

Tajikistan

Trade Facilitation and Logistics Development Strategy Report



Asian Development Bank



TAJIKISTAN: Trade Facilitation and Logistics Development Strategy Report

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Abbreviations and Acronyms

ABBAT	– Association of International Automobile Carriers of the Republic of Tajikistan
ADB	– Asian Development Bank
AH	– Asian Highway
BCP	– border-crossing point
CAR	– Central Asia Region
CAREC	– Central Asia Regional Economic Cooperation
CIS	– Commonwealth of Independent States
FIATA	– International Freight Forwarders Association
GDP	– gross domestic product
IMF	– International Monetary Fund
km	– kilometer
km ²	– square kilometer
kWh	– kilowatt hour
MHE	– material-handling equipment
PRC	– People's Republic of China
TEU	– twenty-foot equivalent unit
TIR	– Transport Internationaux Routiers
TRACECA	– Transport Corridor Caucasus–Europe–Central Asia
VAT	– value-added tax
XUAR	– Xinjiang Uygur Autonomous Region

Note

In this report, “\$” refers to US dollars.

Foreword

The Asian Development Bank (ADB) is pleased to provide this report on the state of the transportation and logistics sectors in Tajikistan. It covers key measures needed to make these sectors more efficient and cost-competitive. This volume will be useful for government policy makers, providers and users of transport and logistics services, and other stakeholders. Efficient and cost-competitive transportation and logistics sectors will enable Tajikistan not only to spur economic activity and engender social and political cohesion within its borders, but also to take full advantage of its geographical position and serve as a transit corridor between the dynamic and growing economies in the East and West.

This report is part of a series of nine that cover the countries in the Central Asia Regional Economic Cooperation (CAREC) area: Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, the People's Republic of China (specifically its Inner Mongolia and Xinjiang Uyghur autonomous regions), Tajikistan, and Uzbekistan. This series is part ADB's continuing support of CAREC and the region in an effort to further poverty alleviation and secure a better future for people. Support, provided under the ADB CAREC Program, has been focused on promoting more efficient and effective economic cooperation among CAREC countries in the areas of transport, trade policy, trade facilitation, and energy.

The reports highlight the substantial challenges CAREC countries need to overcome. Aside from being landlocked with varied terrain, these countries are challenged by inadequate infrastructure, unsupportive systems and policy environment, and lack of skills and management know-how. From the numerous measures recommended in these reports, a common theme has emerged: the compelling need for the members of CAREC to achieve unity in purpose and action. Across borders, customs procedures need to be harmonized, tariffs rationalized, and a common framework for achieving seamless movement of cargo agreed upon. Clearly, a general atmosphere of cooperation needs to be achieved if the whole region is to reap the full benefits of efficient and competitive transportation and logistics services.

ADB hopes that the publication of this report, as well as the eight others in the series, would inspire such spirit of cooperation and unity in the region.

The conduct of these trade logistics studies embodies ADB's new strategy under its Strategy 2020 and its five core areas of operation, two of which are infrastructure and regional cooperation and integration. The publication of the reports, meanwhile, is in line with ADB's new strategic direction of focusing on knowledge which is one of the five drivers of change. It is part of the efforts of the East Asia Region Department to develop knowledge products that will support ADB's mission of reducing poverty in Asia and the Pacific.

ADB staff contributions from the Financial Sector, Public Management, and Regional Cooperation Division, East Asia Department, and the Department of External Relations are greatly acknowledged. We also acknowledge the efforts of consultants who conducted primary research in the field. These combined efforts have resulted in a timely and significant contribution to trade facilitation and logistics in the CAREC region.



Klaus Gerhaeusser
Director General
East Asia Department

Executive Summary

Country Profile

Tajikistan is a mountainous country that borders Afghanistan to the south, the People's Republic of China (PRC) to the east, Uzbekistan to the west, and the Kyrgyz Republic to the north. Its population in 2000 totaled 7.32 million, and is mainly concentrated in its western region. It obtained independence in 1991 after the dissolution of the Union of Soviet Socialist Republics and, after a brief civil war in 1992–1997, achieved notable economic progress and stability. Nonetheless, it remains as the poorest country in Central Asia, having the lowest per capita gross domestic product (GDP) of \$357.

Tajikistan's real GDP grew at impressive rates during 2000–2004, mainly as a result of the surge in the prices of aluminum, its main export, soaring remittances from overseas Tajik workers, and a construction boom. This growth, however, comes from a low base and has decelerated.

Tajikistan's economy is export-oriented and is dependent mainly on three exports: aluminum, cotton, and hydroelectric power. Aluminum accounts for 46% of its total exports while cotton, its most important agricultural product, accounts for 19%. Hydroelectric power, meanwhile, accounts for approximately 5% and has great potential for growth with the surge in hydrocarbon fuels prices, of which it is a substitute.

The country was a net importer for most of the period 1993–2005. Its exports mainly go to markets outside the Central Asia Region (CAR) while the region remains an important source of its imports. However, the value of its imports from non-Commonwealth of Independent States (CIS) countries has grown dramatically and is expected to continue to grow in the next few years if the country's trade with the PRC develops.

This trade pattern is due mainly to the lack of complementary economic structures among, and the similarity of the growth patterns of, CAR countries. Intraregional trade among CAR countries will yield little returns, and an externally focused and export-oriented approach may have better economic success. Should Tajikistan decide to continue and even strengthen the export orientation of its economy, the role of transportation and logistics in its development becomes more pertinent.

Assessment of the Transport and Logistics Sectors

Transport Sector

Tajikistan's transport sector consists mainly of the rail, road, and air transportation subsectors. Being a landlocked country, it does not have any water transportation subsector to speak of.

Rail Transport. Tajikistan's railway system consists of 950.7 kilometers (km) of tracks that are divided into the unconnected north and south sections. Transit traffic makes up about two-thirds of the overall rail freight traffic, and a great majority of this traffic is transported through the north section. The products transported by rail are high-volume and low-value commodities, such as building materials, cotton, wheat, and cement.

Road Transport. Tajikistan's road network measures 30,563 km of which 45% consists of bitumen roads, around 30% of concrete pavements, and the rest of gravel roads and dirt tracks.

With the country's capital, Dushanbe, as the transport hub, three Asian Highways (AH), namely, 7, 65, and 66 use this network in traversing through the country. AH 7 stretches from north to south and serves as the gateway to Afghanistan and South Asia. AH 65, meanwhile, is an important artery between Uzbekistan in the west and the Kyrgyz Republic in the east. AH 66, the longest of the three highways, passes through Dushanbe and ends in Kulma Pass, the gateway to the PRC.

Air Transport. Although it is important for a landlocked country with underdeveloped land transport networks, air transport accounts for only 0.01% of the total freight volume in Tajikistan. This is due mainly to high costs and limited flight schedules. The country's air transport infrastructure consists of 15 airports, of which four are international airports.

Logistics Sector

Current Situation in the Sector. Tajikistan's logistics infrastructure consists mainly of 74 temporary warehouses, 6 customs warehouses, 3 free warehouses, and 7 regional terminals for customs clearance. Logistics service providers in the country are limited, most of which offers only land transport services. These logistics service providers are members of the Association of International Automobile Carriers of the Republic of Tajikistan or ABBAT, which is the de facto national representative of road transporters and manages a large fleet of trucks and seven land transport terminals in the country. All incoming vehicles crossing Tajik borders are required by law to be directed to these terminals where goods are unloaded, stored, and then loaded onto domestic trucks for transport inside the country.

Cross-Border Trading. Tajikistan's Customs Department, which is under the supervision of the Ministry of State Revenue and Duties, has a staff of 1,100 officers, of whom 150 are stationed in its headquarters in Dushanbe. Its achievements in making its operations efficient and transparent have been impressive. While foreign trade grew by 17%, custom clearances grew by 34%. This performance level is the result mostly of Tajikistan's membership and adherence to the principles and guidelines of the World Customs Organization.

The World Bank study that assessed the average time and costs of exporting and importing a standard twenty-foot equivalent unit (TEU) from the capitals of selected CAR countries showed that Tajikistan lags behind most CAR countries in the speed with which exports are processed and cleared. Exporting from it takes an average of 72 days, from the transporting and processing, to the releasing of exports. It fares better in facilitating imports, being the most efficient among the countries included in the study. Excluding the time it takes to transport and handle cargoes, importing takes an average of 44 days.

The study also showed that Tajikistan is the most expensive country to export from. Tajik exporters pay an average of \$4,300 to be able to export a TEU of cargo, 63% more than the average and 1.6 times more than the mean. The country is also the second most expensive country to import into. Tajik importers pay an average of \$3,550 per TEU, more than double what importers in the Kyrgyz Republic, the least expensive country to import into in the CAR, would pay.

Challenges

Impediments to a more efficient and competitive transport and logistics sectors in Tajikistan come from three sources—physical transportation infrastructure inefficiencies and deficiencies, operational difficulties, and institutional challenges.

Transportation Infrastructure Inefficiencies and Deficiencies

In the country's northern region, where the railway system plays an important part in the transit trade between Tajikistan and Uzbekistan, rail locomotives are old and urgently require maintenance work and upgrades. Moreover, the electrification of rail lines, which would result in higher power to weight ratio, higher traction on steep slopes, and less noise, has been stalled due to lack of funding. The road system, meanwhile, is plagued by difficult terrain and inclement climate, and deficient infrastructure.

