



Market Survey Report

“DOING BUSINESS IN TURKMENISTAN”

Ashgabat, Turkmenistan

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II. SUMMARY

I. Information reference, Source-Links, Ownership rights

Information provided in this report was gathered from the open sources, with the indication of the links and sources, where it is possible.

Expert opinion indicated in this report is based on current business practices, personal experience and the experience of the partner companies which were interviewed during the preparation process of the report, by indicating the contact details of interviewed.

The information provided in this report is actual for the date when the Report was prepared. The facts and the instructions to follow may change depending on the decisions taken by the Government, national and international situation. Therefore, it is strongly recommended, to check the current status before taking any business decisions and the actions, depending on this report.

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A. INDUSTRY REGULATIONS OF TURKMENISTAN

1. Country overview

Turkmenistan is a country in Central Asia, bordered by Kazakhstan to the northwest, Uzbekistan to the north, Afghanistan to the southeast, Iran to the south and the Caspian Sea to the west.

Ashgabat is the capital city of the country.

The area of the country is around 488 000 km². Population of the country is about 6 million (Density 12 people / km²). Around 80% of the area is occupied with Karakum Desert.

Turkmenistan is a former Soviet country, which became independent in 1991, and immediately declared democratic polity.

In 1995, Turkmenistan declared its Neutrality status, which was supported by UN General Assembly. Referring to the Neutral status, Turkmenistan doesn't join any political and/or military unions. However, Turkmenistan is part of regional groupings focused on trade, development etc. such as ECO (Economic cooperation organization) etc.

Turkmenistan is an active member of the UN, with strong initiatives in humanitarian, economical, environment protection fields in global and regional level.

During the Soviet period, the economy of Turkmenistan was functioning as a socialistic and communistic planned model economy, mostly based on agriculture (raw cotton production), oil and gas exploration and refining.

After obtaining its independence in 1990's, Turkmenistan took actions to establish market economics, and started to develop private sector business.

Nowadays, Turkmenistan is following a strategy to build a strong, modern and balanced economic model, based on innovative and industrial technologies. For reaching this, the Government of Turkmenistan is working on improvement of the existing legislative norms, administrative procedures, and doing significant investments in almost all sectors of the national economy, particularly in infrastructure. []

National currency of Turkmenistan – Turkmen manat

Official exchange rate is fixed at - 3.5 manat/USD

GDP - \$ 47.986 billion (nominal, 2020 est.)
\$ 99.323 billion (PPP, 2020 est.)

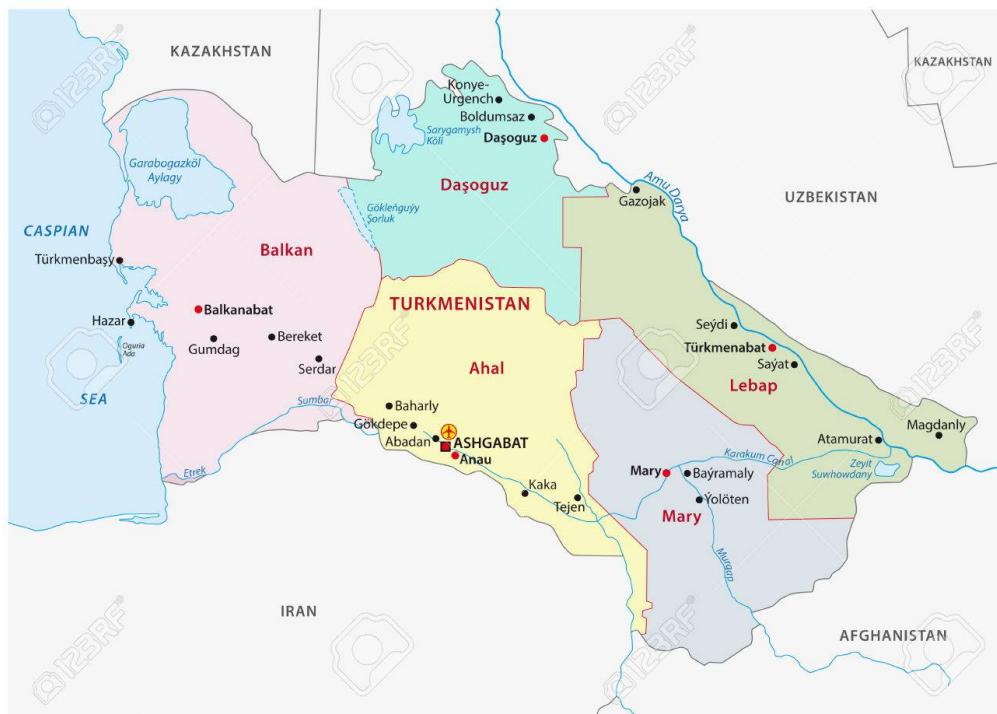
GDP rank - 84th (PPP, 2016)

GDP per Capita – \$8,073 (nominal, 2020 est.)

Administrative Division of Turkmenistan

The administrative division of the country includes 5 regions and a capital city Ashgabat [1]. Ashgabat is the largest city, as well as, the most active and well developed in the economic aspects.

Major industrial, administrative, trade and business operations are concentrated in Ashgabat and its' suburbs.



Economical structure of the other regions may be generally described as following:

Ahal welayat – The most developed and the most populated region, around the capital city Ashgabat, bordering Iran in the South. Economic structure shows diversity and is based on agriculture, textile production, logistics and transportation, retail and wholesale trade, services, diversified private manufactures, construction, etc. Several full-cycle textile factories, gas-to-petrol refinery plant, glass factory, metal production factory and more than 500 economically significant private manufactures in almost all sectors of economy are based in this region.

Mary welayat – The second most developed and populated region, bordering Afghanistan. Economy is based on agriculture, petrochemical and fertilizer production plant, oil and gas mining fields, energy production, food production, private manufactures and retail trade. Cultural and touristic importance of this region is based on the ancient Merv settlement, which attracts domestic and international tourists.

Dashoguz welayat – The northern region, bordering Uzbekistan. Economy of this region is generally based on agriculture, animal husbandry, and trade. The ancient Kone Urgench city and its historical monuments are important for development of the touristic sector in this region.

Lebap welayat – This region is located at the northeast of the country, bordering Uzbekistan and Afghanistan. The biggest river of the region - Amudarya is passing within the borders of this region, so the economy of this region was mostly based on the agriculture. But, in the last few years with the discovery and development of oil and gas fields in this region, oil and gas exploration, production, petrochemical and potassium fertilizer production industry are showing significant progress.

¹ Statistical Yearbook of Turkmenistan 2000–2004, National Institute of State Statistics and Information of Turkmenistan, Ashgabat, 2005.

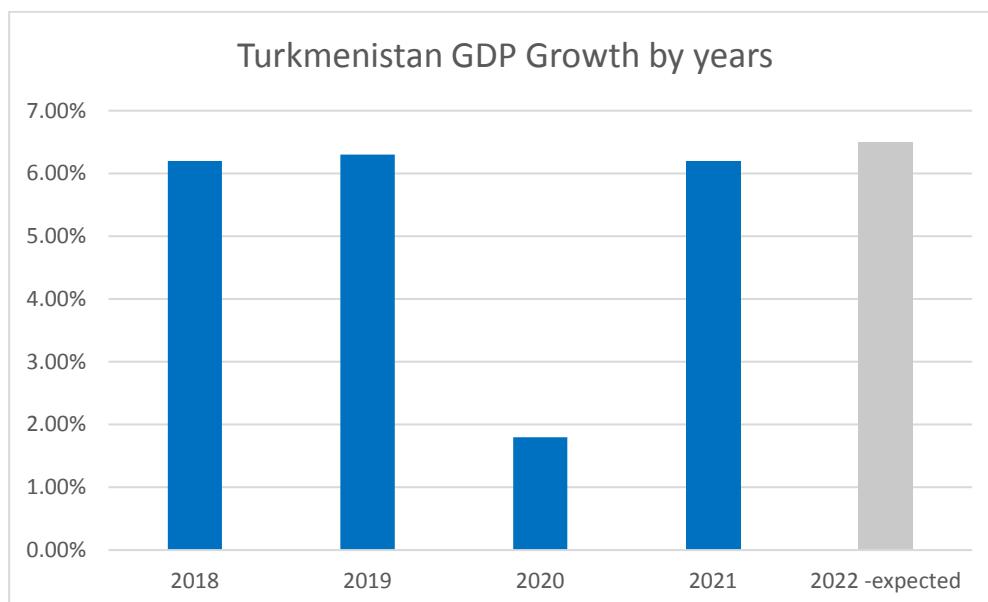
Balkan welayat – This is a big region located at the west of the country, bordering Iran and Kazakhstan, and having a long coast on the Caspian Sea. This region is the lowest by the population density per km square, but rich in oil and gas fields. The country's biggest oil refinery, petrochemical polymer production plant and fertilizer production plant are located in this region. Most international oil and gas companies working in Turkmenistan are concentrated in this region, while the regional head offices of these companies are located in the capital city. This region is also important for logistics, transportation and machinery, because of the newly built modern international sea port and a shipyard. Fishery and sea food production is an important income for the population of this region. A national touristic zone Awaza on the Caspian coast, attracts many local tourists to the region during summer, and hosts many international events.

