

## Tajikistan Trade Brief

### Trade Policy

Tajikistan became independent in 1991 and its trade policy has undergone a number of reforms since the end of the civil war in 1997. The tariff schedule was replaced in 2003 and seven ad valorem tariff rates between 0 and 15 percent were introduced. Based on its latest available 7.9 percent simple average MFN applied tariff, Tajikistan has a regime more restrictive to trade than that of an average Europe and Central Asia (ECA) country (6.8 percent), but more open than that of a low-income country (12.7 percent). Based on the MFN applied tariff, it ranks 86<sup>th</sup> out of 181 countries (where 1<sup>st</sup> is least restrictive). Taking into account preferences, the simple average applied tariff is 6 percent. Similar to the majority of countries in its comparator groups, Tajikistan is more protective of its agricultural goods (11.4 percent tariff) than of its non-agricultural ones (7.4 percent). Moreover, the 0.9 percent share of tariff lines with zero MFN tariff in 2006 was among the lowest in the region where the average was 25.1 percent.

### External Environment

Access to international markets of Tajikistani exports is similar to that of an average ECA country but better than that of an average low-income country. Tajikistan's weighted average rest of the world tariff (including preferences) is 2 percent, comparable to the regional average of 2.1 percent but almost half the 3.9 percent average of its income group. Different from the majority of countries in the region, Tajikistan's agricultural products face a more favorable trading environment (1.4 percent tariff) than its non-

agricultural products (2.2 percent tariff). In nominal terms, the Tajikistani somoni appreciated by 0.3 percent against the U.S. dollar in 2008.<sup>1</sup> This happened at the same time as the depreciation of the Russian ruble against the U.S. dollar. The ruble depreciation put Tajikistan at a competitive disadvantage since the Russian Federation is one of its main trading partners. It also lowered the value of remittances from Russia. An observer at the WTO, Tajikistan signed a trade and investment framework agreement with the United States on June 1, 2008.<sup>2</sup>

### Behind the Border Constraints

Tajikistan's business environment improved in the last year, and its Ease of Doing Business rank for 2009 went to 152<sup>nd</sup> out of 183 countries from 164<sup>th</sup> in 2008. The changes it implemented, such as simplifying the construction permit process, improving access to credit information, and strengthening investor protections, also led to Tajikistan being ranked as the eighth top reformer for 2008/09. In terms of the conduciveness of its institutional environment to business, Tajikistan ranked 152<sup>nd</sup> out of 183 countries in the 2009 Ease of Doing Business index, reflecting a cumbersome business environment. The country's Logistics Performance Index score, which reflects the extent of trade facilitation, is below the regional and income group averages, suggesting that Tajikistan has a less conducive climate for trade. It scores 1.93 on a scale of 1 to 5, with 5 being the highest score, while the regional and income group averages are 2.59 and 2.29, respectively. Tajikistan ranked 146<sup>th</sup> out of 150 in the world and last in the ECA region (with Turkey leading the regional group). Its strongest logistics indicator is domestic logistics costs, while its weakest one is the ability to track and trace shipments.

### Trade Outcomes

Tajikistan's trade growth, in real (constant 2000 U.S. dollars) terms, dropped from an average rate of 3.6 percent over the 2005–07 period to 2.7 percent in 2008. This was a result of a decline in growth of both exports and imports (from 2.7 percent over the 2005–07 period to 1.8 percent for exports, and from 4.6 to 3.5 percent for imports).

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Unless otherwise indicated, all data are as of August 2009 and are drawn from the World Trade Indicators 2009/10 Database. The database, Country Trade Briefs and Trade-at-a-Glance Tables, are available at <http://www.worldbank.org/wti>.

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High food and energy prices in the first half of 2008 increased Tajikistan's imports of goods in nominal U.S. dollar terms, which grew by 16.5 percent in 2008 on a year-on-year basis.<sup>3</sup> The import bill was also bolstered by high domestic demand spurred by an increase in remittances,<sup>4</sup> which accounted for 34.1 percent of GDP in 2008. However, with the onset of the global crisis, remittances have declined (from 45.5 percent of GDP in 2007) and so have energy prices, causing Tajikistan's import bill to contract.<sup>5</sup> After recording strong growth for several years, nominal imports fell by 1.3 percent in the last quarter of 2008 and by 9.4 percent in the first quarter of 2009 on year-on-year bases. With the global economic crisis and especially the fall in commodity prices, the IMF projects that Tajikistan's export revenue will also contract,<sup>6</sup> since cotton and aluminum are its principal exports accounting for about 80 percent of total exports.<sup>7</sup> This contraction was already seen in the fourth quarter of 2008, when exports fell by 27.6 percent in nominal U.S. dollar terms compared to the same period the year before, and in the first quarter of 2009 exports fell further by 47.3 percent on a year-on-year basis.<sup>8</sup>

## Notes

1. IMF, August 2009.
2. Nazmul Ahsan. October 5, 2008.
3. National Bank of Tajikistan.
4. International Monetary Fund (IMF). June 12, 2009.
5. Ibid.

6. International Monetary Fund (IMF). June 2009, p.13.
7. Economist Intelligence Unit (EIU). 2008, p. 22.
8. National Bank of Tajikistan.

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