



-Tadjikistan-
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GENERAL FEATURES OF TRADE POLICY

Tadjikistan became an independent Republic on 9 September 1991 and soon faced an acute social and economic crisis as the previous interdependent central planning system disintegrated. The situation was severely aggravated by the ensuing civil war. The country experienced the emergence of various political platforms presenting divergent policies to deal with the rapidly deteriorating situation. The failure to maintain stability was largely caused by the struggle between different regional and political affiliations for the redistribution of power in the country after the collapse of the previous political system.

Tadjikistan requested its adhesion to the WTO in May 2001.

According to the UN-Tadjikistan mid-year review 2003, most of the donors consider that it is time to make a transition from humanitarian help to development assistance as Tadjikistan is clearly in a transitional phase from humanitarian help aid to development. Instead of being characterised as being in a "humanitarian crisis", the country is now considered as being "in a complex humanitarian situation". The political and security situation are stabilised, but the overall economic situation in the country has not improved much: high level of poverty, unemployment and further decline of social services are affecting overall stability.

The economic and social upheaval has been compounded by Tadjikistan's geographical isolation. The country suffered a severe drop in demand for much of the industrial production, largely due to high transport costs from Tadjikistan to other republics and the discontinuation of Soviet states orders. As a result, with few exceptions, Tadjikistan's once thriving industrial plants lie idle. Many industries operate at less than a quarter of the previous capacity. Shortages of fuel, frequent cuts in utilities, the absence of employment opportunities, the breakdown of health and educational services and facilities, and the marked decline of law and order have caused immense hardship to urban and rural populations.

The first quarter's indices published by the Tadjik government indicate that year-on-year real GDP growth in January-April 2003 was 10,2% with both industrial and agriculture sectors performing strongly. Although aluminium continues to be the main driver of industrial sector growth, light industry is showing signs of recovery, especially in the fields of textiles, alcohol products and consumer goods.

Although the Government's target for inflation was not to exceed 7%, it reached 9.1% during the first five months of the year. Prices in many areas rose strongly in 2003, food prices were up by 7%, whereas services prices increased by 26% owing to the rise in gas and electricity tariffs.

Two thirds of the population of 5.9 million reside in rural areas and depend on the agricultural economy. Absolute poverty, defined as the lack of basic essential needs, affects an estimated 80 percent of Tadjikistan's population.

The EU signed a textile agreement with Tadjikistan in July 1993 which gives Tadjikistan access to EU markets for all textile products, without quantitative restrictions. This agreement was extended from 1999 to run to the end of 2003.

Industrial output increased by 8.2% and agricultural production by 15% in 2002, mainly due to increases in cotton and aluminium output.

Structural reforms in the financial, agricultural and energy sectors have slowly progressed. Privatisation of medium and large enterprises has been slow, by end 2002, about 40% of the total had been sold to the private sector.

Main exports from Tadjikistan : Aluminium, electricity, cotton. However, export of aluminium is not viable without huge electricity subsidies.

In 2002 the general volume of external trade increased (by 13% for exports and by 4.4% for imports) and Russia remains Tadjikistan's leading trade partner.

Around 50.4% of Tadjikistan's external trade activity depended on the CIS countries in 2002, but it was marked by a 2.3% drop in the volume of trade with CIS countries. Most imports, including food and raw materials, are bought from the CIS (mainly Russia), resulting in a large trade deficit with these partners.

Tadjikistan's main export markets for aluminium and cotton are in Europe, with more than 60% of aluminium exports and 75% of cotton fibre exports going to these markets. This enables Tadjikistan to run a substantial trade surplus with countries outside the CIS.

Aluminium is the main export revenue providing about 55% of total export earnings in 2002 while exports of cotton account for 17.4% of Tadjikistan's export revenue, mainly to Switzerland, Latvia, Iran and Russia. The over-dependence of the Tadjik economy on aluminium and cotton remains a major reason for concern. Trade in energy accounted for 10% of total trade turnover. Tadjikistan remains a net importer of energy, mainly gas, electricity and chemical products.

The following table is an overview of the trade flow between the European Union and Tadjikistan

Section	Year	Import(Euro)	Export(Euro)
Animals & animal products	1997	73,740	93,110
	1998	48,280	127,360
	1999	15,960	99,370
	2000	940	82,820
	2001	0	14,490
	2002	0	126,870
	2003	0	27,170
Vegetable products	1996	0	9,563,630
	1997	125,490	2,523,270
	1998	3,210	2,287,580
	1999	55,280	3,675,690
	2000	0	5,501,080
	2001	99,010	7,560,480
	2002	107,050	2,279,260
2003	64,720	1,138,900	
Animal or vegetable fats	1996	0	1,181,090
	1997	0	1,322,780
	1998	0	1,959,390
	1999	0	941,280
	2000	0	996,720
	2001	0	1,687,320
	2002	0	824,460
2003	0	300,110	
	1996	0	5,557,680
	1997	1,090	3,155,460
	1998	0	2,858,330
	1999	9,390	1,144,380

Prepared foodstuffs	2000	0	968,920
	2001	101,950	3,976,890
	2002	555,340	4,978,010
	2003	381,570	8,086,990
Mineral products	1996	341,160	13,330
	1997	0	29,460
	1998	0	164,160
	1999	25,710	334,070
	2000	0	167,430
	2001	0	85,330
	2002	0	123,250
Chemical products	2003	0	187,010
	1996	22,990	1,209,950
	1997	10,130	2,057,440
	1998	1,270	6,511,420
	1999	1,330	2,722,720
	2000	0	2,116,090
	2001	0	3,690,460
	2002	14,950	4,864,110
Plastics & rubber	2003	0	7,849,990
	1996	550	133,840
	1997	0	204,260
	1998	0	656,830
	1999	14,080	278,770
	2000	0	221,750
	2001	34,980	971,860
Hides & skins	2002	0	612,250
	2003	0	1,349,380
	1996	1,171,990	200
	1997	0	129,440
	1998	0	16,140
	1999	10	27,450
	2000	8,520	19,950
	2001	30	150,810
Wood & wood products	2002	34,550	37,100
	2003	1,240	30,830
	1996	6,350	113,060
	1997	9,400	86,870
	1998	17,260	105,280
	1999	5,900	63,010
	2000	0	246,640
Wood pulp products	2001	260	91,670
	2002	0	229,090
	2003	0	359,540
	1996	0	158,860
	1997	0	210,460
	1998	0	1,121,380
	1999	6,220	85,570
Textiles & textile articles	2000	1,170	7,362,690
	2001	0	1,298,430
	2002	0	546,740
	2003	0	512,110
	1996	81,835,850	655,260
	1997	78,908,240	920,460
	1998	68,676,130	2,386,860
	1999	40,850,200	1,723,670
	2000	37,904,360	1,264,410
	2001	55,070,640	2,268,570
	2002	51,710,380	1,057,840
	2003	51,084,760	1,367,230
	1996	0	55,010

Footwear, headgear	1997	0	193,130
	1998	0	158,990
	1999	2,280	8,440
	2000	3,580	45,510
	2001	80,360	81,690
	2002	1,530	88,750
	2003	0	9,830
Articles of stone, plaster, cement, asbestos	1996	0	23,760
	1997	0	98,780
	1998	0	450,240
	1999	10,330	235,200
	2000	280	166,470
	2001	0	213,040
	2002	0	322,950
2003	0	857,210	
Pearls, (semi-)precious stones, metals	1996	0	160,430
	1997	1,332,220	14,040
	1998	0	5,310
	1999	0	41,670
	2000	1,220	0
	2001	1,151,420	0
	2002	55,430	54,880
2003	15,780	64,570	
Base metals & articles thereof	1996	5,194,930	722,270
	1997	3,590,160	1,184,920
	1998	1,231,750	1,742,180
	1999	874,010	692,840
	2000	1,796,710	529,790
	2001	1,270,900	712,560
	2002	9,727,410	755,000
2003	28,538,760	1,440,120	
Machinery & mechanical appliances	1996	90,830	9,352,990
	1997	31,110	13,209,950
	1998	156,220	9,192,650
	1999	18,720	12,652,090
	2000	33,840	5,389,700
	2001	98,280	7,768,960
	2002	1,417,090	6,284,560
2003	32,370	8,631,780	
Transportation equipment	1996	0	638,880
	1997	1,420	1,641,130
	1998	8,630	1,570,150
	1999	0	783,700
	2000	9,200	3,564,820
	2001	85,330	949,360
	2002	80,830	217,440
2003	10,000	1,757,790	
Instruments - measuring, musical	1996	320	405,420
	1997	2,480	320,720
	1998	0	3,743,080
	1999	1,150	2,171,210
	2000	0	2,787,710
	2001	730	807,660
	2002	625,310	2,201,430
2003	0	2,230,990	
Miscellaneous	1996	46,550	268,960
	1997	0	652,050
	1998	0	2,444,300
	1999	6,030	1,445,200
	2000	50,650	971,230
	2001	18,830	531,000

