



## Annual economic report (2017), Tajikistan<sup>1</sup>

### Executive summary

As defined in the National Development Strategy 2016-2030, the Government of Tajikistan plans to become a developed industrial-agrarian country by 2030 and, therefore, prioritizes higher value adding production and expansion of the real sector, in particular the extractive (gold), mining (coal), construction (cement) and processing (textile and food) industries. The upsurge in industrial production output by 21.3% (16% in 2016), net exports and pick-up in private consumption due to growth in remittances (by 23.9%) continued to drive the country's economic growth of 7.1% (6.9% in 2016) despite regional economic recession.

However, the strong headline growth contrasted with growing government general debt, rising fiscal and currency pressures, and a restoring but still weak banking sector. The costs and risks of running business in the country have remained high; domestic and international investments remain rather unattractive. The growth of foreign debt would not be a matter of growing concern if the country had sufficient internal buffers to maintain macroeconomic stability, good governance of public finances and a steadily growing tax base.

The exchange rate weakened until mid - 2017, but then stabilized. The local currency depreciated by "only" 8.3% against the US dollar in 2017 due to currency control measures of the National Bank of Tajikistan (NBT).

The key historical milestone and main economic trigger for regional economic integration in Central Asia were Uzbekistan's efforts to restore relations with neighbors. Opening of Uzbekistan led to an increased bilateral trade between the two countries. In 2017, Tajik- Uzbek trade grew by 82.5% and amounted to \$126 million. The first quarter of 2018 demonstrated the same positive trend (80% increase y/y) in bilateral trade reaching US\$41.5 million with export from Tajikistan to Uzbekistan exceeding import by 33.3%.

The investment climate of Tajikistan remains challenging and rather more conducive for big infrastructure projects with political and financial back up by the Government. The priority areas for investments continue to be hydro energy (clean energy), infrastructure (roads), mining, extractives and processing sectors (agro-sector, textile and chemical industry).

In the reporting period, total foreign investments to Tajikistan accounted for US\$ 1.1 billion and increased compared to the last year by 30.5% due to the issuing of Eurobonds (US\$ 0.5 billion). China remained the country's key investor with a stock of 27.5% from total foreign investments or 303.0 million in dollar value.

Bilateral investments from and to Switzerland are limited in volume for many reasons including the general doing business environment and economy size/profile. In the reporting period, the Swiss share in FDI made to Tajikistan increased by 12.2% or by US\$ 10.9 million and accounted for US\$ 100 million (6th rank), or 2.8% from total FDI (stock). Despite its good ranking and growth in volume, the Swiss investment to the country remains limited. This is also reflected in the modest number of Swiss companies (capital) represented in Tajikistan (18 in 2016).

According to the Ministry of Economic Development and Trade of Tajikistan, in 2017 Swiss investments to Tajikistan amounted to 10.89 (US\$ 10.9 million in 2016 and US\$ 3.7 million in 2015) of which US\$ 0.095 million was used for the extraction and purification of raw materials for ferrous metals. Remained US\$ 4.9 million went to the extraction of precious metals and US\$ 5.8 million were invested to the education sector (e.g. Aga Khan University of Central Asia in Tajikistan).

---

<sup>1</sup> The Economic Report is a brief outline from the country reports of IFIs (IMF, WBG, ADB, EBRD). It also contains data from the Statistical Agency under the President of the Republic of Tajikistan and National Bank of Tajikistan.

## **1 Economic problems and issues<sup>2</sup>**

As defined in the National Development Strategy 2016-2030, the Government of Tajikistan plans to become a developed industrial-agrarian country by 2030 and, therefore, prioritizes higher value adding production and expansion of the real sector, in particular the extractive (gold), mining (coal), construction (cement) and processing (light and food) industries. The upsurge in industrial production output by 21.3% (16% in 2016), net exports and pick-up in private consumption due to growth in remittances (by 23.9%) continued to drive the country's economic growth of 7.1% (6.9% in 2016) despite regional economic recession.

However, the strong headline growth contrasted with the growing government general debt, the rising fiscal and currency pressures, and the restoring but still weak banking sector. In such economic conditions, the cost and risks of running business in the country are important and make the investment climate unattractive both for domestic and international investors.

External debt grew in 2017 from 40.3% to 51.4% to GDP and was mainly due to the issuance of domestic debt instruments to support the energy sector and the sale of the 10-year government bonds (US\$ 500 million) in the international market with the aim to finance the construction of the Rogun HPP. It worth mentioning that for the first time two rating companies, Moody's Investors Service and Standard & Poor's, assigned Tajikistan a stable sovereign credit rating. This allowed Tajikistan to issue Eurobonds with comparatively good conditions (7.125%).

