

DEVELOPMENT OF ECONOMIC REFORMS IN TURKMENISTAN

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Abstract

Turkmenistan continues economic and social progress. In the process of multifaceted transformations in the country, the national model of market economy is steadily improving, taking into account the internal interests and trends of integration processes in the world. Turkmenistan is a dynamically progressing country in all sectors of the national economy. The country has radically changed the structure of many sectors of the economy.

Turkmenistan is located in the southwest of Central Asia. Its territory is 488.1 thousand km². Turkmenistan has a favorable geographical position. The country is objectively a “bridge” between Europe, the European states of the CIS, the central part of Russia, on the one hand, and the vast regions of Central and South Asia, on the other. Turkmenistan borders with Kazakhstan, Uzbekistan, Afghanistan and Iran, has access to the Caspian Sea.

Turkmenistan is rich in various minerals. The country has large reserves of mercury, sulfur, ozokerite, and that is important for dry desert climate, sources of fresh drinking and mineral curative water. Turkmenistan is also known for other natural resources that are in great demand in the world market.

In the system of the so-called “All-Union Cooperation”, largely based on modern realities, this was due to the fact that Turkmenistan, in particular:

- actually has the 4th place in the world in terms of natural gas reserves (15-20 trillion m³);
- besides this, the country also has impressive oil reserves (1.5-2.0 billion tons), as well as gas condensate;
- By volume of raw cotton grown, Turkmenistan is currently included in the ranking of top 10 countries - the leading cotton producers.

At the same time, as part of the USSR, our country significantly lagged behind in the socio-economic development from the rest of the republics of the former Union. This delayed the development of national productive forces. Predominantly extensive management methods, a tough command-administrative management system, bureaucracy, low living standards, a small working class, a conservative employment structure, along with these "features" were the richest natural resources, an advantageous geographical position, a cheap and sufficiently qualified work force. This situation made special demands when developing strategies and tactics of social and economic policy.

Turkmenistan is being as an industrial-agrarian republic still in the USSR, specialized mainly in the extraction of hydrocarbon resources and the production of raw cotton for the needs of the industrial centers of the former USSR. Over the past 15 years before the collapse of the USSR, it produced 1 trillion 390 billion cubic meters of gas, 200 million tons of oil, 7.5 million tons of cotton fiber, a large amount of sulfur, iodine, bromine, and many chemical products. In the total

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amount, the contribution of our republic to the piggy bank of the USSR was approximately 180 billion dollars, of which it took 3-5 billion. At the same time, the country was deprived of the right to develop independently its infrastructure and, in general, its economy.

By 1991, Turkmenistan was a predominantly raw material region with a poorly developed processing industry.

Turkmenistan ranked second in terms of gas production in the former USSR, fourth in oil production and second in the production of raw cotton.

In Turkmenistan, only 3% of the raw cotton, 8% of the vegetables and fruits grown were processed. The basis of the economy: extraction of energy resources, agriculture and energy on cheap hydrocarbon raw materials.

In the former USSR, the share of Turkmenistan accounted for only 0.4% of industrial production, 1% of agricultural production and 0.7% of national wealth.

At the same time, almost no grain was grown in Turkmenistan for food. In the mid-1980s, on average, about 250 thousand low-quality grain crops were grown, which for the most part went to feed livestock. Until independence, only primary processing of cotton was carried out in Turkmenistan, and its industrial processing was carried out in the central regions of the former USSR.

The transition to a market economy in Turkmenistan was a long and difficult process. However, at all stages of the ongoing economic reform, the main guidelines for the government were to ensure gradual and even growth of the economy, stabilize prices, foreign economic equilibrium, social protection of the population, including high employment, and take into account the mentality of the people.

The main goal of the state was the creation of a developed market economy of a mixed type with strong government regulation and social support of the people. The social reorientation of the economy was understood as the saturation of the market with goods, the preservation of price stability in the consumer market, the increase in household incomes. For this, it was necessary to sharply increase the level of per capita national income generated. Market saturation of the market was mainly necessary to ensure on the basis of the organization of its own production.

