

## THE TURKMEN ECONOMY: YEAR-END RETURNS FOR 2010

Igor PROKLOV

*Ph.D. (Econ.), Research Associate  
at the Central Asia, Caucasus,  
and Ural-Volga Region Study Center,  
RAS Institute of Oriental Studies  
(Moscow, Russia)*

### *Introduction*

The year 2010 rounded off many of the socioeconomic development programs adopted in Turkmenistan 10 years ago while Saparmurat Niyazov was still in power.<sup>1</sup> Many

observers were initially skeptical about the indices these programs produced since they seemed to present an exclusively rosy picture of the situation in the country. For example, according to the plan announced in 2001 by Minister of the Oil and Gas Industry and Mineral Resources K. Nazarov, Turkmenistan should have produced 120 bcm of gas and 48 million tons of oil in 2010, while exporting 100 bcm and 33 million tons, respectively. However, as the further

<sup>1</sup> See: Strategy of Socioeconomic Transformations in Turkmenistan Until 2010; Development Program of the Turkmenistan Oil and Gas Industry between 2000 and 2010; Development Program of the Textile Industry Until 2010; Development Program of the Cotton-Cleaning Industry Until 2010, and so on.

data for 2010 show, the actual figures were much more modest, primarily due to the unfavorable market situation in recent years. All the same, the fact that such programs made it possible to formulate the main priorities and vectors of development, laying the foundation for perhaps not such rapid but nevertheless stable growth, should be given its due.

Although the world crisis that began in 2008 did not directly affect Turkmenistan's financial system and the country recovered from the crisis independently without any external financial support, the Turkmen leadership was nevertheless faced with the need to thoroughly re-examine its strategic plans. This primarily concerned adjusting the reference points in the country's energy policy. The crisis clearly showed that placing exclusive priority on the export of energy resources was fraught with serious economic risks, not to mention the fact that it could well doom previously reached contracts and solemnly registered agreements to remain on paper.

As we know, Turkmenistan owns large supplies of natural gas, so the choice the leadership made after the country acquired its independence of placing the main stakes on the fuel and energy complex as the driving force behind all the other branches of the national economy is entirely logical and justified. But it eventually became understood that the country's large reserves of natural resources might not only be a great boon, but also an enormous bane, mainly for the country's ordinary people.

The potential profits from energy resource export should have made the country prosperous and raised the standard of living above the aver-

age, to say the least. According to the Turkmen leaders, only a few circumstances, which required the mobilization of both foreign and domestic policy efforts to overcome, prevented economic prosperity from being achieved. First, the existing gas- and oil-producing capacities had to be modernized, the old gas pipelines repaired, and new routes for delivering energy resources to potential consumers laid; and second, agreements had to be reached with the consumers themselves. As the events of the past two decades have shown, this was a far-from-easy task: solvent consumers are a long way off, while close neighbors are also rich in energy resources and ready to put up competition at the first opportunity. In these conditions, the Turkmen leaders (first Saparmurat Niyazov and then Gurbanguly Berdymukhammedov) were very well aware and are still well aware that only a sophisticated multi-vector energy policy and diversification of deliveries will make it possible for the country to draw closer to its designated goals. It cannot be denied that the strategy of diversification pursued has begun to bear fruit, and in the next decade the set tasks could be fully implemented.

Despite the slump in the market, many world players are interested in strengthening their foothold in Turkmenistan's energy industry. In so doing, its reluctance to become politically and economically dependent in new ways on more powerful players is prompting the country's leadership to adopt what at times appear to be unusual ways of organizing public life and managing the national economy, which is often criticized by the world community.

## The Macro Economy

In 2010, high GDP growth continued to be observed in Turkmenistan, which according to official data amounted to 9.2%. Announcing this figure when summing up the year-end returns, President Gurbanguly Berdymukhammedov noted that the active policy of diversification of the economy and of the energy resource delivery markets has had a positive influence on economic development as a whole. Foreign investments have increased. Inflation has decreased to 0.1%. A stable exchange rate is being maintained in the country.