Population of Turkmenistan by regions [²]

Division	Administrative center	Area	Population (2005)
Ashgabat City	Ashgabat	470 km ² (180 sq mi)	871,500
Ahal Province	Änew	97,160 km ² (37,510 sq mi)	939,700
Balkan Province	Balkanabat	139,270 km ² (53,770 sq mi)	553,500
Daşoguz Province	Daşoguz	73,430 km ² (28,350 sq mi)	1,370,400
Lebap Province	Türkmenabat	93,730 km ² (36,190 sq mi)	1,334,500
Mary Province	Mary	87,150 km ² (33,650 sq mi)	1,480,400

2. Overview of the major economic sectors of Turkmenistan

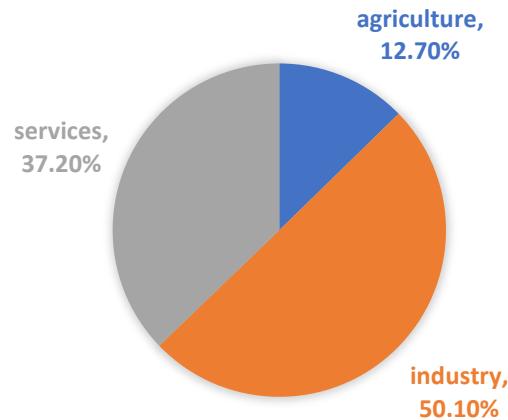
Turkmenistan government is implementing a program, aimed at the development of diversified, modern and innovative national economy. So, almost all of the Economic sectors of Turkmenistan show rapid and stable growth, with an average GDP growth between 4-6%.



² Statistical Yearbook of Turkmenistan 2000–2004, National Institute of State Statistics and Information of Turkmenistan, Ashgabat, 2005.

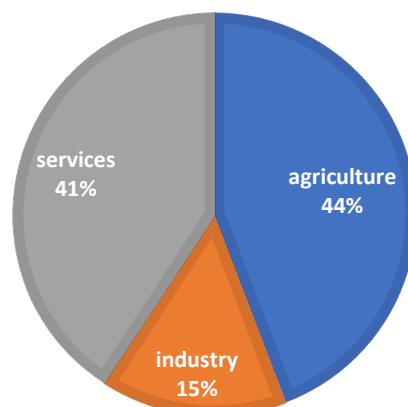
GDP by sector - (2018) [³]

TURKMENISTAN GDP
BY SECTORS OF ECONOMY (2018)



LABOR FORCE OCCUPATION by sectors - (2018 est.)

TURKMENISTAN LABOR FORCE
BY SECTORS OF ECONOMY (2018)



³ "World Economic Outlook Database, October 2020". IMF.org. International Monetary Fund. Retrieved 14 March 2021.

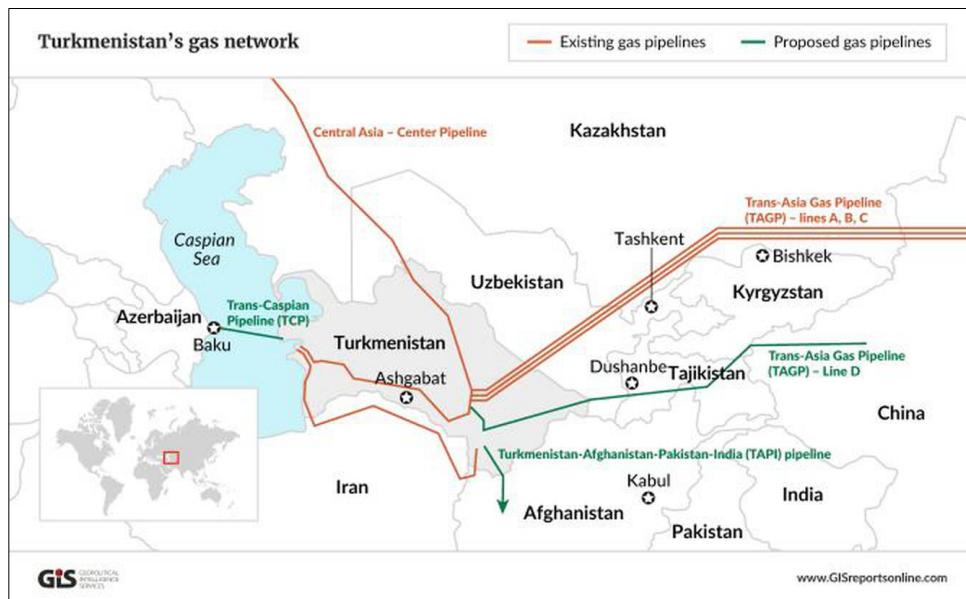
2. Overview of economy by industry sectors

Natural Oil and Gas field exploration and production

As of 2021, Turkmenistan is ranked 4th in the world in terms of discovered natural gas reserves. Geological investigations and researches are still going on on-shore and off-shore, and new oil and gas fields are discovered regularly^[4]. Many international oil and gas service companies are working in Turkmenistan, which has given rise to large demand for modern machinery and special equipment.

Natural Oil and Gas Export

Export of natural gas and oil carry critical importance for the economy of Turkmenistan, as source of foreign currency. Turkmenistan played an important role in gas supplies to USSR countries and later to CIS states, as the legacy of the Soviet centrally commanded planned economy system. After obtaining independence, financial and economic affairs between these countries changed to the market system and trade policies changed. Some traditional clients could not pay for the purchased products on time, and the structure of raw materials export went through significant changes.



For a long time, Turkmenistan suffered from lack of adequate export routes and pipelines. ^[5] Russia was the only importer of the natural gas from Turkmenistan bound with long term contracts, and this fact pushed Turkmenistan to develop alternative export routes and develop new international pipelines. Currently, Turkmenistan is exporting natural gas through pipelines to China and Iran, and the construction of TAPI project (Turkmenistan-Afghanistan-Pakistan-India) is under progress. Turkmenistan, Azerbaijan, Turkey and EU are regularly discussing the Trans Caspian pipeline project, for exporting natural gas to the EU countries.

Turkmen State-owned corporations have exclusive rights for exploration, producing, refining, selling and exporting the natural gas and raw oil products. But private companies can purchase it for their own local manufacturing and processing purposes. International clients can buy these products at the State Commodities and Raw material Stock Exchange, by participating in the auctions and biddings. Some international companies are working under Production Sharing Agreements also.

⁴ "Statistical Review of World Energy" (PDF). BP. 2020.

⁵ "Turkmenistan. Diversifying export routes". Europarussia.com. 3 February 2010. Retrieved 25 November 2013.

In 2021, Turkmenistan produced approximately 84 bcm of natural gas and exported around 46 bcm. According to official data, Turkmenistan's natural gas exports in 2021, by destination, in billion cubic meters were [6]:

China	34
Russia	10
Other	2
Total	46

Commercial oil production in Turkmenistan started in early 1900s, and modern oil drilling operations started in the 1930s. According to open statistics data, during 2020 Turkmenistan produced 8.7 million tons of oil and condensate.