In the shortest possible time it was necessary to radically change the material, production-technological, organizational-economic and regional structures of the economy. This was supposed to open up broad prospects for the manifestation of market relations and provide firm social guarantees to the general population.

It is known that economic reform is a complex and multi-stage process. In Turkmenistan, they are carried out constantly; starting from the Soviet times, when reforming was aimed at increasing the independence of enterprises with the help of a self-supporting system and ending with the current situation. Reconstruction processes, the purpose of which was the transition from one form of the economy to another: from centralized planning to a market economy, which is still in progress to the present, was a serious basis for economic reforms.

Since January 1, 1992, after the final collapse of the USSR, Turkmenistan, unlike other former Soviet republics, Turkmenistan took the path of a phased transition to a market economy. The main merit of our first President was that market reforms in Turkmenistan began gradually. In the early years of independence, the state retained the right to regulate prices for basic goods and services, to use the card system in the distribution of flour, meat, animal oil, vegetable oil, tea, sugar, soap, which allowed to implement the humanistic content of article 3 of the Constitution of Turkmenistan that in our country the highest value of society and the state is a person.

Since the first days of independence, Turkmenistan has begun to develop a socially oriented model of a market economy. The main directions of the macroeconomic policy of Turkmenistan is the qualitative and gradual formation of a highly efficient economy with a developed public sector, enterprising entrepreneurship and a modern market infrastructure, effective government

regulation, providing social guarantees to all segments of the population and orienting all economic entities towards achieving high end results.

The “10 Years of Stability” program adopted in 1993 became a kind of “Turkmen model” of socio-economic transformations, on the basis of which the country chose a smooth, consistent development path reflecting the country's specific conditions - history and level of development, influence on political changes, way of life of the people and their mentality. The main components of a scientifically developed model are:

- the evolutionary nature of transformations;
- phased economic reform;
- the leading role of the state in managing economic processes;
- a fairly strong state social support of the population.

Ensuring a decent standard of living for the citizens of the country and improving its quality was the core idea of economic reforms in Turkmenistan.

The basis of the economic policy of Turkmenistan was laid the principle of strengthening statehood in the development of economic independence of individual objects. The state acted as a guarantor of the balanced development of all spheres of economic relations, determined the framework for priority areas.

Considering that the fuel and energy complex was the basis of the economy of Turkmenistan and as the practice of other resource-rich countries shows, this makes the economy of the country vulnerable to a certain degree from the external market conditions. In this regard, from the first years of independence, Turkmenistan was well aware of the need to diversify the national economy, advance the development of multiplicative industries and industries, such as construction, textile, light and food industries, as well as infrastructure sectors.

Only due to the reforms that were carried out in the first ten years after the collapse of the USSR, we were able to strengthen the political stability in the country and gain an appropriate pace for economic growth, the highest in all CIS countries. And not only the CIS. As is known, in 2000 Turkmenistan took the first place in the world in terms of the growth rate of the gross domestic product (GDP), which amounted to 17.6 percent.

It should be noted that having a huge resource potential, a significant territory, while following the goals set, during the years of independence Turkmenistan has managed to make a giant leap forward.

In general, the volume of GDP increased fourfold in 2001 compared with 1991. It should be noted here that if the agricultural orientation of our economy in the Soviet period caused a high share of the agricultural sector in the structure of GDP, in particular 40%, and in industry 17%, then in 1999-2001. the share of industry in GDP amounted to 31%, and the agricultural sector 38%.

Currently, this figure is as follows: industry 32.3%, agriculture 11.1%.

At the same time, the share of GDP directed to consumption increases every year, which contributes to an increase in the standard of living of the population. If in 1991, 30% of GDP was allocated for these purposes; in 2001 it was already 51%. At the same time, more than 70% of consumption is provided by own production.

Thus, each stage of advancement to the market was accompanied by measures of social protection of the most vulnerable segments of society with the help of price benefits, benefits, targeted assistance and other social transfers. The share of natural transfers was especially high in the period from 1991 to 1996, which extended to almost the entire population. It should be added that since January 1993, the population of the country began to use gas, electricity, water for free, and since February 1994, salt.