The official viewpoint on the country's economic progress is also very optimistic. "If we are talking about the positive changes in the country in general, an interesting and graphic fact can be presented. Whereas, for example, the share of agriculture in GDP used to amount to almost 40%, today it has dropped to 10%, i.e. decreased four-fold, while the share of industry and construction has risen almost three-fold, constituting almost 60% of GDP today," noted Berdymukhammedov.<sup>2</sup>

Observers of the International Monetary Fund mission also forecasted an increase in Turkmenistan's GDP in 2010 of no less than 8.1%. In their opinion, the creation of the Stabilization Fund formed from the state budget surplus of recent years, the amount of which is currently more than 16% of GDP, has had a positive effect on the economic situation in Turkmenistan in the context of the global financial crisis.

Assessing the information coming from Turkmenistan, we must agree that in the past few years certain changes for the better have occurred in the country. The country has turned into one huge construction site. Whereas under Niyazov construction costing tens of millions of dollars was carried out, now we are talking about hundreds of millions of dollars. Nevertheless, Turkmenistan's economy is still closed and not easy to understand. For example, official statistics are extremely fragmented and non-transparent, whereby frequently interspersed with redundant information. Most of the macroeconomic indices are given in relative terms and percentages. The country's budget shows only the general figures for the revenue and expenditures.

Table

## Macroeconomic Indices

Indices	2010	Growth rate, %
Growth rate of GDP in comparable prices, %	n/a	109.2
Composite consumer price index (December 2010 in terms of December 2009), %	n/a	104.77
Investments in basic assets, million manats	28,465.3	114.1
Foreign trade turnover, \$m	17,882.8	97.6
Export	9,679.2	103.8
Import	8,203.6	91.2
Foreign trade balance, \$m	1,475.6	n/a
Average monthly wage, manats	707.5	112.1
Execution of state budget for 2010	In % to the set task	
Revenue	125.1	
Expenditures	92.2	

Source: Data from the website of the Turkmenistan State Statistics Committee.

In 2010, Turkmenistan's per capita GDP in terms of PPP (purchasing power parity), according to the UNDP Human Development Report (2009-2010), amounted to \$7,052. According to the hu-

<sup>2</sup> See: [<http://www.regnum.ru/news/polit/1348500.html#ixzz15yiuI145>].

man development index, Turkmenistan heads the group of countries with an average level of human development (Turkmenistan occupies 87th place and China 89th, while on the list of countries with a high level of human development, Belarus, Russia, and Ukraine occupy 61st, 65th, and 69th places, respectively, and Albania ranks 64th).<sup>3</sup>

As in the past, the citizens of Turkmenistan receive prescribed allowances of certain consumer goods and services free of charge, such as gas, electricity, water, table salt, gasoline, and diesel fuel. The regulated prices of other goods and services have remained at the same level for more than 10 years now, including above-limit consumption of electricity and gas. The only exception is the price of above-limit (more than 120 liters a month) consumption of gasoline and diesel fuel, as well as public transportation fees (including domestic air flights) which have risen slightly, but still remain relatively low. However, according to many assessments by Western experts, the standard of living of the population remains extremely low, although Turkmen live better than the citizens of other Central Asian countries (Kyrgyzstan, Tajikistan, and Uzbekistan).

As for agriculture, the government assesses 2010 as the most propitious year since the country gained its independence in 1991. In 2010, for the first time in many years, approximately 1.4 million tons of wheat were gathered (with a plan of 1.6 million) and 1.3 million tons of cotton. The cotton harvest, as Gurbanguly Berdymukhammedov reported, "greatly exceeds the needs of the country's industrial enterprises." The official authorities see the bumper harvest as a natural outcome of the reforms carried out in the country's agroindustrial complex, i.e. the higher purchasing price of the produce yielded by dehkan farms, the more advantageous loans they are offered, and the improvement in infrastructure. Nevertheless, it is too early to talk about a steady trend in good harvests. According to different assessments, Turkmenistan's demand for grain is evaluated at 2 million tons, so the country will have to import wheat as before. As for the cotton industry, the country's leadership has set local textile manufacturers the task of fully processing all the cotton produced in the country in the future. According to official data, the government has invested more than \$1 billion in the development of this industry, \$300 million of which are foreign (including Turkish) investments. The government of Turkmenistan plans to raise the volume of investments in the industry to \$2 billion by 2020. It should be added that in November 2010 the price of cotton on the New York stock exchange reached a record \$1.3863 per pound, which is about \$3,049 per ton.