In the southern region, certain key parts of roads need to be rehabilitated, especially since the recently opened bridge linking Tajikistan and Afghanistan at Nizhny Pyandzn is expected to increase traffic significantly. In the eastern region, where no railways exist, high altitude, long distances, and poorly maintained roads make road travel in the region considerably more challenging. Dushanbe-bound cargoes also need to be deconsolidated at Khorog because roads are not wide enough to accommodate container vehicles. Moreover, difficulties in securing a PRC visa, and the high cost of one, continue to deter trade and tourism in the region.

Operational Difficulties

Lack of Modern Vehicles. Financing difficulties, extended use, and poor road conditions combine to increase the rate of wear and tear of the transport vehicles in Tajikistan, with some trucks being formerly state-owned and now obsolete. Tajikistan also lacks specialized transport assets such as reefer containers and refrigerated trucks.

Lack of Modern Facilities. Tajikistan also lacks organized storage facilities and material-handling equipment (MHE). A typical warehouse offers just basic storage services and uses manual labor to move and retrieve goods. Special storage facilities such as warehouses offering chiller and freezer services are limited.

Lack of Full-Service Logistics Service Providers. Local operators offer a limited range of logistics services. This forces many international companies to use the services of international freight forwarders, which, although more expensive, provide a more comprehensive range of services.

Financing Difficulties. Insufficient access to affordable financing prevents logistics service providers from expanding their scale and scope of services to required or desired levels. To make matters worse, there are no leasing companies in Tajikistan. Thus, companies that could not purchase a new truck but are willing to lease one, would not have any choice except to abandon expansion or refueling plans and continue using their less productive trucks. This increases operating costs due to lower fuel efficiency and higher maintenance costs.

Institutional Challenges

Lack of a National Plan. Tajikistan does not have a national, comprehensive, and strategic plan for its transport and logistics sectors.

Cumbersome Customs Procedures. Exporting a TEU requires 72 days while importing one takes 44 days, with traders and merchants having to contend with customs procedures not being harmonized and standardized, and needing to fill up 16 or more documents to do so.

Long Delays during Border Crossings. Long delays at the borders, and the unreliability of such delays are common impediments to more efficient and less costly intraregional trade in Central Asia. In Tajikistan, as in most other CAR countries, these are caused by customs clearance methods that stress full check and audit of vehicles and their contents, with only transport vehicles with Transport Internationaux Routiers (TIR) carnets being able to pass through the border posts promptly.

Limited Customs Facilities. Tajikistan's border crossing points lack modern inspection equipment and facilities, and thus often resort to the physical inspection of goods. They also lack storage facilities.

Fees for Escorts. In cases when these carry sensitive cargo, such as ammunition or hazardous goods, or if these need to pass through a dangerous route, trucks are escorted by customs officials and sometimes armed guards, for a fee of \$3 per 10 km. It had been reported that escorts are deployed even for those convoys not required by law to be provided such service. This practice imposes an indirect taxation on merchants and traders.

Obstacles Posed by Uzbekistan. Uzbekistan maintains an unofficial blockade of Tajikistan, mining certain border passages and imposing various difficulties on Tajik drivers crossing Uzbek borders, such as paying \$100 at each border point along the Sari-Asiya and Charjou routes, and at the passage between Sari-Asiya and Cherneevka.

Legal Changes to Free Trade and/or Special Economic Zones. Tajikistan does not impose export tariffs but restricts the export quantities of certain items per year, the amount being arbitrarily determined. It also does not offer export credits and does not have a system for counter trade. Finally, it does not have free trade zones or special economic zones, which promote cross border trade as well as build-up the capacity and capability of local manufacturing industries.

Recommendations

Infrastructure deficiencies and inadequacies, especially those for intermodal transport, make Tajikistan unprepared to capitalize on the current trade flows along major transport corridors in the

CAR. A viable direction for it is to be a regional link for the neighboring countries of Afghanistan, Pakistan, and the PRC. This requires institutional reforms and operational improvements.

Institutional Reforms

Establish the Tajikistan National Logistics Council. There is a need to better coordinate government and private sector initiatives for the development of the transport and logistics sectors, especially in the light of several private and public entities having a stake in the sectors. It is thus proposed that a public–private partnership mechanism, perhaps in the form of a Tajikistan National Logistics Council, be instituted.

Develop a National Transport and Logistics Master Plan. This master plan, which should be first in the agenda of the National Logistics Council, should be the outcome of a series of reviews and consensus-building consultations, and must spell out clear roles and responsibilities and a defined timeline for tasks. To make this plan more responsive, a time-cost-distance study ought to be conducted to ascertain the efficiencies and bottlenecks along major transport corridors.

Dialogue with Uzbekistan. Tajikistan must renew discussions with Uzbekistan to resolve the unofficial and informal blockade imposed by the latter on its goods. The dialogue ought to be conducted at bilateral and multilateral levels.

Improve Bilateral Relations with Afghanistan, the Kyrgyz Republic, and Kazakhstan. Tajikistan must search for new ways to improve its transit trade volumes. With the construction of the bridge at Nizhniy Pyandzn linking it and Afghanistan, more trade and tourism can flourish in the southern region of the country. It should, therefore, cultivate bilateral relations with Afghanistan, and with the Kyrgyz Republic and Kazakhstan.

Enter into Joint Township Development with the PRC at Kulma Pass. A landmark project that could demonstrate the strength of the bilateral ties between the PRC and Tajikistan is a jointly-managed customs-free town at Kulma Pass. This town, where the locals can go and purchase duty-free goods, barter hard-to-find items, and exhibit their merchandize, ought to promote trade and commerce between the two countries.

Forge a Multilateral Transport Agreement with the PRC, Pakistan, and Afghanistan. A multi-lateral transport agreement among Tajikistan, the PRC, Afghanistan, and Pakistan can encourage even greater free flow of goods and passengers in the country's southern region. This will require diplomatic initiatives from the governments of these countries as well as investing in multimodal transport, where containerization will become important. Iran can be included in the agreement and in future similar initiatives since the port of Bandar Abbas can be an alternative seaport for goods coming out of the PRC.

Explore the Possibility of Establishing a Visa Application Center at Murgab or Khorog. The process of securing a PRC visa can be streamlined by the setting up of a PRC consulate in Khorog or Murgab so that it becomes faster and more cost-effective to travel to the PRC. Tajikistan must exert serious effort in the diplomatic front to convince the PRC government to accede to this proposal.

Enact Legislation on Free Trade and Free Economic Zones. Tajikistan needs to pass laws to establish free trade zones and free economic zones. The Council can be active in driving this initiative.

Adopt Modern Risk Management at Customs. To alleviate the delays at border posts brought about by adherence to existing customs clearance policies, Tajik customs should adopt a modern risk management approach that stresses sampling and the use of better technology and equipment to detect anomalies.

Review Transport Escort Policy and Requirements. The Council and Tajik customs administration ought to review the escort policy and determine if there is a need to limit it.

Operational Improvements

Explore the possibility of encouraging the growth of a financing and/or leasing industry. To encourage the modernization and expansion of the local logistics industry, financing and/or leasing services must be made available. The involvement of the Council in this initiative will be important as individual companies do not have the bargaining power to negotiate financing from banks. If such financing can be obtained, several private enterprises can then form a joint venture to start a leasing company.

Expand Logistical Services. To take full advantage of the opportunities offered by an expanding international trade in Tajikistan, local operators ought to continuously upgrade both equipment and capabilities. The government must, for its part, implement policies and programs that encourage these service providers to do so.

Establish a National Supply Chain Training Institute. There is consensus in the private sector of the lack of executive training in the fields of transportation and logistics. A Supply Chain Training Institute can be created to spearhead education initiatives to respond to this and other needs, and facilitate the management of human resource development in the transport and logistics sectors.

Construct Wholesale Trade Centers. Tajikistan is the only country in Central Asia that does not have wholesale trade centers, which allow a wide variety of merchandise to be displayed and sold wholesale. Efforts to establish one or several such centers, which ought to consider the streamlining of visa, customs, and freight handling processes around these facilities, can be led by the Chamber of Commerce and Industry.

Modernize Equipment and Facilities. Besides normal maintenance costs, logistics companies may wish to consider investing in cold rooms, reefer containers and vehicles; and new warehouses. Border crossing points also need better equipment and facilities, namely, x-ray machines and other scanning equipment, warehouses and other storage facilities, and trained dogs for the campaign against opium and drug trafficking.

