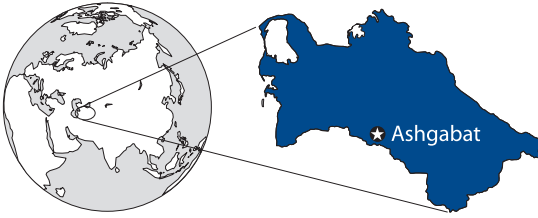


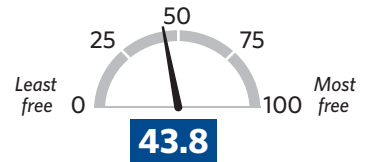
# TURKMENISTAN



World Rank: **168**

Regional Rank: **38**

## Economic Freedom Score



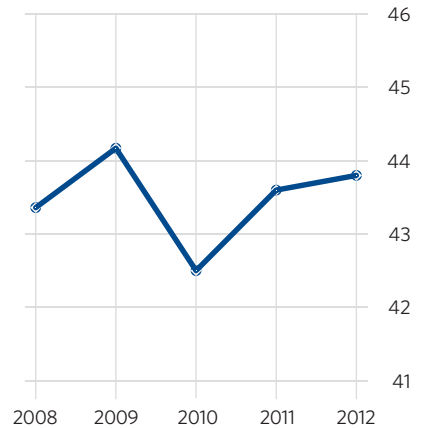
**T**urkmenistan's economic freedom score is 43.8, making its economy the 168th freest in the 2012 *Index*. Its score is 0.2 point higher than last year, reflecting improved fiscal and monetary freedom. Turkmenistan is ranked 38th out of 41 countries in the Asia-Pacific region, and its overall score is significantly lower than the world and regional averages.

Turkmenistan's record on structural reforms has been dismal, and much-needed vibrant economic growth is severely constrained by long-standing institutional weaknesses that undermine the foundations of economic freedom. The inefficient legal framework remains highly vulnerable to political interference and corruption that further undermines the already fragile rule of law.

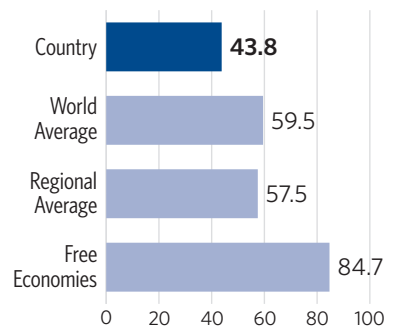
In other key policy areas, heavy state involvement in the leading economic sectors has dampened private-sector dynamism and has led to economic stagnation in non-hydrocarbon sectors. The government restricts foreign investment to a few handpicked partners, while the state-controlled financial system limits credit access to political favorites. Burdensome and opaque regulatory systems further limit private-sector activity.

**BACKGROUND:** President Gurbanguly Berdymukhammedov has pursued policies that are more open than those of his authoritarian predecessor, Saparmurad Niyazov (Turkmenbashi), but the state still largely controls politics, the economy, and the media. Turkmenistan exports gas, oil, and petrochemicals, primarily to Russia, China, and Iran, and claims to have the world's fifth-largest natural gas reserves. In 2010, new gas export pipelines that transport Turkmen gas to China and northern Iran began operating, effectively ending the Russian monopoly on Turkmen gas exports. Berdymukhammedov has made overtures to the West and the Gulf states and has encouraged foreign investment in hydrocarbons. Relations with Russia have deteriorated. Turkmenistan's main agricultural product is cotton, but the government hopes to diversify the economy.

## Freedom Trend



## Country Comparisons



## Quick Facts

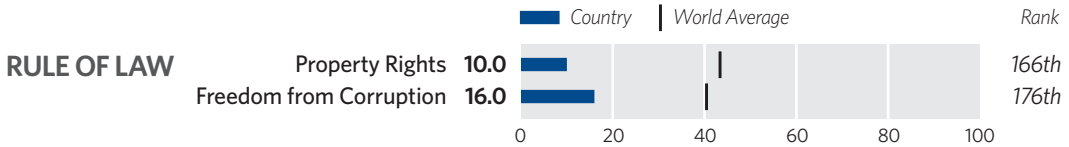
**Population:** 5.4 million  
**GDP (PPP):** \$36.9 billion  
 9.2% growth in 2010  
 5-year compound annual growth 10.4%  
 \$6,785 per capita  
**Unemployment:** 60.0%  
**Inflation (CPI):** 4.4%  
**FDI Inflow:** \$2.0 billion  
**Public Debt:** 11.8% of GDP

### How Do We Measure Economic Freedom?

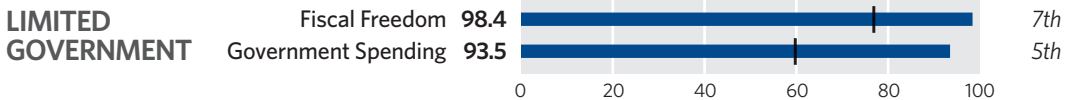
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
 Data compiled as of September 2011.

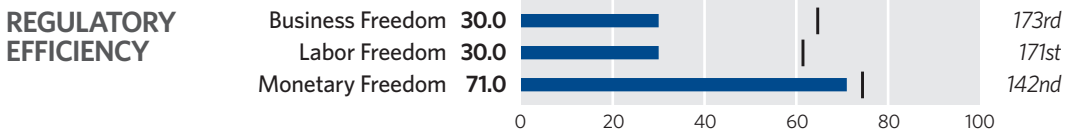
**THE TEN ECONOMIC FREEDOMS**



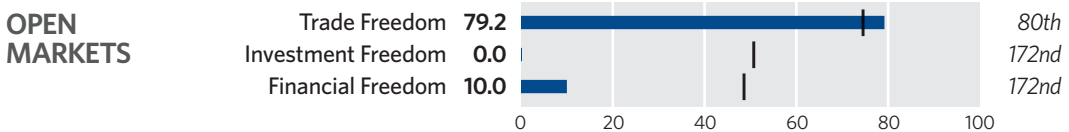
The legal system does not enforce contracts and property rights effectively. Laws are poorly developed, and judicial employees and judges are poorly trained and open to bribery. All land is owned by the government, and other ownership rights are limited. Laws to protect intellectual property rights are implemented arbitrarily if at all. Pirated copies of copyrighted and trademarked materials are widely available. Corruption remains rampant.



The income tax rate is a flat 10 percent, and the corporate tax rate is 8 percent. Other taxes include a value-added tax (VAT) and a property tax, with the overall tax burden estimated to be 21 percent of GDP. Government spending is equivalent to 14.7 percent of total domestic output. The budget balance has recorded small surpluses in recent years, and public debt amounts to around 12 percent of GDP.



The overall freedom to establish and run a business is very limited under Turkmenistan’s regulatory environment. The system is non-transparent, and enforcement is inconsistent. Regulatory codes are outmoded, and personal relations with government officials are often required to cut through red tape. The public sector provides most jobs, and the informal sector remains an important source of employment. Monetary stability has been weak.



The trade weighted average tariff rate is 2.9 percent, but extensive non-tariff barriers severely undermine freedom to trade. The government controls most of the economy and restricts foreign participation to a few sectors. Foreign exchange accounts require government approval, as do all payments and transfers. The financial system remains heavily government-controlled, with 90 percent of all loans directed to state-owned enterprises.

**Score Changes**

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+4.8	Business Freedom	0	Trade Freedom	0
Freedom from Corruption	-2.0	Government Spending	-2.0	Labor Freedom	0	Investment Freedom	0
				Monetary Freedom	+1.4	Financial Freedom	0