July 1, 2015. The law ostensibly seeks to develop competition among bidders, improve transparency and implementation of tender procedures, and ensure compliance with international standards.

## 8. Responsible Business Conduct

The government implements various policies and regulations that it states promote socially responsible business conduct (RBC), though there is no point of contact or ombudsperson for stakeholders to raise concerns about RBC. In the past, foreign companies operating in Turkmenistan were not required to implement social projects. Social welfare 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 medical clinics, to benefit the locality around a company’s facilities. Some large foreign firms have felt pressured to make significant contributions to government

construction projects. There are no independent NGOs, investment funds, worker organizations/unions, or business associations promoting or monitoring RBC.

In March 2013, Turkmenistan introduced mandatory environmental insurance for all types of enterprises and organizations (with the exception of government-financed entities) carrying out activities that are potentially hazardous to the environment. This insurance program was adopted to raise environmental awareness, hold industries and businesses accountable for violating environmental laws and regulations, and prevent and respond 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 not clear if the government of Turkmenistan follows the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights.

## 9. Corruption

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

Anti-corruption 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. In 2020, Transparency International ranked Turkmenistan 165 among 180 countries in its Corruption Perceptions Index. Foreign firms have identified widespread government corruption, including in the form of bribe seeking, as an obstacle to investment and business development 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 Combating Corruption 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 monitoring or investigating corruption. Certain government officials including traffic police are known to ask for bribes.

## 10. 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 or 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 actively monitor locals and foreigners. 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. 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.

## 11. 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 rural communities. Unofficial estimates of unemployment range from 10 to 50 percent. Due to a severe shortage of jobs and low salaries in the country, anecdotal evidence indicates that growing numbers of young Turkmen have emigrated or are emigrating to other countries, including Turkey, Russia, and other former Soviet republics. In order to stop outward migration, the State Migration Service of Turkmenistan on numerous occasions has arbitrarily denied exit to citizens at the airport and border points. In February 2016, President Berdimuhamedov signed a decree "[On Matters of Registration of the Individuals Arriving in Ashgabat for Employment Purposes](https://habartm.org/wp-content/uploads/2016/02/Karar1.pdf)," (<https://habartm.org/wp-content/uploads/2016/02/Karar1.pdf>) which makes it more difficult for residents from other regions to seek employment in the 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. The government has also introduced a requirement that 90 percent of any firm's workforce be Turkmen citizens. The government continues to be the largest employer in the country. 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.

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. The National Center of Trade Unions of Turkmenistan, the successor to the Soviet-era system of government-controlled trade unions, is the only trade union association allowed in the country. Due to low oil prices, the government has taken steps to reduce expenses by laying off some public sector employees. There have been many reports of ministries not meeting payroll requirements for staff. Article 294 of the Labor Code of Turkmenistan states that the courts handle employer-employee labor disputes. Article 368 states that disputes arising out of collective bargaining and collective agreements can be investigated by commissions on labor disputes, trade unions of enterprises, and the court system. 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.

The Department of State's 2019 Human Rights Report for Turkmenistan is available at:

<https://www.state.gov/reports/2019-country-reports-on-human-rights-practices/turkmenistan/>

The International Labor Organization's Turkmenistan-specific profile is available at:

[https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11110:0::NO::P11110\\_COUNTRY\\_ID:103551](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11110:0::NO::P11110_COUNTRY_ID:103551)

The official workday in Turkmenistan is eight hours, with the standard work week 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 government permission to reside in Turkmenistan may work and are subject to the same labor regulations as citizens unless otherwise specified by law.

## 12. DFC 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. The recently-formed U.S. International

Development Finance Corporation (DFC), which consolidated OPIC and USAID’s Development Credit Authority, is currently evaluating opportunities for financing and investment insurance in Turkmenistan.

### 13. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Government data on many economic indicators, including Foreign Direct Investment (FDI), are generally unavailable or unreliable. According to various independent analysts, however, most foreign investment is directed toward the country’s oil and gas sector. Turkmenistan has a natural gas production sharing agreement (PSA) for the Bagtyyarlyk contractual territory with the China National Petroleum Corporation (CNPC), the only foreign firm Turkmenistan has allowed into onshore gas production. In the oil sector there are two onshore PSAs: the Nebitdag contractual territory operated by Italy’s ENI, and the Hazar project operated jointly by the Turkmennebit state oil concern and Mitro International of Austria. In addition, there are five 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 (UK), Blocks 19 and 20 operated by ENI (Italy), and Block 21 operated by Areti (Russian-owned, headquartered in Switzerland). RWE of Germany terminated its PSA for Block 23 with the Government of Turkmenistan and closed down its Turkmenistan branch in December 2017.

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

	<b>Host Country Statistical source*</b>		<b>USG or international statistical source</b>		<b>USG or International Source of Data</b>
<b>Economic Data</b>	<b>Year</b>	<b>Amount</b>	<b>Year</b>	<b>Amount</b>	
Host Country Gross Domestic Product (GDP), in billions	2018	\$40.76	2018	\$61.8	<a href="http://country.eiu.com/Turkmenistan/ArticleList/Updates/Economy">http://country.eiu.com/Turkmenistan/ArticleList/Updates/Economy</a>
<b>Foreign Direct Investment</b>	<b>Host Country Statistical source*</b>		<b>USG or international statistical source</b>		<b>USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other</b>

U.S. FDI in partner country (\$M USD, stock positions)	N/A	N/A		**	BEA data available at <a href="https://www.bea.gov/international/direct-investment-and-multinational-enterprises-comprehensive-data">https://www.bea.gov/international/direct-investment-and-multinational-enterprises-comprehensive-data</a>
Host country's FDI in the United States (\$M USD, stock positions)	N/A	N/A		**	BEA data available at <a href="https://www.bea.gov/international/direct-investment-and-multinational-enterprises-comprehensive-data">https://www.bea.gov/international/direct-investment-and-multinational-enterprises-comprehensive-data</a>
Total inbound stock of FDI as % host GDP	N/A	N/A	2018	81.6%	UNCTAD data available at <a href="https://unctad.org/sections/dite_dir/docs/wir2019/wir19_fs_tm_en.pdf">https://unctad.org/sections/dite_dir/docs/wir2019/wir19_fs_tm_en.pdf</a>

\* Source for Host Country Data: *2019 Statistical Yearbook of Turkmenistan*, State Committee of Statistics of Turkmenistan

\*\* Statistics not available. Amount is either zero, or is grouped with other countries under “other” in the source data.

*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>). UNCTAD has some data on FDI for Turkmenistan (<https://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Country-Fact-Sheets.aspx>).

<b>Direct Investment from/in Counterpart Economy Data</b>					
<b>From Top Five Sources/To Top Five Destinations (US Dollars, Millions)</b>					
<b>Inward Direct Investment</b>			<b>Outward Direct Investment</b>		
Total Inward	Amount	100%	Total Outward	Amount	100%
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

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

<b>Portfolio Investment Assets</b>								
<b>Top Five Partners (Millions, US Dollars)</b>								
<b>Total</b>			<b>Equity Securities</b>			<b>Total Debt Securities</b>		
All Countries	Amount	100%	All Countries	Amount	100%	All Countries	Amount	100%
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

#### 14. Contact for More Information

Courtney Brasier

Economic Officer

U.S. Embassy

Economic-Commercial Section

9 Pushkin Street,

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

[trade-Ashgabat@state.gov](mailto:trade-Ashgabat@state.gov)

#### **Political Environment**

For background information on the political and economic environment of the country, please click on the link to the U.S. Department of State [Countries & Areas](#) website.