Physical Infrastructure Investments

The country needs to invest in the following projects to be able to improve the efficiency of its transport and logistics sectors (Table 1):

Table 1: Summary of Proposed Investments

Projects	Estimated Cost (in \$ million)
For the Rail Transport Industry	
Upgrading of the 121-km Kolkhozobod–Nizhniy Pyandzn section	119
Construction of the 46.3 km rail link between Kofarnihon and Yavan	170
Electrification of lines and/or use of electrical locomotives between Bekabad and Kanibadam	110
Purchase of 15 new diesel locomotives	60
Purchase of 100 new passenger wagons and upgrading of 180 old ones	115
Purchase of 180 rail wagons for cargo transport	110
Upgrading of general rail infrastructure, signals, and systems	20
General rehabilitation of 142 km of railways	29
For the Road Transport Industry	
Rehabilitation of 311 km of roads from Dushanbe to Khujhand	296
Rehabilitation of 64 km of roads along the Dushanbe–Tursunzade section	54
Rehabilitation of 113 km of roads along the Ajni–Pendzhekent section	29
Rehabilitation of 60 km of roads along the Kurgan–Tyube–Dusti section	22
Rehabilitation of 133 km of roads along the Farkhar–Pyandzh–Dusti section	28
Rehabilitation of roads along the Khorog–Rastkala–Tukazbulok section	5
For the Air Transport Industry	
Construction of warehouses in airports	—
Procurement of MHE for the storage, movement, and loading and/or unloading of bulky items, palletized goods, and unpalletized goods	—

MHE = material-handling equipment.

Source: Authors.

Conclusion

The study provided broad recommendations to address these problems. Appropriate and adequate investments must be made. Sufficient effort must be expended, urgently, to restructure organizations and redesign systems and procedures to make the transport of goods and people within its borders and through its territories more efficient and less costly. Diplomatic efforts must be strengthened to resolve issues with Uzbekistan, improve relations with other CAR countries, and open new export markets and new transport routes with Afghanistan, the PRC, and Pakistan. These measures are just some of the many initiatives that must be undertaken if Tajikistan is to reap the full benefits of an efficient and effective trade and transport sector.

All these measure notwithstanding, however, the single most important element is political will, both from the government and from the private sector. Without this political will, none of the measures that need to be taken will be implemented in the form and intensity required.

Introduction and Background

This technical assistance (TA) project continues the work of promoting the development of the trade logistics sector in the Republic of Tajikistan as part of the Asian Development Bank (ADB) Central Asian Regional Cooperation's (CAREC's) Trade Facilitation Program. The overall purpose of the program is to leverage transit trade for development, and transform Central Asia and the People's Republic of China's (PRC's) inland provinces into modern "silk roads" or "land bridges" connecting East Asia with Europe. Several measures and studies have been carried out under the CAREC Program, including a recently completed study on employing effective Information Communication Technology (ICT) to modernize customs systems and management and on promoting investments in infrastructure at the borders of the region.¹

This new TA project aimed to add another key element for a more integrated and complete trade facilitation strategy for Tajikistan. It sought to address other non-trade barriers and behind-the-border constraints—specifically in trade logistics in terms of infrastructure investment and institutional reforms.

Project Scope and Outcomes

The project covered the following major works:

1. Formulation of strategies to develop the regional trade logistics system and its corresponding transportation network centers;
2. Selection, allocation, and definition of the functions of trade logistics hubs;
3. Identification of logistics service requirements at border posts, including logistics centers and logistics-related basic infrastructures to improve customs clearance efficiencies;
4. Formulation of recommendations
 - to address containerization issues such as demand for, and cost and benefits of, the multimodal transport of containers;
 - to improve road transport networks, including increasing market demand for road transport services, the organization of the shipping industry, and methods to lower the ratio of return with empty load;
 - on the functions and architecture of the logistics platform, including a general market information system for demand and supply, and a specialized system for logistics operators, this platform being interfaced with customs and financial service providers; and
 - to improve the efficiency of financial services for logistics operations, particularly focusing on cross-border financial services;

¹ For further information on this work, refer to ADB Technical Assistance TA 4451-TAJ: Capacity Building and Institutional Strengthening for Customs Modernization and Infrastructure Development.

5. Identification of the policies and impediments to foreign direct investments in the logistics industry in Tajikistan; and
6. Formulation of recommendations on the required institutional capacity building programs for the logistics industry, including the provision of public education and vocational training, job markets and funding, and the establishment of logistics training centers.

The major deliverables of the report were (i) recommendations to address the policy, institutional, and financial issues regarding the development of the logistics industry in Tajikistan; (ii) master plans for the development of the logistics industry, with particular focus on public infrastructure and logistics platforms, including a single-window system for customs clearance and an over-the-counter dealing system for logistics providers; (iii) a preliminary list of public investment projects and public sector–private sector partnership projects for the Government of Tajikistan to consider in developing the country’s logistics industry; and (iv) cooperation mechanisms to facilitate trade between Tajikistan and the Xinjiang Uygur Autonomous Region (XUAR) of the PRC.

Project Methodology and Work Plan

Two key principles were employed for this TA project, namely, public–private partnership and local stakeholder support and buy-in. Inputs from stakeholders, including government agencies and freight forwarder associations, were sought and then considered, together with the perspective of the TA team of consultants (TA team) on international best practices and local conditions and practices, to formulate the recommendations in this study. These principles were adopted to maximize local inputs during the diagnostic stage of the study and, thus create a sense of ownership that is critical to ensure the successful implementation of the TA project’s recommendations.

One international and one domestic consultant were engaged. The international consultant partnered with and guided the domestic consultant in carrying out a series of data-gathering activities, site visits, and private- and public-sector consultation meetings.

The international consultant conducted site visits that lasted for 2 weeks. During this trip, primary information and data were collected. The rest of the period, from May to October 2007, was spent for the collection of secondary information, analysis of data, and preparation of the report.

The stages in the work plan were

Stage 1: Gathering of Primary Information and Data

The international consultant met with the domestic consultant to explain the purpose of the study and describe the project methodology.

To gather data on Tajikistan’s trade logistics industry, the TA Team held several one-on-one consultative meetings with representatives of both public and private sector entities. The entities included the Ministry of Transport and Communications, Ministry of Economic Development

and Planning, the Ministry of Energy and Industry, the Customs Department, the Chamber of Commerce and Industry, the Embassy of the People's Republic of China (PRC), the Association of International Automobile Carriers of the Republic of Tajikistan (ABBAT), and DHL Express.

Stage 2: Conduct of Diagnostic Field Studies

To complement the interviews, field trips to obtain first-hand observations were conducted in cargo terminals, railway stations, distribution centers, border posts, and customs offices.

Stage 3: Identification of Issues and Formulation of Recommendations

This is the final stage of the work plan where the TA team documented and analyzed the data gathered in Step 2. The present state of the country's trade logistics industry, including its level of development, and systems and processes were first detailed. From this assessment, key issues, impediments to development, and possible investment projects to support the industry's development were identified. Finally, recommendations were formulated on two broad fronts. The first consists of specific investment proposals for enhancing the transport infrastructure capacity of Tajikistan. These include, but are not limited to, the rehabilitation of roads, extension of railways, construction of new logistics centers, and the improvement of the condition of current infrastructure at border posts. The second set of recommendations aims to improve the logistics industry in Tajikistan through institutional reforms, policy changes, and operational improvements. These recommendations include, but are not limited to, the review of transport agreements, changes to visa and documentation processes, requirements to improve the flow of passengers and cargoes, and ways to improve the quality of education for logistics professionals.

The analysis of Tajikistan's transport and logistics systems cannot be done independently of an examination of relevant conditions at the CAR. The countries comprising the region share a common history, both as being former members of the Union of Soviet Socialist Republics and as recently becoming independent as a result of the disintegration of the Union. Thus, they have a young history as modern nations while having aging infrastructures and antiquated cross-border trade management systems inherited from the Soviet era. These countries are also landlocked and, in cases such as Uzbekistan, double-landlocked. A regional perspective, especially on transport corridors and on cross-border trade is, therefore, required. As far as possible, the report provides the data on CAR countries while focusing on Tajikistan, and offers insights on the implications and impact of the transport and trade facilitation sectors of these countries on those of Tajikistan.

The report adopts the definition of the CAR used by ADB, which includes in the region the countries of Armenia, Azerbaijan, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. Of these countries, Tajikistan shares borders with Uzbekistan and Uzbekistan, in addition to the non-CAR countries of Afghanistan and the PRC.

Since the PRC is a huge country, it would be more relevant if the study's analysis focuses on the XUAR, among the other regions in that country. The XUAR is where the southern city of Kashgar, which has close trade relations with Tajikistan, is located.

Country Profile

Geography

Tajikistan is a mountainous country and has several rivers that give it substantial hydroelectric resources.² It borders Afghanistan to the south, the PRC to the east, Uzbekistan to the west, and the Kyrgyz Republic to the north (Figure 1). It measures about 700 km from north to south and 350 km from east to west, its territories totaling 143,100 square kilometers (km²). Its population in 2000 totaled 7.32 million. It obtained its independence in 1991 and, after a brief civil war in 1992–1997, notable economic progress and stability has enabled it to develop. Nevertheless, it remains one of the poorer nations in the CAR, with an economy that relies primarily on aluminum and cotton exports and on remittances from Tajiks working overseas.

Tajikistan is divided into four main administrative regions, namely, Khatlon, Sugd, Gorno-Badakhshan Autonomous Region (referred to as Pamir by the locals), and rayons under the

Figure 1: Map of the Republic of Tajikistan



Source: www.globalsecurity.org

² Of the country's terrain, 93% is mountainous, earning Tajikistan the nickname "roof of the world." Its absolute altitude is 300 m to 7,495 m above sea level. This topography makes road construction and maintenance costly.