Since 1997, the emerging trend of stabilization, and then the growth of real incomes of the country's population, has allowed for a number of changes in the social protection system, in particular, from 1997 to 2006, the social protection system has become targeted.

Together with the strengthening of targeted social protection, the list of dated and subsidized goods was narrowed. Despite the ongoing changes to the present in Turkmenistan, the state regulates prices and tariffs for a number of food products, transport and communication services and for some other products for the population. By influencing the process of internal pricing, ensuring the availability of prices for basic goods and services, the state thereby contributes to an increase in real incomes of the population and their purchasing power.

In order to maintain the living standards of the population, wages, pensions, benefits and scholarships have been systematically increased since independence. Provides social stability and low income tax rates.

In addition, individuals who have dependents in their maintenance enjoy tax breaks. The rural population, which accounts for 52.7% of the total population, is practically exempted from all types of taxes. Thus, the leveling of disposable incomes of the rural and urban population is ensured.

Along with the priority of social policy, from the first years of independence, the main promising areas of economic reforms were also clearly defined. Primarily, the agrarian specialization of the country's economy at the initial stage of its reform ensured a high proportion (40%) of agriculture in the gross domestic product (GDP) structure.

In general, at the first stage of economic reforms, which ended in 1996, the following was implemented:

1. To regulate the procedure and conditions for the formation of new economic mechanisms aimed at providing solid social guarantees for the population, a number of important laws were adopted.

An important place in the system of measures of legislative regulation of relations in the economic sphere was given to the development and adoption of laws that promote the effective functioning of the monetary system of Turkmenistan.

2. In order to strengthen the economic sovereignty and statehood of Turkmenistan, ensuring independence in the conduct of monetary policy in 1993, the country introduced its own currency - manat. The main purpose of introducing its own currency was to ensure the possibility of stabilizing the monetary system, to protect the domestic market of consumer goods and industrial-technical purposes, to increase the effectiveness of measures for social protection of the population.

3. In December 1993, the process of privatization of state consumer services began. The main form of privatization was the sale of these objects to collective ownership and at auctions.

For legislative support of the privatization process, a legal framework was developed and approved as soon as possible. The Law of Turkmenistan “On Denationalization and Privatization”, “On Property”, the State Privatization Program, Decrees, and Resolutions of the President of Turkmenistan were drafted.

The main goal of privatization processes was the formation of a class of owners who could contribute to the creation of a socially oriented market economy, increase the efficiency of enterprises. It was this class that was to determine the path of development of the economy of Turkmenistan and allow creating a competitive environment in increasing the production of consumer goods.

The privatization process in Turkmenistan took place in stages, with certain restrictions. The objects of strategic importance, as well as the subsoil, the forest estate, water resources, airspace, the objects of historical and cultural heritage, were not subject to privatization.

At the first stage of economic reforms (1993-1996), the program of the so-called “small privatization” was implemented. Small privatization has captured enterprises in the service sector, trade, catering, small enterprises producing consumer goods and the production of building materials with up to 100 employees.

By the beginning of the second stage of economic reforms, which was announced in April 1997, the country had almost completed the privatization of consumer services, created the conditions for the introduction and development of private property, entrepreneurship, construction of joint ventures, and attraction of foreign capital.

The developed program of the second stage of economic reforms, called the “1000 Day Program”, provided for the deepening of economic reform processes and the activation of new sources of investment. The further expansion of the new class of owners and the rate of economic growth of the country largely depended on the development of privatization and privatization processes.

In order to implement the program of the second stage of economic reforms and regulate the procedure and conditions for the formation of a market environment, the country has adopted many other legal acts regulating property relations and the procedure for privatization.

In particular, the Laws of Turkmenistan (in the new edition) “On Denationalization and Privatization”, “On Joint-Stock Companies”, “On Daikhan Farm”, “On Peasant Associations”, Decree of the President of Turkmenistan “On Improving Reform and Privatization in the Agro-Industrial Complex” “On some measures to accelerate reforms in agriculture”, “On improving the procedure for using state property” and others. The necessary regulations and instructions on the procedure for privatizing industrial enterprises, trade objects, securities, and stock exchanges have also been adopted.