Tajikistan continued to attract Chinese loans to state infrastructure projects and to absorb OBOR lending pipeline money; China remained the single largest creditor of the country. Debt to China, accounts for almost 80% of the total increase in Tajikistan's external debt over the 2007-2016 period<sup>3</sup>.

The growth of foreign debt would not be a matter of growing concern as such, if the country had sufficient internal buffers to maintain macroeconomic stability, good governance of public finances and a steadily growing tax base to serve this debt.

Negative external factors (in particular the Russian economic slowdown), disproportional growth in budget revenue targets compared to real economic growth of taxable businesses, increase in number of tax-exempted SMEs and sectors – all caused financial distress, losses, seizure of working capital and over indebtedness in the compliant businesses. High fiscal pressure (65.2% on commercial profit, WBG 2017) with undue tax collections is listed by SMEs as a major concern and obstacle for private investments growth (both domestic and international) and business formalization.

In recent years, the government granted a lot of incentives and preferences (mainly fiscal) to particular sectors and companies, which equal probably up to 50% of the annual state revenue target. These preferences are not only lacking a transparent issuing process and more sophisticated cost-benefit analysis, but there is also a lack in terms of controlling mechanism to prove the intended socio-economic benefits made through granting these preferences. In 2017 the President mentioned about 240 of various fiscal and non-fiscal preferences, IFC calculated 97 of investment incentives - all given to the strategically important sectors and companies. Many of these strategic sectors and favored companies are contributing heavily to the GDP growth rate (6-7% during the last decade). This growth rate/trends of the exempted companies is used as a basis for macro-fiscal forecasting and annual budget revenue targets. This creates collision since the taxes planned based on the 7% of growth rate are collected from the formal taxpayers without fiscal preferences and not necessarily showing 7% growth rate. Thus, the "circle" of taxable SMEs is annually narrowing. This is mainly due to the high concentration of tax burden on these SMEs and the general economic slowdown since 2015.

In 2017, more than 200,000 entrepreneurs were forced to close<sup>4</sup> because of the economic recession in trade and services but also due to a rather unpredictable investment environment, high tax administration and inspections.

---

<sup>2</sup> The Report provides general information related to general business and trade environment aspects due to very modest presence of the Swiss business in Tajikistan and absence of known the Swiss-related specific business issues (except for double taxation and getting visa problems quoted in 2016)

<sup>3</sup> Source: <https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf>

<sup>4</sup>Source: the National Association of Small and Medium Business

The narrowing tax base, growing fiscal and non-fiscal preferences, banks bailouts and State Owned Enterprises' (SOE) liabilities (8-10% to GDP) are source of significant fiscal and quasi-fiscal risks for the country's budget and for serving growing external debt.

State revenue generation from export of Rogun electricity to serve part of the debts is mainly linked to the launch and full utilization of CASA-1000 (70% of Tajik electricity) and TALCO capacities, which is foreseen after 2020-22. The export of energy to neighboring countries (e.g. Uzbekistan) will also support to generate needed hard currency revenue to serve the debt but to the less extent due to lower tariffs for Uzbekistan (2.5 cents vs 4.11 cents to Afghanistan). Thus, the tax and debt serving burden in a short-term perspective will mainly fall on the SME sector and population.

The exchange rate weakened until mid - 2017, but then stabilized. The local currency depreciated by only 8.3% against the US dollar in 2017 due to currency control measures of the National Bank of Tajikistan (NBT). The actions that kept inflation rate below 7.3% and the Somoni broadly stable (after 30.4% devaluation in 2015) were mainly monetary measures. These measures include the gradual increase of the refinancing rate by 3 times (up to 16.0% in 2017), increase in mandatory reserve ratios in foreign currency to 9.0% per annum, restricted access to foreign currency (incl. mandatory converting of remittances), introduced maximum margin for FX operations and the monetary market "sterilization" practices. These measures proved to be quite effective from the perspective of macroeconomic stability. In addition, the National Bank managed to bring gold reserves to a level equal to 5.6 months of import coverage vs 2.6 months in 2016. However, as the result local financial institutions have been lacking liquidity both in local and in hard currencies to meet SMEs' demand for financial services.

Despite a considerable capital injection (6.1% of GDP) by the end of 2016, Tajikistan's top two banks remained operationally insolvent by mid-2017. In the same time, according to the NBT Financial Soundness report issued on a quarterly basis, more tight supervision and regulation norms and measures introduced by NBT in 2016-2017 resulted in the improvement of the system-wide capital adequacy ratio from 17.0% (2016) to 22.9% in 2017, and the non-performing loans reduced from 47.6% in 2016 to 36.5% in 2017 (higher in distressed banks). The indicator of return of assets (ROA) in the banking sector also improved from minus 3.01% to 0.01% and the indicator of return on equity (ROE) improved from minus 11.62% to 0.05%. Other indicators of financial soundness, such as liquidity and exposure to foreign exchange risk, also showed a modest but positive trend<sup>5</sup>.

