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H.E. Dr. Erkinxon RAHMATULLOZODA, Ambassador of the Republic of Tajikistan: «The Grand Duchy is memorable to us, primarily by the fact, that it was in Luxembourg, in 2004, the Partnership and Cooperation Agreement (PCA) between the EU and Tajikistan was signed.»

Please tell us about the general economic situation in Tajikistan

The Tajik economy has been developing in recent years despite the difficult geopolitical situation in the world, global economic downturn namely the decline in oil prices and the slowdown of economy activity in the main trading partner countries, including those with imposed economic sanctions.

However, as a result of the adoption of timely preventive anti-crisis measures aimed at reducing the risks and minimizing the consequences of external shocks, macroeconomic stability has been maintained in the country and provides a relatively high rate of economic growth. For example, over the past ten years (2006-2016), the average annual economic growth was 6.8%. High rates of economic growth and an increase in social spending helped reduce the poverty rate to 31% in 2015 vs. 72% in 2003.

The strategy of economic development of Tajikistan is currently based on the adopted fundamental documents in the country, such as the National Development Strategy of the Republic of Tajikistan for the period up to 2030 and the Medium-Term Development Program for 2016-2020, which lays the basis for the transition to a model of economic growth, which implies a greater attraction of investment, accelerated industrial development, expansion of production of goods and services, export-oriented and import substitution, reducing the country's dependence on remittances and the productive expansion of employment.

Tajikistan has good macroeconomic indicators (GDP growth, inflation ...). How does Tajikistan plan to increase the per capita GDP growth?

In 2016, the country's GDP grew by 6.9%, industrial output increased by 16%, investment in fixed capital by 20.3%, agricultural production by 5.2%, retail trade turnover by 6.4%, the average wages in nominal terms increased by 9% while in real terms it grew by 2.9%, the inflation rate was 6.1% (December 2015).

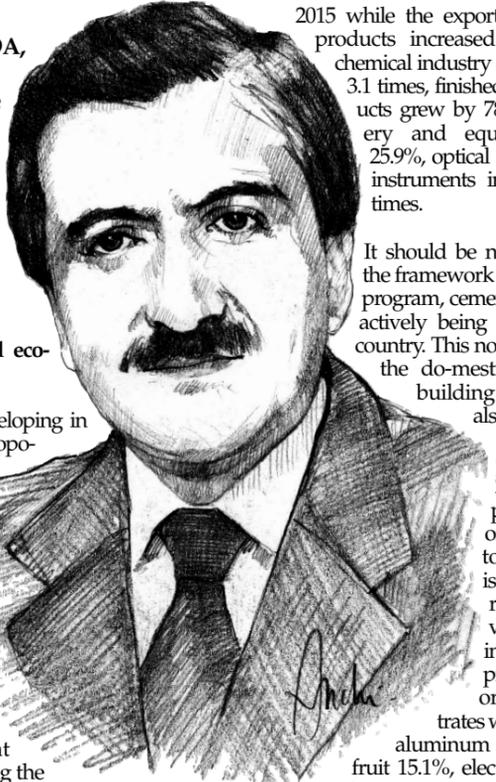
There is tendency for the GDP per capita to increase as well. It grew up by 4.7 times in the national currency over the past 10 years, while in dollar terms, it doubled. However, for now these figures are the lowest in the CIS, and Tajikistan aims at achieving a more active economic growth and on this basis will try to improve living standards and gradually reduce poverty. In accordance with the National Development Strategy of the Republic of Tajikistan, by 2030, the GDP is expected to grow by 3 times while the poverty is expected to fall twofold reaching a rate of 15%.

What are your intentions in diversifying the economy which is heavily dependent on cotton and aluminum?

With the slowdown in the world economy and world trade, the economic downturn of some of the partner countries, decrease of world prices for the country's main export commodities, the Government of the Republic of Tajikistan, as I already mentioned, has been taking measures aimed at minimizing the negative impact of these challenges on economic development of the country and at providing ground for further sustainable economic growth.

In particular, measures are being taken to further diversify the economy and the country's exports. In 2016, the State Program on Export Promotion and Import Substitution in the Republic of Tajikistan for 2016-2020 has been developed, according to which the country will expand the export-oriented production of goods and services and provide import substitution.

While the share of aluminum and cotton in total exports in 2014 was 35.2% and 19.9% respectively, this number dropped to 23.3% in case of aluminum and to 15.3% in cotton exports in 2016. Thus, the summed share of both these commodities dropped from 55.1% to 38.6%. Overall, the volume of exports in 2016 increased by 0.9% compared to



2015 while the export of mineral products increased by 50.5%, chemical industry increased by 3.1 times, finished food products grew by 78%, machinery and equipment by 25.9%, optical and medical instruments increased 6.7 times.

It should be noted that in the framework of the above program, cement plants are actively being built in the country. This not only meets the domestic need for building materials, also serves as an export product. By 2020, the proportion of cement in total exports is expected to reach 23.2% versus 1.7% in 2016. The proportion of ore concentrates will be 20.9%, aluminum 18%, dried fruit 15.1%, electricity 13.3% and cotton 2.9%.