Table 2: Population, Land Area, and Administrative Centers of the Major Administrative Regions of Tajikistan, 2000

Region	Population ^a	Land Area (km ²)	Administrative Center
The Republic	1,338,000	28,400	Dushanbe (Capital)
Khatlon	2,150,000	24,600	Kurgan-Tyube
Sugd	1,870,000	26,100	Khuzhand
Gorno-Badakhshan	206,000	63,700	Khorog

^a Census 2000, Committee of Statistics, Tajikistan.

Source: Committee of Statistics, Tajikistan.

direct jurisdiction of the republic (the Republic). Its population is concentrated in the western side, specifically in the regions of Khatlon, Sugd, and the Republic (Table 2). The eastern region, despite its large area, has relatively lower population and road and rail densities. This is not surprising as roads and railways tend to follow population distribution patterns. The region, nevertheless, forms the gateway to the PRC and is, therefore, significant in the trade and transportation sectors of the country, as discussed in later sections.

Dushanbe is the capital of Tajikistan. It is a major industrial and cultural center in a rich agricultural area. Coal, lead, and arsenic are mined nearby. A leading cotton textile center, Dushanbe also produces silk, textile machinery, electrical appliances, clothing, leather goods, tractor parts, and foodstuffs. It has a rail line to Termez, a southern city in Uzbekistan, and air links with Moscow and the capitals of the CAR. It had an estimated population of 562,000 in 2000.³

Demography

Most CAR countries have relatively low population densities, and this has implications on their transportation systems since the construction of public transport infrastructure may be infeasible due to low population clusters along key transport corridors. This is an issue that shall be discussed in subsequent sections. Among these CAR countries, Tajikistan has a higher population growth rate (Table 3).

The country's population is relatively young, with 35% falling in the 0–14 age group, 61.2% in the 15–65 age group, and only 3.8% in the 65 and above age group, and with the median age being 21.3. Birth rate is at 27.33 per thousand while death rate is at 7.05 per thousand, generating a replacement rate of 20.28 per thousand. The ethnic groups that comprise this population are the Tajiks (79.9%), Uzbeks (15.3%), Russians (1.1%), Kyrgyz (1.1%), and other groups (2.6%).⁴ Tajik is the national language although Russian is widely used in government and in business. It is estimated that urban population accounts for 26.3% of the total.

From 1998 to 2005, Tajikistan had a net negative immigration rate (Table 4), with more people leaving it than migrating into it. This could be attributed to the difficult local employment conditions and the prospect of better pay overseas. This trend has been observed in other CAR countries, where many people leave for the Russia Federation to work. Remittances from these

³ Committee of Statistics, Tajikistan.

⁴ Footnote 3.

Table 3: Relevant Data on Countries in Central Asia, 2006

Countries	Land Area (‘000 km ²)	Population (million)	Growth (%)	Population Density (person/km ²)
Afghanistan	652.1	24.1	1.9	37
Armenia	29.8	3.22	0.1	108
Azerbaijan	86.6	8.44	0.8	97
Kazakhstan	2,724.9	15.21	0.7	6
Kyrgyz Republic	199.9	5.16	1	26
Tajikistan	143.1	7.32	2.1	49
Turkmenistan	488.1	6.84	4.8	14

Source: www.adb.org/statistics

overseas workers have become an important source of income for the poor.⁵ Nonetheless, remittances have not produced a notable growth in domestic savings nor in investment rates. Private investment is perennially low at a mere 5.4% of the gross domestic product (GDP). Perhaps this reflects the high inflation (11.9% in 2005) and the tough employment conditions in the country. A key challenge is for the government to provide a stable macro-economic environment, improve the local employment situation, and offer incentives to channel more remittances into private investments.

As economic growth takes place, the rate of out-migration will change and this has been observed in Tajikistan. In the meantime, rural–urban migration will increase, as has been the pattern in other developing economies. Thus, the demand for better public transportation will become more important.

Economy

Most CAR countries share a similar economic structure. Generally, they are resource rich, especially in energy sources and minerals. Their weakness lies in the industrial sector, with their reliance on the Russian Federation or the PRC for value-added manufacturing. Although the real GDP growth rates in these countries have been high, these have come from a low GDP base (Table 5). Tajikistan has the lowest per capita GDP at only \$357. Thus, more economic reforms are needed as cushion against the attendant financial and market risks.

Another limitation to economic development among the CAR countries is their lack complementary economic structures and their similar growth patterns. These factors limit the potential for further trade cooperation among them. By having similar economic structures, the value of trading with, or investing in, neighboring countries is not as great as in regions with countries at different stages of economic growth. For instance, the North America Free Trade Alliance is a success because the three member nations, namely, Canada, Mexico, and the United States (US) have different strengths and are at different stages of growth. The synergies in the alliance revolves mainly on the dynamic of the US providing the capital and technology, Canada providing the natural resources, and Mexico having abundant cost-effective labor and lower land costs. The

⁵ About 60% of the people in Tajikistan depends to a high degree on remittances. Since 44.4% of Tajiks live below the poverty line, the sudden disruption of remittances will have disastrous implications for the country.

Table 4: Migration Trends in Tajikistan, in Number of Persons, 1998–2005

	1998	1999	2000	2001	2002	2003	2004	2005
Number of arrivals								
Tajikistan	16,890	14,730	14,482	16,729	17,735	16,923	15,244	17,962
Gorno-Badakhshan	446	433	334	513	451	308	193	336
Sugd	5,788	5,459	4,505	5,728	5,423	5,953	5,128	5,236
Khatlon	3,317	1,491	1,953	2,282	2,494	2,020	2,393	2,714
Dushanbe City	5,248	5,664	5,772	5,486	6,475	5,897	4,869	6,276
Other places	2,091	1,683	1,918	2,720	2,892	2,745	2,661	3,400
Number of persons leaving								
Tajikistan	32,283	28,823	28,188	29,144	30,219	27,936	24,663	27,311
Gorno-Badakhshan	830	1,278	964	862	1,212	919	1,205	2,058
Sugd	10,629	10,939	10,481	11,434	10,563	9,995	8,083	8,068
Khatlon	8,662	6,899	7,342	7,969	8,364	8,049	8,311	9,217
Dushanbe City	7,262	4,715	4,826	4,582	4,750	3,975	2,974	3,106
Other places	4,900	4,992	4,575	4,297	5,330	4,998	4,090	4,862
Net change								
Tajikistan	(15,760)	(14,093)	(13,706)	(12,415)	(12,484)	(11,013)	(9,419)	(9,349)
Gorno-Badakhshan	(384)	(845)	(630)	(349)	(761)	(611)	(1,012)	(1,722)
Sugd	(4,841)	(5,480)	(5,976)	(5,706)	(5,140)	(4,042)	(2,955)	(2,832)
Khatlon	(5,345)	(5,408)	(5,389)	(5,687)	(5,870)	(6,029)	(5,918)	(6,503)
Dushanbe City	(2,014)	949	946	904	1,725	1,922	1,895	3,170
Other places	(2,809)	(3,309)	(2,657)	(1,577)	(2,438)	(2,253)	(1,429)	(1,462)

() = negative.

Source: Committee of Statistics, Tajikistan.

implication here is that intraregional trade among CAR countries will yield little returns, and an externally focused and export-oriented approach may have better economic success. Should such an approach be taken, the role of transportation and logistics becomes more pertinent.

The high rate of real GDP growth in Tajikistan (Table 6) is encouraging but, as had been mentioned earlier, this comes from a low per capita GDP base. The rapid increase in the years from 2000 to 2004 has mainly been driven by (i) the surge in aluminum prices riding on the huge commodities boom worldwide, with the demand for commodities, especially base metals, in the PRC and India continuing to grow strongly; (ii) soaring remittances by Tajiks working overseas; and (iii) a construction boom in the local economy that lifted domestic demand. The pace of growth has slowed slightly in 2005 and 2006 but is expected to continue its uptrend in 2007 and 2008. Unfortunately, inflation is likewise high and is estimated to be at 7.0% in 2007 and 5.0% in 2008.

Tajikistan's export-oriented economy revolves around three commodities: cotton, aluminum, and energy. Cotton is the most important agricultural product, with cotton exports accounting for an average of 19% of the country's total from 1993 to 2005.⁶

⁶ Tajikistan Committee of Statistics data.

Table 5: Selected Economic Data of Countries in Central Asia

Countries	GDP/Capita (\$)	Real GDP Growth %	GDP (Agriculture) %	GDP (Industry) %	GDP (Construction) %	GDP (Services) %
Afghanistan	299	14	—	—	—	—
Azerbaijan	1,497	26	12	41	15	32
Kazakhstan	3,703	9	8	33	6	53
Kyrgyz Republic	473	(1)	37	18	3	42
Tajikistan	357	8	27	34	3	36

GDP = gross domestic product.

Source: Statistical Digest, Tajikistan and Commonwealth of Independent States, Dushanbe, 2005.

Table 6: Annual GDP Growth Rates in Tajikistan, 2000–2008

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Real GDP Growth %	8.3	9.6	10.8	11.0	10.3	6.7	7.0	7.5 (est.)	7.1 (est.)

est. = estimate.

Source: Committee of Statistics, Tajikistan, and Asian Development Bank.