Turkmenistan Production and Consumption of Oil

Source: BP Statistical Review

Year	Production (1000 bbl/day)	Production (million tonnes/year)	Consumption (million tonnes/year)
2002	183	9.0	3.9
2005	193	9.5	4.3
2008	208	10.3	5.1
2009	211	10.4	4.6
2010	217	10.7	4.5
2011	217	10.7	4.7
2012	222	11.0	4.8
2013	231	11.4	4.8
2014	263	12.9	6.5
2015	271	13.2	6.5
2016	270	13.2	6.5
2017	271	13.1	6.5
2018	261	12.6	6.7
2019	264	12.5	7.1
2020	216	10.3	6.8

⁶ Official data of Turkmenistan government.

Oil and Gas refinery

The biggest oil refineries in Turkmenistan are Turkmenbashi oil refinery (located in Balkan Region) with a production capacity around 10 million tons, and the Seydi oil refinery (located in Lebap region) with a production capacity 0,5 million tons. [7]

These refineries produce a wide range of products obtained from natural oil – jet and auto fuels, greases, polypropylene, Sulphur, unleaded petrol, petroleum coke, asphalt, hydro-treated diesel, liquid petroleum gas, lubricating oil, laundry detergent etc.

Another innovative plant launched into operation in 2019 is a gas-to-petrol production plant, which has a design capacity of 600,000 tons of petrol, 12,000 tons of diesel and 115,000 tons of liquefied petroleum gas per year, produced from 1.7 billion cubic meters of natural gas. [8]

The important trend in the economy of Turkmenistan during the latest years is increasing the local refining of the natural gas and oil, and conversion into the products with higher added value.



Chemical and Petrochemical industry

Chemical Industry is another rapidly growing sector of Turkmenistan. During the last decade, several new modern plants added to the chain, producing nitrogen and phosphorus fertilizers, ammonia, urea, sulfuric and nitric acids, iodine, bromine, and mineral salts. In 2019, the country was the world's 3rd largest producer of iodine. [9]

Three main fertilizer plants produce more than 2 million tons of urea and ammonia per year, and the primarily used raw material for its production is local natural gas. [10] Kianyly polymer plant launched into operation in 2018, has a design capacity to produce 0.38 million tons of polyethylene and 81,000 tons of polypropylene per year.

Besides these, a non-hydrocarbon chemical fertilizer plant produces potassium-based fertilizers.

⁷ В Туркменистане перевыполнен план по экспорту СПГ" (in Russian). Turkmenportal. 26 June 2020.

⁸ Uesaka, Yoshifumi (November 6, 2014). "Kawasaki Heavy to build world's 1st gas-to-gasoline plant in Turkmenistan". Nikkei Asia.

⁹ USGS Iodine Production Statistics

¹⁰ "Завод «Гарабогазкарбамид» экспорттировал с начала года более 261 тысяч тонн удобрений" (in Russian). Turkmenportal. November 13, 2019.

Energy generation

Energy generation is an important sector in the rapidly growing economy of Turkmenistan. According to official statistics, in 2019 total electrical energy generation in Turkmenistan reached 26.6 terawatt-hours. Around 15% of the energy generated is being exported to the neighbor countries, mainly Afghanistan, Uzbekistan and Iran. Turkmenistan plans to increase its electricity generation in coming years.

State-owned corporations have exclusive rights for energy generation, distribution and export, while private companies can purchase electricity for their own local manufacturing and processing purposes.



Minerals

Mining is another important sector of Turkmen economy. Turkmenistan has significant ore and non-metallic mineral reserves, which are being researched and discovered by the Ministry of Industry of Turkmenistan, Turkmen geology institute, and some other State-owned organizations.

Some government owned organizations and private companies are studying the effective usage of local minerals and have started marketing researches on the economic output of the potential.

The following table from Mineral Industry of Turkmenistan published by the United States Geological Survey, an agency of the U.S. government. [¹¹]

TURKMENISTAN: PRODUCTION OF MINERAL COMMODITIES¹						
(Metric tons, gross weight, unless otherwise specified)						
Commodity ²		2014	2015	2016	2017	2018
METALS						
Iron and steel, products, rolled e		135,000	140,000	140,000	144,000	144,000
INDUSTRIAL MINERALS						
Bromine e		500	500	500	NA	NA
Cement, hydraulic e	thousand metric tons	2,900	3,300	3,500	3,600	3,800
Clay, bentonite:						
Powder e		400	400	400	420	450
Other, unspecified		7,387 r	8,000 e	8,000 e	8,400 e	9,000 e
Gypsum, mine e		107,000	110,000	110,000	110,000	110,000
Iodine e		500	500	500	510	400
Lime e		19,400	20,000	21,000	22,000	23,000
Nitrogen, N content:						
Ammonia		293,000	309,000 e	309,000 e	320,000 e	340,000 e
Urea		344,000	360,000 e	360,000 e	380,000 e	400,000 e
Potash, K ₂ O content		--	--	--	25,000 e	24,000
Salt e		91,700	100,000	100,000	100,000	100,000
Sodium, compounds, sodium sulfate e		68,000	70,000	52,000 r	26,000	26,000
Sulfur, S content e		506,000	600,000	400,000 r	200,000	200,000
MINERAL FUELS AND RELATED MATERIALS						
Natural gas	million cubic meters	67,000	69,600	66,800	62,000	62,000 e
Petroleum:						
Crude, including	thousand 42-	87,200	91,400	96,960	90,000	85,000

¹¹ Renaud, Karine M. (March 2020). "The Mineral Industry of Turkmenistan" (PDF). United States Geological Survey.

condensate	gallon barrels					
Refinery	<i>do.</i>	57,100	55,000	53,600	44,000	44,000 e
e Estimated. r Revised. <i>do.</i> Ditto. NA Not available. -- Zero.						
¹ Table includes data available through May 20, 2019. All data are reported unless otherwise noted. Estimated data are rounded to no more than three significant digits; may not add to totals shown.						
² In addition to the commodities listed, barite, bench gravel, coal, dolomite, epsomite, and kaolin may have been produced, but available information was inadequate to make reliable estimates of output.						
Source: U.S. Geological Survey.						

Construction

Construction sector in Turkmenistan is very active, because of huge investment of government in public infrastructure projects, as well as the private sector is investing in the construction of commercial projects, factories and apartments.

As of January 2021, the government reported that 2,500 large-scale projects are under construction at a total cost around US \$ 37 billion. [12] In 2020, about two million square meters of new residential housing was built at government expense, including 45 projects in the category of "Objects of government importance".

High activity in construction sector leads to demand for construction materials, equipment and machinery. While basic construction materials are produced locally, electric, mechanical, interior finishing, decoration materials, sanitary and hygiene tools, equipment and special machinery are mostly imported. The origin of suppliers and manufacturer brands show a big diversity.

Until 2010, construction companies in Turkmenistan were mostly Turkish in origin, besides French Bouygues. As of 2021, only some international companies remain on the market, and they are mostly involved in the development of "government importance" and complex industrial projects. Most of the foreign companies have been replaced by domestic ones, but the material supply chains consolidated and procurement operations are processed through foreign countries, especially in Turkey, and then shipped to Turkmenistan. Nevertheless, specialized foreign companies are regularly involved as subcontractors, for implementing specific parts of the complex projects, particularly in industrial and technological fields.



¹² "В Туркменистане строится более 2,5 тыс. масштабных объектов на сумму \$37 млрд" (in Russian). Arzuw. January 3, 2021.

Automotive and Spare parts

Turkmenistan is self-sufficient in producing automotive fuel and the fuel prices stay at considerably low level. Therefore, personal and commercial automobiles are popular in Turkmenistan. Japanese Toyota and South Korean Hyundai and Kia brands are dominant in personal auto vehicles segment. Commercial and public vehicles segments show a big diversity. European automobile brands are not dominant in the market due to their high cost and strict import restrictions by the government. [13]

Global automotive brands don't have direct branches and subsidiaries in Turkmenistan and there are no dominant distributor companies in the market. Import of vehicles is mostly carried out by private entrepreneurs, who operate through partner companies in UAE.

There is no local automotive industry, nor domestic automotive spare parts production. The huge demand for auto spare parts is met by imports. Private companies dominate in this field.

Tyres, batteries, oil and lubricants, engine and transmission parts, electric and electronic components, chassis elements, dumpers and silencers, automotive paint, etc. are mostly imported from China, India, Thailand, Malaysia, Taiwan. Specific, expensive and rare parts are mostly ordered from UAE partners.