The process of privatization and privatization of state property began on January 1, 1994. The privatization processes of industrial facilities have been widely developed, the process of incorporation of medium and large industrial enterprises began to develop, a number of unprofitable state-owned enterprises passed into private hands. All this allowed the state to attract additional funds for investment from non-inflationary sources through the issuance of shares and credit resources.

When privatizing (when buying) state-owned enterprises, labor collectives took advantage. They were presented with some benefits, in particular, the purchase of state property to labor collectives was allowed by installments or at preferential prices. Some objects were transferred to labor collectives free of charge. It was authorized to labor collectives, also, rent with the right of redemption and some other benefits.

Privatization of small enterprises was carried out by selling at auctions (commercial competitions). Medium and large enterprises were privatized by converting them into joint stock companies with the subsequent sale of the state-owned block of shares. Incomplete construction projects were implemented in investment and commercial competitions.

On the basis of the Resolution of the President of Turkmenistan “On the sale of vehicles of state enterprises, organizations, institutions”, through the Corporation “Turkmenavtohyzmatsovda”, ministries, departments, state enterprises, organizations and institutions received permission to sell, used, and completely spent depreciation or technical condition for further operation in the national economy, vehicles.

For people who received the status of a migrant, the privatization of the public and housing stock was carried out.

The procedure for leasing property complexes and land plots began to be streamlined, where the necessary conditions were created for the compensated use of state property by private entrepreneurs and the transfer of state property to private equity ownership.

Foreign investors began to be involved in the privatization process, the creation of joint ventures with the participation of foreign capital, and the acquisition of existing enterprises by foreign investors were encouraged.

Since 1998, such forms of privatization as an address sale, investment competition, and sale of objects with installment payment for long periods began to be actively used. To increase the

interest of labor collectives in the acquisition of the property of their enterprises, the tax legislation has been revised. But low-liquid enterprises were mainly involved in the privatization process.

From all privatized objects from the beginning of privatization, until today most of the objects or 34.3% of objects were sold at auction and investment competition, 2.8% of the objects were directly sold to the address, 1.4% were converted into joint-stock companies. And the remaining 62.9% of the enterprise is transferred to the non-state sector of the economy through other forms.

Thus, Turkmenistan clearly defined the approach to solving the key issue of market transformations - the property issue and laid the foundation for a modern type of economy based on advanced ideas for expanding the production and service structures of private, cooperative, collective and mixed forms of ownership, increasing their share in structure of the economy. New forms of economic activity began to be activated, a wide class of owners and a competitive environment were formed, and the non-state sector of the economy, which was based on small and medium-sized enterprises, developed.

The government of Turkmenistan has been actively working to support small businesses. The International Bank for the Reconstruction of Development and Support of Entrepreneurship was created. In the framework of projects of private producers, the Government of Turkmenistan has allocated state soft loans. For the same purposes, foreign loans were provided. Under the Cabinet of Ministers of Turkmenistan, a fund for the development of small and medium businesses was created.

It was simplified, the procedure for the creation of private enterprises, self-employment. The decree "On the simplification of taxation of small enterprises" was issued, on the basis of which for small enterprises with a workforce of up to 15 people, value-added taxes, property and profits were abolished and a single tax was set at 30% of income. This Decree also extended to small manufacturing enterprises employing up to 50 people. As a result, the tax amount in comparison with the previous one, decreased by more than 1.5 times.

In general, a system of state support for entrepreneurship was formed, which promotes the development of competition and economic initiative. The measures taken allowed to activate the business and to achieve certain positive developments in this direction.

So if in 1991 the majority of the country's enterprises were in the hands of the state, then by 1999 there were only 18% left. That is, 82% of enterprises registered in the statistical register of enterprises are already listed in the non-state sector of the country.

Subsequently, in order to support and stimulate small medium-sized businesses to be timely, relevant and effective, and in order to achieve the goals set by the head of state, the Conceptual Basis for the Development and Support of Small and Medium-Sized Businesses and the State Program for the Development and Support of Entrepreneurship are developed and approved.