Aluminum exports dominate the country's exports. In 2000–2004, aluminum and aluminum product exports accounted for an average of 58% of the total (Table 7). By 2006, their share has gone down to 46%.⁷

The other metallic and non-metallic minerals of which Tajikistan has significant deposits include coal, oil, gas, rock salt, antimony, mercury, ore, silver, lead, zinc, and construction materials. At present, more than 400 fields of such minerals have been discovered and are ready for further development. The Sugd region in the north has reserves of materials useful for construction such as marble, granite, and limestone. About 95 km away from Dushanbe, tungsten deposits have also been discovered. In the Khatlon area, four deposits of the rare metal called strontium are being explored. Strontium salts are widely used in the metallurgical, atomic, chemical, and pharmaceutical industries. That there is no active exploration and development of these deposits results mainly from the very complicated process of government negotiations with foreign investors and the lack of government resources, which could have been spent to initiate exploration in the meantime that such negotiations are ongoing.

The claim that electricity is a vital export commodity for Tajikistan rests on the fact that the country has abundant hydropower resources, which could generate 300 billion kilowatt-hours per year (KWh/y). Nurek, with a 300 m high dam, is the largest hydroelectric plant in the CAR and is one of the most powerful in the world, generating 2,700 million KWh. Moreover, the construction of Rogun and Sangtuda hydropower stations on the Vakhsh River has begun, and once completed, these stations are expected to substantially increase the country's power generation capability. In 2005, electricity exports amounted to 4,258 million KWh, which was valued at \$53 billion.

⁷ World Bank. 2006. Chapter 5: The Boom in Non-Metallic Commodity Prices: Can it Last?, *World Economic Outlook*. September, p. 3.

Table 7: Tajikistan's Total and Aluminum Exports, 2000–2004

	2000	2001	2002	2003	2004	Average
Total Exports, in \$ million	787.60	651.60	699.10	798.60	915.00	770.38
Aluminum and Aluminum Products Exports						
Value in \$ million	423.90	398.40	398.60	429.60	573.00	444.7
Percentage of total exports	53.82	61.14	57.02	53.79	62.62	57.68

Source of basic data: International Monetary Fund. 2005. Republic of Tajikistan: Selected Issues and Statistica Appendix. IMF Country Report No. 05/131. September.

Of the three commodities, aluminum and energy are the more promising. While the value of cotton exports grew by an average of 8% a year from 1994 to 2005, that of electricity exports grew by 23% per annum. The largest economy in the region, the PRC, is also a large exporter of cotton and has a highly developed industry that enables it to manufacture and produce cotton products. Tajikistan, in contrast, can export mainly cotton fiber and raw cotton. To compete and capture higher values for its exports, it needs to strengthen its garment manufacturing complex, which is not easy within a short time. Hydroelectric power is an attractive alternative to thermal sources of electricity, which are abundant in Tajikistan's neighboring countries, with Kazakhstan having large deposits of crude oil and Uzbekistan having large deposits of natural gas. Crude oil and natural gas are finite and nonrenewable resources, and environmentally unfriendly. Tajikistan, therefore, has a strategic advantage.

As its economy depends to a large extent on the export of these commodities, international price movements of cotton and aluminum, and of crude oil, of which hydroelectric power is a substitute, would have a large impact on Tajikistan's economy. Cotton prices are predicted to rise by a total of 18% over the next two years.⁸ Those for aluminum would be erratic as the commodity will undergo periods of price correction. The negative impact of the housing woes in the US would reduce the demand for aluminum, although this might be offset by the strong demand coming from the PRC and India. However, consolidation in the industry may give some stability to aluminum prices.⁹ The rising prices of crude oil may bode well for increased demand for hydroelectric power.

External Trade

Tajikistan was a net importer for most of the period from 1993 to 2005. In the years when it had trade surpluses (1996, 1999, 2000, and 2002), there were surges in the exports of electricity, underscoring the importance of this export to its economy. In recent years (2003–2005), exports grew by an average of only 7%, while imports grew by 23%. Surges in the imports of petroleum products and grains/flour accounted for this growth in trade inflow (Tables 8 and 9).

⁸ *Asian Development Outlook 2007*.

⁹ The world's second largest mining company, Rio Tinto, has acquired Alcan, a large Canadian aluminum producer for \$101 per share, valuing the entire company at \$38 billion. There are also chances that Alcoa, a large US aluminum producer, will be acquired by BHP Billington, although the latter has denied it.

The price of natural gas increased to \$100 per m³ in early 2007 and pushed up import values. The volume of petroleum imports stabilized at 308,000 tons (t) but the value spiked considerably, which is not surprising given the structural change in the prices of oil worldwide. It was a widely-held opinion that with more supply of oil entering the market in 2008, the price of oil should gradually decline. In the meantime, domestic demand for grains and wheat flour jumped by 131% and 60%, respectively, between 2004 and 2005, thus causing the import surge in those products.

Tajikistan is a net importer of electricity, although both import and export values are highly correlated (Table 10). To be a net exporter, Tajikistan will have to explore ways of increasing the efficiency of its electricity generation and distribution.

Markets outside the CAR are crucial for Tajikistan as destinations for its exports, while the region remains an important source of its imports. The value of exports to Europe and Asia accounts for about 77% of the total, while those from the CIS, which is comprised by the Russian Federation, Uzbekistan and other countries in Central Asia, accounts for 20%. Netherlands is a large market for Tajikistan exports.

Table 8: Tajikistan Exports by Products, 1993–2005

	(in millions of \$)												
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total exports	456	559	779	769	746	597	689	784	652	739	797	915	909
Cotton fiber	117	155	212	157	167	98	82	84	62	128	193	162	144
Electricity	30	29	123	175	155	114	175	92	79	67	55	58	53
Others	309	375	443	438	424	385	432	608	511	544	549	695	712

Source: Committee of Statistics, Tajikistan.

Table 9: Tajikistan Imports by Products, 1993–2005

	(in millions of \$)												
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total imports	648	693	838	668	750	711	663	675	688	721	881	1,191	1,330
Natural gas	48	84	70	38	40	40	36	35	27	22	24	28	27
Petroleum products	53	79	80	61	60	77	54	48	78	73	73	107	126
Electricity	26	19	164	133	180	128	179	119	98	82	61	65	58
Grain and/or flour	95	113	46	54	24	43	46	45	38	36	33	48	76
Others	426	398	478	169	446	423	348	428	447	508	690	943	1,043

Source: Committee of Statistics, Tajikistan.

Table 10: Value of Tajikistan Imports and Exports of Electricity, 1993–2005

	(in millions of \$)												
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Exports	30	29	123	175	155	114	175	92	79	67	55	58	53
Imports	26	19	164	133	183	128	179	119	98	82	61	65	58
Correlation coefficient: 0.93													

Source: Committee of Statistics, Tajikistan.

The CIS is the source of two-thirds of Tajik imports, while non-CIS countries account for the rest (Tables 11 and 12). This import trade structure could be due to the historical closeness of Tajikistan and the Russian Federation. However, the value of imports from non-CIS countries has grown dramatically and these countries could be an important source of goods for Tajikistan in the next few years, especially if trade with the PRC develops.

Non-CAR markets would be taking on an increasingly more significant role in intraregional trade. Thus, unless Tajikistan adopts an import substitution strategy, its export orientation will require it to quickly improve its transport networks and its access to overseas markets. Diversifying its economy and reducing the cost and inefficiencies of transport and cross-border trade should be its primary goals.

Table 11: Tajikistan Exports by Country of Destination, 1993–2005

	(in millions of \$)													
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
CIS	123	93	252	331	273	203	315	374	212	188	138	159	178	
Russian Federation	63	46	95	79	64	48	115	259	105	87	52	60	83	
Uzbekistan	20	23	132	191	172	126	181	98	87	73	67	66	66	
Others	40	24	25	61	37	29	19	17	20	28	19	33	29	
Non-CIS	227	399	497	439	473	394	374	410	440	549	659	756	731	
Europe	185	245	497	383	433	364	340	319	319	385	395	565	527	
EU countries	165.6	257.8	346.6	265.7	268.9	258.5	248.3	220.2	213.5	238.9	224.2	496.2	496.7	
Austria	10.8	16.7	9.7	3.5	5.2	1.0	0.1	0.3	0.8	0.0	1.1	0.2	0.0	
Belgium	15.2	30.5	32.7	5.5	14.7	12.8	7.0	5.1	6.0	9.5	7.6	7.2	4.9	
Great Britain	119.9	30.3	20.7	15.2	6.5	5.1	5.5	6.0	2.5	3.9	2.5	0.9	1.3	
Hungary	—	—	—	—	—	—	—	—	—	—	—	22.1	—	
Germany	0.73	13.0	4.6	2.6	2.4	1.4	0.1	0.4	0.2	0.1	0.2	0.2	0.5	
Greece	—	—	—	—	—	—	3.7	6.0	—	0.1	—	—	—	
Denmark	—	—	—	0.1	0.1	—	—	—	—	—	—	0.0	0.0	
Ireland	—	—	0.3	0.5	0.0	0.1	0.1	—	—	—	—	—	—	
Spain	—	0.4	0.7	0.3	0.2	0.6	0.3	0.1	2.0	0.9	1.5	2.1	0.8	
Italy	2.5	0.4	2.4	6.7	7.7	9.8	4.9	21.4	5.7	6.5	7.7	10.1	15.6	
Latvia	—	—	—	—	—	—	—	—	—	—	—	64.8	44.1	
Netherlands	1.1	147.6	255.2	218.0	229.4	221.4	222.3	178.2	194.4	216.9	200.8	379.2	423.1	
Poland	—	—	—	—	—	—	—	—	—	—	—	0.1	0.3	
Portugal	—	—	—	—	—	0.1	0.4	0.7	1.6	0.7	2.8	2.8	2.8	
Slovakia	—	—	—	—	—	—	—	—	—	—	—	4.3	2.9	
Slovenia	—	—	—	—	—	—	—	—	—	—	—	0.0	0.0	
Finland	7.8	18.1	20.1	8.9	0.2	0.0	—	—	0.1	0.0	—	—	—	
France	—	—	0.2	4.4	2.2	5.8	3.8	1.9	0.1	0.2	0.0	0.0	0.0	
Czech Republic	—	—	—	—	—	—	—	—	—	—	—	2.2	0.1	
Sweden	7.6	0.8	—	—	0.3	0.4	0.1	0.1	0.1	0.1	—	0.0	—	
Estonia	—	—	—	—	—	—	—	—	—	—	—	0.0	—	
Asia	20	24	35	45	34	28	32	90	119	163	263	190	204	
Others	12	24	15	11	6	2	2	1	2	1	1	1	0	
Total exports	350	492	749	770	746	597	689	784	652	737	797	915	909	