Agriculture

Traditionally, agriculture of Turkmenistan has been based on production of cotton, wheat, vegetables and fruits in State-owned land. After the series of reforms which started when Turkmenistan obtained independence, private farmers started farming based on long term land rental agreements with the Government. They are obliged to grow specific crops depending on the agreements, and then sell part of the harvest to State-owned corporations.

The largest agricultural crop of Turkmenistan is cotton, most of which is exported raw, or as textiles. Turkmenistan is among the top ten producers of cotton in the world. During the 2020 season, Turkmenistan reported production of around 1.5 million tons of raw cotton. [14]

Another important crop is wheat, which is mostly domestically consumed.



¹³ "Turkmen-Trade" marketing and trade company, interview- 2021

¹⁴ Turkmenistan production in 2019, by FAO



In 2019, Turkmenistan produced:

- 1.5 million tons of wheat;
- 582 thousand tons of cotton;
- 356 thousand tons of tomato;
- 315 thousand tons of potato;
- 263 thousand tons of watermelon;
- 246 thousand tons of grape;
- 245 thousand tons of sugar beet;
- 130 thousand tons of rice;
- 74 thousand tons of onion;
- 71 thousand tons of carrot;
- 66 thousand tons of apple;
- 34 thousand tons of apricot;

However, agricultural lands in the country are of poor quality and does not have enough irrigation. They are completely dependent on Karakum Canal, which carries water across Turkmenistan from Amu Darya river. Turkmenistan is working on improvement of irrigation infrastructure and water-use policy, through dams, revitalization of used irrigation water, droplet irrigation technologies, etc.

Government subsidizes the farmers for buying agricultural machines such as tractors, harvesters, cultivators, seeders, and other machines of American, German, Dutch, Russian, Belarussian and Uzbekistan brands. In 2021, Government announced plans to establish a factory for producing agriculture machinery in Turkmenistan.

Food industry

Turkmen government is keen on food self-sufficiency. Most of the local food manufacturers are privately owned companies. Domestically produced alcoholic, non-alcoholic and fizzy drinks, meat, chicken, fish, egg, milk products, dry products, sweets and chocolate, snacks, flour and bakery products are dominant on the local market. However, premium segment food products are still imported from Turkey, Russia and Europe.



Machinery and processing industries

General development of the national economy, infrastructure and the launch of the big projects initiated by Government, made basic industrial materials available for the smaller and mid-range manufacturers, which are using them in further processing and production of consumer goods, food industry, textile, furniture, construction material and other sectors of economy.

In the last 10 years, more than 500 hundred new private manufacturing companies were established in various regions of the country. Significant projects are concentrated in Special Industrial Zones.

Machinery imported to Turkmenistan for private business purposes, is mostly from Chinese, Indian or Iranian brands, during the early stages, when they are producing goods for local market. But, with the development of business, they tend to replace the machinery with European, Japanese or American brands.



Textile industry

During the Soviet period, Turkmenistan mainly exported raw cotton to other USSR countries for spinning and production of fabrics. Since independence, Turkmenistan has invested in establishment of plants and factories for production of cotton yarn, fabrics, textiles, and finished garments.^[15] Recently, more than 13 State owned cotton processing plants were launched into operation, which produce a wide range of the products for internal market and export. Private companies have also established 3 big shoe factories. However, premium segment textile and fashion garments, are mostly imported from Turkey and UAE.

^[15] "Turkmen Textile Industry: High Dynamics of Growth". Business Turkmenistan. December 12, 2020.



Consumer goods

Turkmen local manufacturers have been investing in consumer goods production. Most of the household plastics, are produced domestically. Local production of polyethylene and polypropylene allows to fill the local market with plastic products, as well as export it to the neighboring countries. [16]

Smaller and cheaper consumer electronics are traditionally imported from China and UAE, while position of the global electronic manufacturer brands of South Korea, Japan and Europe is still strong in the market. Such international brands are used to working in the local market through local distributor companies. Some furniture manufacturing brands were established in Turkmenistan during the last 5 years. But, still most of the components for furniture industry, high quality furniture, office furniture, special purpose furniture categories are imported, mostly from Turkish brands.

Carpets popular in Turkmen houses are produced by local manufacturers from wool or synthetic materials. Locally produced carpets are successfully exported. Metallic, electrotechnical and mechanical product, are generally imported from Russia, Iran, Turkey and China. Recently, a local company established an assembly of the LED TV and some other electronic equipment. In future it is expected that the number of such manufacturers will increase with the support of a relevant government program launched in 2021.



Retail

The most active sector of private business is retail. Retail business models and forms include stand-alone shops, specialized shops, shopping malls, supermarkets, bazaars, business centers, e-commerce etc.

Government is implementing tobacco-free policy, so the import and the sales of tobacco products are under State control, with high taxes, and consequently are sold at high price in retail.

Some product categories such as military purpose products, guns, psychotropic chemical compounds etc. are under full State control, and cannot be sold on free market.

¹⁶ <https://www.tstb.gov.tm/Industry/Detail/2>

Medical industry

This sector is under complete State control. The Ministry of health and Medical Industry is the supervisor of all medical facilities and factories producing medical and pharmaceutical products. Currently, the healthcare system of Turkmenistan includes more than 200 medical facilities of various types (specialized hospitals, multi profile hospitals, polyclinics). [¹⁷]

However, some complex diagnostic, treatment and surgery methods are not available in Turkmenistan. To avail these services, patients travel to India, Turkey, Russia and EU.

Turkmenistan has 9 factories which produce licorice, iodine, herbal tea, disinfection solutions, infusions, cosmetic, sanitary and hygiene products, of which joint Turkmen-Indian Ajanta Pharma company is also one. However, active chemical formula, compounds, medical disposables, consumables and medical equipment are still imported from other countries.

APIs are imported from India, China, EU, CIS countries, etc. Medical disposables, consumables are mostly imported from China and India, and to a less extent from Turkey and EU. Medical equipment is preferred from Germany, EU and Japanese brands.

For the import of international medical and pharmaceutical products to Turkmenistan, a company needs a special medical license, which is very difficult to obtain. Therefore, international and global suppliers prefer to work through Turkmen local companies, which already hold the required license.



Financial sector

The financial system of Turkmenistan is under full State control. The banking system, which is supervised by Central Bank and Ministry of Economy and Finance, includes 9 local banks. These include a private bank owned by the Union of Industrialists and Entrepreneurs (Rysgal Bank), and a Turkmen-Turkish Bank (a joint venture between Dayhan Bank and Turkish state-owned Ziraat Bankasi). [¹⁸]

The branch of National Bank of Pakistan stopped operation in 2021, and Iran Saderat Bank shows low economic activity, and doesn't play a significant role in national economy.

Asian Development Bank, World bank, Islamic Development Bank, and some European banks provide institutional services through offices in Ashgabat. European Bank for Reconstruction and Development (EBRD) provides loans to the local private manufacturers.

¹⁷ <https://www.saglykham.gov.tm/saglykgor/2>

¹⁸ <https://fineconomic.gov.tm/>



State-owned insurance company, and 4 other private insurance companies provide services, but their role in national economy is not significant.

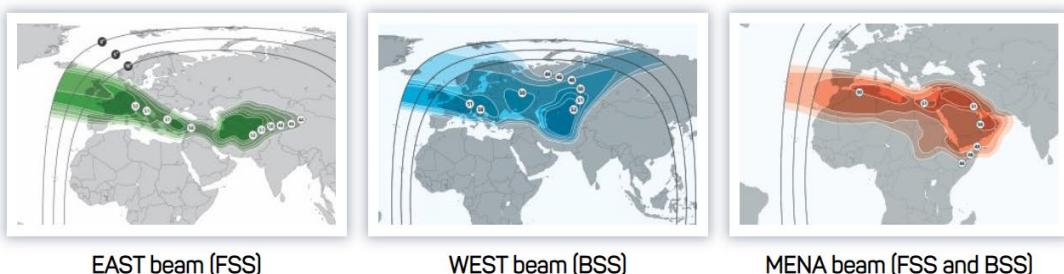
All economic entities are subject to regular financial audit. Audit, consulting, and legal companies are mostly local firms. Some international audit firms are providing service on contract basis, for clients who are interested in doing international business and interacting with international banking and finance organizations.

