



TAJIKISTAN

28.07.2020

Annual Economic Report 2020

Executive summary

According to official statistics, **Tajikistan's economy sustained its growth rate in 2019 at 7.5% with a total US\$ 8.2 billion**. This means that the average economic growth rate has remained unchanged at 7.7% for the last decade mainly due to a rapid development of the construction and trade sectors boosted by remittances and public investments. However, in Q1'2020 Tajikistan's economic growth started to be severely affected by the trade interruption and harsh socio-economic measures adopted by its key trading partners in the context of the COVID-19 pandemic. Already in Jan-March 2020, the GDP growth rate dropped by 0.4 % as a result of the immediate slowdown in HoReCa, entertainment segment, nonfood and luxury goods trading markets. **It is expected that the COVID-19 crisis and its socio-economic consequences will hit the country relatively hard** (see Outlook below).

In terms of international trade, Tajikistan continues to maintain a policy of open doors. Currently, trade negotiations in the frame of the CIS Trade Service Agreement and with the EU on getting the GSP+ status are ongoing. The Tajik foreign trade accelerated relative to the previous years by 7.1% y/y (2019) and by 7.5% y/y (1Q'2020), mainly due to the increase of exports by 9.4% in 2019 and due to the increasing import of food products by 15.5% in 1Q'2020. The trade balance in 2019 was slightly reduced staying negative and amounting to – US\$ 2.175 million (or -2.3% to GDP versus -5% to GDP in 2018).

Total foreign direct investments (stock) to Tajikistan in 2019 accounted for US\$ 4.13 billion (US\$3.83 billion in 2018). This means it increased compared to the last year by 4.8, which is mainly due to an increase in Chinese investments. **China remains the country's key investor** with a stock of US\$1.53 billion or 37.5% (37.1% in 2018) of total FDI. Chinese investments have been 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 Russia (23.6%) and Great Britain (10.0%). **Swiss FDI stock** amounted to US\$138.796 million (5th rank), and maintained its share of 3.35% from total FDI (stock). This is similar to 2018. According to the Ministry of Economic Development and Trade, Swiss FD inflow to Tajikistan in 2019 decreased by three times, i.e. US\$5.79 million versus US\$16.9 million in 2018. This indicates that the **Swiss economic presence in absolute terms remains very modest**. The main challenges for Swiss and other international investors remain the relatively challenging business and investment climate.

Outlook. The IMF notes that the COVID-19 pandemic and sharp decline in oil prices have severely impacted remittances and created an urgent and immediate balance of payments need. **The IMF projected growth at 4.8% in 2020 (with a possible further decline)**. The fiscal deficit was projected at 4.3% of GDP, while the current account deficit was projected near 5½ % of GDP. Public and publicly guaranteed debt was projected to rise.

1 Economic problems and challenges

Industrial production outputs in 2019 showed impressive growth rate (e.g. manufacturing by 16.2%, mining industry by 12.6%, power supply, gas, steam and air conditioning by 5.3%, water supply, sewage, collection and disposal of waste by 9.1%. A record production of cement of 4.2 million tons means an increase of 9.3% compared to 2018. Also the agricultural output increased by 7.1% y/y. These seem to be outcomes of the ongoing national industrialization process “back-upped” on policy level by fiscal incentives, significant investments to production facilities (44.7% from total investments to fixed assets) and external financing (mainly from China). Commercial lending by banks for industrial projects has also showed exceptional growth from US\$ 173 million in 2012 to US\$ 693 million in 2019.

The industrialization process has come with the price of a rapidly growing public debt, which has increased from 24% of GDP in 2014 to 44.6% in 2019. Public debt, non-guaranteed debt of SOEs (10% to GDP), budget deficit (2.1% of GDP), low efficiency of public investments, currency devaluation vs.

US dollar (2.65%), growing inflation (8%) and a narrowing tax base put pressure on the country's macroeconomic stability and poverty reduction agenda. Tax and non-tax revenues dropped due to a narrowing tax base, a moratorium on tax inspections and advance payments, newly granted exemptions from the VAT, and a short-lived ban on mineral exports. Thanks to the important flow of remittances and a significant increase in gold exports the current account deficit narrowed from 5% to 2.3 % to GDP.

GDP per capita in 2019 increased by 7% in dollar value and amounted to US\$ 862.5. However, **rising inflation** (8.0% in 2019) and **stagnating salaries** threaten to jeopardize the successful reduction of national poverty over the last two decades. Prices for food products surged by 10.9% in 2019; particularly pronounced was the increase for vegetables (25.3%), meat (21.8%), and bread products (16.5%). Prices for non-food products grew by 6% and for services by 9%. Weakening purchasing power of the local currency Somoni, a “devaluation” of remittances due to the “fall” of the RUB, the unavailability of more decent jobs and tiny financial and social buffers affect people's resilience to shocks. The COVID-19 crisis and its socio-economic consequences are expected to hit many people, especially the most vulnerable, very hard.

The local **private sector continues to face a rather challenging business climate**, and is therefore modest in size. In 2019, it contributed only 15% to the total investment (3–4 % of GDP), and it produced about 30% of industrial output, accounted for around 13% of formal employment¹. The COVID-19 crisis is expected to add another layer of challenges for the local private sector.

At the same time, **Tajikistan's Doing Business ranking improved** in 2019 by 20 positions (106th vs. 126th in 2018). To achieve the national target, i.e. to reach the 80th place in the WB Doing Business rating and FDI inflow from 4.8% of GDP in 2019 to 10% in 2020, the country would however need to address other **underperforming areas**. Among those are: getting electricity and internet, paying taxes, trading across borders, resolving insolvency, and construction permits. Foreign investors (except from China) are currently very sensitive to uncertainties related to the business compliance costs, the private monopolies and the rule of law and unequal playing field.