On the priority of small and medium enterprises in the development of the national economy at the present stage, the Law of Turkmenistan "On the state support of small and medium enterprises" adopted on August 15, 2009 is also evidence. Based on this law, state support for small and medium-sized businesses in Turkmenistan is carried out in 7 main areas.

In the context of the National Program for the Socio-Economic Development of Turkmenistan for 2011–2030, the country has developed a system of direct and indirect support, the combination of which contributed to the free development of small and medium-sized businesses, enhances their social activities and development rates. As a result, this contributed to an increase in the number of enterprises in the non-state sector of the economy, which is today 80.3%. The number of workers employed in them has also increased. So if, in 1991, 56% of those employed in the national economy worked in the public sector, then in 1999 63% employed in the national economy were listed in the non-state sector of the country's economy. Currently, this figure reached 75.1%. There is a steady increase in the number of entrepreneurs without a legal entity, including employees.

In order to ensure sustained high rates of economic development, to stimulate and support private entrepreneurship, to promote the growth of small and medium-sized businesses, in March 2011, the President signed a resolution and approved the "State program to support small and medium-sized businesses in Turkmenistan for 2011-2015" and "The plan of relevant activities to support small and medium-sized businesses in Turkmenistan for the period 2011-2015."

An important role in the promotion and support of entrepreneurial activities belongs to the established Union of Industrialists and Entrepreneurs of Turkmenistan, the Chamber of Commerce and Industry of Turkmenistan and public organizations.

As a result, there has been a steady increase in the volume of investments made by entities of the non-state sector of the economy in sectors of the economy and a steady increase in tax revenues from them in the state budget of the country.

Thus, at present, over 50% of the total investments in the economy fall to the share of enterprises of the non-state sector of the economy. Of these, 72.1% belong to the development of manufacturing industries, others to the development of industrial sectors and construction.

Today, Turkmenistan is a dynamically progressing country in all sectors of the national economy. The country has radically changed the structure of many sectors of the economy. Mining industries, rationally using mineral resources, provide significant foreign exchange earnings. At the same time, there is an increase in the volume of processing industries.

Due to the deep diversification of the industry structure in the country, industrial processing of almost all grown cotton is carried out. Turkmenistan has managed to become an example of the formation of a modern infrastructure around the monoculture of cotton with a deep level of processing of raw materials and high quality breeding. Being one of the world leaders in the production of raw cotton, Turkmenistan has managed to largely move away from the export of raw materials, becoming one of the first due to the creation of the textile industry from scratch.

The agriculture industry in Turkmenistan today acts as one of the important sectors of the country's economy. In this industry in 2017, over 11% of GDP was produced. Despite the fact that the country is a country with a developed crop, in the structure of gross agricultural output, the share of livestock industries in 2017 was 63.1%. At the same time, about 63% of all agricultural products are the result of the labor of private sector entities. All this ensures the country's food independence. The population of the country consumes food mainly through its own production (over 90% of the total volume of commodity resources).

Over the years of independence, the economy's dependence on the development of the fuel and energy sector has also decreased. The structure of GDP has changed significantly, as a result, the share of industry increased to 32.3%, and the share of light and food industries in industry increased to 43.9%.

The unified transport system created in the country, which is based on the idea of reviving the Great Silk Road, makes it possible to more effectively use the natural resources of Turkmenistan, develop the productive forces of all settlements, develop new territories and significantly improve the living conditions of the population.

Thus, Turkmenistan continues economic and social progress. In the process of multifaceted transformations in the country, the national model of market economy is steadily improving, taking into account the internal interests and trends of integration processes in the world.

On September 20, 2016, the Government of Turkmenistan officially approved 17 Sustainable Development Goals (SDGs), 148 targets and 187 indicators, which will be implemented over the next 15 years. The Government of Turkmenistan also included the objectives of the Agenda until 2030 and the Sustainable Development Goals in the National Program of the President of Turkmenistan for Socio-Economic Development for 2018-2024, adopted on October 9, 2017.

Although the SDGs are not legally binding, it is assumed that the government will assume responsibility and create national mechanisms that will contribute to the achievement of 17 goals.

The country has the primary responsibility for following up and reviewing progress towards the goals.

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