On 1 January, the minimum wage in Turkmenistan was 598 manats (around \$205), while work pensions amounted to between 120 and 532 manats (\$50-180). The price of food has also increased, as well as the fees for services rendered the population.

## The Energy Industry and Investments

However, many observers are not so optimistic in their assessment of the economic situation in the country. The shrinking of the world energy resource markets as a result of the 2008 crisis dealt a hard blow to the state budget and threatened the disruption of several ambitious projects. According to Gazprom, the Russian gas holding bought only 10 bcm of gas in 2010 in Turkmenistan instead of the 30 bcm envisaged by the contract, which certainly had a negative effect on currency receipts. According to different data, approximately 40-45 bcm of gas and more than 10 million tons of oil were

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<sup>3</sup> See: [www.undp.org/publications/hdr2010/en/HDR\_2010\_EN\_Complete.pdf].

produced in 2010.<sup>4</sup> There can be no doubt that any further increase will be related to the reexamination of export contracts.

As we know, the country's main source of wealth is its vast gas reserves. According to British Petroleum, Turkmenistan occupies 4th place in proven gas reserves (8.1 tcm)<sup>5</sup>; according to official Turkmen data, explored reserves amount to 24.6 tcm. The vicissitudes of the country's domestic and foreign policy are revolving precisely around these reserves, primarily with respect to issues relating to the search for and diversification of energy resource delivery routes beyond the country.

The onset of gas deliveries to China in 2009 became an important event, since completion of the first section of this gas pipeline was a breakthrough for Turkmenistan in overcoming its monopoly dependence on Russia and was also declared a great benefit for China, which is in increasing need of energy resources. However, these expectations proved premature and Turkmenistan's hopes for significant swelling of the state and near-state treasury are still in vain. In 2010, no more than 5 bcm of gas were delivered to China, and a further increase in deliveries will also occur very gradually. But it is obvious that China never intended paying a high price for Turkmen gas. Although specific items in the gas contracts have not been disclosed, according to unofficial data, the Russian price of one cubic meter of gas is about \$60-80 higher than the Chinese. And Turkmenistan will be paying for the multi-billion loans it received earlier from China out of the revenue it obtains from deliveries to the Celestial Kingdom: evidently the Turkmen leadership is beginning to appreciate the strength of China's friendly arm, which prefers to tightly squeeze its partner by the throat. Berdymukhammedov's visit to China on the eve of the opening of the Shanghai exhibition did not evoke a rise in export gas deliveries in the near future, whereby the Chinese side has not been rushing to issue new loans either. Nevertheless, the sides confirmed their interest in strategic partnership. For example, in June, during a visit by He Guoqiang, a member of the Permanent Politburo Committee of the Chinese Communist Party Central Committee, to Ashgabad, the sides agreed to build the second section of the Turkmenistan-China gas pipeline, which will make it possible to increase deliveries of Turkmen natural gas to the PRC in the future above the previously specified 40 bcm. In September, the Bagtyiarlyk gas compressor station was put into operation, which should become an important part of the gas transportation system in the direction of China.

Turkmenistan presented a large and diverse exhibit at the world EXPO-2010 exhibition in Shanghai (the PRC). Along with carpets, books, and video clips about Turkmenistan, the exhibit consisted of stands presenting the achievements of the country's state oil and gas companies. The Ministry of the Textile Industry, the Ministry of Public Health, the State Committee of Tourism and Sport, and the Ashgabad Model House also demonstrated their achievements.