In 2019, the **recovery in the financial sector continued** after the two large external shocks of 2008/09 and 2014. The introduced preventive measures and getting credit reform conducted by NBT resulted in the stabilization of the sector. The ratio of nonperforming loans (NPLs) fell from 36.5 % (2017) to 31.1% (2018) and to 26.1% (Dec'2019). Following a decline of 25.5% in 2017, lending to the private sector increased by 1% in 2018 and by 7.3% in 2019. Return on assets and investment in the sector has also showed a positive trend. Although, NBT and IFIs have worked jointly to make Tajikistan's banking sector more resilient, some of the same vulnerabilities that led to Tajikistan's 2015 liquidity crisis remain. There are no U.S. or European banks in Tajikistan. Tajik banks have not had correspondent banking accounts in U.S. or European banks since 2012. Russian and Kazakh banks clear virtually all of Tajikistan's international payments².

From 3rd of December, the **National Processing Centre for Remittances (NPCR)** was launched by NBT. From now on, all international payment systems can operate in Tajikistan exclusively through the National Processing Center if licensed by NBT (as for now Union Pay, Contact, Western Union, local FIs in cooperation with Russian financial institutions and payments systems). The purpose was to “increase transparency and minimize risk”. The Bank also promised that transactions through the NPCR will be free of charge for participating service providers, and so will not lead to increased commission fees for customers. While the inward remittances the local FIs and Money Sending Systems have slightly reduced the transfer commission and started to offer cash-backs and bonuses to make it attractive. The effective cost for outflow and inflow remittances in Tajikistan became more expensive. This affected the volume of remittance channeled through the official financial system and, thus, caused (among other reasons such as the devaluation of the RUB) a **deficit in hard currency** in the banks.

At the **Roghun Hydro Power Plant** the second generating unit (out of six 600 megawatt units) was commissioned in September 2019. Total costs of Roghun are estimated by different sources at US\$ 3.9 - 7 billion (48 - 100% of GDP in 2019) until completion. The government expects that once fully operationalized the plant will meet growing domestic energy demand, provide access to uninterrupted power supply, boost employment, increase electricity exports to the neighboring countries (South Asia and Central Asia), and regulate water supply during “dry” years. In 2019, Tajikistan earned a record amount of US\$ 91.3 million from electricity exports (US\$ 53.5 million in 2017). The key export destinations were Uzbekistan (56%) and Afghanistan (44%). It seems that the state policy on the development of the electric power industry and rehabilitating of the Tajik-Uzbek energy cooperation (electricity for gas) has begun to bear some first fruits. However, there are some milestones the country still has to achieve **to assure the Roghun project's financial viability** and payback. For instance,

¹ Source: Tajikistan–World Bank Group Country Partnership Framework 2019-2023

² Source: <https://www.state.gov/reports/2019-investment-climate-statements/tajikistan/>

finishing the construction of the dam amid state budget limitations, growing payables to suppliers and spending inefficiencies; the completion of the CASA-1000 transmission line (in order to export electricity to Afghanistan and Pakistan); concluding favorable power purchasing agreements; maintaining external debt sustainability despite additional borrowing for 2020-22, and meeting the Eurobonds obligations (US\$ 0.5 billion).

1.1 Main highlights for 2020, COVID-19 implications on the country and outlook:

Economic growth. In Q1'2020 Tajikistan economic growth was still strong, but it started to be severely affected by the trade interruptions adopted by its key trade partners in the context of the global COVID-19 pandemic. In general, from January-March 2020, the GDP growth rate reached 7.0%. This is 0.4 percentage point less compared to the 7.4% rate maintained since 2018. This reduction is a reflection of the worsening external factors affecting the country's economy. These factors include the economy slow-down in Russia/China and globally, drop in oil price and Russian ruble devaluation, labor migrants' layoffs and reduction in remittances by around USD 80 million (50% y-o-y), trade/supply chain disruptions, higher prices for imported goods, a general fall in exports and investments.

As in previous years, the growing domestic consumption was powered by the inflow of remittances from Russia (31.4% to GDP).

The key contributors to Tajikistan's growth rate in the past and in 2019 were (1) agriculture, industry, trade - 6.1 percentage points and (2) net taxes - 0.9 percentage points. Industry was the main internal factor of growth from the supply side (mainly processing sector). It grew by 21.6%. At the same time, the service sector was among the first impacted by the pandemic: aviation services dropped by 22.1% y/y, hotels and restaurants by 2.3%, trade of vehicles and spare parts by 30%. Starting from April 2020 international organizations, HoReCa and entertainment segment, nonfood trading markets, mosques, schools, pre-schools, some private companies were gradually reducing their operations, sending staff home or vacation and some closed their businesses temporarily.

Inflation: The trade balance continued to be negative due to several factors including an increase in imports and a reduction in exports, the rising demand for hard currency from the commercial sector and population, the projected drop in remittances inflow (by 50-60%), and the Russian RUB devaluation. These factors also put pressure on the local currency and caused a drop in supply of foreign currency in the market. As of April 13th 2020, the official exchange rate of national currency against the US dollar increased by 5.77% and the black market rate by 20.9%. The country imports almost 70% of food; thus, local currency devaluation along with trade and transportation challenges (China, Uzbekistan, Iran, Russia, and Kazakhstan) caused an increase in the consumer price index, in particular for food. The consumer price index for the beginning of the year 2020 as 102.6% (104.1% for food products). The most significant increase in prices has been noted for fruits (16.6%), vegetables (14.8%), sugar (3.3%), bakery products (1.9%) and meat (0.5%).

Outlook.

IMF: Even before the COVID-19 global crisis, the macroeconomic outlook for Tajikistan looked challenging because of the relatively important fiscal and external imbalances. The Covid-19 crisis is expected to increase the challenges. The construction of large infrastructure projects are expected to widen the fiscal and current account deficits over the medium term. Furthermore, limited exchange rate flexibility and gaps in the implementation of reforms of the monetary policy framework are expected to hamper efforts made to transition to inflation targeting. Uneven structural reforms perpetuate the weak business environment. Together, these factors can reduce prospects for investment and inclusive job-creating growth in the near and medium term. Growth was projected at 4.8% in 2020 and to moderate to 4 % over the medium term, although the COVID-19 crisis is likely to further pull down these rates. The fiscal deficit was projected at 4.3 % of GDP, while the current account deficit was projected near 5½ % of GDP. Public and publicly guaranteed debt was projected to rise, and the IMF considers debt to be on a rather unsustainable path.