Moreover, with the aim of building capacity for the processing of raw materials and exporting finished products, the Government of the Republic of Tajikistan has exempted the import of machinery, equipment and spare parts from VAT and customs duties. It also lifted sales tax on cotton and introduced export duty on its exports. In addition, in order to support the domestic producers, newly established enterprises aimed at exporting goods are exempted from VAT, income tax (under the simplified system of tax) and tax on immovable property.

In early 2015, the country adopted the Program of Adjustment of the Economy of the Republic of Tajikistan Related to the Membership in the World Trade Organization (WTO), which sets out measures for financial and non-financial support for domestic producers with the aim of increasing competitiveness and creating conditions for enhancement of product quality, promotion of exports, investments on the internal market, protection of domestic products, creation of conditions for free trade and foreign investment, joining the trade dispute settlement system at the international level, etc.

Tajikistan has large deposits of gold and silver. What is Tajikistan's vision for the future in relation to gold, bearing in mind the possible increase of the role of gold in the international financial reserves?

It should be noted that the Tajik national currency is backed by gold reserves, which make up the country's gold reserves. On the other hand, Tajikistan indeed has large deposits of gold and silver. With an increasing role of gold in the international financial reserves and with the objective of stabilizing the national currency, Tajikistan will increase the production of gold and silver through the creation of additional capacity and new enterprises in the industry.

What is the policy of Tajikistan in relation to energy, especially hydropower and natural gas, after the opening of the 2010 Sarykamysh field?

The Sarykamysh oil and gas area is located in the western part of Tajikistan. The Government of the country granted a license to Gazprom (Russia) for the geological exploration of a number of promising oil and gas areas, including Sarykamysh. According to Gazprom's primary data, there are approximately 18 billion cubic meters (m³) of natural gas, 17 million tons of oil and 2 billion m³ of gas together with the oil in the mentioned area. However, after unsuccessful attempts to drill one of the deepest wells in Central Asia, Gazprom refused further attempts to find oil and gas. But other world-renowned companies such as Total and CNPC (of China) actively engage in a search for other potential areas that are rich in oil and gas.

The most important in this field is that Tajikistan has abundant hydropower resources, which estimate to about 527 billion kWh per year, of which up only 4-5% is used today. In terms of hydropower potential, Tajikistan ranks eighth in the world after China, Russia, the USA, Brazil, Zaire, India and Canada. With the effective use of these resources, the whole Central Asian region can be provided with inexpensive and clean, green energy. The main hydroelectric potential is concentrated in the basins of Vakhsh, Panj Amu Darya, Syr Darya and Zarafshan rivers. The basis of the primary energy balance in Tajikistan consists of its own coal fuel, hydropower resources and import-

ed gas and oil. About 96 percent of electricity is produced by hydroelectric power stations of low, medium and high capacity. Commissioning of Dushanbe Thermal Power Plant 2 with capacity of 400 mW/h will improve the reliability of power supply in Dushanbe and will reduce the pressure on the electrical network. In order to reduce dependence on imports of natural gas and petroleum, the country has taken steps to diversify access to energy, including coal.

According to the Ministry of Industry and New Technologies of Tajikistan, more than 35 million US dollars have been directed in the 2007-2015 period for the development of the coal industry. As a result of these measures, coal production gradually increased and exceeded 1.2 million tons in 2016, which is 4 times higher than the level in 1991.

Progress has also been achieved in the implementation of programs for the efficient use of hydro-energy resources and energy efficiency (2012-2016) with a total funding of 3 billion US dollars. This program initiated power plant modernization, reduction of power loss and the establishment of enterprises for the production of energy saving lamps with a capacity of 1.2-1.5 million per year throughout the country. Positive experience of public-private partnerships in the energy sector was gained in the form of a concession agreement on the construction of autonomous energy sources in areas of decentralized energy supply. A project to build a 500 kV transmission line was implemented, which brought together the energy system of the south and north of the country. An independent international assessment of the Rogun project was carried out by the World Bank and independent international experts whereby an evaluation of its social and environmental impact was assessed.

The positive results of the World Bank's expertise enabled the process of completion of this hydroelectric facility to be activated, which will, in turn, provide an opportunity to export electricity to South East Asia, particularly Afghanistan and Pakistan through the CASA-1000 transmission line, an important regional project that is financed by a number of international finance institutions, including the European Investment Bank.

For Tajikistan, which has unique reserves of hydropower resources and has large reserves of coal, the optimal development of fuel and energy complex can become a catalyst for the development of industry and agriculture of the country as well as the improvement of living standards. Effective use of the hydropower potential of the country creates the preconditions for the increased capacity of electricity exports and the inflow of foreign currency.

Currently, more than 200 industrial and energy companies use coal as an alternative to natural gas fuels. The Development of Coal Energy subsystem will reduce the dependence of the country's economy on the import of natural gas and petroleum products. Quarry mining method prevails (over 90 percent) in the total volume, and there is a significant potential capability of coal production.