Official poverty rates indicate a reduction in poverty from 31.3% in 2015 to 30.3% in 2016, despite a significant reduction in remittances in 2015. Strong economic growth and rising wage income remain the primary drivers of poverty reduction in Tajikistan. However, the lower-than-expected recovery in regional economies, a toughening of migrant regulations by Russia, and/or delays in the expansion of the Targeted Social Assistance program, could hamper the further reduction in poverty and a more positive economic outlook<sup>6</sup>.

## **2 International and regional economic agreements**

### **2.1 Country's policy and priorities<sup>7</sup>**

Tajikistan continues to maintain foreign policy of open doors aiming at broad international cooperation.

The key historical milestone and main economic trigger for regional economic integration in Central Asia were Uzbekistan's efforts to restore relations with its neighbors. The improved Tajikistan-Uzbekistan relations resulted in visa simplifications (visa free for up to 30 days), the reopening of ten border crossing points along Tajik-Uzbek border, better connectivity due to the established new air routes as well as railway and bus links, including 25 other agreements and programs signed during the historical meeting of the Tajik and Uzbek presidents. In 2018, Tajikistan began supplying electricity to Uzbekistan and importing Uzbek natural gas after a six-year hiatus. Also, Dushanbe ratified the agreement with Tashkent on automobile communication. The agreement facilitates the acquisition of vehicles, both cargo and passenger, for flights, including to Russia and Kazakhstan. The opening of Uzbekistan led to

<sup>5</sup> Source: <http://www.nbt.tj/upload/iblock/a84/FSIs%20of%20Banks%20-%20eng.pdf>

<sup>6</sup> Source: <http://www.worldbank.org/en/country/tajikistan/publication/economic-update-fall-2017>

<sup>7</sup> Source: Ministry of Economic Development and Trade of Tajikistan

an increase in bilateral trade between the two countries. According to the Agency for Statistics under the President of the Republic of Tajikistan, the volume of bilateral foreign trade turnover with the Republic of Uzbekistan for 2017 amounted to US\$ 126.4 million and increased compared to 2016 by US\$ 57.1 million or by 82.5% y/y. The export of goods to the Republic of Uzbekistan for this period amounted to US\$57.1 million. Imports amounted to a total of US \$ 69.3 million, an increase of more than 2 times.

The share of trade turnover with the Republic of Uzbekistan in the total volume of foreign trade turnover of the Republic of Tajikistan for 2017 amounted to 3.2%. The first quarter of 2018 demonstrated the same positive trend (80% increase y/y) in the bilateral trade reaching US\$41.5 million with export from Tajikistan to Uzbekistan exceeding import by 33.3%.

According to the data of the Customs Service under the Government of Tajikistan for the analyzed period, the commodity structure of exports to Uzbekistan was composed of ores and concentrates, cement, cotton fiber, ferrous metals. In 2017, the share of export of ore concentrates in the total volume of exports from the Republic of Tajikistan to Uzbekistan was 64.1%, cement 16.3%, cotton fiber 13.0%, ferrous metals 3.3%. Imports of consumer goods (mainly food) from the Republic of Uzbekistan in 2017 increased by 3.4 times: ceramic goods by US\$ 4.4 million, equipment and machinery by US\$ 5.1 million, as well as vehicles by US\$ 5.0 million.

The comparison of export and import structure of the bilateral trade of Tajikistan with Uzbekistan showed that the country has been mainly exporting commodities and minerals while importing Uzbek semi-final and final products. In order to benefit from regional integration and trade with Uzbekistan, Tajikistan will have to look into and undertake deep structural reforms.

The industrially more advanced Uzbek economy with flowing in investors' interest and capital, could offer a lot of opportunities and/or risks to local producers. Meanwhile SMEs from both sides have been demonstrating opportunistic behavior and enthusiasm driven by the interest in the access to new markets, B2B learning opportunities, the opening of joint ventures and access to capital (e.g., US\$ 100 million of concessional loans committed by the Uzbek President).

## **2.2 Outlook for Switzerland (potential for discrimination)<sup>8</sup>**

The WTO's rules on preferential trade agreements are summarized on the page ([https://www.wto.org/english/tratop\\_e/region\\_e/regrul\\_e.htm](https://www.wto.org/english/tratop_e/region_e/regrul_e.htm)) which essentially says that these agreements are allowed under certain conditions. Some of Tajikistan's trade agreements (e.g. the Trade Facilitation Agreement) do not present significant potential for discrimination regarding Swiss exporters and/or importers.