The WBG forecasted 1.7% of growth for 2020. In 2019, China was Tajikistan's largest trading partner accounting for 4.7% of the export market and 18.1% of its import market. Further, oil prices fell in the first quarter of 2020 to lows not seen since the Great Recession, greatly reducing expected remittance inflows from Russia, and limiting the growth outlook for Tajikistan's immediate neighbors. This combination of factors will likely cause a decline in consumption expenditure and imports, lowering tariff and VAT revenue and leading to a deterioration in fiscal sustainability. Aluminum, Tajikistan's primary export commodity at 17 % of exports, hit a 40-month low of US\$1,665 per ton in January. New foreign direct investment is also expected to decline.

ADB reported that with the global outbreak of COVID-19, growth is forecast to slow to 5.5 % in 2020 and 5.0% in 2021 in Tajikistan.

2 International and regional economic agreements

2.1 Country's policy and priorities³

Tajikistan continues to maintain a foreign policy of open doors and has signed several trade agreements including most agreements under WTO rule. Negotiations in the frame of the CIS Trade Service Agreement with the EU on the GSP+ status are currently ongoing (all 27 conventions were ratified). Tajikistan is not a member of the Eurasian Economic Union (EEU), but several high-level meetings took place during 2018 and 2019 to discuss a potential membership.

The relations between Uzbekistan and Tajikistan have much improved after the change of presidency in Uzbekistan in 2016. Visa procedures were simplified on both sides (visa free for up to 30 days), 10 border crossing points were opened along the Tajik-Uzbek border, connectivity was improved due to the establishment of new air routes, railway and bus links etc. In 2018, Tajikistan began supplying electricity to Uzbekistan and importing Uzbek natural gas after a six-year hiatus. The opening of Uzbekistan led to an increase in bilateral trade between the two countries by 2.3 times (US\$287 million in 2018) with a positive trade balance for Tajikistan. Comparing the export and import structure of bilateral trade shows that Tajikistan is mainly exporting commodities and minerals while importing Uzbek semi-final and final products.

2.2 Outlook for Switzerland (potential for discrimination)⁴

Tajikistan's trade agreements (e.g. the Trade Facilitation Agreement) do not present a significant potential for discrimination regarding Swiss exporters and/or importers. Nevertheless, it cannot be discounted that other agreements (particularly some bilateral or regional agreements) could potentially lead to some kind 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 other countries Tajikistan has trade agreements with. A detailed and extensive economic analysis of specific products would need to be done to assess the level of current practice.

3 Foreign trade

3.1 Development and general outlook

Tajik foreign trade accelerated by 7.1% y/y (2019) and by 7.5% y/y (1Q'2020) relative to the previous years). This acceleration is mainly due to the increase of exports by 9.4% in 2019 and to an increase of imports by 15.5% in 1Q'2020. In 2019 Tajikistan had foreign trade with 105 countries (110 in 2018) including 10 CIS countries. The main trading partners were Russia (23.3%), Kazakhstan (21.2%), China (14.6%) Turkey, (8.3%), Switzerland (5.2%), see Annex 3. Exports of goods in January - December 2019 amounted to US\$1.174.4 million, i.e. it grew by 9.4% y/y. The main partners for the export of goods were: Turkey - 19.9%, of the total exports of goods, Uzbekistan - 14.6%, Switzerland - 19.2%, Kazakhstan - 18.6%, Afghanistan - 8.3%, China - 4.7%, Russia - 3.8%, Belgium - 1.8%, Iran - 1.5%, Kyrgyzstan - 1.0%, Italy and Pakistan - 0.9% each, Latvia - 1.0 %, the Netherlands and the Virgin Islands - 0.6% each and others. A significant excess of exports over imports was observed in trade operations with Switzerland (US\$216.2 million), Afghanistan (US\$ 97.7 million), Turkey (US\$ 90.3 million), Belgium (US\$13.8 million), Latvia (US\$11.6 million), and the Virgin Islands (US\$ 6.5 million). The trade balance in 2019 was slightly reduced staying negative amounting to -US\$ 2.175 million (or -2.3% to GDP versus -5.0% to GDP in 2018).

In January - March 2020, the foreign trade turnover of the Republic of Tajikistan amounted to US\$1036.0 million, which is 7.5% or US\$72.2 million more than in January - March 2019. The export of goods amounted to US\$204.6 million, which is 16.1% or US\$39.2 million less than in January-March 2019. This is because of a decrease in exports of precious and semiprecious stones and metals by 99.5% (mainly gold), mineral products by 14.9%, electricity by 33.7%, and machinery and equipment by 82.3%. Exports of textile materials and products in the same period increased by 26.9% (US\$11.8 million), non-precious metals and products made out of them by 12.9% (US\$6.0 million), chemical products 4.5 times (US\$1.2 million), finished foods, alcoholic and non-alcoholic drinks 1.7 times (US\$0.7 million) and others. The import of goods amounted to US\$ 831.4 million, which is 15.5% or US\$111.4 million more than in January-March 2019. The import of plant products/food increased by 67.9% (by US\$2.4 million),

³ Source: Ministry of Economic Development and Trade of Tajikistan

⁴ Source: International Trade Center (ITC), based on the SCO's request in 2015/16. No changes since 2016.

optical and medical instruments and devices by 7.4 times (by US\$29.8 million), and mineral products by 15.8% (by US\$22.9 million dollars), base metals and products from them by 26.2% (by US\$17.3 million), wood and products from it by 53.2% (by US\$12.7 million), textile materials and products by 77.8% (by US\$7.7 million) and others. **The trade balance in 2020'1Q** was negative and amounted to -US\$ 626.8 million versus -US\$ 416.9 million in January-March 2019.