Despite the vicissitudes in the gas industry, increased interest in Turkmenistan is being shown not only by large international companies, but also by smaller companies. This interest is partly due to the fact that Turkmenistan has been able to survive the financial crisis without outside assistance. For example, on 1 February, an International Turkmenistan Investment Forum and an exhibition of Turkmen commodities opened in the capital of the United Arab Emirates. This was the first time Turkmenistan had carried out this kind of undertaking aimed at broad publicizing of its economic achievements. Members of the government, many other high-ranking leaders, and top managers took part in the forum on the Turkmen side. According to the official statement, the main task of the first Turkmenistan Investment Forum abroad was to attract foreign investments and raise the export potential of such branches of the country's economy as the oil and gas sector, the energy industry, the textile industry, transportation, telecommunications, construction, the agroindustrial complex, and the water industry.

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<sup>4</sup> See: [[www.oilnews.com.ua/news/article6630.html](http://www.oilnews.com.ua/news/article6630.html)].

<sup>5</sup> See: BP Statistical Review, 2010.

From 17 to 19 November, the 15th International Oil and Gas of Turkmenistan-2010 Exhibition was held at the Ashgabad Exhibition Complex, in which, along with national state concerns such as Turkmengaz, Turkmennebit, Turmenkhimia, the Turmengeologia State Corporation, and Turkmenbashi Oil Refinery Complex, more than 160 foreign participants also took part, including Petronas, Dragon Oil, Wintershall, Bentec, Gazprom, TMK, Stroitransgaz, Tatneft, Integra, Komatsu LTD, Technip, and others.

## The Prospects for New Gas Pipelines

An international conference called “The Oil and Gas Industry of Turkmenistan: Today, Future Development, and International Cooperation,” which drew around 700 delegates, including many executives from Europe and the Middle East, as well as the heads of the leading foreign oil and gas companies, was held right after the exhibition in Ashgabad.

The main topic of this international conference was further diversification of deliveries of Turkmen energy resources. Based on the new data of geological surveys, since Gurbanguly Berdimukhammedov came to power, Turkmenistan has stepped up its activity in this vector and been conducting an extremely tight and pragmatic policy. In addition to the existing routes to Russia, China, and Iran, Turkmenistan is actively probing the possibility of gas deliveries within the framework of two other projects: Nabucco and TAPI.

Speaking at the conference, Vice Premier of the Turkmen Government B. Khojamukhammedov (who is responsible for fuel and energy complex affairs) said that the country is ready to deliver 40 bcm of gas to Europe every year (in addition to Russia, China, and Iran).<sup>6</sup> EU representative, Ambassador Norbert Jousten, said at the same conference that the EU regards Turkmenistan as a reliable new potential partner in energy resource deliveries. In his words, the EU clearly understands that Turkmenistan could become the main gas supplier for the European Union, while European companies are willing to buy gas on the border of Turkmenistan and organize its transportation to the European markets. He also emphasized that in the event of successful energy cooperation between the EU and Turkmenistan, the latter would gain a “mature, attractive, and growing energy market for its gas.” At the same time, another EU representative, Chairman of the Gas Working Group of the Council of European Energy Regulators Walter Boltz said that the European Union was counting on Turkmenistan assuming responsibility for delivering the necessary amount of gas before Europe acquired the corresponding gas transportation infrastructure. He emphasized that Turkmenistan, which has already entered contracts for gas delivery to Russia, Iran, and China, should guarantee the amounts of gas Europe is interested in.<sup>7</sup>

Despite the skeptical attitude of many experts, primarily Russian, about the prospects for Nabucco, particularly in the context of the agreements with Russia about building a Caspian gas pipeline, this project could well be implemented in the mid term. In contrast to Russia, which has been earning exclusively on the subsequent resale of Turkmen gas, Turkmenistan will acquire a real consumer in the form of the EU, which will also try to reduce its dependence on gas deliveries from Russia.