However, it cannot be discounted that other agreements (particularly some bilateral or regional agreements) could potentially lead to some form of "trade diversion" from Switzerland, if the effect of the agreement is to divert away products from Switzerland that may be more cheaply priced in favor of products from the country in which they have a trade agreement with, even if they are not more cheaply priced, thus resulting in inefficiency. But in order to know if this is actually the case in practice, a detailed and extensive economic analysis of specific products would be necessary to be undertaken, for example to review the contents and scope of these trade agreements, and to find out if the types of product traded with Germany and China are similar to the types of product traded with Switzerland.

## **3 Foreign trade**

### **3.1 Development and general outlook**

#### **3.1.1 Trade in goods**

In 2017 the foreign trade turnover of Tajikistan was driven by export growth. Latter amounted to US\$ 3.97 billion and showed a positive trend (by 1.1% more than in 2016) compared to a reduction of 9.2% y/y in 2016/15. The significant growth in exports (by 33.3%) and continued import relief (by 8.5% since 2015, due to reduced consumption) had a positive effect on the historical negative trade balance which reduced from -US\$ 2.1 billion in 2016 to US\$ -1.5 billion in 2017.

---

<sup>8</sup> Source: This part was prepared by the implementing partner International Trade Center (ITC), based on the SCO request in 2015. No changes since 2015.

Tajikistan had foreign trade with 109 (110 in 2016) countries, of which 10 CIS countries and 99 foreign countries. As can be seen from Annex 3, the main trading partners in the export of goods were Kazakhstan (27.1%), Turkey (19.5%), Luxemburg (10.4%). Switzerland holds the fourth position with 7.5% of shares in total exports (11.0% in 2016). A significant excess of exports over imports was observed in trade operations with Luxemburg, Turkey, Afghanistan and Switzerland (US\$ 0.82 billion).

Import to Tajikistan was mainly coming from the following countries: Russia (32.6%), China (20%), Kazakhstan (18.5%), and Turkey (3.8%). In general, foreign trade during the reporting period showed positive trend with CIS countries growing by 6.1%, with Europe by 57% and with USA by 37.5%, while with Asia trade declined by 16%, mainly due to less import from China that contracted by US\$ 285 million.

If in 2016 the export structure of Tajikistan still was concentrated (excl. NBT's gold operations) on traditional commodities as fiber cotton and aluminum (39% to total export), while in 2017 export of these commodities accounted to only 29%. Tajikistan not only increased production of cement, coal, construction materials, food and textile product but also increased their export to third countries. Export of mineral products from Tajikistan grew by 58.6%, of precious and semiprecious stones and metals by 2.1 times, and textile and clothing by 99.5% (excluding cotton fiber).

Imports of goods amounted to US\$ 2.7 billion (3.03 billion in 2016), which is 8.5% less than in January-December 2016 due to unfavorable external environment and reduced consumption. The main import items were mostly transport/machines/equipment (16.6%), minerals (10.2%), chemical goods (11.5%) and food (7.8%).

The future trends/patterns of the foreign trade in Tajikistan will be mainly driven by the disposable income of the population determined by remittances inflow to the country, global prices for commodities and regional economic/political situation (including potential membership in the Eurasian Economic Union).

Regarding its potential membership in the Eurasian Economic Union (EEU) in the coming years, official Tajikistan has never stated an intention to enter into the Union. The statements always noted that the country has been studying the documents and experience of other EEU members from the region (e.g. Kyrgyzstan and Armenia).

On March 7th a historic event took place: the Uzbek President Shavkat Mirziyoyev visited Tajikistan and its President Emomali Rahmon. This landmark visit shows Uzbekistan's efforts to boost regional cooperation in Central Asia. While Mirziyoyev had visited all Central Asian neighbor countries already in 2017, Tajikistan was the last one to follow. 27 agreements were signed in various fields, including water and energy and customs. These recent cooperation efforts are not only very important for the politics and the economics in the region but also from a social perspective as the visa requirement between Tajiks and Uzbeks is now lifted (for up to 30 days visits) and many ethnic Uzbek family members from Tajikistan can now visit their relatives in Uzbekistan and vice versa. There are high hopes that disputed issues can now be discussed or even solved, such as the border demarcation or the upstream/downstream water issues, just to highlight two.

### **3.2 Bilateral trade**

Bilateral trade between two countries in 2017 remained modest and mainly covered trade in precious metals (mainly gold and silver) and refinery operations. Specific weight of the bilateral trade with Switzerland in the total foreign trade of Tajikistan was only 2.4% in 2017 (7.2% in 2015).

In dollar value foreign trade turnover between Tajikistan and Switzerland in 2017 amounted to US\$ 96.7 million (108.1 million in 2016 and 310.5 million in 2015) which is less by 11.4% compared to 2016 or by 221% compared to 2015. Such sharp contraction has happened due to less gold refinery operations by the National Bank of Tajikistan (NBT) in Switzerland. The gold trade constituted 92% of the annual trade turnover between the two countries. It continued to decline from US\$ 205.7 million in 2015 to US\$ 89.4 million in 2017.