In 2019, the **export** structure of Tajikistan still relied on traditional commodities such as mineral products (39.1 % to total export), nonprecious metals and products from them (18.6%), cotton and textile (17.1%), food products (2.2%). Tajikistan continued to increase its production of cement, coal, construction materials, food, and textile products. The **import** of goods mainly consisted of mineral products (18.8%), machines/equipment/vehicles (12.7%), nonprecious metals (9.7%), and food (9.1%).

In 2020, the COVID-19 pandemic is slowing economic activity and trade substantially. According to the IMF, the rapid deterioration in the external position has opened a large and urgent balance of payments gap, which is estimated to be around US\$384 million. The current account deficit is projected to widen to -7.8% of GDP in 2020 (from -2.3% in 2019), due to a combination of sharply lower remittances and lower non-gold exports. On the other hand, the import of goods and services are likely to fall by 9% due to the closure of the border with China and lower domestic absorption, which may lead to a slightly lower trade deficit.

3.2 Bilateral trade

According with the State Statistical Agency **bilateral trade** between Switzerland and Tajikistan continues to be modest and very much dependent on the export of Tajik precious metals (gold and silver) including Swiss refinery services. During the first half of 2020, bilateral trade between the two countries dropped again (by 28.6% y/y) amounting to US\$1.72 million of imported goods and US\$0.179 million export. The highest historical level of trade between the two countries during the last decade was in 2014 amounting to US\$ 481.1 million or 9.1% of total foreign trade. This was because the National Bank of Tajikistan undertook gold refinery operations in Switzerland. According to local statistics, due to export of precious metals (gold) to Switzerland in 2019, the bilateral trade increased by 17.1 times and its share in total trade grew to 5.1% from its historical lowest rate of 0.3% or US\$13.7 million in 2018. The **exports from Tajikistan to Switzerland** reached US\$225.1 million and import - US\$8.9 million in the reporting year.

According to local customs, **imports from Switzerland** shrunk by 26.4% in 2019 (or by US\$ 3.2 million less than in 2018) without noticeable changes in 1H'2020. The structure of Swiss products imported remained unchanged: ready-made products from grain, cereals, pharmaceutical products, extracts of tannic or dye products, chemical products, boilers, equipment and mechanical devices, machines and equipment, instruments and optical devices.

There is again a discrepancy in data from Swiss and Tajik sources. Local experts say that this is the result of different methodologies, different periods and different FX rates used in statistics of two countries. According to Swiss data, the two countries' bilateral trade showed a decrease of 15.6 % in 2019 (US\$42.3 million less compared to local bilateral trade data). This difference in statistics was mainly observed in terms of imports of "Edelsteine, Edelmetalle, Bijouterie"; Swiss data shows CHF 174.2 million of imported gold while Tajik data shows US\$223 million. Discrepancy in import data accounted for around US\$ 1.7 million. On the structure of exports and imports, both custom offices' statistics remained consistent except for the Tajik precious metals. The discrepancy was again observed in statistics of two countries in the first half of 2020. Swiss data showed a growth of 71% in bilateral trade by March' 20 or CHF112.0 million in monetary value versus US\$1.9 million reported by local statistics. 99% of bilateral trade in 2020 was the import of "Edelsteine, Edelmetalle, Bijouterie" to Switzerland, according to the Swiss Customs (Annex 4.a).

(Million, US\$)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total trade | 3851,6 | 4463,3 | 5138,1 | 4988,8 | 5274,7 | 4326,2 | 3929,9 | 3972,9 | 4224,3 | 4523,7 |
| Bilateral trade with Switzerland | 35,6 | 62,9 | 95,7 | 83,2 | 481,1 | 310,5 | 108,1 | 96,8 | 13,7 | 234,0 |
| -Export | 29,2 | 57,2 | 90,6 | 77,0 | 261,8 | 205,7 | 99,3 | 89,4 | 1,6 | 225,1 |
| -Import | 6,4 | 5,7 | 5,1 | 6,2 | 219,3 | 104,9 | 8,8 | 7,4 | 12,1 | 8,9 |
| Share in total trade, % | 0,9 | 1,4 | 1,9 | 1,6 | 9,1 | 7,2 | 2,8 | 2,4 | 0,3 | 5,2 |

4 Direct investments

4.1 Development and general outlook

The **investment climate in Tajikistan remains relatively challenging**, and it is more conducive for big infrastructure projects that have the required political and financial backing. Priority areas for public and private investments continue to be hydro energy (clean energy), infrastructure (roads/housing), mining, extractives and processing sectors (agro-sector, textile and chemical industry).

Total foreign direct investments (stock) to Tajikistan in 2019 accounted for US\$ 4.13 billion (US\$3.83 billion in 2018). It increased compared to the last year by 4.8%. This was mainly due to an increase in Chinese investments to the country. **China remains the country's key investor** with a stock of US\$1.53 billion or 37.5% (37.1% in 2018) of total FDI. Chinese investments have been 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 Russia (23.6%) and Great Britain (10.0%).

FDI inflow amounted to US\$345.5 million (US\$326.7 million in 2018) or 4.2% to GDP (4.16% in 2018). New investments in 2019 came mainly from China (76%), Great Britain (4%), Russia (9%), and Switzerland (1.6%).

4.2 Bilateral investment

Bilateral investments from and to Switzerland are **very limited in volume**. For foreign investors (incl. Swiss), the Tajik market remains of limited interest due to the relatively challenging business environment, uncertainties in the rule of law, corruption and preferential treatment of affiliated businesses. Swiss companies have been involved in energy (hydropower projects) and infrastructure projects, where Swiss businesses can have a value added and find a niche. In terms of officially registered companies in the State Tax Committee, the number of Swiss companies grew from 18 in 2016 to 31 as of 1H'2019. Most of these companies are however relatively small in size. Swiss direct investments to Tajikistan in 2019 grew by 4.46% and the **Swiss FDI stock amounted to US\$138.796 million (5th rank)**. It maintained its share of 3.35% from total FDI (stock), similar to 2018. According to the Ministry of Economic Development and Trade, **Swiss FDI inflow to Tajikistan in 2018 was very moderate - US\$5.79 million (US\$16.9 million in 2018)**. US\$1.7 million more were invested from Switzerland during the first three months of 2020.