Limited access to foreign currency operations for business entities and physical clients through the local banks cause significant difficulties for international money transfers and business operations. This pushes cash operations up, and creates a high demand for foreign currency. This, in turn leads to the accumulation of foreign currency deposits in foreign banks, that is available for using in international money transfers. All together, these factors push international trade to low-tax and ex-territorial tax regulation zones.

IT and Telecom

Currently, Turkmen government is keen on developing digital economy and making significant investments for modernizing and transformation of communication infrastructure. Phone and internet communication services are available in Turkmenistan. Wire communication is provided by Turkmen Telecom agency and State-owned regional communication networks.

Altyn Asyr (Tm Cell) is the only mobile operator company which provides phone and wireless internet services. "Turkmen Domain" national domain and hosting operator is providing services for the internet companies and web-site builders. Starting from 2015 "Turkmen Alem-52" national space satellite is providing satellite broadcasting and communication services for the Eastern Europe, Asian, North African region.



Private business is active in IT services sector, application and software development, digital integration and automation projects, and equipment supply.

Education

Education system of Turkmenistan is represented by kinder gardens, middle school, professional schools, universities, institutions, research centers and academies, which are supervised by Ministry of Education.

Currently more than 24 higher education facilities and universities are functioning in the country. Growing and diversifying national economy requires new professional education facilities. Material base of the existing education facilities is being renovated. Turkmenistan has international agreements with several countries, for student exchange and professional development programs. The graduates from school show high interest for high quality professional education.

Besides, there are course centers which are established by private businesses.



3. Trade barriers (tariff, non-tariff, quota system, SPS measures, customs duty, anti-dumping duty etc) and other entry level barriers for trade

Each sector of economy in Turkmenistan has its own specific regulations, which allow the Government to keep control over the market. In some ways, these regulations work as trade barriers, which are applied selectively and in a flexible manner.

These regulations could be grouped as below:

- Special License requiring business activities
- Products which require special permission for import and free-sale
- Products not allowed in free-sale
- Import price and quantity control
- Export price and quantity control
- Government bidding requirements
- Excise tax
- Variable custom duty policy
- Variable VAT policy
- Difficulties in travelling to Turkmenistan

Business fields which require Special license

Some specific business fields require a special license, which define business activities, which are permitted for a particular company. Activities may include production, import, distribution, sale and promotion of the specific products, or services. License for each business field is given by a relevant Ministry, for single use purpose or for a limited period of time.

Products which require special permission for import and free-sale

Import of goods within licensed activities, require special import permission from the relevant ministry, for each shipped batch of the products. For this an importer of the goods has to provide purchase agreement, licenses, invoice, packing list and Certificates of quality and Certificates of Origin. These products have to be registered in the unified registry.

After obtaining the import permission, all documents, the labels on product and the quantity of goods declared during the custom clearance have to match each other exactly. Some goods, like pharmaceutical products, chemicals, food, medical consumables should have remaining shelf life not less than 60%.

Products not allowed in free-sale

Products listed in the Special “Stop-list”, cannot be imported, sold or promoted without the special permission of the “Ministers Chamber”. These are psychotropic chemical compounds, precursors, military or dual-purpose products, etc. The list is updated and approved annually.

Import price and quantity control

All imported goods which cost higher than 10 000 USD or equivalent, have to be approved at the State Commodities and Raw Materials Stock Exchange, where marketing department assures the import price of the goods, quantity of the goods, allowed quotas, purchasing agreement terms, purpose of the import and parties involved in deal.

This is very important when supplying goods for State owned organizations. Contract prices should not vary more than 10% than the global average prices, or the prices such goods already imported to the country.

Export price and quantity control

The State Commodities and Raw Materials Stock Exchange, regulates the prices and quantities of exported goods. Additionally, some domestic product types have special export quotas. For this, an exporter should apply for the permission from the relevant ministry, to export a certain quantity of product.

For example, Ministry of Agriculture together with the Chamber of the Traders and Manufacturers controls the exported quantity of tomatoes, through special quota procedures. The list of products and the quotas are flexible, and change during a year.

Government bidding requirements

Another regulative barrier is the specification of items, which are listed in the Government biddings, where the State-owned client indicates exact country of origin of the products, which could be offered for bidding. For example, Ministry of health indicates that medical equipment has to be European brand, only. No items from other Countries of origin would be considered for competition, in such case.

Government biddings also do not consider equipment from the countries which are under sanctions by international organizations or states, such as Iran, North Korea, Venezuela. Despite the fact that Turkmenistan has diplomatic, political, economic, humanitarian or other formal relations with such countries, the local government is not likely to purchase goods from these countries for its needs.

Excise tax

For some categories of products, Turkmenistan government applies excise tax. For example, tobacco and alcohol excise prices, are aimed to reduce the consumption of these products. The list of the products subject to excise tax is almost fixed.

Variable custom duties and restrictions

Some product categories which have analogies produced in Turkmenistan, are applied higher Custom duty. For example - cotton, textile products, furniture are levied 100% custom duty.

Some product types are periodically restricted for import - Rebar steel, Portland cement, wool etc. This occurs when, the domestic (mostly State-owned manufacturers') sales decrease because of the lower price of imported goods.

Besides this, some product types and categories may be restricted for import spontaneously, without prior announcement and briefings. The list of the import restricted goods is regularly updated. So, it is highly recommended to check through the local partner about the current situation and trends.

Variable VAT policy

Recent standard VAT in Turkmenistan is stable at 15%. Small business and some business categories are free of VAT. Such exemption is also applicable for some strategically important sectors such as - oil and gas industry, medical industry, education.

Quality assurance and Turkmen standard conformity

The State organization "Turkmenstandard" is in charge of controlling and assuring the quality and health safety requirements of the imported goods at specially accredited laboratories and test centers. All goods which are imported to Turkmenistan have to get "Turkmenstandard" certificate for completing custom clearance. Goods for which an importer could not get this certificate have to be transported out of Turkmenistan, and penalties also apply.

Difficulties in traveling to Turkmenistan

Travelling to Turkmenistan requires visa which could be obtained in one of the fourty embassies and consulates of Turkmenistan in foreign countries, or by holding a special invitation form which is obtained by a host organization or a company in Turkmenistan, by applying to the State Migration Control Office. Both procedures are quite complicated and long, and applications may be rejected without explanation.

4. General procedures for importing goods and implementing agencies

General procedures for importing various categories of goods to Turkmenistan are almost the same. Procedures and steps a company should follow, would depend on the following facts:

- Business form and licenses of the Consignee and Consignor (Seller and Buyer)
- Registration requirements for the particular product in Turkmenistan
- State approved product prices
- Agreement details between the Seller and the Client
- Special permissions (license) required for importing a particular product to Turkmenistan
- Correct set of documents accompanying the batch

A Consignee company (Client, buyer, etc..) must hold a valid business license and necessary permissions for particular business activity. If a company does not have necessary license and permissions, then it has to obtain them, or find a company which could be the official Consignee for the batch.

A Consignor company (Seller, Shipper, etc..) must hold a valid business license and necessary permissions for particular business activity, should have clean history, provide guarantees that it has no business relations with countries under sanctions, no unrecovered bank claims, free of judicial cases and criminal operations.

If a company does not have applicable license and permissions, or cannot provide required guarantees, then it is recommended to find a company which could be the official consignor for the batch.

Once the parties agree on the product specifications, price and the quantity, they should confirm whether the products require state registration, or already in the Unified registry at a relevant Ministry.

Registration of goods in registry depends on the product type. Registration application is accompanied by the set of the documents, including certificates, manuals, technical, physical, chemical description of the products. This step may take 2-6 months. Therefore it is strongly recommended to check and get it done prior to the agreements.

If products are already inserted into the registry, then they prepare an agreement and apply for the State Commodities and Raw Material Exchange stock. This State agency is assuring the agreed price of the products and approves the agreement terms. The parties of the agreement have to be registered at the agency, and hold a valid membership, which is renewed annually. Prices of the imported products can't vary more than 10% of the global average, or the previously imported goods.

After the approval of the agreement, the importer should apply for single import permission (Import License) to the relevant ministry, where the sum of the agreement and the list of items are reflected.

Machinery and manufactory equipment have to pass Legalization process at the "Turkmen standard" State Agency, and obtain the "Certificate of conformity", for passing the custom clearance, successfully. For obtaining a such certificate importer have to provide full technological description, "Certificate of quality" and the "Certificate of Sanitary, hygiene and health safety" issued by the authorized entity in the manufacturer country.