Recognizing such prospects, in 2010, Turkmenistan began using its own funds to build a major East-West trans-Turkmen gas pipeline with a capacity of 30 bcm for delivering gas from its eastern

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<sup>6</sup> See: [<http://www.regnum.ru/news/polit/1355719.html>].

<sup>7</sup> See: [<http://www.k2kapital.com/news/421280/>].

fields in the westerly direction. After this project is implemented (it is presumed that the pipeline will take around 5 years to build), Turkmenistan will have the ability, depending on demand, to move additional volumes of raw hydrocarbons in both the westerly and easterly direction.

As for possible obstacles to implementing the Nabucco plans due to the unresolved status of the Caspian among the five Caspian countries, when talking at the third summit of the Caspian states in November 2010 in Baku, the Turkmen leader announced that the Trans-Caspian pipeline might be built with the consent of his country and Azerbaijan, without taking into account the gas interests of the other littoral states—Russia, Iran, and Kazakhstan.<sup>8</sup> Also, referring to the raw material base for the project of the Nabucco gas pipeline, the Turkmen prime minister said: “As early as 2011, Turkmenistan will need a market for the gas produced offshore by Malaysia’s Petronas Company in the amount of five billion cubic meters.”<sup>9</sup>

In 2010, the Turkmen side helped to ensure the accelerated processing of questions relating to building the TAPI gas pipeline. Several meetings of the Technical Working Group for the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project, attended by leading specialists from all the participating states of this transnational project, as well as representatives of the Asian Development Bank, were held during the year, and with particular frequency between August and December.

As a result of intensive efforts, the sides managed to coordinate the main technical and commercial parameters of the future gas pipeline and natural gas delivery conditions and begin preparing the final version of an intergovernmental agreement on building the TAPI gas pipeline. The renewed interest in this project is mainly prompted by the annual growth (around 10%) in the demand for energy resources in India and Pakistan.

While working on the agreement, the Pakistani side held a presentation on ensuring security of the gas pipeline project in the territory through which the future pipeline will pass. In turn, the Turkmen side furnished potential buyers with information about the resource base of the natural gas for the TAPI gas pipeline.

As we know, the Asian Development Bank financed drawing up the feasibility report of this project in 2005, the cost of which is estimated at \$7.6 billion. The length of the pipeline will be 1,730 km, beginning from the gas delivery point in Turkmenistan (the Dovletabad field) to the population settlement of Fazilka in India on the border with Pakistan. The capacity of the pipeline will amount to approximately 33 bcm of gas a year, up to 14 billion of which will go to Pakistan and India, and 5 billion will go to meet Afghanistan’s needs. If construction begins in 2011, the pipeline might be ready by the end of 2015.

On 13 December, a summit of the leaders of the project’s participating states was held in Ashgabad, during which the presidents of Turkmenistan, Afghanistan, and Pakistan, and an Indian minister signed an intergovernmental agreement on building a trans-Afghan gas pipeline (TAPI). The framework agreement on the gas pipeline among the governments of Turkmenistan, Afghanistan, Pakistan, and India was signed by the branch ministers of the four countries. At the same time, it was agreed that the other documents would be drawn up and signed in the first six months of 2011. The main question, as always, is the price of the delivered gas.

Despite the important political and economic significance of this project, many experts justifiably doubt it will actually be implemented: the pipeline route passes through volatile areas on the border of Afghanistan and Pakistan. There are no precise dates for beginning the project and the transit fees have not been determined. However, even more important, it is not clear who will finance the project

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<sup>8</sup> See: [<http://belarus.regnum.ru/news/1356421.html>]; Russia in the Post-Soviet Expanse: Year-End Returns for 2010, available at [<http://kavkaz.ge/2010/12/21/regnum-rossiya-na-postsovetkom-prostranstve-itogi-2010-goda/>], 21 December, 2010.

<sup>9</sup> See: [<http://www.regnum.ru/news/polit/1355719.html>].

and in what amounts, or who can guarantee security of the pipeline and how, particularly since its construction promises to be extremely difficult. It is highly likely that the consortium will have to come to terms with the Taliban, giving some of the revenue to the tribe leaders in return for their promise to guard the pipeline in the sections that pass through their territory.