5 Trade, economic and tourism promotion "Country advertising"

5.1 Foreign economic promotion instruments

Swiss economic promotion players are not active in the country. However, the Swiss Cooperation Office in Tajikistan, present in Tajikistan for 22 years, has been supporting events related to the promotion of Swiss languages and culture (e.g. DeutschlehrerInnenntag, Semaine de la Francophonie, Ethno-Jazz Festival, Roof of the World Festival etc.).

5.2 The host country's interest in Switzerland

Tourism, education, and other services:

Tajik people generally see/appreciate Switzerland as a highly developed country but are not familiar with its tourist attractions or education system. Switzerland's universities are not known. For Tajik tourists, Switzerland is very expensive given that the country's 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. Only few Tajik citizens have applied for a tourist visa in 2018, i.e. only 16 (23 in 2018) out of 314 visas issued in 2019 (259 in 2018). Only 6 tourist visa were issued in the first quarter of 2020. The most popular countries for tourism from Tajikistan are Turkey, Dubai, Thailand and India due to cheap air travel during main holidays, relatively easy or no visa requirement.

Switzerland known as a financial center: Large Swiss banks like UBS and Credit Suisse are well known by Tajik individuals working in the financial sector. Now the name of Credit Suisse AG is also well-known by a broader audience due to wide media coverage of 2 visits of one of the Swiss banks to the Ministry of Finance and the National Bank of Tajikistan 2019⁵.

⁵ <http://minfin.tj/index.php?newsid=823>; <https://nbt.tj/tj/news/486026/>

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** *copy of table TN103 "Schweizerischer Aussenhandel nach Ländern und Kapiteln" to be extracted from the database of the Swiss Customs Administration available in CH@WORLD*
5. **Main investing countries table including Switzerland)** *as per attached model*



ANNEX 1: Economic structure⁶

| Distribution of GDP | Year 2010 | Year 2019 |
|---|-----------|-----------|
| Primary sector (agriculture, foster, fishing, extraction, mining) | 19.6 % | 25.8 % |
| Manufacturing sector (incl. energy and construction) | 24.9% | 20.1% |
| Services (incl. taxes) | 55.5% | 54.1 % |
| - of which public services ⁷ (incl. taxes) | n/a | 28.5% |

| Distribution of employment | | |
|---|--------|-------|
| Primary sector | 66.7% | 51.5% |
| Manufacturing sector (incl. energy sector and construction) | 7% | 9.5% |
| Services | 26.3 % | 43.7% |
| - of which public services | 19.4 % | 34.6% |

⁶ Source: The Statistical Agency under President of the Republic of Tajikistan

⁷ Including health care, education, communal services, mandatory insurance which are mainly delivered by state budget-financed entities.

ANNEX 2: Main economic data⁸

| | 2016 | 2017 | 2018 (estimated) | 2019 (estimated) |
|--|--------|-------|---------------------|---------------------|
| GDP (US\$ billion) | 6.9 | 7.1 | 7.5 | 8.1 |
| GDP per capita ⁹ (current prices,US\$) | 795.98 | 800.8 | 825.77 | 876.8 |
| Growth rate (real, in %) | 6.1 | 6.7 | 7.3 | 7.5 |
| Inflation rate (CPI, in %, end of period) | 6.7 | 7.3 | 5.4 | 8.0 |
| Unemployment rate (%) | | | | |
| | n/a | n/a | n/a | n/a |
| Overall balance (incl. PIP) (% of GDP) | -9.0 | -6.0 | -2.8 | -4.4 |
| Current account balance (% of GDP) | -4.2 | 2.2 | -5.0 | -2.3 |
| Total Public and Publicly Guaranteed (PPG) external debt (% of GDP) | | | | |
| | 32.4 | 40.6 | 38.7 | 36.3 |
| Debt service on PPG external debt (% of exports) | 18.2 | 15.2 | 16.8 | 13.8 |
| Gross Reserves (in months of next year's imports of goods and services) | 2.8 | 3.8 | 4.1 | 5.8 |

⁸ Source: IMF, Republic of Tajikistan—Request for Disbursement Under the Rapid Credit Facility

ANNEX 3

Trade partners, 2019

Host Country View: Tajikistan

| Rank | Country | Export from the host country (USD million) | Share, % | Change | Rank | Country | Import to the host country (USD million) | Share, % | Change |
|------|-----------------|--|---------------|-------------|------|-----------------|--|---------------|-------------|
| | Total | 1174,4 | 100,0% | 9.4% | | Total | 3349,34 | 100,0% | 6.3% |
| 1 | Turkey | 233,7 | 19,9% | -15,5% | 1 | Russia | 1008,15 | 30,1% | 4,2% |
| 2 | Switzerland | 225,1 | 19,2% | 141 times | 2 | Kazakhstan | 740,20 | 22,1% | 38,0% |
| 3 | Kazakhstan | 218,4 | 18,6% | -27,2% | 3 | China | 606,23 | 18,1% | 2,0% |
| 4 | Uzbekistan | 171,5 | 14,6% | 10,5% | 4 | Uzbekistan | 190,91 | 5,7% | 45,0% |
| 5 | Afghanistan | 97,5 | 8,3% | n/a | 5 | Turkey | 144,02 | 4,3% | 15,3% |
| 6 | China | 55,2 | 4,7% | -3,2% | 6 | Germany | 77,03 | 2,3% | -20,6% |
| 7 | Russia | 44,6 | 3,8% | -19,2% | 7 | USA | 73,69 | 2,2% | -4,2% |
| 8 | Belgium | 21,1 | 1,8% | n/a | 8 | Japan | 66,99 | 2% | 4,1% |
| 9 | Iran | 17,6 | 1,50% | -49,8% | 9 | Kyrgyzstan | 43,54 | 1,3% | -9,7% |
| 10 | Latvia | 11,7 | 1,0% | n/a | | Switzerland | 8,90 | 0,3% | -26,4% |
| | Other countries | 77,9 | 6,6% | | | Other countries | 389,67 | 11,6% | |

ANNEX 3a

Trade partners, January-March 2020

Host Country View: Tajikistan

| Rank | Country | Exports | Share, % | Change | Rank | Country | Imports | Share % | Change |
|------|--------------------|---|--------------|---------------|------|--------------------|---|--------------|--------------|
| | | From the host country (USD million) | | | | | From the host country (USD million) | | |
| | Total | 204,61 | 100.0 | -16.1% | | Total | 831344.0 | 100.0 | 15.5% |
| 1 | Turkey | 63,841 | 31.2 | 6.1% | 1 | Russia | 250,030 | 30.1 | 13.2% |
| 2 | Kazakhstan | 53,826 | 26.3 | 15.3% | 2 | Kazakhstan | 200,307 | 24.1 | 28.1% |
| 3 | Uzbekistan | 16,839 | 8.2 | -41.3% | 3 | China | 123,946 | 14.9 | 20.2% |
| 4 | Afghanistan | 15,730 | 7.7 | -19.8% | 4 | Uzbekistan | 64,044 | 7.7 | 91.0% |
| 5 | China | 12,644 | 6.2 | -14.7% | 5 | Turkey | 30,419 | 3.7 | 1.7% |
| 6 | Russia | 10,376 | 5.1 | 20.8% | 6 | Germany | 22,597 | 2.7 | 63.7% |
| 7 | Georgia | 4,602 | 2.2 | 1912 | 7 | USA | 14,897 | 1.8 | 5.1% |
| 8 | Belgium | 4,487 | 2.2 | 210 | 8 | South Korea | 14,765 | 1.8 | 2.1 p. |
| 9 | Latvia | 3,430 | 1.7 | 240 | 9 | Japan | 13,923 | 1.7 | -8.3% |
| 10 | Pakistan | 3,358 | 1.6 | 93.3% | 10 | Iran | 10,392 | 1.3 | 2.2% |
| | Switzerland | 179 | 0.1 | -99.6% | | Switzerland | 1'723 | 0.2 | -60.1% |
| | Other countries | 15,294 | 7.5 | -73.3% | | Other countries | 84295.0 | 10.0 | -22.2% |
| | | | | | | | | | |