5. Documents required for the importation of goods

Goods which are shipped to Turkmenistan have to be accompanied by the following documents:

- Commercial invoice
- Packing list
- Certificate of Origin
- Certificate of batch Quality Analysis issued by the manufacturer or the shipper of the goods
- Quality and health safety conformity certificate issued by the Country of Origin

Importer of the goods in Turkmenistan have to prepare the following documents:

- Agreement approved by the State Raw Materials and Commodities Stock Exchange
- Import License from relevant ministry
- Registration of the goods at relevant ministry
- Certificate of conformity from "Turkmen Standard" agency

Additionally, below documents could be required at the custom control office:

- Fumigation certificate
- MSDS (Material Safety Data Sheet)
- Records in the ASYCUDA system

Inspector may also ask for the documents, stamps and the records of the transit countries, through which goods are shipped to Turkmenistan.

1. Payment regulations

Turkmenistan's national currency is Turkmen Manat. The official exchange rate is fixed at 3,5 manat / 1 USD.

A company which has foreign currency in its bank accounts can make payment for the imported goods purchased in other countries. Advance payments abroad are not allowed. For transferring payment to the foreign supplier, a Payer have to provide the closed custom declaration, approved agreement, import license, invoice, packing list and the document stating the delivery of the goods, signed by the Seller and Buyer. If a company does not have foreign currency in its bank accounts, then it has to apply for conversion to the foreign currency, providing sufficient amount of local currency deposit on its bank account, and submitting full document set to the bank. The recent practice shows, that money conversion operation takes a long time, and the timeliness could not be predicted.

Limited access to the foreign currency transactions for business entities through local banks cause significant difficulties for timely international money transfers and international business operations. This fact pushes the cash operations up, and drives up high demand for foreign currency on an illegal local foreign currency market. Meanwhile, this is leading to the accumulation of foreign currency deposits in foreign banks, which the firms use in international money transfers. All together these factors push international trade operations to low-tax and ex-territorial tax regulation zones.

2. The role of the third countries

As a work around to business regulations and foreign exchange transaction issues, local businessmen frequently use third countries in their international trade operations.

The main purposes of this are:

- Collection of shipments and small batches in logistic hubs
- Resolving issues with the Country of Origin
- Correcting documentation mistakes
- Transfer pricing purposes
- Making timely payments

Third countries may be used documentally or physically.

Countries mostly used in physical and documental ways are - Turkey, UAE, Georgia, Azerbaijan, Baltic States. These countries naturally and geographically stand on transit logistic routes to Turkmenistan.

Countries used only in documental way are – UK, Cyprus, Singapore, UAE, Canada, Kyrgyzstan. These countries apply ex-territorial tax policy, and used for transfer pricing and international money transfer purposes.

B. REGISTRATION PROCESS FOR STARTING BUSINESS IN TURKMENISTAN

1. Sector wise procedure

General procedures for establishing a business in Turkmenistan are the same for all sectors of economy, and consist of the below steps:

- a. Registration of a business in one of the legal business forms.
- b. Obtaining special business licenses, if they are required for particular business activities
- c. Registering at special boards and associations
- d. Follow industry-specific instructions relevant to the field – e.g. general trade, services, land acquisition, construction, manufacturing, etc.

a. Registration of business

Business registration procedure has some differences depending on the residency of shareholders and the type of the established legal entity.

- Citizen and Legal entities of Turkmenistan could start business registration process immediately.
- Foreign shareholders and citizens must submit a special application and set of documents to a special commission for monitoring foreign investments and risk analysis at Cabinet Ministry, for obtaining permission to do business in Turkmenistan. In practice, this step is very complicated and not transparent, so very few foreign shareholders can obtain a such permission.

Establishment of one-person business – Individual Entrepreneur

- Starts with the registration of a person as 'Individual Entrepreneur' at the Tax Office
- Getting certificate of Individual Entrepreneur
- Getting certificate of Tax payer
- Obtaining codes for business activity, indicated in a business patent
- Registering at the Pension fund
- Register at the State Statistics Committee of Turkmenistan
- Opening bank account
- Registration at Work and Health Safety Monitoring Board

Establishment of a company with 100% single person ownership – Individual Enterprise

- Starts with the registration of a Company name
- Providing legal address of company
- Preparing the documents of a Shareholder
- Preparing company charter
- Complete notarization procedures
- Opening bank account and contribute an authorized capital
- Registering a company at by Ministry of Economy by obtaining a relevant certificate
- Obtaining a certificate from Unified Registry of Legal Entities
- Registering at the Tax Office
- Registering at the Pension fund
- Registering at the State Statistics Committee of Turkmenistan
- Registering business at Labor controlling board
- Registration at Work and Health Safety Monitoring Board
- Shareholders who are residents of the foreign countries (citizen and legal entities), should provide a permission (resolution) from a Commission for monitoring foreign investments and risk analysis under the Cabinet Ministry.
- Any person who has no legal limitations and restrictions, could be appointed as Director for this position.

Establishment of a Private company with more than 2 shareholders

- Starts with the registration of a Company name
- Providing legal address of company
- Preparing documents of the Shareholders
- Preparing a Memorandum of Association
- Preparing company charter
- Complete notarization procedures
- Opening bank account and contribute an authorized capital

- Registering a company at by Ministry of Economy by obtaining a Certificate
- Obtaining a certificate from Unified Registry of Legal Entities
- Registering a company at the Tax Office
- Registering a company at the Pension fund
- Registering a company at the State Statistics Committee of Turkmenistan
- Registering a company at Labor controlling board
- Registration at Work and Health Safety Monitoring Board
- Shareholders who are residents of the foreign countries (citizen and legal entities), should provide permission (resolution) from a Commission for monitoring foreign investments and risk analysis under a Cabinet Ministry.
- Any person who has no legal limitations and restrictions, could be appointed as Director for this position.
- If a company is established to operate a Project which are based on international agreements, applicant has to provide a copy of the agreement or a resolution of authorized board.

b. Obtaining a special business license for specific business activities

If a company is planning to do business in one of the fields listed below, it has to apply and get a special license, from relevant ministry. For obtaining a special business license, applicant has to provide a detailed list of specialists, buildings, machinery, equipment, resources, and other documents.

License is given to a company for limited period of time. The scope of the allowed business activities is indicated in the given certificate.

The List of the business activities which require special license are:

- 1) medical activity;
- 2) pharmaceutical activities;
- 3) medical and technical activities;
- 4) activities for the conduct of disinfection, disinsection and deratization work;
- 5) veterinary activities;
- 6) seed production;
- 7) activities for the use of natural resources and environmental protection;
- 8) activities for the sale of petroleum products and fuels and lubricants;
- 9) activities in the field of production, import and sale of alcohol, alcoholic beverages, tobacco products;
- 10) activities in the field of production of infant formula for children, dairy and other nutritional products, homogenized products;
- 11) activities to provide consumers with bottled drinking water;
- 12) activities on industrial safety, design and construction of hazardous facilities, as well as the transportation of dangerous goods;
- 13) activities in the field of fire safety;
- 14) aviation activities;
- 15) activities for the carriage by sea and inland waterway transport;
- 16) transport and forwarding activities;
- 17) activities for the carriage by road transport;
- 18) activities in the field of electric power industry;
- 19) activities in the field of communications;
- 20) activities in the field of cyber security;
- 21) activities in the field of import, production and sale of chemical products;
- 22) geodetic and cartographic activities;
- 23) activities in the field of construction;
- 24) activities in the field of education and professional training of personnel;
- 25) printing activity;
- 26) publishing activities;
- 27) tourism activities;
- 28) activities related to gambling and money games;
- 29) audit activity;
- 30) activities in the field of insurance;

- 31) professional activity in the securities market;
- 32) appraisal activity;
- 33) banking activities;
- 34) activities related to precious metals and precious stones;
- 35) activities to provide legal assistance to individuals and legal entities;
- 36) activities in the field of trafficking in narcotic drugs, psychotropic substances and precursors;
- 37) activities related to the employment of citizens in foreign countries;
- 38) activities in the field of culture and art;
- 39) activities related to the public demonstration and distribution of audio, video and film products.

c. Registration at monitoring boards and associations

Some specific business activities require registration at the Union of Industrialists and Entrepreneurs of Turkmenistan (UIET), which acts as a supervisor for private business sectors. Below are some industry sectors and business activities, which require registration at the Union of Traders and Manufacturers.