Nowadays, in accordance with the strategic development programs for the provision of energy security and energy efficiency, the following steps are foreseen in the long term:

- Diversification of the energy generation sources, that envisages the development of hydropower resources of small and large rivers, the development of the existing capacities of oil, gas and coal industries, the development of new deposits of fossil fuels, the creation of technical possibilities for the use of alternative (renewable) energy sources (solar, wind, biological, geothermal), the modernization of existing and construction of new hydropower plants and thermal power plants;
- Efficient use of existing energy capacities and the realization of the electricity export potential;
- Modernization and technical re-equipment of oil and gas industry, opening of the new oil and gas fields;
- Large-scale energy conservation and energy efficiency enhancement of the national economy;
- Development of internal and external energy infrastructure (electric networks and substations);
- Creation of an effective system of risk management and monitoring of energy security, including full and equal access to energy for all consumers;
- Ensure the financial viability and sustainable operation of the energy sector;
- Integrated water resources management.

Tajikistan has received an excellent reputation as a new tourist spot. What are your recommendations?

It is true that tourism in Tajikistan is developing quite dynamically. The Government pays a lot of attention to this sphere and creates the necessary conditions for tourism development. The implementation of e-visa system for foreign tourists, construction of tourist areas and the creation of the necessary infrastructure is ensured within the framework of the adopted state programs concerning the development of this sector. Tajikistan has intro-

duced a simplified visa system for citizens over 80 countries. As a result the implementation of a set of measures to promote tourism, the number of tourists over the past three years doubled. The Pamir Mountains Tajik National Park was listed in 2013 in the UNESCO World Heritage List which was also a contribution to the tourism sphere.

Tajikistan has solid potential to further develop tourism in the country. In accordance with the latest message of the President of Tajikistan Emomali Rahmon to Majlisi Oli (the Parliament), a separate interim state department for tourism development will be established in 2017. Import of equipment and construction materials for the tourist facilities will be exempt from taxation and customs payments while the tourist companies will be exempt from paying tax profit in the first 5 years of their activity.

A series of implementation activities aimed at tourism development is planned in 2017, including:

- The creation of working groups for identifying problems as well as improving the regulatory framework for tourism activities;
- The abolition of the procedure for obtaining licenses for tourist activities, as well as carrying out targeted measures to increase the capacity of tourism companies;
- Improvement of the system of statistical accounting and reporting in the field of tourism, the implementation of tourism satellite account in the System of National Accounts;
- Activation of cooperation with foreign countries in the field of tourism in order to expand the international treaty base of the industry;
- Improving the quality of tourist and hotel services in accordance with the requirements established by the technical regulation system;
- Ensuring an appropriate level of tourism management through training and retraining of specialists;
- Provision of state support for the development of tourism infrastructure;
- Promotion of private initiatives in the tourism industry.

In addition to the bilateral programs of EU-Tajikistan in 2011-2013, what other plans do you have to increase the exports to and imports from Tajikistan with the European Union?

Relations between Tajikistan and the European Union (EU) are based on a number of agreements and programs signed by the Government and ministries, in particular:

- Agreement between the European Economic Community and the Republic of Tajikistan on trade in textile products;
- Memorandum of Understanding and Cooperation between the EU and the Republic of Tajikistan on financial and technical assistance;
- Interim Agreement between the European Community, the European Atomic Energy Community of Tajikistan on trade and trade issues (ratified by the Majlisi Namoyandagon or lower chamber of the Majlisi Oli of the Republic of Tajikistan, January 26, 2005 for 1306);
- Partnership and Cooperation Agreement (PCA), signed on 11 October 2004 in Luxembourg.

The Partnership and Cooperation Agreement (PCA) is one of the most important and fundamental documents of cooperation with the EU. This comprehensive document covers a wide range of issues, such as political dialogue, trade, business and investment, legal, cultural, economic and financial cooperation. With the signing of the PCA, there is no need of signing an agreement on trade-economic cooperation with individual EU member states.

Bilateral cooperation mechanisms were implemented within the framework of this agreement: the Cooperation Council of EU and Tajikistan headed by foreign ministers of Tajikistan and the country holding the EU presidency, the Cooperation Committee of parties, and dialogue on human rights etc. Tajikistan actively participates in annual meetings of Central Asian (CA) foreign ministers with the EU and in the work of high-level CA-EU dialogue on political and security issues.

The main objective of the EC/EU assistance strategy for Tajikistan is to strengthen stability and security and to support the efforts for economic development and poverty reduction. Currently, the Multi-Annual Indicative Programme for the 2016-2020 period is being implemented, through which the EU supports the development of education, health and rural areas of Tajikistan.

Tajikistan's accession to the WTO clearly opens up new opportunities. And one of the advantages is to provide support assistance to developing and least developed countries to the more developed economies of the world in the form of trade relations within the framework of preferential trade regime. With this intention, the EU adopted the Generalized System of Preferences (GSP).

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