ANNEX 4: Bilateral trade: Comparison 2018 with 2019

Eidgenössische Zollverwaltung EZV, Aussenhandelstatistik, 3003 Bern

Seite 51

TN103: Schweizerischer Aussenhandel nach Ländern und Kapiteln

Datum: 14.04.2020

Periode: Januar bis Dezember 2019

Land: 192 Tadschikistan

| Total 2 | Import in Mio. CHF | | | | Export in Mio. CHF | | | | Saldo in Mio. CHF | | Gesamthandelsvolumen | | | |
|---|--------------------|--------|-------|--------|--------------------|------|--------|--------|-------------------|---------|----------------------|--------|-------|--------|
| | 2018 | 2019 | +/- % | Anteil | 2018 | 2019 | +/- % | Anteil | 2018 | 2019 | 2018 | 2019 | +/- % | Anteil |
| Total | 208.66 | 174.31 | -16.5 | 100.0 | 6.23 | 7.16 | 14.8 | 100.0 | -202.43 | -167.16 | 214.89 | 181.47 | -15.6 | 100.0 |
| 01 - 24 Landwirtschaftliche Produkte | 0.01 | 0.00 | -97.0 | 0.0 | 0.01 | 0.01 | -41.2 | 0.1 | 0.00 | 0.01 | 0.03 | 0.01 | -69.6 | 0.0 |
| 25 - 26 Mineralische Stoffe | . | . | * | * | . | 0.00 | * | 0.0 | . | 0.00 | . | 0.00 | * | 0.0 |
| 28 - 29 Chemische Grundprodukte | . | . | * | * | 0.00 | 0.00 | -99.9 | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 | -99.9 | 0.0 |
| 30 Pharmazeutische Erzeugnisse | . | . | * | * | 2.58 | 3.86 | 49.6 | 53.9 | 2.58 | 3.86 | 2.58 | 3.86 | 49.6 | 2.1 |
| 31 - 32 Düngemittel, Farbstoffe, Pigmente | . | . | * | * | 0.31 | 0.32 | 3.3 | 4.5 | 0.31 | 0.32 | 0.31 | 0.32 | 3.3 | 0.2 |
| 33 - 34 Schönheitsmittel, Waschmittel | . | . | * | * | 0.09 | 0.09 | 11.0 | 1.3 | 0.09 | 0.09 | 0.09 | 0.09 | 11.0 | 0.1 |
| 35 - 38 Stärke, versch. chemische Erzeugnisse | . | . | * | * | 0.43 | 0.26 | -39.0 | 3.7 | 0.43 | 0.26 | 0.43 | 0.26 | -39.0 | 0.1 |
| 39 - 40 Kunststoffe, Kautschuk | 0.00 | 0.00 | -52.8 | 0.0 | 0.32 | 0.17 | -46.8 | 2.4 | 0.32 | 0.17 | 0.32 | 0.17 | -46.8 | 0.1 |
| 41 - 43 Felle, Leder, Lederwaren | 0.00 | 0.00 | -83.9 | 0.0 | 0.00 | 0.00 | ** | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 | -40.4 | 0.0 |
| 44 - 46 Holz, Kork, Flechtwaren | 0.04 | 0.00 | -98.1 | 0.0 | . | . | * | * | -0.04 | 0.00 | 0.04 | 0.00 | -98.1 | 0.0 |
| 47 - 49 Papier und Papierwaren | 0.00 | 0.00 | 41.2 | 0.0 | 0.07 | 0.00 | -94.7 | 0.1 | 0.07 | 0.00 | 0.07 | 0.01 | -91.6 | 0.0 |
| 50 - 63 Textilien und Bekleidung | 0.00 | 0.01 | 49.4 | 0.0 | 0.00 | . | -100.0 | * | 0.00 | -0.01 | 0.01 | 0.01 | -33.2 | 0.0 |
| 64 - 67 Schuhe, Schirme usw. | 0.00 | 0.00 | 112.8 | 0.0 | 0.00 | . | -100.0 | * | 0.00 | 0.00 | 0.00 | 0.00 | 16.1 | 0.0 |
| 68 - 70 Waren aus Steinen, Keramik, Glas | . | . | * | * | 0.00 | 0.82 | ** | 11.4 | 0.00 | 0.82 | 0.00 | 0.82 | ** | 0.5 |
| 71 Edelsteine, Edelmetalle, Bijouterie | 208.58 | 174.23 | -16.5 | 100.0 | 0.00 | 0.07 | ** | 1.0 | -208.58 | -174.16 | 208.58 | 174.30 | -16.4 | 96.1 |
| 72 - 83 Unedle Metalle und Waren daraus | 0.00 | 0.01 | ** | 0.0 | 0.05 | 0.06 | 14.1 | 0.9 | 0.05 | 0.05 | 0.05 | 0.07 | 28.0 | 0.0 |
| 84 Maschinen (nicht elektrisch) | 0.00 | 0.00 | 789.6 | 0.0 | 0.39 | 0.52 | 35.6 | 7.3 | 0.39 | 0.52 | 0.39 | 0.53 | 36.0 | 0.3 |
| 85 Maschinen (elektrisch) | 0.00 | 0.05 | ** | 0.0 | 0.71 | 0.08 | -88.8 | 1.1 | 0.71 | 0.03 | 0.71 | 0.13 | -81.8 | 0.1 |
| 86 - 89 Fahrzeuge, Flugzeuge usw. | 0.00 | 0.00 | -34.8 | 0.0 | 0.01 | 0.03 | 142.1 | 0.5 | 0.01 | 0.03 | 0.01 | 0.03 | 141.3 | 0.0 |
| 90 Opt. / medizin. Instrumente | . | . | * | * | 0.93 | 0.48 | -47.7 | 6.8 | 0.93 | 0.48 | 0.93 | 0.48 | -47.7 | 0.3 |
| 91 Uhrmacherwaren | . | . | * | * | 0.19 | 0.36 | 90.4 | 5.0 | 0.19 | 0.36 | 0.19 | 0.36 | 90.4 | 0.2 |
| 94 Möbel, Bettzeug usw. | 0.00 | 0.00 | -37.1 | 0.0 | 0.14 | 0.00 | -96.6 | 0.1 | 0.14 | 0.00 | 0.14 | 0.01 | -95.8 | 0.0 |
| 95 - 96 Spielzeuge, Sportgeräte usw. | 0.01 | 0.01 | -4.5 | 0.0 | 0.00 | 0.00 | ** | 0.0 | -0.01 | -0.01 | 0.01 | 0.01 | 7.1 | 0.0 |