According to the Ministry of Industry and New Technologies, Tajikistan produced 5.5 tons of gold and set a new record for gold production in 2017. The National Bank of Tajikistan reported that the central bank acquired more than three tons of gold. The volume of gold and foreign exchange reserves of

Tajikistan as of January 1, 2018 amounted to about \$ 1.3 billion. Tajikistan's gold assets contain 137 deposits with estimated reserves of industrial gold and 127 non-industrial gold. Today, more than 10 companies are engaged in the extraction of precious metals in Tajikistan, of which the largest are Zarafshon JV, Aprelevka JV, State Enterprise Tilloi Tojik, Odin Artel, Pakrut.

Imports from Switzerland, which were affected by less gold refinery operations, declined by 92.9% since 2015 and amounted to US\$ 7.3 million (US\$ 104 million in 2015 and 8.9 million in 2016). The main goods imported from Switzerland to the Republic of Tajikistan in 2017 were ready-made products from grain cereals, flour, starch (malt extract), pharmaceutical products, extracts of tannic or dye products, chemical products, boilers, equipment and mechanical devices, machines and equipment, instruments and optical devices.

The Swiss Customs' data on the bilateral trade with Tajikistan presented significantly different results. According to the Swiss data, bilateral trade between the two countries showed 92% of growth in 2017 and totaled US\$ 167 million (CHF 161.11 million) unlike Tajik data declaring US\$ 96.8 million. The variation of US\$78 million in trade statistics of the two countries was mainly observed in gold trade, the discrepancy in import made US\$ 2.5 million. On the structure of the export and import, both custom offices' statistics remained consistent. This discrepancy between Swiss and Tajik data is likely due to the different methodologies and FX rates used for calculations by the two countries.

## **4 Direct investments**

### **4.1 Development and general outlook**

In general, the investment climate of Tajikistan remains challenging. It remains however rather conducive for big infrastructure projects with political and financial back up by the Government. The priority areas for investments continue to be hydro energy (clean energy), infrastructure (roads), mining, extractives and processing sectors (agro-sector, textile and chemical industry).

In the reporting period, total foreign investments to Tajikistan accounted for US\$ 1.1 billion and increased compared to the last year by 30.5% due to the issuing of Eurobonds (US\$ 0.5 billion). China remained as the country's key investor with a stock of 27.5% from total foreign investments or 303.0 million in dollar value. Chinese investments were allocated to financial services, communications, construction, geological survey and extraction, industrial construction, extraction and production of oil and gas products, agriculture. The second and the third largest investors were Great Britain (12.4%) and Russia (7.4%) accordingly.

Out of the total inflow of foreign investments, US\$ 354.5 million (434 million in 2016 and 470.9 million in 2015) were made in the form of FDI, US\$ 500 million (47.5 million in 2016) were portfolio investments via Eurobonds, and US\$ 245.9 million - other types of investments. In 2017 the inflow of FDI reduced by 18% and amounted to 5.1% to GDP only. By the end of the reporting period, the FDI stock value remained unchanged and accounted for US \$3.58 billion (3.0 billion in 2015). Sectorial allocation of the FDI inflow is as follows: industry sector - 38.8%, financial services - 50%, construction – 3.0%, transportation and communication - 9.7%, and other sectors –3.2%.

Looking forward, it is likely that foreign direct investments may reduce gradually, taking into account that previous and ongoing bilateral projects with China, Arab Countries and Kuwait and major infrastructure projects in the country were completed or at the stage of finalization and the SREB pipeline was almost absorbed. Regarding domestic investments and FDIs to sectors other than infrastructure, mining and explorations, the environment for doing business continues to discourage private investments, which in some cases are being reallocated to the neighboring countries.

### **4.2 Bilateral investment**

Bilateral investments from and to Switzerland have a very limited volume for many reasons, and the general doing business environment and economy size/profile play an important role. For foreign investors (incl. Swiss), the Tajik market doesn't yet present a big interest due to the challenges related to tax administration and policy, the remaining challenges related to the protection of investors' rights and the market as such. Exceptions are however the emerging energy (hydropower projects) and infrastructure sectors with growing interest and presence of Swiss companies.

