

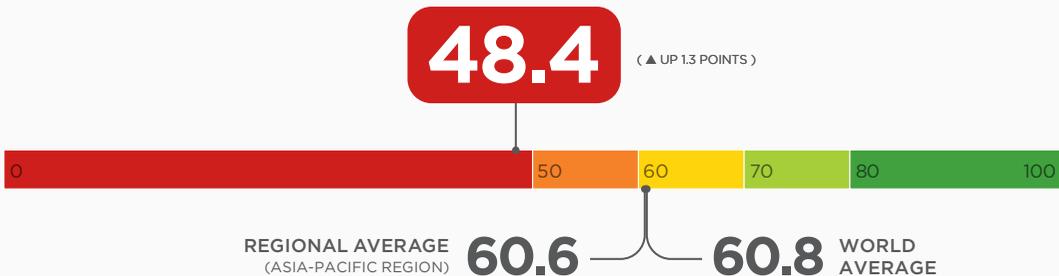
TURKMENISTAN

WORLD RANK: **164** REGIONAL RANK: **40**
 ECONOMIC FREEDOM STATUS: **REPRESSED**

Turkmenistan's economic freedom score is 48.4, making its economy the 164th freest in the 2019 *Index*. Its overall score has increased by 1.3 points, with sharp improvements for **judicial effectiveness** and **investment freedom** far surpassing declines in **government integrity** and **fiscal health**. Turkmenistan is ranked 40th among 43 countries in the Asia-Pacific region, and its overall score remains well below the regional and world averages.

The autocratic government's priority is to secure alternative markets for Turkmenistan's hydrocarbons exports. It has done little to improve the business climate, privatize state-owned industries, or combat rampant corruption even though dependence on hydrocarbons and lack of diversification have deepened the country's economic crisis. Consumers face severe shortages because of import restrictions. Currency depreciation, autarkic policies, and limited spending on public services have led to economic stagnation. Rigid labor regulations and the nearly complete absence of property rights further limit private-sector activity.

ECONOMIC FREEDOM SCORE

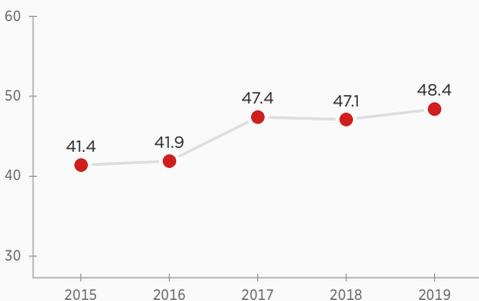


RELATIVE STRENGTHS:
Tax Burden and Fiscal Health

HISTORICAL INDEX SCORE CHANGE (SINCE 1998):
+13.4

CONCERNS:
Investment Freedom and Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
5.7 million

GDP (PPP):
\$103.5 billion
6.5% growth in 2017
5-year compound annual growth 7.9%
\$18,126 per capita

UNEMPLOYMENT:
3.4%

INFLATION (CPI):
8.0%

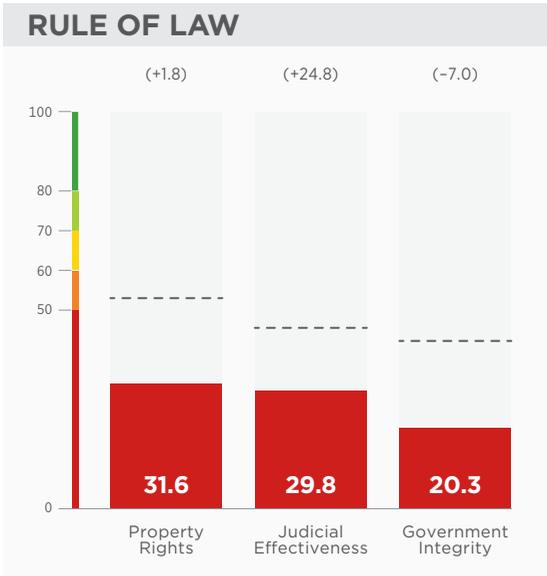
FDI INFLOW:
\$2.3 billion

PUBLIC DEBT:
28.8% of GDP

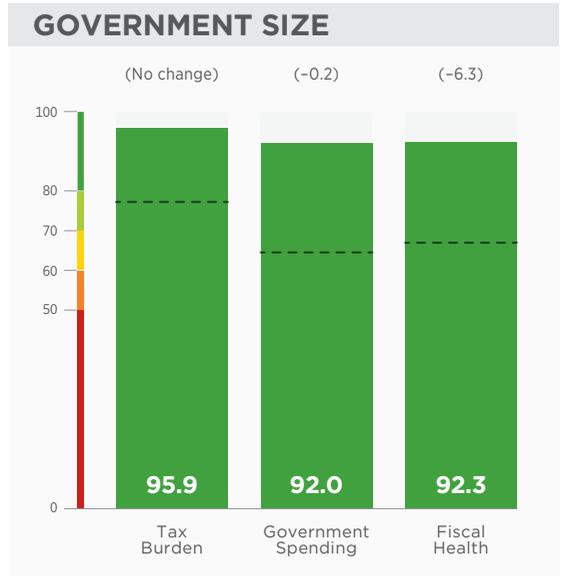
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Once an important stop on the Silk Road, the former Soviet republic of Turkmenistan is now a dictatorship and one of the world's most secretive, closed, and authoritarian countries. In 2017, President Gurbanguly Berdimukhammedov won a third seven-year term with over 97 percent of the vote in elections that international observers regarded as flawed. Berdimukhammedov's policies are somewhat more open to the world than those of his predecessor, the late President-for-Life Saparmurad Niyazov, but the government still tends toward isolationism. The economy is based on intensive agriculture in irrigated oases, sizable oil resources, and the world's sixth-largest reserves of natural gas. China is currently its largest export market, especially for gas.

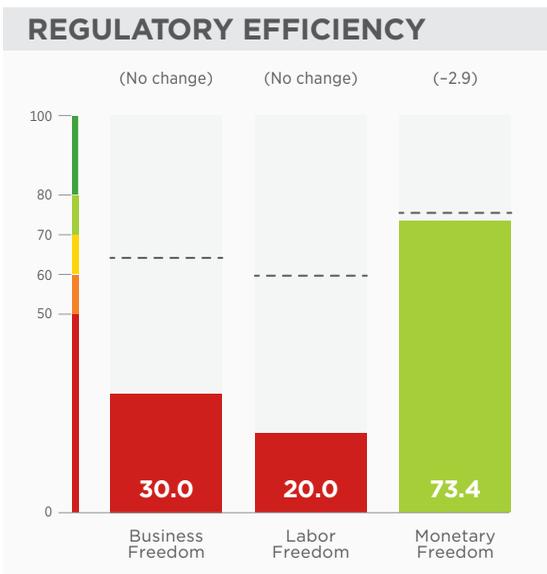
12 ECONOMIC FREEDOMS | TURKMENISTAN



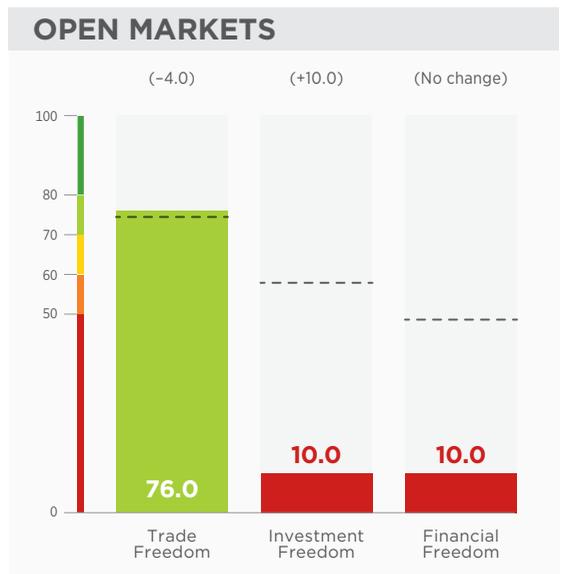
The government owns all land, and other real property ownership rights are limited. Enforcement of contracts and protection of property rights are ineffective. The nominally independent judiciary is subservient to the president, who appoints and removes judges at will. Laws are poorly developed, and judges are poorly trained and open to bribery. Corruption is widespread.



The personal income tax rate is a flat 10 percent, and the corporate tax rate is 8 percent. Other taxes include value-added and property taxes. The overall tax burden equals 15.6 percent of total domestic income. Over the past three years, government spending has amounted to 16.4 percent of the country's output (GDP), and budget deficits have averaged 2.0 percent of GDP. Public debt is equivalent to 28.8 percent of GDP.



Regulatory codes remain outmoded, and personal relations with government officials often play a role in overcoming bureaucratic red tape. The bloated public sector provides the majority of jobs, and labor regulations are outdated and not enforced effectively. The government says it is considering reducing subsidies for electricity and gas, but so far, only water subsidies have been cut.



The combined value of exports and imports is equal to 117.7 percent of GDP. The average applied tariff rate is a relatively low 2.0 percent, but nontariff barriers, exacerbated by the government's heavy involvement in various sectors, dampen trade flows. Foreign investment remains limited to a few handpicked partners. About 49 percent of adults have access to an account with a formal banking institution.