ANNEX 4.a: Bilateral trade: Comparison of 2019 and 2020

Eidgenössische Zollverwaltung EZV, Aussenhandelstatistik, 3003 Bern

Seite 51

TN103: Schweizerischer Aussenhandel nach Ländern und Kapiteln

Datum: 14.04.2020

Periode: Januar bis März 2020

Land: 192 Tadschikistan

| Total 2 | Import in Mio. CHF | | | | Export in Mio. CHF | | | | Saldo in Mio. CHF | | Gesamthandelsvolumen | | | |
|---|--------------------|--------|--------|--------|--------------------|------|--------|--------|-------------------|---------|----------------------|--------|-------|--------|
| | 2019 | 2020 | +/- % | Anteil | 2019 | 2020 | +/- % | Anteil | 2019 | 2020 | 2019 | 2020 | +/- % | Anteil |
| Total | 61.80 | 111.86 | 81.0 | 100.0 | 3.84 | 0.83 | -78.3 | 100.0 | -57.96 | -111.02 | 65.64 | 112.69 | 71.7 | 100.0 |
| 01 - 24 Landwirtschaftliche Produkte | 0.00 | . | -100.0 | * | . | 0.01 | * | 1.3 | 0.00 | 0.01 | 0.00 | 0.01 | ** | 0.0 |
| 28 - 29 Chemische Grundprodukte | . | . | * | * | . | 0.00 | * | 0.2 | . | 0.00 | . | 0.00 | * | 0.0 |
| 30 Pharmazeutische Erzeugnisse | . | . | * | * | 2.81 | 0.24 | -91.4 | 29.1 | 2.81 | 0.24 | 2.81 | 0.24 | -91.4 | 0.2 |
| 31 - 32 Düngemittel, Farbstoffe, Pigmente | . | . | * | * | . | 0.20 | * | 24.4 | . | 0.20 | . | 0.20 | * | 0.2 |
| 33 - 34 Schönheitsmittel, Waschmittel | . | . | * | * | 0.02 | 0.07 | 274.0 | 8.2 | 0.02 | 0.07 | 0.02 | 0.07 | 274.0 | 0.1 |
| 35 - 38 Stärke, versch. chemische Erzeugnisse | . | . | * | * | 0.01 | 0.15 | ** | 18.1 | 0.01 | 0.15 | 0.01 | 0.15 | ** | 0.1 |
| 39 - 40 Kunststoffe, Kautschuk | 0.00 | 0.00 | -35.0 | 0.0 | . | 0.01 | * | 1.4 | 0.00 | 0.01 | 0.00 | 0.01 | ** | 0.0 |
| 41 - 43 Felle, Leder, Lederwaren | 0.00 | . | -100.0 | * | 0.00 | 0.00 | -99.7 | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 | -99.7 | 0.0 |
| 47 - 49 Papier und Papierwaren | 0.00 | 0.00 | 32.3 | 0.0 | 0.00 | 0.00 | 389.5 | 0.2 | 0.00 | 0.00 | 0.00 | 0.00 | 187.8 | 0.0 |
| 50 - 63 Textilien und Bekleidung | 0.00 | 0.00 | -1.3 | 0.0 | . | . | * | * | 0.00 | 0.00 | 0.00 | 0.00 | -1.3 | 0.0 |
| 64 - 67 Schuhe, Schirme usw. | . | 0.00 | * | 0.0 | . | . | * | * | . | 0.00 | . | 0.00 | * | 0.0 |
| 68 - 70 Waren aus Steinen, Keramik, Glas | . | . | * | * | 0.80 | 0.01 | -98.5 | 1.4 | 0.80 | 0.01 | 0.80 | 0.01 | -98.5 | 0.0 |
| 71 Edelsteine, Edelmetalle, Bijouterie | 61.74 | 111.85 | 81.2 | 100.0 | . | 0.02 | * | 2.0 | -61.74 | -111.83 | 61.74 | 111.87 | 81.2 | 99.3 |
| 72 - 83 Uedle Metalle und Waren daraus | 0.00 | 0.00 | -85.5 | 0.0 | . | 0.00 | * | 0.4 | 0.00 | 0.00 | 0.00 | 0.00 | -13.0 | 0.0 |
| 84 Maschinen (nicht elektrisch) | 0.00 | 0.00 | -83.9 | 0.0 | 0.00 | 0.00 | -74.8 | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 | -76.6 | 0.0 |
| 85 Maschinen (elektrisch) | 0.05 | 0.00 | -99.6 | 0.0 | 0.00 | 0.03 | 877.1 | 3.1 | -0.05 | 0.03 | 0.05 | 0.03 | -49.4 | 0.0 |
| 86 - 89 Fahrzeuge, Flugzeuge usw. | . | 0.00 | * | 0.0 | . | 0.01 | * | 1.7 | . | 0.01 | . | 0.01 | * | 0.0 |
| 90 Opt. / medizin. Instrumente | . | . | * | * | 0.10 | 0.05 | -50.8 | 5.8 | 0.10 | 0.05 | 0.10 | 0.05 | -50.8 | 0.0 |
| 91 Uhrmacherwaren | . | . | * | * | 0.10 | 0.02 | -78.7 | 2.6 | 0.10 | 0.02 | 0.10 | 0.02 | -78.7 | 0.0 |
| 94 Möbel, Bettzeug usw. | 0.00 | 0.00 | -44.3 | 0.0 | 0.00 | . | -100.0 | * | 0.00 | 0.00 | 0.00 | 0.00 | -90.6 | 0.0 |
| 95 - 96 Spielzeuge, Sportgeräte usw. | 0.00 | 0.00 | 67.1 | 0.0 | 0.00 | 0.00 | -88.8 | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 | 5.2 | 0.0 |



ANNEX 5: Main investing countries to Tajikistan, 2019.

| Rank | Country | Direct investments by the end of 2019, (thousands USD; stock) | Share, % | Variation (stock), +/- % | Inflow in 2019 (thousands USD; stock) |
|----------|--------------------|---|----------------|--------------------------|---------------------------------------|
| | Total | 4 137 348,26 | 100,00% | 9,11% | 345 574,44 |
| 1 | China | 1 616 091,15 | 39,06% | 19,38% | 262 317,14 |
| 2 | Russia | 964 101,46 | 23,30% | 3,55% | 33 091,00 |
| 3 | Great Britain | 400 096,09 | 9,67% | 3,61% | 13 924,99 |
| 4 | Iran | 357 516,35 | 8,64% | 0,01% | 43,30 |
| 5 | Switzerland | 138 796,64 | 3,35% | 4,36% | 5 797,39 |
| 6 | USA | 92 570,06 | 2,24% | 0,42% | 386,80 |
| 7 | Cyprys | 92 183,26 | 2,23% | 8,44% | 10 303,07 |
| 8 | Turkey | 98 493,44 | 2,38% | 45,39% | 13 482,70 |
| 9 | France | 66 018,96 | 1,60% | 6,19% | 3 846,26 |
| 10 | Kazakhstan | 53 592,78 | 1,30% | 118,95% | 356,04 |
| | Others | 257 888,07 | 6,23% | | 2 025,75 |

ANNEX 5a: Main investing countries to Tajikistan, January-March 2020

| | Country | Direct investments by the end of January – March 2020 (thousands USD; stock) | Share, % | Variation (stock), + /- % | Inflow in January – March 2020, (thousands USD; stock) |
|----------|--------------------|--|--------------|---------------------------------|--|
| | Total | 4'077'588.0 | 100.0 | 4.8% | 59'053.9 |
| 1 | China | 1'530'014.9 | 37.5 | 5.5% | 38'061.5 |
| 2 | Russia | 963'798.4 | 23.6 | -20.3% | 13'816.9 |
| 3 | Great Britain | 407'284.3 | 10.0 | 5.0% | 660.9 |
| 4 | Iran | 355'396.6 | 8.7 | 4.5 times | 0.0 |
| 5 | Switzerland | 135'587.6 | 3.3 | 4.4% | 1'417.5 |
| 6 | USA | 133'440.8 | 3.3 | -0.5% | 86.8 |
| 7 | France | 116'946.4 | 2.9 | 74.8% | 1'575.3 |
| 8 | Turkey | 104'679.9 | 2.6 | 30.1% | 1'077.1 |
| 9 | Cyprus | 87'165.8 | 2.1 | -5.4% | 1'984.7 |
| 10 | Qatar | 62'172.7 | 1.5 | 0.0 | 0.0 |
| | Other countries | 181'100.6 | 4.4 | -8.9% | 373.2 |