Tajikistan's regional trade expansion: potential and possibility

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The fall in world prices for aluminum and cotton during the global financial crisis is an important factor that caused the trade deficit in the country at a rate of 12% of GDP. IMF assessments suggest that higher prices for aluminum and cotton for Tajikistan, 1% could improve the country’s trade balance by 0.2% and 0.12% respectively. Thus, if the annual prices for aluminum and cotton remained at an average of 19% and 2007, the deterioration in the trade balance of Tajikistan during the global crisis has been less dramatic. However, the increase in world prices for aluminum and silver in 2010-2011, had not much improved the country’s trade balance (compared with 2009) improved by 6.2%, although the price, for example, cotton fiber, increased by 162% and 142% aluminum).

Analysis of the global economic trends witnesses that 85% of world cotton production and sales and 95% of world aluminum markets concentrated in the hands of several multinational corporations. Tajikistan’s production is a small fraction of these markets, given that world production of cotton is about 17 million tons, while total supply on the world aluminum market, is more than 11 million metric tons (in the form of primary ingots of more than 4 million). Even if the production of cotton and aluminum will increase and reach long-term development strategy targets (raw cotton - 800 thousand tons and primary aluminum - 630 thousand tons), the share of companies of the republic in these markets would still be less than 4% (cotton) and 5% (aluminum).

However, this diversified structure of imports of the Republic of Tajikistan must be ensured by exports. The rate of coverage of imports by exports in the country in 2010 was 44.9. 58.8 per cent of imports of the country accounted to the CIS countries, of which 48.2 per cent to the countries of the Eurasian Economic Community (Russia - 32.2, Kazakhstan - 11.0). Imports from Uzbekistan in 2006-2010 decreased in volume almost 4 times from 10.2% to 2.7% because of reduction imports of electricity and gas. The main import partners among foreign countries in 2010 were China (9.0%), Iran (5.3%), United States (3.5%), UAE (2.3%), Turkey (2.3%) and Afghanistan (1.5%). It is noteworthy that in recent years the proportion of Afghanistan's share of exports and imports with the Republic of Tajikistan has a tendency to increase due to the expansion of border trade between the two countries and an increase in the re-export of the Republic of Tajikistan with this country.

Figure 1 shows the intensity of trade of the Republic of Tajikistan with some countries that were or are significant for the country's exports. To calculate the index of the intensity of trade based on the export data of the Republic of Tajikistan the countries have been selected which occupied or occupy the highest proportion of exports of goods from the Republic of Tajikistan.

Table 1. List of re-export goods of Tajikistan with regional trade partners in 2010 (% of total export volume to corresponding country)

<table>
<thead>
<tr>
<th>Product name</th>
<th>Kyrgyzstan</th>
<th>Uzbekistan</th>
<th>Turkmenistan</th>
<th>Kazakhstan</th>
<th>Russia</th>
<th>Afghanistan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars and trucks</td>
<td>4.6</td>
<td>0</td>
<td>1.1</td>
<td>2.5</td>
<td>2.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Fuel and lubricant products</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>63.5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Electric apparatus</td>
<td>0.8</td>
<td>0.1</td>
<td>0.1</td>
<td>0</td>
<td>0.8</td>
<td>0.3</td>
</tr>
<tr>
<td>Mining equipment and bulldozers</td>
<td>5</td>
<td>0.8</td>
<td>0</td>
<td>0</td>
<td>8.8</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>5.5</td>
<td>0.1</td>
<td>0.1</td>
<td>0.3</td>
<td>0.2</td>
<td>0.6</td>
</tr>
</tbody>
</table>

As can be seen from the figure 1, the intensity of trade of the Republic of Tajikistan increases with countries such as Afghanistan, Iran and Turkey. The intensity of trade with the Russian Federation is relatively stable and this justifies the need to increase mutual trade between these countries. However, intensification of trade decreases with Uzbekistan, the Netherlands, Switzerland and China has become the lead trade partner for Tajikistan only in recent years, thus mutual trade of the latter does not allow to calculate intensity of trade for the given years.