Nevertheless, this project has positive potential for the entire region. First, laying a gas pipeline through Afghanistan could become an important factor in strengthening the intra-Afghan dialog and promote an increase in trust among all the sides, as well as help to boost the country's economy and build international cooperation.

Washington is also supporting the project, which was announced by U.S. State Secretary Assistant for Central Asia Susan Elliot in November at a conference in Ashgabad. She said that the project still has a long way to go, but the benefit from it could prove enormous. It will make a contribution to Afghanistan's development and provide the necessary energy resources for the growing economies of Pakistan and India.<sup>10</sup>

Another reason for U.S. support is its interest in Islamabad and Delhi satisfying their energy hunger by means of Turkmen gas rather than Iranian. Tehran has been lobbying the Iran-Pakistan-India gas pipeline project for several years now. Although Russia is not participating in the project, its implementation is playing into Moscow's hands. Priority implementation of TAPI could draw off resources and lower Ashgabad's desire to join the Trans-Caspian gas pipeline project which will make it possible to transport Turkmen gas to Europe bypassing Russia. TAPI's achievements cannot help but please Moscow. But Russian Vice Premier Igor Sechin's statement that "Gazprom is willing to participate in TAPI as a contractor, as an engineering company, and as a participant in the consortium" aroused an acute response in Turkmenistan's Ministry of Foreign Affairs. Ashgabad announced that "the participation of companies from other states that are not participants in the project is the prerogative of the countries involved in the project."<sup>11</sup>

Cooperation with Iran in the gas sphere has also been continuing on a positive note. On 28 November, a ceremony was held in Serakhs in the southeast of Iran to launch the operation of the Iranian branch of a gas pipeline that will transport Turkmen gas. The Khangeran-Sangbast branch of the gas pipeline was built for hooking up to the Dovletabat-Serakhs-Khangeran gas pipeline that went into operation in January 2010. This is the second route for delivering Turkmen gas to Iran. The first gas pipeline, Korpėje-Kurt-Kui, was put into operation as early as 1996 in the west of Turkmenistan. Both gas pipelines are capable of increasing the annual deliveries to Iran to 20 bcm of gas a year. The Iranian Ministry of the Oil Industry announced in April 2010 that before the end of 2010 the annual volume of Turkmen gas import would increase to 40 mcm compared to 32 mcm.<sup>12</sup>

## Turkmenistan-Russia

As for relations with Russia in 2010, fuel and energy complex issues continue to be the main topic in the dialog between the two countries. On 9 January, deliveries of Turkmen gas to Russia were revived, although the volume of deliveries, as mentioned above, amounted to 10 bcm, which is 3-4-fold lower than in previous years. According to unofficial information, the average annual price of Turkmen gas for Gazprom amounts to \$200-250 per 1,000 cu m. Although during the numerous meetings, Russian and Turkmen officials pledged their adherence to previously reached agreements

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<sup>10</sup> See: [<http://www.rosbalt.ru/2010/12/13/800006.html>].

<sup>11</sup> See: [<http://www.turkmenistan.ru/ru/articles/35358.html>].

<sup>12</sup> See: [<http://www.capital.trendaz.com>], 27 November, 2010.



on cooperation in the fuel and energy sphere, Russia made it clear that due to the current situation in the Western gas consumption market there was no point in hoping for an increase in import volumes. The fate of the Caspian pipeline has become directly dependent on the European gas situation, prompting the sides to postpone its implementation.

The Russian side stated positively that trade relations would continue to be activated, in particular, Russian-Turkmen and Turkmen-Russian trade houses have been established in Moscow and Ashgabad, and Turkmen-Russian and Russian-Turkmen business councils have been actively working during the year. In 2010, the Russian-Turkmen Commission for Economic Cooperation continued to function. On the Russian side, the commission is headed by Russian Vice Premier Viktor Zubkov, and on the Turkmen side, by deputy chairman of the Cabinet of Ministers, Turkmen Minister of Foreign Affairs Rashid Meredov.

