

**ECONOMIC CO-OPERATION OF THE REGIONS OF RUSSIA  
WITH TURKMENISTAN**

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Among the countries of CIS, Turkmenistan is known as one of the most closed state, information about which could hardly be found. At the same time these dates are contrary to each other. Meantime, Turkmenistan, a former Soviet Central Asian republic of 6 million people, possesses a great potential. Turkmenistan is rich in oil and gas. Proven gas reserves equals at least 100 trillion cubic feet, while the possible reserves amounts up to 260 trillion, putting Turkmenistan among the world's top 10 countries in terms of such reserves. Expertise energy potential is more than 45 billion of oil equivalents. Untapped oilfields, the size of which is yet to be quantified, lie off the coast of the Caspian Sea. Being among the richest countries in the world in terms of hydrocarbon resources, Turkmenistan represents unquestionable interest for European community as an oil and gas exporter and is paid a great attention at the world's energy markets as well.

The paper gives some aspects of the foreign economic activity based on the analysis of the regional co-operation between Russian and Turkmenistan. The article puts to the center of research the following issues:

- a) classification of the regions of Russia according to the volume of the trade turnover;

- b) peculiarity of the trade relations between Russia and Turkmenistan at the fuel and energy complex, food, machinery and equipment, chemical products, means of transport and ferrous metals areas and others;
- c) Determination of the export/import oriented regions.

The purpose of the paper is to analyze the level of cooperation between Russia and Turkmenistan at a current stage, find out the ways to be integrated to the European's energy markets.

**Key-words:** regional co-operation, economic co-operation, regions of Russia, Turkmenistan, trade relations.

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### **Economic co-operation of the regions of Russia with Turkmenistan**

During the Soviet Union period Turkmenistan was one of the primary trading partners of Russia whose share of the total trade of the Republic amounted to 2.6% and the total trade volume with Russia equaled 3.6 billion US dollars in 1990. The situation has cardinally changed after the collapse of the USSR. The tendency of the growth of external economic links towards to other countries was maintained. As a result, the total trade volume between two countries decreased. Thus, for 2003 the trade turnover has come to 250 million US dollars (14.4 times less than in 1999) and Turkmenistan's share in Russia's total trade volume with CIS countries has decreased to 0.7%. At the same time, development of economic relations with Turkmenistan has become one of the main political issues for Russia. Among the countries of CIS, Turkmenistan continues to be an important trade and economic partner for Russia.

Meantime, Turkmenistan, a former Soviet Central Asian republic of 6 million people, possesses a great potential. Turkmenistan is rich in oil and gas. Proven gas reserves equals at least 100 trillion cubic feet, while the possible reserves amounts up to 260 trillion, putting Turkmenistan among the world's top 10 countries in terms of such reserves. Expertise energy potential is more than 45 billion of oil equivalents. Untapped oilfields, the size of which is yet to be quantified, lie off the coast of the Caspian Sea. Being among the richest countries in the world in terms of hydrocarbon resources, Turkmenistan represents unquestionable interest for European community as an oil and gas exporter and is paid a great attention at the world's energy markets as well.

A significant stimulus for the expansion of bilateral trade and economic co-operation between two countries has been provided by the meeting between the President of the Russian Federation, V.V. Putin and the President of Turkmenistan, S.A. Niyazov, on 10 April, 2003 in Ashgabad, during which the “Cooperation and Friendship Treaty between Turkmenistan and Russian Federation” has been signed. The treaty takes the relationship to a new level and creates a firm foundation for the long term and all-round development of relations between the two states in fields of trade and economy, politics and other areas of co-operation. At the same time, in April 2003, the “Agreement between Turkmenistan and Russian Federation on Gas Industry Development” has been signed as well. The above agreement defines quantities of gas supply, conditions of delivery for the nearest 25 years – for the period 2003-2028. The agreement may be considered as significant step in the further expansion of bilateral trade, economic and investment co-operation between the two countries at the fuel and energy complex.

In January 2005, Turkmenistan has suspended gas supply to Russia due to disputes on costs. According to the available agreement, gas supply to the Russian “Gasprom” Public Corporation will reactivate from 1 May, 2005 and Turkmenistan will deliver 4 billion cubic metre in 2005, and 7 billion cubic metre in 2006 for a price of 44 US dollar per 1 thousand cubic metre (this price excludes commodity costs that makes 50% of total costs for supplied gas). The gas cost for the period 2007-2028 will be adjusted to the world prices. In the future, “Gasprom” plans to participate in the realization of investment projects for conducting geological surveying works, joint development of oil fields in Turkmenistan and increasing the import and transit of natural gas.

Turkmenistan is the cotton-fibre supplier for the Russian textile industry as well.

For Russia’s turn, the primary share of the export volume from Russia to Turkmenistan comprises of machinery and equipment, chemical products, means of transport and ferrous metals. On the whole, Russia’s export to Turkmenistan exceeds import over 7.8 times, while Russian balance of merchandise trade with Turkmenistan has been held positive for the last several years.

For the last 5 years (1998-2003), the structure of the trade turnover became more rational, which characterizes the structural changes in economies of the two countries. For example, machinery and equipment comprises the share of 53%, while the textile products, including cotton-fibre, constitutes the share of 0.6% in the volume of exports from Russia to Turkmenistan, whereas in 1998 these indicators equaled 57.4% and 60.2%, accordingly. (Table 1)

The share of food and agricultural products in the volume of exports from Russia to Turkmenistan equals 5%, the share of chemical products is 12%, while in 1998 these indicators were 2.8% and 10.2%, accordingly. At the same time, the share of timber and pulp-and-paper products reduced from 3.6% to 2.3%, the share of machinery and equipment and means of transport have decreased from 57.4% to 53%. There is an increase in the share of ferrous metals for 14.6% (from 8.4% to 23%).

Mineral products (including fuel and energy) comprised the primary share in the volume of import from Turkmenistan to Russia with 48%, and the volume of trade turnover amounted to 13 million US dollars in 2003. For a certain period of time, the share of import for textile products (with the share of cotton-fibre) dropped from 38% to 35%. The share of chemical products increased for 5.8%. In 2003, the total trade turnover between two countries amounted in 250.071 million US dollars, which is greater than in 1998 for 78.5% (for 110.356 million US dollars).

The value of Russian products and their adaptability to local conditions allows for the Russian business activists to maintain their competitiveness with foreign and local companies in the Turkmen market.

The tendency for the growth of trade volume between the countries and the increase of export of Turkmen production was maintained in 2003. Thus, the volume of exports from Turkmenistan to Russia made up 28.386 million US dollars, while the volume of imports amounted in 221.685 million US dollars. Thus, the balance of trade amounting in 193.299 million US dollars was not in favor of Turkmenistan.

Connectedness of the economic area of Russia with CIS countries by and large depends on intensity of economic ties of the Russian regions and CIS countries. In accordance with the Article 8 of the Federal Law № 157-Φ3 “On government regulation of foreign trade activity», adopted on 13 October, 1995, the Russian region’s terms of reference cover, parallelly with other authorities, the right to covenant the foreign trade contract with the federal foreign state agents, administrative and territorial districts (political units) of the foreign states. There are **62** Russian regions keeping in touch with Turkmenistan at a current stage, including 56 with the balance of trade in favor of the regions, and 6 regions with the balance not in favor of them. Thus, the most of Russian regions produce and supply their products. The Russian business is presented on the Turkmen market by companies such as Public Corporation “Gasprom”, “Minudobreniya”(“Chemical fertilizers”), “Zangas”, “Transneft” (“Transoil”), Voljskiy, Kamskiy and Gorkov automobile plants and many other enterprises. The growing interest of Russian companies can be observed in the areas of fuel and energy, food industry, telecommunications, machinery and equipment, production of

electro-technical products, construction materials, agricultural products processing, and so on.

The closest contacts are provided between Turkmenistan and the regions with advanced chemical, metallurgy, and engineering industries. There is a list of region's groups separated according to the volume of the trade turnover accumulated in Table 2.

There are following 25 regions had no contacts with Turkmenistan in 2003: Karelia Republic, Arkhangelsk Region, Nenets Autonomous District, Murmansk Region, Adigeya Republic, Kalmyk Republik, Chechen Republic, Komi-Permyats Autonomous District, Khanty-Mansiysk Autonomous District, Yamalo-Nenets Autonomous District, Buryat Republic, Tyva Republic, Taymir Autonomous District, Chita Region, Aginsk Buryat Autonomous District, Sakha (Yakut) Republic, Primor Territory, Khabarovsk Territory, Amursk Region, Kamchatsk Region, Koryak Autonomous District, Magadan Region, Sakhalin Region, Chukotsk Autonomous District and Jewish Autonomous Region.