	2002	16,900	1,185,420		
	2003	0	1,644,270		
Works of art	1999	4,460	12,300		
	2000	620	11,310		
	2002	0	1,420		
	2003	0	54,570		
	Other	1996		11,560	675,250
		1997		75,320	174,540
		1998		0	371,020
		1999		11,230	277,780
		2000		19,730	300,330
	2001		3,660	534,520	
2002		6,280	328,190		
2003		56,860	2,124,730		

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Although strong growth was recorded in the agriculture sector at the beginning of 2003, Tajikistan remains by far the poorest Central Asian country. Natural disasters and slow land reform will make Tajikistan again dependent on food aid this year. Experts estimate that Tajikistan will grow only about 40% of its food needs this year, and therefore will remain dependent on food aid from abroad.

Natural disasters in early June and sluggish progress in land reform will remain constraints on the sector's prospects.

The UN Food and Agriculture Organisation (FAO) has warned of a locust infestation in Southern Tajikistan this year and is planning to treat 71.000 ha of land (out of a total of 72.100 ha infested) under a 16 month US\$ 340.000 programme for locust control.

Tajikistan has continuous difficulties to implement its obligations in regard to the international financial institutions and the problem of its high external debt is still to be solved. The country remains extremely poor, with natural disasters (floods and landslides in 2002) affecting food and crop production. A final Poverty Reduction Strategy Paper (PRSP) was approved in June 2002. The UN launched the Consolidated Appeals Process 2003 (CAP) identifying the enhancement of food security and access to drinking water in rural areas as priority areas for intervention. The CAP has been set at \$62 million, of which \$43 million is for food aid.

By the end of 2003, as one of the government's main reforms, some commercial banks should be liquidated and the restructuring of the AgroInvestBank is one of the main issues this year. The International Monetary Fund (IMF) proposes to divide the AgroInvestBank into two different sectors, one functioning as a commercial bank and the second one dealing only with cotton operations. This would protect the bank from the cotton debts and credits problems.

However, cotton activities only profit a small oligarchy and do not represent a sustainable economic base so far. The rural economy has to be completely restructured: a major challenge for the government is to reduce its fiscal reliance on cotton, to eliminate informal coercion on production and to make agriculture more profitable for the small farmers.

Tajikistan exports cotton, fruits vegetable oil and textiles. It imports foodstuffs, machinery and equipment.

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OIL

Tajikistan has proven oil reserves of only 12 million barrels. Tajikistan's 1992-1997 civil war, coupled with economic contraction and a lack of investment to maintain the oil sector's infrastructure, has resulted in a 73% decline in national oil production.

Tadjikistan consumed approximately 29,000 barrels per day (bbl/d) of petroleum products in 2001, of which nearly 100% is imported. In July 2001, Tadjikistan opened its first refinery, the small 400-bbl/d-capacity Konibodom refinery, which produces gasoline, diesel, kerosene, and fuel oil. However, the country still must import much of its oil as refined petroleum products. Uzbekistan supplies more than 70% of Tadjikistan's oil demand.

NATURAL GAS

Tadjikistan relies heavily on Turkmen and Uzbek natural gas to meet domestic demand, which stood at 44.1 Bcf in 2000. Due to distortions in the Tajik natural gas market, Tadjikistan has continually run up debts to suppliers for natural gas already consumed. In addition, through April 2002, Tadjikistan's population and industrial enterprises already had consumed about 80% of the annual volume of natural gas envisaged under an intergovernmental agreement between Uzbekistan and Tadjikistan. Tajikgaz blames the high natural gas consumption and nonpayment by individual consumers (only 18% paid in 2001) on Soviet-era practices, when utilities were largely free. Tajikgaz has had to cut off nonpaying customers, as well as negotiate with suppliers for additional natural gas.