- Construction and engineering
- Construction material production
- Transport and logistics
- International trade, import and export operations
- Manufacturing
- Land acquisition
- Big retail business
- Purchasing raw material from state-owned corporations
- Participating in the government supply tenders and biddings require big retailers

d. Industry specific instructions and regulations

Additionally, each type of business has to follow industry specific instructions and regulations and obtain relevant certificates.

Examples of the most frequent types of business are described below:

For doing retail business, a company has to obtain work and health safety certificates, register a shop at retail business monitoring agency, and receive a permission for working hours from municipal government and administration.

For manufacturing business, a company has to obtain "Turkmen standard" compliance certificate, environment protection certificate, process technology approval certificate, certificates assuring the quality of final product.

For food production, beverages and catering business, a company has to obtain food hygiene and health safety certificates.

2. Types of business model allowed in each sector (private, public, one-person company, joint venture, wholly owned, limited liability partnership, investment etc.)

All business types allowed in Turkmenistan are determined by the Ministry of Economy and Finance in a special list, where all types of business activities are categorized and given economic codes, reflecting the industry, segment, particular actions field by field, etc. This list is approved by the Cabinet Ministry and updated regularly.

All entities including, government organizations, state-owned corporations, private companies, entrepreneurs and other companies, are allowed to do business indicated in this list, but those business activities which require a special business license can be done only after obtaining a such license from a relevant ministry.

Regulation via special licenses, restricts access of private business to some critical and government economy strategic fields of industry, such as healthcare, finance, aviation, oil and gas industry, energy generation, military etc.

General access regulations to the industrial fields depend on the form of business also. For example, an individual entrepreneur (one-person business) is not allowed to do construction, finance, audit, insurance, large-scale investment projects, participate in the biddings administered by government, etc.

Information about the legal regulation of a specific industry and requirements for business activity in relevant field, could be obtained from the Tax Office Consultation department, Ministry of Justice or the relevant ministry. Additionally, tax offices organize regular briefings and “open doors day”, where they inform about the latest updates in legal regulation.

3. Procedure for opening trade office, branch office, liaison office etc.

If a foreign entity who is a resident of foreign country, would like to establish a trade office, liaison office, branch office, joint venture or make an investment in Turkmenistan, then it has to follow instructions similar to establishment of company with foreign resident shareholders.

Foreign shareholders and citizens must submit a special application and set of documents to a special commission for monitoring foreign investments and risk analysis at a Cabinet Ministry, for obtaining permission to do business in Turkmenistan.

Thereafter, founder or its representative has to follow steps, listed below:

- Starts with the registration of a Company name
- Providing legal address of company
- Preparing documents of the Shareholders
- Preparing a Memorandum of Association
- Preparing company charter
- Complete notarization procedures
- Opening bank account and contribute an authorized capital
- Registering a company at by Ministry of Economy by obtaining a Certificate
- Obtaining a certificate from Unified registry of legal entities
- Registering a company at the Tax Office
- Registering a company at the Pension fund
- Registering a company at the Statistics
- Registering a company at Labor controlling board
- Registration at work and health safety monitoring board
- Obtaining special licenses if they are required for particular business activities
- Register at special agencies and associations
- Follow industry specific instructions and regulations

Turkmenistan has agreements for DTT (Double Tax Treaty) management with several countries.

4. Patent laws/ Intellectual Property Rights issues, copyrights

Patent laws, intellectual property, copyright, authentic brand and trade-marks are regulated by relevant law of Turkmenistan. An applicant has to fill application form to a special committee, which is checking the subject rights on the object through national and international databases. If applicable, then a certificate is issued, and information about the intellectual property, patent, etc. rights is inserted to national and international registries.

5. Details about Joint venture modalities and structure

Laws regulating business activities in Turkmenistan, allow establishment of joint ventures, between local and international companies, in any modality. For establishment of a joint-venture or consortium, entities have to submit an application to a special committee for foreign investments and risk analysis at the Chamber of Ministers. Application set has to include detailed information regarding the stakeholders, description of a project, structure, operation, task delegation, finance flow, management, monitoring and reporting components.

Most of the large-scale and complex projects in the oil and gas exploration, refinery and petrochemical industries are implemented through joint-ventures and international consortiums.

6. Payment mechanisms and profit transfer modalities

Laws and regulations of Turkmenistan allow wide range of payment mechanisms, such as pre-payment, partial payments, post-payment, bank accreditives, bank warranties, product exchange, product share agreement.

Currently, international money transfer could be done only after the arrival of the goods to Turkmenistan. At the same time, exporters are obliged to bring payment for the exported goods to Turkmenistan within a year. This fact is causing an increase of transfer pricing operations through low tax zones, and accumulation of significant amount of currency in foreign banks.

Profit transfer to a foreign resident shareholder or investor could be done after the payment of taxes, long term and short-term debts, loans from local banks etc.

7. Foreign exchange regulations

Limited access to foreign currency operations for entities, companies, and physical clients in local banks cause significant difficulties for international money transfer. This fact causes increase of cash operations in business and trade, and creates a high demand for foreign currency. This, in turn leads to the accumulation of foreign currency deposits in foreign banks, which is available for using in international money transfers. All together, these factors push international trade to low-tax and ex-territorial tax regulation zones.

8. Localization requirement

Turkmenistan is keen on development of processing industries and increase volume of local products with high added value. Currently, there are no strict requirements in specific fields, but export of some categories of locally produced raw materials has been restricted significantly. For example, in 2021 Turkmenistan government limited the export of raw cotton. This fact, is pushing up the local textile industries.

Meanwhile, government started some initiatives for local production of goods, such as electronics, house-hold goods, food, agriculture machinery, etc.

Similar tendencies could be observed in telecommunication and IT-sector, where the laws and regulations of the industry are pushing the business entities and organizations to relocate data-hosting services to domestic servers.

9. Minimum and Maximum number of employees and directors in these companies along with local / foreigner ratio

Legal entities and companies in Turkmenistan are not limited in the number of employees, however the ratio of foreign workers must not exceed 20%. It is regulated through reports which are regularly submitted to the controlling boards and the State Migration Office.

Number of employees hired by Individual entrepreneur (one-person business) should not exceed 100 people. If the numbers of employees reach 100, an individual entrepreneur is recommended to establish a legal entity.

10. Labor laws, minimum wages

Relations between the employee and employer are based on the Labor law of Turkmenistan, which describes all aspects of the labor relations, including detailed instructions of hiring, evaluation, promotion, payment, working hours, rostering, overtimes, vacations, retirement, resigning, social benefits, pension, etc.

Employer can hire employees on permanent base, for a limited period of time or on contract base. Employer has to make agreement with every employer, and make records in a labor book which belongs to the employee.

Government is determining minimum wages for every year, and traditionally increasing it every year by 10%. For 2022, minimum wages for full-time employment are fixed around 1000 mnt / month (US \$

11. Social benefit scheme

Government is taking care of employee's work and safety conditions, social insurance, health insurance, and pension insurance, which are mandatory for every employee and every employer.

Funds accumulated in special government administered organizations, are used for payment of pensions to retired personnel, pregnancy and child birth, financial aid to vulnerable groups, in cases of health loss etc.

When such a case occurs, employer calculates the sum, makes payments and then deducts the sum from payables to the mentioned funds.

All extra social benefits, such as compensation for phone, catering, vehicle, dormitory etc. are considered as extra revenue given to the employee, and personal revenue tax is calculated from the sum of benefit, deducted from the sum which would be paid the Employee, and money is transferred to the Tax office.

12. Land acquisition regulations

All land plot areas in Turkmenistan registry has a pre-defined purpose, i.e. social areas, recreation areas, public, business, farming, industrial, etc. Municipal administration and local governor offices are responsible for proper management of the lands on their territory.

Land acquisition in Turkmenistan is allowed only for domestic residents – one-person business, farmers, companies, organizations, on a long-term rental basis (3-100 years). An entrepreneur, farmer or an entity which would like to obtain a land for business, has to submit an application to the relevant municipal office, in which it has to describe the usage plan of the lands, in detail.