CIS = Commonwealth of Independent States, EU = European Union.

Source: Committee of Statistics, Tajikistan.

Table 12: Tajikistan Imports by Country of Origin, 1993–2005

	(in millions of \$)												
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
CIS	298	339	506	383	482	446	515	560	538	548	599	774	864
Russia	104	127	149	74	115	102	92	105	129	164	178	241	256
Uzbekistan	85	123	267	199	262	227	264	186	151	132	133	169	152
Others	109	89	91	110	105	117	159	269	258	252	288	364	456
Non-CIS	361	368	351	285	268	265	148	115	150	173	282	417	466
Europe	336	309	301	222	230	203	121	83	67	81	125	185	229
Asia	16	25	11	46	35	27	22	30	71	78	103	152	194
Others	10	34	39	17	3	35	5	2	12	14	54	80	43
Total imports	660	707	860	668	750	711	663	675	688	721	881	1,191	1,330

CIS = Commonwealth of Independent States.

Source: Committee of Statistics, Tajikistan.

SWOT Analysis

A Strengths, Weaknesses, Opportunities, and Threats analysis on Tajikistan reveals the following:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Rich deposits of aluminum • Rich potential and actual supply of hydroelectric power resources • A competitive cotton industry 	<ul style="list-style-type: none"> • An economy that is not well diversified • A landlocked and mountainous topography • A small domestic market • Dependency on Tajik overseas workers' remittances • Disconnected railways • Poor physical transport infrastructure • Airports are not well equipped to handle large and complicated cargoes • Cross border delays and costs that hinder trade • Lack of wholesale centers and trade exhibition facilities
Opportunities	Threats
<ul style="list-style-type: none"> • Rising commodity prices due to strong demand • Potential for exporting hydroelectric energy • Proximity to the People's Republic of China (PRC) • PRC's potential accession to the Transport Internationaux Routiers system • New bridge crossing the border with Afghanistan that provides a new transport corridor linking PRC and South Asia and Middle East 	<ul style="list-style-type: none"> • Unfriendly relations with Uzbekistan that limits transit potential • High inflation and negative current account that can be destabilizing • Political turbulence in Afghanistan and Pakistan that threatens security and stability in the region • Foreign currency risks as repatriation from Tajik overseas workers is a big contributor to gross domestic product

The relative strengths and weaknesses of Tajikistan are unbalanced, with many unfavorable factors undermining the country's competitiveness. The unique strengths of Tajikistan come from reserves of aluminum, its competitiveness in cotton and some other agricultural crops, and river systems that give it the opportunity to harvest, use, and export hydroelectric power. The challenges that undermine its ability to tap and make full use of these strengths are varied. Chief among these are an economy that is not well-diversified, a small domestic market, poor transport infrastructure, and political instability in neighboring countries.

Its proximity to the PRC and South Asia presents Tajikistan a unique opportunity. It is well positioned to benefit from increased trade between Pakistan and the Middle East. This shall be further elaborated in the Recommendations chapter. However, its geographical location is a double-edged sword. It has to contend with the obstructionist policies and actions of, and the prevalence of informal payments at the border-crossing points with, Uzbekistan. Most traffic to major markets, like Western Europe and the Russian Federation, will need to transit through Uzbekistan.

The next chapter will examine the weaknesses in the transport and logistics sector in greater detail.

Assessment of the Transport and Logistics Sectors

Transport Sector

Tajikistan's transport sector consists mainly of the rail, road, and air transport subsectors. Being a landlocked country, it does not have a water transportation subsector.

Rail Transport

The railway system in Tajikistan is divided into two main unconnected sections, the north and the south. It consists of 950.7 kilometers (km) of tracks, of which 313.6 km are located in the Sudg region, 422.4 km in Khatlon, and 214.7 km in the Republic. Gorno Badakhshan is the only region without rail tracks. A total of 617.5 km belong to the main line of railways, of which 555.7 km are single track and 62.1 km are double track.

Transit rail traffic makes up about two thirds of the overall rail freight traffic (Tables 13 and 14). The majority of this traffic transits through the northern section, particularly through the cities of Kanibadam and Khuzhand.

Table 13: Volume of Cargoes Handled by Tajikistan, in '000 tons, 2004–2006

Year	Local	Export	Import	Transit	Total
2004	135.4	977.3	3,108.4	8,047.2	12,268.3
2005	146.1	870.8	3,441.1	7,656.2	12,114.2
2006	148.4	945.6	4,242.6	8,607.2	13,943.8
Average	143.3	931.2	3,597.4	8,103.5	12,775.4
Average share in total (in %)	1.12	7.29	28.16	63.43	—

Source: Ministry of Transport and Communications.

Table 14: Freight Turnover^a in Tajikistan, in million ton-km, 2004–2006

Year	Local	Export	Import	Transit	Total
2004	7.5	55.8	177.1	877.1	1,117.5
2005	7.6	45.2	178.4	834.5	1,065.7
2006	7.9	49.9	224.1	938.2	1,220.1
Average	7.7	50.3	193.2	883.3	1,134.4
Average (in %)	0.68	4.43	17.03	77.86	—

^a Freight turnover here is defined as the freight tonnage transported multiplied by the distance traveled.

Source: Ministry of Transport and Communications.

The products transported by rail are high-volume and low-value commodities, such as building materials, cotton, wheat, and cement (Table 15.).

A few key railway issues that Tajikistan face are also those that confront the other railways in the region. One is the age and poor condition of the tracks and the substantial investment needed to upgrade them. Another is the age and poor condition of locomotives, which prevent them from attaining higher speeds and carrying heavier loads. Still another issue is the pilferage of cargoes, which serves as a major deterrent for carriers to use the railways.

There are constraints specific to Tajikistan. Unlike most countries where the railways also serve as a trunkline through which the bulk of domestic traffic flows, the railway lines of Tajikistan are an inferior option to roads. The north and east lines are not connected, and going from north to east through these lines requires passing through enclaves. Moreover, the construction of any railway that would connect the north and east lines would be an extraordinarily expensive endeavor since such railway must pass through the mountainous regions of the Gissar and Zeravsha ranges. To the north, Tajikistan has an enclave where the rail lines are important transit routes for goods flowing between Uzbekistan and the Kyrgyz Republic. To the south, where the railways are important routes for goods moving into Afghanistan, Pakistan, and Iran, the political instability of Afghanistan makes transport of goods difficult.

Road Transport

Tajikistan's road network measures 30,563 km, of which 13,747 km are managed by the Ministry of Transport and Communications, 4,782 km are national roads, and 8,965 km are local roads. The latter consists of local networks for mainly rural areas and are generally unfit as transport routes for international trade.

Almost half (45%) of the country's road system consists of bitumen roads, while around 30% are concrete pavements. The rest are made of gravel roads and dirt tracks (Table 16).

Table 15: Products Transported by Rail in Tajikistan, 2006

Products	Weight in tons
Automobile and parts	290,375
Metals	419,648
Chemicals and soda	289,417
Building materials	432,748
Industrial intermediate goods	184,400
Cement	449,175
Sugar	182,190
Vegetables and fruits	195,840
Consumer goods	261,968
Industry finished goods	112,002
Cotton	420,157
Wheat	516,229
Others	10,189,612
Total	13,943,761

Source: Ministry of Transport and Communications.