**The share of food and agricultural products in the volume of exports from Russia to Turkmenistan equals 5%** and has been provided by following 26 regions: Vladimir Region, Voronej Region, Kaluga Region, Kursk Region, Lipetsk Region, Moscow Region, Smolensk Region, Yaroslavl Region, Moscow city, Vologda Region, Saint-Petersburg city, Dagestan Republic, Kabardino-Balkar Republic, Karachaevo-Cherkesiya Republic, North Osetiya (Alaniya) Republic, Krasnodar Territory, Stavropol Territory, Astrakhan Region, Volgograd Region, Rostov Region, Nijegorod Region, Orenburg Region, Perm Region, Samara Region, Saratov Region and Chelyabinsk Region.

**The mineral products (including fuel and energy) comprises the share of 1.3% in the volume of exports from Russia to Turkmenistan** and has been provided by next 14 regions: Belgorod Region, Leningrad Region, Saint-Petersburg city, Dagestan Republic, Krasnodar Territory, Volgograd Region, Bashkortostan Republic, Nijegorod Region, Perm Region, Samara Region, Saratov Region, Sverdlovsk Region, Chelyabinsk Region and Omsk Region.

**The share of chemical products is 12%.** The following 43 regions has exported production of chemical industry from Russia to Turkmenistan: Vladimir Region, Voronej Region, Kaluga Region, Kursk Region, Moscow Region, Ryazan Region, Smolensk Region, Tambov Region, Tula Region, Yaroslavl Region, Moscow city, Vologda Region, Leningrad Region, Pskov Region, Saint-Petersburg city, Dagestan Republic, Krasnodar Territory, Stavropol Territory, Astrakhan Region, Volgograd Region, Rostov Region, Bashkortostan Republic, Mordova Republic, Tatarstan Republic, Udmurt Republic, Chuvash Republic, Kirov Region, Nijegorod Region, Orenburg Region, Penza Region, Perm Region, Samara

Region, Saratov Region, Ulyanovsk Region, Kurgan Region, Sverdlovsk Region, Chelyabinsk Region, Altay Territory, Krasnoyarsk Territory, Kemerov Region, Novosibirsk Region, Omsk Region and Tomsk Region.

**The share of timber and pulp-and-paper products in the volume of exports from Russia to Turkmenistan equals 2.3%** and has been provided by next 29 regions: Bryansk Region, Ivanovo Region, Kaluga Region, Kursk Region, Moscow Region, Tver Region, Yaroslavl Region, Komi Republic, Vologda Region, Pskov Region, Dagestan Republic, North Osetiya (Alaniya) Republic, Astrakhan Region, Volgograd Region, Bashkortostan Republic, Kirov Region, Nijegorod Region, Orenburg Region, Penza Region, Perm Region, Saratov Region, Sverdlovsk Region, Tyumen Region, Chelyabinsk Region, Altay Territory, Krasnoyarsk Territory, Irkutsk Region, Omsk Region and Tomsk Region.

**The textile products, including cotton-fibre, constitute the share of 0.6% in the volume of exports from Russia to Turkmenistan.** The following 17 regions have exported above mentioned products: Vladimir Region, Kursk Region, Moscow Region, Yaroslavl Region, Moscow city, Komi Republic, Saint-Petersburg city, Dagestan Republic, Krasnodar Territory, Astrakhan Region, Volgograd Region, Tatarstan Republic, Chuvash Republic, Samara Region, Saratov Region, Ulyanovsk Region, and Omsk Region.

**The share of ferrous metals in the volume of exports from Russia to Turkmenistan equals 23%.** The following 38 regions have exported mentioned products: Bryansk Region, Vladimir Region, Voronej Region, Kursk Region, Lipetsk Region, Moscow Region, Orel Region, Smolensk Region, Tula Region, Yaroslavl Region, Moscow city, Vologda Region, Saint-Petersburg city, Dagestan Republic, Krasnodar Territory, Astrakhan Region, Volgograd Region, Rostov Region, Bashkortostan Republic, Tatarstan Republic, Udmurt Republic, Kirov Region, Nijegorod Region, Orenburg Region, Penza Region, Perm Region, Samara Region, Saratov Region, Kurgan Region, Sverdlovsk Region, Tyumen Region, Chelyabinsk Region, Khakasiya Republic, Altay Territory, Irkutsk Region, Kemerov Region, Novosibirsk Region, and Omsk Region.

**The machinery and equipment comprises the primary share of 53% in the volume of exports from Russia to Turkmenistan that accounts for half of all exports.** The following 56 regions have exported above mentioned products: Belgorod Region, Bryansk Region, Vladimir Region, Voronej Region, Ivanovo Region, Kaluga Region, Kostroma Region, Kursk Region, Lipetsk Region, Moscow Region, Orel Region, Ryazan Region, Smolensk Region, Tambov Region, Tver Region, Tula Region, Yaroslavl Region, Moscow city, Vologda Region, Kaliningrad Region, Leningrad Region, Novgorod Region, Pskov Region, Saint-Petersburg city, Dagestan Republic, Krasnodar Territory, Stavropol Territory,

Astrakhan Region, Volgograd Region, Rostov Region, Bashkortostan Republic, Mariy El Republic, Mordova Republic, Tatarstan Republic, Udmurt Republic, Chuvash Republic, Kirov Region, Nijegorod Region, Orenburg Region, Penza Region, Perm Region, Samara Region, Saratov Region, Ulyanovsk Region, Kurgan Region, Sverdlovsk Region, Tyumen Region, Chelyabinsk Region, Altay Republic, Altay Territory, Krasnoyarsk Territory, Irkutsk Region, Kemerov Region, Novosibirsk Region, Omsk Region and Tomsk Region.

**The textile products, including cotton-fibre, account for 35% of all imports from Turkmenistan to Russia.** The import of above mentioned products are provided by next 21 Russian regions: Vladimir Region, Ivanovo Region, Lipetsk Region, Moscow Region, Ryazan Region, Tambov Region, Tver Region, Yaroslavl Region, Moscow city, Leningrad Region, Saint-Petersburg city, Dagestan Republic, Astrakhan Region, Bashkortostan Republic, Tatarstan Republic, Nijegorod Region, Penza Region, Samara Region, Ulyanovsk Region, Sverdlovsk Region, and Novosibirsk Region.

**About 46% of all imports from Turkmenistan to Russia are comprised of mineral products (including fuel and energy).** Following 8 regions have imported those products: Leningrad Region, Volgograd Region, Rostov Region, Samara Region, Chelyabinsk Region, Krasnoyarsk Territory, Irkutsk Region, and Novosibirsk Region.

**The chemical products constitute the share of 8.6% in the volume of imports from Turkmenistan to Russia.** The following 11 regions have imported above mentioned products: Ivanovo Region, Kaluga Region, Tver Region, Moscow city, Saint-Petersburg city, Dagestan Republic, Krasnodar Territory, Astrakhan Region, Rostov Region, Saratov Region, and Omsk Region.

**The share of machinery and equipment in the volume of imports from Turkmenistan to Russia equals 0.01%.** The only 2 regions are provided import of those products: Astrakhan Region, and Samara Region.

**The share of food and agricultural products accounts for 8.2% of all imports from Turkmenistan to Russia.** The 10 regions have imported mentioned products: Moscow Region, Yaroslavl Region, Dagestan Republic, Ingushetiya Republic, Stavropol Territory, Astrakhan Region, Rostov Region, Nijegorod Region, Saratov Region, and Altay Territory.

**The share of trade volume of regions with Turkmenistan in Russia's total trade volume with CIS countries** has determined in order to reveal the level of the trade relations of each of the Russian region. Thus, the greatest share in Russia's total trade volume with CIS countries possesses to Ulyanovsk Region (13%), Ingushetiya Republic (7.9%), Tver Region (5.8%), Astrakhan Region (4.8%), Penza Region (4.5%), Tula Region (3.8%), and Mordova Republic (3.7%).



The share of trade volume in Russia's total trade volume with CIS countries equals 3.1% for four next regions: Yaroslavl Region, Samara Region, Saratov Region, and Krasnodar Territory.

The figure varies from 0.5% to 2.2% for the rest regions of Russia.

Thus, the analysis has showed that the trade volume of the regions of Russia with Turkmenistan depends on factors such as the rate of gross regional product, the distance of a Russia's region from Turkmenistan's border, the production specialization of the region.