In 2010, more than 120 joint projects and contracts were implemented in Turkmenistan for a total of around \$1 billion, including with the participation of such Russian companies as *Silovye mashiny*, *KAMAZ*, *Itera*, and *Mobilnye telesistemy*. A total of 138 Russian-Turkmen joint ventures are operating in the Turkmen market. On 2 November, during a sitting of the intergovernmental Russian-Turkmen Commission on Economic Cooperation, documents were signed that will make it possible to begin full-scale international rail and ferry travel between the ports of Makhachkala and Turkmenbashi.<sup>13</sup> The sides examined the possibility of organizing deliveries of agricultural technology to Turkmenistan by incorporating the potential of Russia's Rosagrolizing Company. Viktor Zubkov highly appraised the positive dynamics of cooperation in education and science. In 2010, the number of stipends granted to Turkmenistan for study in Russian higher educational institutions increased from 275 to 317. During the commission's work, the sides agreed on the need to develop tourist relations between the countries, which might help to alleviate the tough visa regime.

Nevertheless, despite the fact that over the past few years a positive trend has been designated in bilateral economic trade, humanitarian, and cultural relations between the two countries, observers note signs of cooperation curtailment. The decrease in export of Russian gas to Europe, accompanied by the worsening of the financial state of Russian energy companies (including Gazprom), the halt in gas purchases in Turkmenistan, and Turkmenistan's active steps to diversify its foreign relations are all ultimately undermining Russia's position in Turkmenistan. The situation with the MTS Company is a pertinent case in point.

On 21 December, the Turkmen side revoked the license of Russia's MTS mobile phone operator, which had been successfully working in the country for five years. MTS had more than two million customers in Turkmenistan. The reason for this step, according to unofficial data, was the desire of the Turkmen side to obtain a larger share in the business (51% of the shares) and revise the profit redistribution conditions. Prior to this, management had been entirely in the hands of MTS-Barash Communications, although a representative of the Turkmen side was also one of the managers. In so doing, profit was distributed not in correlation with the share of the owners, but under a separate agreement, according to which the Turkmen side received 30-40 percent.

In addition to MTS, a national provider—*Altyn Asyr*—operates in Turkmenistan, with a clientele of around only 20,000 due to the poor quality of communication and underdevelopment of the service complex. Curtailment of the mobile operator's activity right before New Year came as a very unpleasant surprise for many Turkmen and provoked stampedes at *Altyn Asyr*'s offices. But the national mobile phone operator does not provide services beyond the country. *Altyn Asyr* users can only send and receive text messages within the country, international text messages and calls are off limits. It is impossible to call or send messages beyond Turkmenistan, the company does not have a roaming contract with any mobile phone company in the world.

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<sup>13</sup> See: [<http://правительство.рф/docs/12817/>].

## *Conclusion*

The situation with the Russian MTS company is very indicative for the investment climate in the country, which is characterized by the lack of clear regulations and high risks.

As during the time of Saparmurat Niyazov, the Turkmen leadership has a very selective approach to choosing its partners. Business can usually only be carried out in the country under personal agreements with high-ranking officials. This is related primarily to the fact that the main sectors of the economy, industry, construction, and agriculture are kept under strict government control. According to the economic freedom index popular in the West prepared by the Heritage Foundation and *Wall Street Journal*, Turkmenistan ranked 171 out of 179 countries and was recognized as “mostly unfree.”<sup>14</sup>

On the whole, 2010, a roundup year of the first decade of the 21st century, was successful for Turkmenistan. But the energy vector of the economy and dependence on the fluctuations in the market situation created by Turkmen gas consumers make the overall socioeconomic situation very vulnerable and require constant efforts from the country’s leadership aimed at looking for new approaches to the rapidly changing energy dialog. In these conditions, the Turkmen leadership will have to resolutely defend its national interests while adapting to the new challenges.

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<sup>14</sup> See: [<http://gtmarket.ru/news/state/2010/01/21/2487>].

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