The road network in Tajikistan radiates from Dushanbe, the transport hub. Three Asian Highways (AH)—namely, 7, 65, and 66—use this network in traversing through the country. AH 7 stretches from north to south. Its section between Dushanbe and Khuzhand passes through the Gissar range and is closed during winter, forcing drivers to detour through Uzbekistan territory. The southern part of this highway passes through Kurgan-Tyube and ends in Nizhniy Pyandzri, the gateway to Afghanistan. AH 65 is an important artery for outbound goods that pass through Tursunzade, the gateway to Uzbekistan, in the west. In the east, the highway connects the capital to Garm, Jirgatal, and then to Karamik, the gateway to the Kyrgyz Republic. AH 66, the longest of the three highways, passes through Dushanbe, Kofarnihon, Kuylab, and Murgab and then on to Kulma Pass, the gateway to the People's Republic of China (PRC). This section of the road is very poorly maintained and is in urgent need of rehabilitation and upgrading.

A recent and significant development in the transport sector in Tajikistan is the completion of the United States–funded \$28-million bridge at Nizhniy Pyandzri. The bridge, which measures

Table 16: Length of Roads in Tajikistan by Classification, 2006

Road classification	Length (km)	Proportion (%)
Concrete pavement	3,903	28
Bitumen type	6,213	45
Gravel, improved dirt	2,621	19
Dirt tracks and/or earth	1,096	8

km = kilometer.

Source: Ministry of Transport and Communications.

Figure 2: Asian Highway Routes in Tajikistan



Source: www.unescap.org

672-meter long and 11.5-meter wide, is built to international seismic standards, and will link the town of Nizhniy Pyandzri in Tajikistan with the town of Shir Khan in Afghanistan's southern Kunduz province. Presently, there are five official border crossings at the Tajik–Afghan border—Nizhniy Pyandzri, Ishkashim, Ruzvai (Darvaz), Tem (Khorog), and Kokul (Parkhar). With the construction of the new bridge, Nizhniy Pyandzri will be the first international standards-compliant border-crossing point (BCP) since all the other bridge crossings are more like footbridges with limited capacity to handle large volumes.

The bridge and the surrounding roads will play a major role in making AH 7 a new transport corridor that links Central Asia and South Asia. With the new bridge, travel for cargo from Tashkent to the port of Karachi in Pakistan will take less than 32 hours. The same will be true for travel from Tashkent to Iran's port of Bandar Abbas. The main obstacle in traveling through AH 7 is the political instability in Afghanistan.

Tajikistan's rail and road transport networks are not conducive to intermodal transport. First, the only mode of transport between the northern and southern regions of Tajikistan is roads, and these cannot be used all year round. Second, the Gorno-Badakhshan Autonomous Region has no railways and its roads are poorly maintained. This limits the growth potential of Tajikistan–PRC trade. Third, there is a lack of integrated terminals where the transfer of goods from trucks to rail wagons, and vice versa, can be completed promptly. Fourth, existing terminals require warehouses for the temporary storage of goods since the schedule of truck and locomotive arrivals and/or departures are hardly synchronized.

Air Transport

Air transport is important for a landlocked country with underdeveloped land transport networks. However, it accounts for only 0.01% of all freight volume in Tajikistan, mainly due to high costs and limited flight schedules. There are 15 airports in the country, of which four are international airports. The international airports are located in Dushanbe, Khuzhand, Kulyab, and Kurgan-Tyube. The 11 domestic airports are located in Isfara, Khuzhand, Pendzhikent, and Ayni in the Sudj region; Ishkashim, Rushan, Varj, and Khorog in the Pamir region; Khoraling and Parhar in the Khatlon region; and Lizzatol and Gazm in the Republic.

Air Tajik is the national carrier. It is tightly controlled by the government, as aviation is tightly regulated by the state. Recent increases in ticket prices, a management turnover, and an aging fleet have reduced its competitiveness. Another challenge it faces is the gradual loss of its near monopoly on flights. Turkish Airline (Turk Hava Yollary) is now able to fly direct weekly between Istanbul and Dushanbe. This is a welcome development for business travelers and certain exporters who now have new options for flying goods more reliably. Besides Turkish airlines, other overseas carriers such as Almaty, Bishkek, and Ural also operate in Tajikistan. Tables 17 and 18 show the frequency of international and domestic flights operated by Air Tajik.

The limiting factors that constrain the development of air transport in Tajikistan are centered on the country's airports. These airports are not efficiently operated, and lack storage space, equipment, and tools to handle large, bulky or complicated cargoes. All these create delays in the movement of cargo. For instance, there was an incident where an aircraft part was shipped by an American parts manufacturer from the United States Embassy in Bahrain to Dushanbe.

Table 17: International Flights Operated by Air Tajik

Cities	Frequency of flights per week
Moscow	1
Almaty	3
Novosibirsk	3
Bishkek	3
Ekaterinburg	3
Samara	2
St. Petersburg	1
Volgograd	1
Munich	1
Istanbul	1
Shardja via Delhi	1
Urumqi	1
Tehran	1

Source: Tajik Chamber of Commerce and Industry.

Table 18. Domestic Flights Operated by Air Tajik

Cities	Frequency of flights per week
Khujand	3
Khorog	3
Garm and of Kuylab	1

Source: Tajik Chamber of Commerce and Industry.

However, this part was too large for the aircraft to unload from the carrier, and help was required from the French military base to lift it onto the ground and transport it to its destination.

Policies and unharmonized procedures add to the complications in the movement of cargo and passengers by air transport. The clearance documents and the procedures followed are not harmonized with international standards. Securing the clearance of goods is, thus, a complex undertaking. Even among Tajik customs authorities, the understanding and interpretation of policies are not consistent. For example, when there is a turnover of the management of a BCP, new customs officers may stop cargoes due to 'violations' of certain rules not known before management turnover.

As a result, Dushanbe airport has remained as a destination airport and handles virtually no transit air freight. It is falling behind the airports in Tashkent and Almaty, which are increasingly favored by air cargo handlers.

Logistics Sector

Current Situation in the Sector

As of 1 April 2008, Tajikistan's logistics infrastructure consists mainly of 74 temporary warehouses, 6 customs warehouses, 3 free warehouses, and 7 regional terminals for customs clearance.

The number of logistics service providers in the country is limited and most offer only land transport planning and operations. The key organization that runs road transport services is the Association of International Automobile Carriers of the Republic of Tajikistan (ABBAT), which is the de facto national representative of road transporters. It manages a large fleet of trucks and seven land transport terminals in the country located at Dushanbe, Tursunzade, Khuzhand, Kanibadam, Jirgatal, Murgab, and Nizhniy Pyanidzi. All incoming vehicles crossing Tajik borders, whether their final destination is Tajikistan or elsewhere, are required by law to be directed to ABBAT's terminals. Sometimes, customs authorities will escort a convoy of delivery trucks. For example, an Uzbek truck carrying goods bound for Dushanbe crossing Pendzhekent will drive to the ABBAT's Dushanbe terminal. All incoming trucks are required to have permits and all drivers must carry visas.

At the terminals, goods are unloaded and stored in temporary warehouses. During a field trip to the Dushanbe terminal, nine such warehouses were observed, all of which do not have racks and are simply a sheltered empty space, each measuring about 1,000 square foot each. The goods typically stay for a short while. These are usually loaded onto a domestic truck and leave the terminal on the same day, or at the latest, by the next day.

Drivers are supposed to stay in the premises throughout the unloading and loading of their cargoes. The terminals have amenities such as shower and resting rooms, and bars and cafés. There are plans to construct more rooms.

For transit drivers, documents must have the word "TRANSIT" stamped on them. The driver and vehicle will also need to drive to the nearest ABBAT terminal and stay there before continuing on to the next leg of the journey. Generally, no inspection is involved unless there are reasons to believe a severe discrepancy exists between the information provided on the cargo manifest and the load.

The process for claiming cargo is as follows: Upon arrival, the cargo is unloaded and inspected by hand by customs officers. The officers then cross-check the cargo with the permits and documents to ensure that the documentation is in order. Once cleared, the goods are moved to the temporary warehouses in ABBAT terminals. The consignee is notified of the arrival and needs to go to the ABBAT office to pay for due fees. Upon receipt of the payment, ABBAT issues the necessary documents for the consignee to claim his cargo. The consignee can then go to the terminal and retrieve his cargo, or make arrangements with a freight forwarding agent to get the document and retrieve the cargo on his behalf.

A positive development for the logistics sector is the formation of the Association of Freight Forwarders on 16 September 2005. The organization allows freight forwarders to have a strong and united voice when interacting with government, and provides a venue for consensus building and support mobilization on matters that are important for the development of the freight industry. It can also serve as an oversight body when there is a need to enforce self-regulation, such as the imposition of standards for services and facilities.

Another development in the sector is the resolution of the recent debate between government and the private sector regarding licenses for freight forwarders. The debate was resolved through an agreement that no license will be required of freight forwarders that can register under the Ministry of Justice without special requirements and merely observe the law. In some countries in the CAR, forwarders have to apply for a special license.

Box 1



Organization Profile of the Association of International Automobile Carriers of the Republic of Tajikistan

DUSHANBE, 734001, BOKHTAR STR., 35/1 FLOOR 3

Phone: 211857

The Association of International Automobile Carriers of the Republic of Tajikistan (ABBAT) is comprised by trucking companies and logistics service providers. It is the national agency for issuing and, starting July 2003, guaranteeing Transport Internationaux Routiers (TIR) carnets. It is a member of the International Road Union while participating actively in International Freight Forwarders Association (FIATA) and Transport Corridor Caucasus–Europe–Central Asia (TRACECA) activities.