In the reporting period, the Swiss share in FDI made to Tajikistan increased by 12.2% or by US\$ 10.9 million and accounted for US\$ 100 million (6<sup>th</sup> rank), or 2.8% from total FDI (stock). Despite its good ranking and growth in volume, the Swiss investment to the country remains limited. This is also reflected in the modest number of Swiss companies (capital) represented in Tajikistan (18 in 2016). According to the Ministry of Economic Development and Trade of Tajikistan, in 2017 Swiss investments to Tajikistan amounted to 10.89 (US\$ 10.9<sup>9</sup> million in 2016 and US\$ 3.7 million in 2015) of which US\$ 0.095 million used for extraction and purification of raw materials for ferrous metals. Remained US\$ 4.9 million went to extraction of precious metals and US\$ 5.8 million were invested to the education sector (Aga Khan University of Central Asia in Tajikistan).

## **5 Trade, economic and tourism promotion "Country advertising"**

### **5.1 Foreign economic promotion instruments**

Swiss economic promotion players are not present in the country, according to the available information. Various more general promotional events have been organized in the frame of the SDC funded Art and Culture Program. The Swiss Cooperation Office Tajikistan has actively been participating in the Swiss languages - and culture promotion events in Tajikistan for more than 20 years. The participation is taking place in different forms (organized concerts of Swiss musicians, financial support for conducting events by other organizations, physical participation with conducting workshops and presentation on Switzerland). In the year 2018 the Swiss Cooperation Office will continue supporting the promotion of Swiss culture through partnerships with other agencies organizing various events (e.g. Deutschlehrertag, Semaine de la Francophonie). In 2018, Switzerland celebrates its 20<sup>th</sup> anniversary of presence in Tajikistan. More visibility will be ensured through the publications in mass-media and through project implementing partners.

### **5.2 The host country's interest in Switzerland**

**Tourism, education, and other services:** National statistics according to the Committee on

Tourism reported that 988 Tajiks visited Switzerland in 2017 and 588 out of them were tourists (30 in 1Q'2018).

Tajik people generally appreciate Switzerland as a highly developed country but are familiar neither with its tourist attractions nor with its education system. Switzerland's universities are broadly unknown in Tajikistan. The most popular countries for tourism from Tajikistan are Turkey, Dubai, Thailand and India because of reasonable prices, cheap air travel during main holidays, no visa requirement for most of them. Switzerland for the Tajik population as a tourism destination is yet underexplored. Among many other factors (not enough information, pricing, availability of tours), the most important determinant in choosing tourism destination for local people are their wealth/income level and affordability of the touristic offers. Switzerland as a destination is expensive, if we consider that Tajikistan' GDP per capita is below US\$ 900. In addition to this, the limited demand for adventure/active tourism could be explained by domestic culture and traditions, which are rather inclined towards leisure/shopping tourism. Limited options of tours to Switzerland (Bern, Geneva, Lucerne, Zermatt) exist, in some cases packaged with visits to the neighboring countries such as France (Paris), Italy (Venice), and Austria (Vienna).

**Investments:** According to the Ministry of Economic Development and Trade of Tajikistan, there were no investments from Tajikistan to Switzerland in 2016 and 2015.

**Switzerland as a financial center:** Large Swiss banks like UBS and Credit Suisse are well known by Tajik individuals working in the financial sector.

---

<sup>9</sup> See Footnote #10. According to Statistics Agency this mismatch is due to submission of data by companies which invested in 2015 but submitted data only in 2016. Another reason is that when the company was established late 2015 but its investment was registered in the beginning of 2016.

**Annexes:**

1. **Economic structure table** *as per attached model*
2. **Main economic data table** *as per attached model*
3. **Trade partners table including Switzerland** *as per attached model*
4. **Bilateral trade table**
5. **Main investing countries table including Switzerland)** *as per attached model*



## ANNEX 1: Economic structure<sup>10</sup>

Distribution of GDP	Year 2010	Year 2017
Primary sector	19.6 %	21.1%
Manufacturing sector (incl. energy and construction)	24.9%	26.3%
Services (incl. taxes)	55.5%	52.6%
- of which public services <sup>11</sup> (incl. taxes)	n/a	27.0%

Distribution of employment		
Primary sector	66.7%	45.2%
Manufacturing sector (incl. energy sector)	7%	7.7%
Services	26.3 %	47.1%
- of which public services	19.4 %	36.2%

<sup>10</sup> Source: The Statistical Agency under President of the Republic of Tajikistan

<sup>11</sup> Including health care, education, communal services, mandatory insurance which are mainly delivered by state budget-financed entities.