Table 2. List of re-export goods of Tajikistan with regional trade partners in 2010 (% of total export volume to corresponding country)

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<td>0.6</td>
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The highest figure of goods re-exported to is Afghanistan, and this list has a tendency to increase. As can be seen from the table more than 76% of exports of the Republic of Tajikistan to Afghanistan, are goods that are not produced in the country, and these goods are imported into the country from China, Russia, Kazakhstan and other countries. Turkmenistan follows Afghanistan as the second destination of this indicator scoring approximately 66% of exports from the Republic of Tajikistan. It is worth to note that goods to Turkmenistan, Uzbekistan and Kyrgyzstan, have a homogenous structure, whereas re-export to the Russian Federation, Kazakhstan and Afghanistan is more diversified, given that re-exported goods to these markets are in strong demand.

Although the list of exported agricultural products of the Republic of Tajikistan to the Russian Federation is very large, the table only those goods for which demand has emerged at the regional level (basically two or more countries).

With regard to foreign products, the list tends to increase. The following table shows the export commodities of regional trade of the Republic of Tajikistan. However, methodologically we may not be limited to this list, because the re-export of goods may contribute to the expansion of the transit of goods through the territory of the Republic of Tajikistan. For an instance, it is possible to identify a number of goods re-exported to neighboring countries and that may be in future structure-regional trade (Table 2).

Figure 1. Intensity of Export of Tajikistan, selected countries

[Graph showing intensity of export]
Expansion of re-exports of goods from the Republic of Tajikistan, undoubtedly caused by creation of appropriate infrastructure, especially road communication. Since trade is the main business activity of the country, respectively, the opening of the road route to China via Kulma Pass (Kalasu on the Chinese side) and continuous rehabilitation of Kyrgyz-Tajik road network at Karamik BCP contributed to a sharp increase of imports from China via road shipment. The narrowness of the domestic market in Tajikistan is pushing the country's retail business to market at neighboring countries. Expansion of re-exports business is primarily due to the implementation of publicly funded road reconstruction projects connecting the country with neighboring countries. In the future, implementation of these projects and new railways in Afghanistan and Kyrgyzstan could lead to a sharp increase in export and turning the country into a transit country.

Rehabilitation and construction of roads in Tajikistan aimed at implementing the concept of exit strategy from transport deadlock conditions and solving a problem of difficult accessing between the regions of the country in the winter period. In addition, the solution out of the exit strategy allows acceleration of the process of transforming the country into a transit country. However, the solution of problems depends not only on the rehabilitation and reconstruction of international highways, but also the creation of appropriate infrastructure around these highways for the normal movement of goods and movement of automobiles. Such infrastructures include:

- A network of catering;
- Repair of automobiles and maintenance of their parts;
- hotel and guest housings along the corridor routes;
- Parking of international standards;
- Entertainment centers and rest areas;
- Insurance services;
- financial services;
- Storage and warehouses (free storage);
- Car rental and more.

On-going rehabilitation and construction projects and liberalization of the delivery of transport services greatly influenced by the increase in freight traffic. Significantly increased the tonnage of freight roads of the country by private entrepreneurs for years 1999-2010. (Almost 10-fold), and since 2002 in the statistics of the country has a new article: international freight transport, which is solidly growing in numbers in recent years (for 2002-2010. Almost 9 times).

Analysis clearly shows increased focus of international freight forwarding companies to Tajikistan as a transit country. However, state statistics does not show the number of employed in the transportation services that operate on the basis of an individual licenses. The bulk of employment in this sector work as hired (rented cars), or by obtaining patents for the individual conduct of businesses. Also, statistics does not to assess other influential factors impacting various dimensions of the economy, including land development and property values. Such data could be greatly used while conducting feasibility studies for completely new road and railway network land spots. This form of analysis is useful because it demonstrates the localized nature of some transportation impacts, and serves to confirm the value public transportation provides in the market.

In general, the creation of transport hubs linking the Central Asian countries contributes to the development of trade relations of these countries, as well as the deepening of integration processes. Diversification and increase in export volumes are an integral part of future economic growth and development of the region. Diversified output and exports puts companies in terms of competition domestically and internationally, leading to increased productivity. The formation of appropriate infrastructure to improve the transit of goods by road in Tajikistan requires huge investment in this area. The basis of such investments in the first place is a public-private partnership. The development of networks of power and the rest for transport around transport nodes and along roads requires private investments, which require government incentives (tax, etc.). Public facilities (parking, consistent with international standards, public toilets, open and closed warehouses and others) to create through the State program of public investment, grants and technical assistance.

Sources: