

KCCI - Country Wrap: Turkmenistan (Jun.'18)



Turkmenistan – a brief overview

Present-day Turkmenistan covers territory that has been at the crossroads of civilizations for centuries. In 1924, Turkmenistan became a Soviet republic; it achieved independence upon the dissolution of the USSR in 1991. The Government of Turkmenistan is actively working to diversify its gas export routes beyond the still important Russian pipeline network.

Economy of Turkmenistan

Turkmenistan is largely a desert country with intensive agriculture in irrigated oases and sizeable gas and oil resources. Agriculture accounts for roughly 8% of GDP and continues to employ nearly half of the country's workforce. From 1998-2005, Turkmenistan suffered from the continued lack of adequate export routes for natural gas and from obligations on extensive short-term external debt. At the same time, however, total exports rose by an average of roughly 15% per year from 2003-08, largely because of higher international oil and gas prices. Additional pipelines to China, that began operation in early 2010, and increased pipeline capacity to Iran, have expanded Turkmenistan's export routes for its gas. In an effort to prosper the country's economic situation, President Berdimuhamedow has unified the country's dual currency exchange rate, ordered the redenomination of the Manat, reduced state subsidies for gasoline, and initiated development of a special tourism zone on the Caspian Sea. Although foreign investment is encouraged, and some improvements in macroeconomic policy have been made, numerous bureaucratic obstacles impede international business activity.

Economic Relations between Pakistan and Turkmenistan

Relations between the two countries were established after Turkmenistan became independent from the Soviet Union. Pakistan was one of the first countries to recognize the independence of Turkmenistan in December 1991. Formal diplomatic relations were established on 10 May, 1992. To celebrate the 10th anniversary of Turkmenistan's independence in 2001, Pakistan issued stamps bearing the flag of Turkmenistan. The main economic aspect of Turkmenistan-Pakistan relations is based on realization of the Turkmenistan-Afghanistan-Pakistan gas pipeline project. The capacity of 1,400km pipeline, half of which would run via Afghanistan, is estimated between 25 to 30Bn cubic meters gas per year. Realization of gas pipeline project would require basic infrastructure such as road and railway links, which will take the economic and trade cooperation between countries to new heights. Simultaneously political, parliamentary and social links have also been established. The Co-operation in the field of Defence has significantly boosted the Turkmen-Pak bilateral ties. Pakistan is also providing free training facilities for army, naval and air force officers of Turkmen Armed Forces.

Bilateral Trade between Pakistan and Turkmenistan

In 2017, Pakistan's goods import from Turkmenistan stood at \$ 16.81Mn as against imports of \$ 24.96Mn in 2016 which shows a decline of ~33%. Pakistan's goods export to Turkmenistan stood at \$ 3.23Mn during the period as against imports of \$ 4.0Mn in 2016 depicting a decrease in exports of ~19%. Both the countries had signed five agreements and Memoranda of Understanding (MoUs) to boost cooperation in the fields of trade, energy, media and culture back in November 2011. Moreover, Bilateral Investment Treaty (BIT) had also been signed between the two states in 1994. Similarly, both countries have inked Double Taxation Treaty as well.

Potentials for enhancing Trade between Turkmenistan and Pakistan

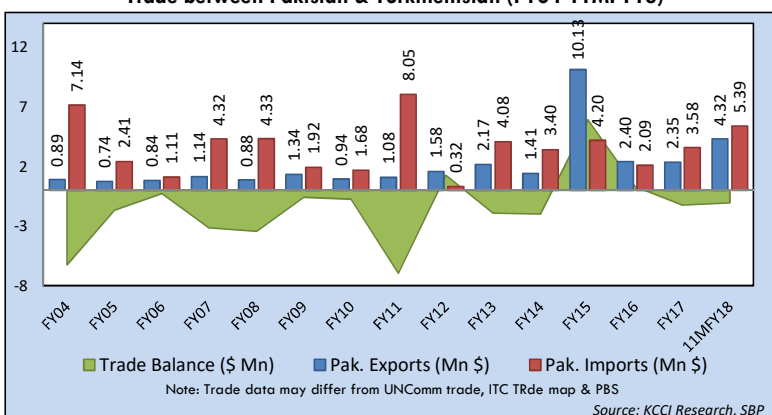
There is an immense potential of trade between the two countries as BIT is operational since 1994. Much of the benefits can be reaped to increase the trade between the two states from millions to billions as both the nations are located in Asia and have diversified potential in their product lines.

Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	97.16	103.50	6.53%
GDP per Capita	\$	17,800	18,700	5.06%
GDP growth	%	6.20	6.50	0.30%
Forex Reserves	\$ Bn	25.05	20.60	-4.45%
External Debt	\$ Bn	0.43	0.44	4.26%
Exports of Goods	\$ Bn	6.99	7.39	5.83%
Imports of Goods	\$ Bn	5.00	4.80	-4.00%
Trade Balance	\$ Bn	1.99	2.59	30.56%
Current Account	\$ Bn	-7.61	-6.42	15.62%
FDI - at Home	\$ Bn	N/A	N/A	N/A
FDI - at Abroad	\$ Bn	1.4	N/A	N/A
CPI	%	3.60	6.00	2.40%
Prime Lending Rate	%	N/A	N/A	N/A
Population	Bn	N/A	5.35	N/A
Unemployment	%	N/A	N/A	N/A
Literacy Rate	%	99.7	N/A	N/A

Sources: KCCI Research, CIA Factbook

Trade between Pakistan & Turkmenistan (FY04-11MFY18)



Turkmenistan's Top 10 Trade Items (2017)

Top 10 Exports Items (\$ Mn)		Top 10 Imports Items (\$ Mn)	
Mineral fuels, mineral oils	7024.07	Machinery, mechanical appliances	890.10
Cotton	398.00	Electrical machinery & equipment	368.24
Fertilisers	62.91	Vehicles other than railway	320.27
Plastics and articles thereof	59.80	Articles of iron/steel	246.23
Other made-up textile articles	28.21	Commodities not specific	158.04
Vehicles other than railway	20.58	Miscellaneous chemical products	111.81
Salt, lime, cement	18.36	Optical, surgical measures	108.88
Inorganic chemicals, metals	12.39	Pharmaceutical products	94.44
Lac, resins, veg.saps & extracts	11.80	Plastics and articles thereof	92.92
Articles of apparel & clothing acces	11.53	Furniture, mattress supports	70.50

Sources: KCCI Research, Trademap

Pakistan - Turkmenistan Top 10 Trade Items (2017)

Pakistan Export Items (\$ Mn)		Pakistan Imports Items (\$ Mn)	
Cereals	1.32	Cotton	14.76
Other vegetable textile fibres	0.67	Raw hides and skins	1.28
Inorganic chemicals	0.48	Salt; sulphur; earths and stone	0.35
Explosives;pyrotechnic products	0.44	Plastics and articles thereof	0.12
Oil seeds and oleaginous fruits	0.06	Soap, lubricating preps.	0.11
Ceramic products	0.03	Carpets and other textile floor	0.08
Articles of leather, handbags	0.00	Oil seeds and oleaginous fruits	0.07
Furskins & artificial fur	0.00	Products of animal origin	0.02
Wood and articles of wood	0.00	Machinery, mechanical appliances	0.01
Cork & articles of cork	0.00	Lac, resins, veg.saps & extracts	0.01

Sources: KCCI Research, Trademap