## ANNEX 2: Main economic data <sup>12</sup>

	2015	2016 (estimation)	2017 (projection)
<b>GDP</b> (US\$ billion)	7,857	6,922	7,857
<b>GDP per capita</b> (US\$)	922.0	764.0	774.9
<b>Growth rate</b> (% of GDP)	6.0	6.9	4.5
<b>Inflation rate</b> <sup>13</sup> (in %)	5.1	6.1	10.0
<b>Unemployment rate</b> (%) <sup>14</sup>			
	n/a	n/a	n/a
<b>Fiscal balance</b> (% of GDP) <sup>15</sup>			
	-1.9	-7.5	-3.7
<b>Current account balance</b> (% of GDP)			
	-6.0	-3.8	-6.3
<b>Total external debt</b> (% of GDP) <sup>16</sup>			
	34.1	41.8	52.4
<b>Debt-service ratio</b> (% of exports)			
	n/a	n/a	n/a
<b>Reserves</b> (months of imports)			
	2.1	2.3	2.3

<sup>12</sup> If not specified then source is the following: <http://www.imf.org/en/News/Articles/2017/11/09/pr17429-imf-executive-board-concludes-2017-article-iv-consultation-with-the-republic-of-tajikistan>

<sup>13</sup> IMF: "Headline CPI inflation (end-of-period)"

<sup>14</sup> WBG data for "Unemployment, total (% of total labor force)"

<sup>15</sup> IMF: "Overall balance (excl. PIP and stat. discrepancy)"

<sup>16</sup> IMF: "Total public and publicly-guaranteed external debt"



## ANNEX 3

### Trade partners 2017

#### Host Country View: Tajikistan

Rank	Country	Exports	Share	Change	Rank	Country	Imports	Share	Change
		from the host country (USD million)					to the host country (USD million)		
1	Kazakhstan	324.3	27.1%	66.4%	1	Russia	903.8	32.6%	-8.3%
2	Turkey	233.2	19.5%	16.2%	2	China	556.1	20.0%	-33.9%
3	Luxemburg	124.3	10.4%		3	Kazakhstan	555.7	20.0%	15.5%
4	Afganistan	99.6	8.3%	34.1%	4	Turkey	105.3	3.8%	-7.9%
5	Switzerland	89.4	7.5%	-10.0%	5	Germany	106.2	3.8%	82.2%
6	Uzbekistan	57.0	4.8%	60.1%	6	Uzbekistan	69.3	2.5%	106.3%
7	Taiwan	49.3	4.1%	8.8%	7	Iran	61.4	2.2%	-18.5%
8	China	35.3	2.9%	-19.8%	8	Turkmenistan	48.8	1.8%	-47.0%
9	Russia	32.0	2.7%	-36.8%	9	EU (excl. Germany)	96.6	3.5%	-24.3%
8	Iran	30.3	2.5%	-22.3%	10	Kyrgystan	38.0	1.4%	126.2%
9	EU (exl. Switzerland and Luxemburg)	46.7	3.9%	29.0%		Switzerland	7.3	0.3%	-17.0%
	Other countries	76.7	6.4%	418.2%		Other countries	226.4	8.2%	15.3%
	<b>Total</b>	<b>1198.1</b>	<b>100.0%</b>	<b>33.3%</b>		<b>Total</b>	<b>2774.9</b>	<b>100.0%</b>	<b>-8.4%</b>



## ANNEX 4: Bilateral trade: Comparison 2016 with 2017

Eidgenössische Zollverwaltung EZV, Aussenhandelsstatistik, 3003 Bern

Seite 52

TN103: Schweizerischer Aussenhandel nach Ländern und Kapiteln

Datum: 17.01.2018

Periode: Januar bis Dezember 2017

Land: 192 Tadschikistan

Total 2	Import in Mio. CHF				Export in Mio. CHF				Saldo in Mio. CHF		Gesamthandelsvolumen			
	2016	2017	+/- %	Anteil	2016	2017	+/- %	Anteil	2016	2017	2016	2017	+/- %	Anteil
Total	73.85	156.33	111.7	100.0	9.94	4.79	-51.8	100.0	-63.91	-151.54	83.78	161.11	92.3	100.0
01 - 24 Landwirtschaftliche Produkte	0.03	0.00	-94.3	0.0	0.14	0.11	-23.4	2.3	0.12	0.11	0.17	0.11	-34.6	0.1
28 - 29 Chemische Grundprodukte	.	.	*	*	0.00	0.01	131.1	0.2	0.00	0.01	0.00	0.01	131.1	0.0
30 Pharmazeutische Erzeugnisse	0.00	.	-100.0	*	1.95	2.34	20.1	48.8	1.95	2.34	1.95	2.34	20.1	1.4
31 - 32 Düngemittel, Farbstoffe, Pigmente	.	.	*	*	0.21	0.25	19.5	5.3	0.21	0.25	0.21	0.25	19.5	0.2
33 - 34 Schönheitsmittel, Waschmittel	0.00	.	-100.0	*	0.08	0.13	60.3	2.8	0.08	0.13	0.08	0.13	60.3	0.1
35 - 38 Stärke, versch. chemische Erzeugnisse	.	.	*	*	0.31	0.40	29.0	8.3	0.31	0.40	0.31	0.40	29.0	0.2
39 - 40 Kunststoffe, Kautschuk	0.00	0.00	82.3	0.0	0.53	0.11	-79.5	2.3	0.53	0.11	0.53	0.11	-79.2	0.1
41 - 43 Felle, Leder, Lederwaren	0.00	0.00	80.3	0.0	0.00	0.00	-99.9	0.0	0.00	0.00	0.00	0.00	-89.2	0.0
44 - 46 Holz, Kork, Flechtwaren	0.00	0.00	-76.5	0.0	0.00	0.00	-39.8	0.0	0.00	0.00	0.00	0.00	27.3	0.0
47 - 49 Papier und Papierwaren	0.00	0.00	27.8	0.0	0.00	0.03	505.3	0.6	0.00	0.03	0.01	0.03	433.2	0.0
50 - 63 Textilien und Bekleidung	0.00	0.00	177.1	0.0	0.05	0.00	-99.5	0.0	0.05	0.00	0.05	0.00	-89.9	0.0
64 - 67 Schuhe, Schirme usw.	0.00	0.01	**	0.0	.	.	*	*	0.00	-0.01	0.00	0.01	**	0.0
68 - 70 Waren aus Steinen, Keramik, Glas	.	.	*	*	0.08	0.25	206.3	5.2	0.08	0.25	0.08	0.25	206.3	0.2
71 Edelmetalle, Edelsteine, Bijouterie	73.80	156.26	111.7	100.0	2.09	0.11	-94.8	2.2	-71.71	-156.15	75.89	156.37	106.1	97.1
72 - 83 Unedle Metalle und Waren daraus	0.00	0.02	**	0.0	0.33	0.01	-97.6	0.2	0.33	-0.02	0.33	0.03	-90.0	0.0
84 Maschinen ( nicht elektrisch)	0.00	0.00	-27.4	0.0	0.74	0.04	-94.9	0.8	0.74	0.04	0.74	0.04	-94.9	0.0
85 Maschinen (elektrisch)	0.00	0.00	-43.9	0.0	0.54	0.17	-68.5	3.6	0.54	0.17	0.55	0.17	-68.5	0.1
86 - 89 Fahrzeuge, Flugzeuge usw.	0.00	.	-100.0	*	0.05	0.11	137.6	2.3	0.05	0.11	0.05	0.11	135.7	0.1
90 Opt. / medizin. Instrumente	.	0.00	*	0.0	2.28	0.39	-82.8	8.2	2.28	0.39	2.28	0.39	-82.8	0.2
91 Uhrmacherwaren	.	.	*	*	0.52	0.33	-37.5	6.8	0.52	0.33	0.52	0.33	-37.5	0.2
94 Möbel, Bettzeug usw.	0.00	0.00	36.5	0.0	0.02	0.00	-90.2	0.0	0.02	0.00	0.02	0.00	-82.4	0.0
95 - 96 Spielzeuge, Sportgeräte usw.	0.01	0.01	40.9	0.0	0.00	0.00	746.4	0.1	-0.01	-0.01	0.01	0.02	71.1	0.0



## ANNEX 5: Main investing countries to Tajikistan in 2017

Rank	Country	Direct Investments by the end of 2017 (thousands USD; stock)	Share %	Variation (stock) +/- %	Inflow in 2016 (thousands USD)
	<b>Total including:</b>	<b>3'583'710.81</b>	<b>100.0%</b>	<b>-0.03%</b>	<b>354'495.20</b>
1	<b>China</b>	1'240'214.68	34.6%	<b>-2.83%</b>	235'450.75
2	<b>Russia</b>	929'556.00	25.9%	<b>1.09%</b>	63'460.70
3	<b>Great Britain</b>	375'521.79	10.5%	<b>1.27%</b>	6'124.43
4	<b>Iran</b>	357'338.70	10.0%	<b>2.64%</b>	9'201.60
5	<b>USA</b>	129'277.35	3.6%	<b>7.78%</b>	13'807.44
6	<b>Switzerland</b>	<b>100'096.39</b>	<b>2.8%</b>	<b>12.21%</b>	<b>10'891.44</b>
7	<b>Cyprus</b>	93'070.26	2.6%	<b>-6.53%</b>	3'881.26
8	<b>Turkey</b>	65'660.22	1.8%	<b>5.09%</b>	3'744.55
9	<b>Qatar</b>	61'626.70	1.7%	<b>0.00%</b>	0.00
10	<b>France</b>	60'399.30	1.7%	<b>4.37%</b>	2'529.00
11	<b>Kazakhstan</b>	53'396.35	1.5%	<b>0.68%</b>	699.11
	<b>Others</b>	117'553.07	3.3%	<b>-6.89%</b>	4'704.92