ELECTRICITY

A significant portion of Tadjikistan's power sector infrastructure is in poor condition as a result of the civil war and the lack of proper maintenance, which has contributed to increased energy losses of nearly 15% of generating capacity. Transformers are constantly breaking down due to overloads, and most power equipment has exhausted its service life; the Tajik government estimates that depreciation of energy equipment already has reached 75%. In addition, hydroelectric plants have been operating at well below capacity due to severe weather and low water levels.

Tadjikistan is hoping to modernize its power infrastructure by attracting foreign investment to the sector. The country is trying to increase its power-generating capacity and to reconstruct its energy grids. However, potential investors, which include international financial organisations and neighbouring countries, are demanding that Tadjikistan's power sector be privatised. Potential investors also want Tadjikistan to change its rate policy: although the country's low electricity tariffs have increased bill collection to nearly 50% of energy deliveries, the policy has also resulted in huge losses.

**Textiles and
Leather
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The EU signed a textile agreement with Tadjikistan in July 1993 which gives Tadjikistan access to EU markets for all textile products, without quantitative restrictions. This agreement was extended from 1999 to run to the end of 2003.

Tadjikistan's main export markets for cotton are in Europe, with more than 75% of cotton fibre exports going to these markets. This helps Tadjikistan to run a substantial trade surplus with countries outside the CIS.

The International Finance Corporation, the private sector financing arm of the World Bank, is investing \$3 million to finance the expansion of the textile joint-venture Javoni in Tadjikistan. This Tadjik-Italian-American company is the largest foreign-local textile joint venture of the country, employing more than 1000 people in Khujand. With the IFC investment, Javoni's garment production is expected to increase from 1.4 million to 4.1 million pieces a year.

INVESTMENT RELATED BARRIERS

The Tadjik Government has published the "Public Investment Programme (PIP) and technical assistance needs 2004-2006".

Tajikistan's Public Investment Programme for 2004-2006 focuses on a number of large infrastructure projects (64 projects), in particular the reconstruction of the road from the Northern to the Southern region, the Anzob tunnel and the Rogun and Sangtuda hydropower stations. This public investment programme relies more than 80% on external financing and investments.

Growth in the industrial sector in the first quarter of 2003 was 12.6%. Although aluminium continues to be the main driver of industrial sector growth, light industry is showing signs of recovery, especially in the fields of textile, alcohol products and consumer goods.

One of the top priority of the government is to find investors to complete the construction of Tajikistan's hydroelectricity plants.

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IPR

As a candidate for accession to the WTO, Tadjikistan must apply the TRIPs agreement.

There is no detailed information available on domestic IPR legislation at the moment.

Tadjikistan is a member of WIPO and a party to the following major multilateral IPR conventions:

- Madrid Agreement Concerning the International Registration of Marks (but not the Protocol)
- Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks
- Locarno Agreement Establishing an International Classification for Industrial Designs
- Berne Convention for the Protection of Literary and Artistic Works
- Paris Convention for the Protection of Industrial Property
- Patent Cooperation Treaty (PCT)
- Strasbourg Agreement Concerning the International Patent Classification
- Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the purposes of Patent Procedures (1977, modified in 1980).

So far, no bilateral Trade Agreement has been concluded between the EU and Tadjikistan. Tadjikistan has so far not agreed, as a successor state to the Soviet Union, to continue to apply the 1989 Trade and Co-operation Agreement but if a bilateral agreement were to be concluded, it should certainly contain an IPR clause comparable to those concluded with other Central Asia Republics, such as Uzbekistan or Kyrgyzstan. Such clause would contain two basic commitments:

- to implement a level of IPR protection similar to the one found in the EU and
- to accede to certain international treaties. In the case of Tadjikistan, these would include the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Rome, 1961) and the Protocol relating to the Madrid Agreement concerning the International Registration of Marks (Madrid, 1989).

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