Once the land is acquired, company has to use it in strict accordance to the declared purpose. Additionally, agreements with the farmers may include product sharing clauses.

13. Registration fee

Registration fee for companies include the cost of formal procedures, and the sum of share capital which has to be accumulated in bank account, at the moment of establishment.

Considering the fact that company registration procedure is quite complicated, business founders usually hire consultants, who handle the procedure, support the whole process or guide them through all formal procedures and steps. Such services are calculated and covered separately.

14. Methods for product registration

Products which require registration could be grouped as follows:

- Products which are produced in Turkmenistan need quality assurance and technology compliance certificate from "Turkmen standard" organization. These certificates are given for a period of time, or to a particular batch. Certificates of Origin are issued by the Chamber of Commerce & Industry of Turkmenistan.
- Products which require special licenses for importing, distribution and manufacturing, have to be inserted in the unified registry of relevant ministry. For registration of imported goods, an applicant has to provide detailed information regarding the product details, formulas and compounds, instructions, indications, cautions, including the manufacturer company details. Each group of items is registered by the relevant ministry. Procedure, registration fees and the list of documents required for registration may differ at ministry.
- For example – registration of the pharmaceuticals and medical products require a full dossier, including chemical, physical, and clinical description, testing protocols, certificates, instructions, photo of the packages, etc. As of February 2022, the registration fee for each pharmaceutical item is around 1400 USD / item, for medical consumables around 300 USD / item.
- Measuring devices require standardization, validation and calibration procedure at the State Etalon center, and insertion to a unified registry of measuring devices. Interviewed companies and company logistic officers confirm that this procedure is quite complicated, since it requires the presence of a relevant testing machine for a particular equipment or tool.

15. Clearances required

Custom clearance of the goods which are imported to Turkmenistan, include payment of the custom duties. The actual list of the product categories' custom duties, as well as, the list of the products subject to the payment of excise tax, could be obtained at Custom offices of Turkmenistan.

C. LOGISTICS, IMPORTING AND ISSUES RELATED TO CUSTOM CLEARANCE

1. Issues encountered during custom clearance and possible solutions

Goods arriving to Turkmen border entry points must be accompanied by the following set of documents:

- Commercial invoice
- Packing list
- Certificate of Origin
- Certificate of Quality Analysis for the Batch

Consignee must prepare the documents, when goods arrive to Turkmenistan:

- Agreement approved by the State Commodities and Raw material Stock Exchange
- Import Permission (Import License)
- Certificate of Conformity from "Turkmen Standard" agency

Additional requirements for the goods may be:

- Fumigation certificate
- MSDS (Material Safety Data Sheet)
- Records in the ASYCUDA system

All information and details mentioned in these documents have to match, exactly. Beginning from the January 1, 2020 all arriving goods are checked through ASYCUDA system.

After the inspection of the goods at border entry point and the necessary records done, goods are forwarded to the Custom clearance points within country, indicated in the Shipping forwarder's documents.

Most of the issues encountered during custom clearance could be grouped as follows:

- Details indicated in the accompanying documents don't match the actually arrived goods
- Details indicated in the documents different from the details indicated on product
- Details indicated in the documents do not match each other
- Wrong or lack of Certificates - Certificate of Origin and Certificate of quality analysis
- Lack of necessary documents upon arrival
- Problematic transit or origin countries (Iran, Crimea, Venezuela, North Korea, etc.)
- Issues in international money transfer and payments
- Shelf life of the products doesn't match minimum requirement
- Unconditional goods, damaged, temperature conditions not met
- Wrong quantities
- Goods can not pass "Turkmen standard" quality and safety assurance
- Wrong price of the goods

The custom clearance issues and risks could be reduced by using third country operations, for the following purposes:

- Collection of the goods in logistic hubs, and preparing bigger batches
- Correction of the Invoice, packing list, and other
- Correction of the Country of origin
- Wait and prepare necessary documentations and permissions
- Resolve transfer pricing issues

Some risks related with the quantity, conditions and the specification of products, could be prevented by using shipment inspection, surveillance and assurance services company, such as SGS (Societe Generale Surveillance, www.sgs.com).

Third countries may be involved only in a documental way or organized transit, physically.

Countries mostly used in physical and documental way are - Turkey, UAE, Georgia, Azerbaijan, Baltic states. These countries are geographically placed on transit logistic routes to Turkmenistan.

Countries mostly used in documental way are – UK, Cyprus, Singapore, UAE, Canada, Kyrgyzstan. These countries apply ex-territorial tax policy, and used for transfer pricing and international money transfer purposes.

2. Ways to fast forward the custom clearance

Due to specific regulations and conditions of local market, major international logistic and transportation companies don't have regional offices and subsidiaries in Turkmenistan. Such global and international shipping forwarders work in cooperation with the local operators, who act as their local partners.

Local operators are in charge of consolidation and transportation of the shipments within country, while international freight and logistics is organized by global or international shipping forwarders. Local shipping companies are also, aggregating private truck and vehicle owners and distributing shipment orders among them.

Local shipping operators concentrate only on freight operations. Custom clearance and brokerage functions are done by specialized companies or logistic specialists of the client.

Companies which have intense international logistic operations, have their own specialists for custom clearance, while companies with less international logistic operations, hire specialists with payment per task.

For fast forwarding of the custom clearance, a company is advised the following:

- Make supply agreements based on EXW or FOB delivery terms
- Delegate the logistics and transportation tasks to a client in Turkmenistan
- Delegate the logistics and custom clearance to a Turkmen company
- Find a Shipping forwarder in India who has partnership agreement with a company in Turkmenistan
- Establish a business unit to handle documentation work for the goods shipped to Turkmenistan
- Establish a business unit in third country for Free-zone operations and services
- Open a non-resident bank account in a third country, or in a Free-zone
- Develop permanent business relations with trade and marketing companies in Turkmenistan
- Establish marketing company in Turkmenistan
- Use marketplaces and internet trade-platforms working in Turkmenistan, such as:
 - * www.turkmentrade.biz,
 - * www.sanlybazar.com,
 - * www.tradeportal.biz.

D. RENEWAL OF REGISTRATION

1. Timeline for registration processes

- Registration of a one-person business takes up to 1 month, and costs around 1000 USD.
- Registration of a company takes up to 3 months and costs around 5000 USD
- Registration of companies with foreign capital and shareholders, takes up to 1 year, and costs calculated individually for each case, starting from 50000 USD.
- Registration of the imported products in state registries – takes around 3 months, and costs 300-2000 USD / item
- Registration of the goods manufactured in Turkmenistan – takes up to 5 months, and costs around 5000 USD/item
- Obtaining special licenses takes up to 6 months and depending on the industry field and the scope of license costs between 10 000-1 000 000 USD

2. Validity of various product registrations

Product registrations are given for a period of time ranging from 1 year to 3 years.

The price and quantity of the imported products, is approved by the State Commodities and Raw Material Exchange.

3. Process for renewal of registration

Renewal of registration requires the same procedure, as the primary registration, but costs twice cheaper, and takes twice less time.

II. SUMMARY

Considering the economic and political events taking place in relations between India and Turkmenistan, it is expected that business and trade relations between these States have a big potential to grow, in almost all sectors of the economy.

Development of the trade and economic relations between our countries would require development of the comprehensive business services, as well as, the development of the logistics infrastructure, which meets the increasing demands of business.

India could offer Turkmenistan market and business community high quality consumer products for a relatively lower cost, high quality machinery and spare parts, modern pharmaceutical and medical products, as well as modern technologies for Turkmenistan manufacturers, growing economic sectors and processing industry.

In turn Turkmenistan could be a good source of petrochemical and chemical materials. Besides, Turkmenistan government initiates new private investments in almost all civilian sectors of economy, such as agriculture, food industry, polymer processing manufactures, production of construction materials and consumer goods.

Turkmenistan is already successfully trading with many foreign countries, from all over the world. Global logistics and transportation infrastructure allows delivering goods to any destination point, despite the temporary difficulties related with the current global pandemic, geopolitical relations, countries restricted sanctions, etc.

Success of business between India and Turkmenistan would be based on common understanding of and the delegation of the tasks, timely detection of the treats and risks, and a quick response to the opportunities, supported by farsighted and precise marketing, legal and analytical work.