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The structural changes of the trade turnover between Russia and Turkmenistan

Table 1

Code	Commodity groups	Export				Import				Trade turnover			
		1998		2003		1998		2003		1998		2003	
		Million US dollars	%	Million US dollars	%	Million US dollars	%	Million US dollars	%	Million US dollars	%	Million US dollars	%
01-24	Food and agricultural products	2.621	2.8	10.519	5.0	10.047	22.5	2.332	8.2	12.668	9.1	12.851	5.1
25-27	Mineral products (including fuel and energy)	4.775	5.0	2.826	1.3	147.853	33.3	13.117	46	19.628	14.1	15.943	6.4
28-40	Chemical products	9.684	10.2	26.904	12	1.258	2.8	2.398	8.6	10.942	7.8	29.302	11.7
44-49	Timber and pulp-and-paper products	3.457	3.6	5.076	2.3	0	0	0	0	3.457	2.5	5.076	2
50-67	Textile products, including cotton-fibre	5.929	60.2	1.332	0.6	17.316	38.8	9.895	35	23.245	16.6	11.227	4.5
72-83	Ferrous metals	7.95	8.4	49.950	23	0.29	0.7	0.001	0.01	8.24	5.9	49.951	20
84-90	Machinery and equipment	54.6	57.4	118.903	53.6	0.215	0.5	0.020	0.07	54.815	39.2	118.923	48
68-70, 91-97	Other commodity	5.05	5.3	6.175	2.8	0.015	0.03	0.623	2.1	5.065	3.6	6.798	2.3
	<b>TOTAL</b>	<b>95.054</b>	<b>100</b>	<b>221.685</b>	<b>100</b>	<b>44.661</b>	<b>100</b>	<b>28.386</b>	<b>100</b>	<b>139.715</b>	<b>100</b>	<b>250.071</b>	<b>100</b>

The group of the regions at volume of trade

Table 2

Group №	Annual volume of trade, million US dollars	Amount of regions in the group	Region of Russia
1	Over \$ 40.0 million	1	Moscow city - \$ 43.5
2	From \$ 20.0 million To \$ 39.99 million	1	Sverdlovsk Region - \$ 21
3	From \$ 10.0 million To \$ 19.99 million	5	Samara Region-\$16.9, Chelyabinsk Region-\$15.2, Rostov Region-\$14.4, Moscow Region-\$12.7, Volgograd Region-\$11.6
4	From \$ 5.0 million To \$ 9.99 million	8	Krasnoyarsk Territory-\$8.6, Kemerov Region-\$8.0, Perm Region-\$7.5, Astrakhan Region-\$7.0, Krasnodar Territory-\$6.4, Tula Region-\$6.4, Nijegorod Region-\$5.8, Tatarstan Republic-\$5.2
5	From \$ 1.0 million To \$ 4.99 million	22	Yaroslavl Region-\$4.5, Omsk Region-\$4.3, Bashkortostan Republic-\$4.0, Orenburg Region-\$3.6, Saratov Region-\$3.6, Saint-Petersburg city-\$3.4, Voronej Region-\$3.2, Ivanovo Region-\$3.0, Tver Region-\$2.6, Altay Territory-\$1.9, Leningrad Region-\$1.9, Irkutsk Region-\$1.8, Vladimir Region- \$1.6, Penza Region-\$1.6, Tambov Region-\$1.6, Stavropol Territory-\$1.5, Bryansk Region-\$1.4, Udmurt Republic-\$1.3, Ulyanovsk Region-\$1.1, Belgorod Region-\$1.0, Kaluga Region-\$1.0, Dagestan Republic-\$1.0

6	From \$500 thousand To \$999 thousand	8	Kurgan Region-\$934.0, Vologda Region-\$928.0, Mordova Republic-\$907.0, Novosibirsk Region-\$903.0, Kursk Region-\$831.0, Kirov Region-\$825.0, Tyumen Region-\$522.0, Orel Region-\$513.0
7	Less \$500 thousand	17	Smolensk Region-\$373.0, Pskov Region-\$301.0, Komi Republic-\$254.0, Novgorod Region-\$248.0, Lipetsk Region-\$2383.0, Tomsk Region-\$214.0, Chuvash Republic-\$211.0, Ryazan Region-\$199.0, Altay Republic-\$166.0, Kaliningrad Region-\$134.0, Kostroma Region-\$102.0, Kabardino-Balkar Republic-\$69.0, North Osetiya (Alaniya) Republic-\$54.0, Karachaevo-Cherkesiya Republic-\$27.0, Mariy El Republic-\$11.0, Ingushetiya Republic-\$4.0, Khakasiya Republic-\$4.0.
	<b>TOTAL</b>	<b>62</b>	