

TURKMENISTAN

By Interfax M&CN

In 2000, Turkmenistan achieved the fastest rate of economic growth within the CIS, increasing GDP by 17.6%. Turkmenistan's industrial production grew by 29% year-on-year in constant prices in 2000. The National Institute for Government Statistics and Information attributes the growth to a 42% rise in labour productivity, while the number of workers at industrial enterprises dropped by 3%. The gas, oil and light industries, which increased production by respectively 100%, 13% and 15%, contributed most of the growth. These three sectors account for respectively 45%, 19% and 13% of total output. Extractive industries increased output by 90% (largely thanks to the gas industry) and accounted for 59% of total output, and the manufacturing sector posted growth of 11% (largely thanks to the cotton industry) and accounted for 41%.

Capital investment in Turkmenistan rose by 6% year-on-year. Turkmen companies and organisations financed 30% of the total investment, state funds 16%, foreign direct investment 11%, and loans 25%, of which foreign loans accounted for 22%, according to the National Institute for Government Statistics and Information. Some 63% of investment was channelled into the state sector. So-called 'production' sectors received 68% of all capital investment.

Turkmenistan had a foreign trade surplus of US\$700 million in 2000. Exports grew approximately 10% to US\$2.5 billion, and imports rose 21% to US\$1.8 billion. Natural gas accounted for half of exports, petroleum products for 20%, crude oil for 10%, cotton fibre for 9%, and textile products accounted for 3% of exports. Natural gas exports increased by 220% from 1999, petroleum product exports were up 140%, crude oil exports increased by 70%, textile product exports were up 30%, and cotton fiber exports increased 6% from the previous year.

Historically, Turkmenistan has not extracted or processed any significant amounts of metal-containing ores and, so far, no metallurgical plants have been built in the country. Turkmenistan, however, holds the fourth place as gas producer in the CIS, and fifth as an oil producer. Turkmenistan's oil reserves, including offshore Caspian deposits, are estimated at 12,000 Mt. Besides, Turkmenistan develops deposits of industrial minerals, notably kaolin and building granite. There is also the Zulfagar alunite deposit in Badkhyz in southern Turkmenistan and the Zeaklinskoye alunite deposit.

Turkmenistan produced 47 billion m³ of natural gas in 2000, against 22.8 billion m³ in 1999. According to the Turkmenistani Ministry for the Oil Industry and Mineral Resources, exports to the CIS last year amounted to about 30 billion m³ of gas, compared with 8.5 billion m³ in 1999. Turkmenistan plans to increase production of natural gas to 70 billion m³ in 2001 and to increase exports to the CIS and beyond to 50 billion m³. Oil output increased to 7.9 Mt in 2000.

Recently Turkmenistan has got involved in a number of production-sharing agreements (PSA) to develop its oil reserves. In July 2000, a joint venture between Turkmenneft and the Panama-registered Pado Oil and Chemical Co. concluded a PSA with the Turkmen Government on development of the Khazar contract territory (East Cheleken) in western Turkmenistan. Turkmenneft will operate the project and Pado Oil will provide financing (about US\$300 million in the project over 25 years). The project is expected to yield over 7 Mt of oil, and generate revenues totaling US\$600 million, of which Turkmenistan will receive US\$300 million. It is the first PSA project Turkmenneft will operate.

Turkmenneft is also participating in the PSA on development of the Garashsyzlyk-2 block in western Turkmenistan. The 4,500km² block includes the Cheleken, Barsagelmes, Koturdepe, Ordekli, Ekizak and Guidzhik fields with combined reserves of 400 Mt. Mobil Exploration and Production Turkmenistan is the project operator with a 52.4% interest. Britain's Monument has 27.6% and Turkmenneft has 20%.

Investment by Dragon Oil in developing oil extraction at the LAM deposit on the Turkmen shelf of the Caspian Sea under a production sharing agreement was estimated at US\$35 million in 2000. The PSA is scheduled to last for 25 years, and total investment in developing the LAM and Zhdanova deposits will amount to US\$2.2 billion. The project also includes the reconstruction of 12 sea platforms, main pipelines and modernisation of infrastructure to process and store oil at Aladzha, and the equipping of an oil reservoir with a capacity of 50,000 t. According to company specialists, this will allow for a significant increase in the production of the deposits and will guarantee an increase in daily output to 10,000 t. According to the Turkmen Ministry for the Oil and Gas Industry and Mineral resources, extractable reserves at the LAM and Zhdanova deposits amount to 80 Mt. It is expected that the Turkmen side will receive revenue of US\$4.7 billion from the deposits and Dragon Oil US\$2 billion.

Since oil and gas play a key role in the economy, Turkmenistan is paying much attention to further exploration and development of its hydrocarbon resources. In September 2000, Turkmen President Saparmurad Niyazov approved an investment project by state concern Turkmengaz to drill three exploration wells in sections of the Yashyldepinskaya site to determine hydrocarbon resources on the east shore of the Amudarya. Turkmengaz will conduct the US\$11.5 million project with Turkmengeologia, another state enterprise, in 2000 and 2001. The State Bank for Foreign

Economic Activity will finance the project, possibly by drawing foreign loans. The state fund for the development of the oil and gas industry will transfer all hard currency earnings from the sale of petroleum products and oil. State trading corporation Turkmenneftegaz will sign contracts with suppliers chosen through tenders, and will oversee the delivery of material and technical resources for the project. The corporation will also sign an US\$11.5 million loan agreement for three years with Vnesheconombank, and sell oil and petroleum products through the exchange to repay invested money.

Another project involves the participation of the state concern Turkmenneft in the exploration and development of the Nebitlidzhe, Western Nebitlidzhe, Shatut and Gerchek structures. According to the project, total investment in the period from 2001 to 2016 will amount to almost US\$379 million, including US\$12.6 million in 2001 alone.

For the gradual implementation of the investment project, which will be developed by Balkan Oil Scientific Research Institute, Turkmenneft will establish a target quota for crude and oil products of US\$12.6 million in 2001 to acquire the necessary material and technical resources. Trading company Turkmenneftegaz will carry out the sale of this oil. Financing for the project, involving the opening of a special accumulative account in the Turkmenistan Foreign Economic Bank and guaranteeing the transfer of hard currency revenue from the sale of oil products and crude under the quota, will be organised by the state fund for the development of the oil, gas and mineral resources industries.

A third project, for the industrial development of the South Gamyslydzha deposit involves an investment of US\$25 million in 2001, which will be used to buy material and technical resources for Turkmenneft. Investment attracted will be returned by the sale of additionally extracted oil through the Turkmenistan commodities exchange.