ABBAT represents the interests of auto road transporters. Since road transport accounts for the majority of the total volume of cargo transported in Tajikistan, it is relatively influential in providing inputs for the setting of national policies and directions for the transport sector. It also works closely with other ministries such as the Ministry of Transport and Communications and the Customs Department on various strategic initiatives.

ABBAT has a TIR department, which processes import and export clearances and claims, and issues TIR guarantees.

Figure 3: Locations of ABBAT Terminals in Tajikistan



Source: Association of International Automobile Carriers of the Republic of Tajikistan.

One issue facing forwarders is their liability in case of cargo damage and pilferage or in case of accidents. As of this writing, there is no limit to the amount of liability, and this represents a great risk for forwarders. The International Freight Forwarders Association (FIATA) guidelines on standard trading conditions, which delineate the responsibilities and liabilities of shippers, do not have any effect in Tajikistan. Thus, forwarders have to arrange for their own insurance or risk facing huge financial liabilities.

Cross-Border Trading

An assessment of the logistics sector of Tajikistan would be sorely lacking if the manner with which cross-border trading in the country is conducted and the factors that impact on it are not discussed.

An important organization that maintains order over cross-border trade is the Customs Department, which is under the supervision of the Ministry of State Revenue and Duties. Its staff totals 1,100 officers, of whom 150 are stationed in its headquarters in Dushanbe, and the rest are deployed at different border posts and affiliated offices, such as the five regional offices and the terminals of the ABBAT. Its objectives are to (i) protect and increase the revenues of the country, (ii) combat illegal activities such as smuggling and drug trafficking, and (iii) maintain law and order in cross-border activities. The department has achieved remarkable progress in its efforts to make its operations efficient and transparent, in view of Tajikistan's membership in, and adherence to the principles and guidelines of, the World Customs Organization. A testimony to this progress is that while foreign trade grew by 17%, custom clearances grew by 34%. The department processed 65,860 declarations in 2006 and 88,147 in 2007.

The factors that affect the performance of the Customs Department are similar if not the same as those that influence the efficiency of the transport of goods and people across borders in the CAR.

The problems of cross-border trade in the CAR are well documented. Conflicting customs procedures, unofficial payments, unpredictable waiting time at border posts, and outdated risk management techniques combine to cause long delays and high costs during cross-border movements of passengers and goods. Being based on the Soviet-era model for a controlled economy, the current customs administration regimes in the Commonwealth of Independent States (CIS) need to be reformed to enable them to handle the increasing and more complex flow of passengers and goods.

Another problem plaguing cross-border trade in the CAR is the presence of many political enclaves. Enclaves are territories of countries that are surrounded by territories of other countries, except for a sliver of land that connects them to their respective motherlands. Enclaves in the CAR resulted from the disintegration of the Union of Soviet Socialist Republics from where 15 new countries forming the CIS were created. An example of CAR enclaves are those in the Fergana Valley, which belong to the Kyrgyz Republic, Uzbekistan, and Tajikistan. Other examples are the Tajik village of Sarvan, which can be found in Uzbekistan; and the Tajik village of Vorukh and some land near Kairagach, which are found in the Kyrgyz Republic. Vehicles crossing through enclaves would need to cross the border of the country to which the enclave belongs, thus increasing delays and additional costs. In many research,¹⁰ it was found that the presence of

¹⁰ Hausman, Lee, and Subramaniam. 2005. Global Logistics Indicators, Supply Chain Metrics, and Bilateral Trade Patterns. World Bank Working Paper Series No. 3773. October.

borders automatically reduces movement efficiency by adding time delays and increasing costs and uncertainty. In fact, institutional factors such as customs delays at borders create greater impediment than inefficiencies and deficiencies in physical infrastructure. Because of these delays and higher costs, many freight forwarders prefer traveling greater distances even though crossing a border is a much shorter alternative.

Studies have estimated that if such border issues are improved, Kazakhstan's exports to Tajikistan can increase from 12.2% to 40% of total, while those of the Kyrgyz Republic can rise from 1.1% to 17%. Similarly, Tajikistan's exports to Kazakhstan can increase from 1% to 3%, and to the Kyrgyz Republic from 0.1% to 5% of total.¹¹

Tajikistan has unique problems, as Uzbekistan significantly affects its cross-border trade. To send goods to the especially significant European market and to other markets in Central Asia, Tajikistan would have to send its exports through Uzbekistan. Although both Tajikistan and Uzbekistan signed an agreement of eternal friendship on 15 June 2000, Uzbekistan maintains its undeclared blockade of Tajikistan. Certain parts of the border are mined. Tajik drivers are subjected to frequent checks, with cargoes having to be unloaded and loaded, causing many delays. Moreover, visa restrictions hamper the movement of businessmen in both countries. Tajik businesses have an interest in the Uzbek market as destination for their fruits and vegetables. If such trade barriers are lowered, it will result in a win-win situation for all.

Similarly, the potential for improved trade between Tajikistan and Turkmenistan is being hampered by Uzbekistan's obstructionist policy. Tajikistan needs sulfur from Turkmenistan while the latter needs construction materials such as marble and granite, of which Tajikistan has abundant reserves. Tajik vegetables and fruits will also find a favorable market in Turkmenistan. However, to reach Turkmenistan, Tajik goods must cross Uzbekistan. When they do, Tajik trucks must pay \$100 at each checkpoint in Uzbekistan. Tajikistan's bargaining power is considerably reduced because Uzbekistan is a major trading partner and it needs the latter much more than the other way around (Tables 9 and 10).

The Customs Department also needs relevant infrastructure to be upgraded and its customs administration improved. For instance, the road from Dushanbe to Karamik via Jirgatal needs to be improved so that it could handle more and heavier traffic. Karamik is a BCP that is becoming an important gateway for Tajik goods flowing into the Kyrgyz Republic.¹² This border post also needs its equipment and facilities upgraded and enhanced. Warehouses for temporary storage need to be constructed, telecommunication equipment procured for better control and communication, and better inspection equipment accessed and used. The post has no x-ray machines.

Some BCPs are not open year-round. For instance, Kulma Pass, a key gateway for goods and passenger movement in and out of the PRC and Tajikistan, is closed from 15 November to 15 April due to harsh winter conditions. In the months that it is operational, it is only open half of the time, again due to inclement weather. Thus, it effectively operates for only 3 months in a year.

¹¹ The World Bank. 2005. Trade and Transport Facilitation in Central Asia: Reducing the Economic Distance to Markets, Infrastructure and Energy Services Department of the World Bank. January.

¹² ADB has sponsored a Road Rehabilitation Project (No. 37373) financed by the Japan Special Fund. This is a Phase III project focusing on a 121 km section along Dushanbe to Karamik, and 100 km of rural roads. It is estimated that the total project cost of \$770,000, of which \$650,000 is a grant, will be given to Tajikistan.

Another problem is inefficient inspection processes at the border. Research shows that 80%–100% of the goods crossing through all border points are checked by hand.¹³ This inspection process causes huge delays while requiring a large specialized labor force. In contrast, only an average of 5% of goods crossing borders in Europe is inspected. Mainly because of this inspection system and the delays it causes, only an average of 5–7 trucks pass Tajikistan's borders each day. If the volume of goods coming into and transiting through Tajikistan is to increase substantially, the Tajik customs authorities will have to adopt a better risk-management approach.¹⁴

The Xinjiang Uygur Autonomous Region (XUAR) of the PRC is Tajikistan's gateway to the fast-growing and huge Chinese market. A discussion of the country's trade with this region is, therefore, warranted.

Tajikistan has a very short trading history with the PRC. Prior to 2004, cross-border trade between the two countries was virtually nonexistent. There was no direct way of moving from one to the other except by air travel. PRC road vehicles have to detour to Pakistan to enter Tajikistan. In May 2004, Kulma Pass was opened as a BCP to facilitate trade and travel between both countries, allowing road traffic to enter a new phase of development.

Kulmas Pass is the gateway for cross-border trade between Tajikistan and the PRC's XUAR. Since its opening as a BCP, cargo and passenger traffic has increased tremendously and it is expected to play an indispensable role in Tajik–PRC trade in the foreseeable future. However, it has key limitations. First, its high attitude of 4,363 meters and cold weather make living and working there difficult. Second, the mountainous region in the Pamir district is hard to navigate through. Third, the road condition in the area is the poorest among the country's four regions.

Kulma Pass used to operate between 1 May to 1 October each year, and only for 15 days each month, thus, effectively operating for only 3 months in a year. After a visit by the PRC's Prime Minister Mr. Wen Jiabao in 2006, both countries agreed to operate Kulma Pass for 30 days in a month, thus, doubling its operating hours.

The condition of the Dushanbe–Khorog–Murgab–Kulma Pass–Kashgar route varies. The 600 km road between Dushanbe and Khorog is poorly maintained and very challenging to traverse. PRC containers entering Kulma Pass must stop at Khorog and deconsolidate their cargoes and use smaller vehicles, as the road is too dangerous and narrow for containers to pass through. A jeep will take 2 days to traverse this road, while a delivery vehicle may take slightly less than a week. The 400 km stretch between Khorog and Kulma Pass, meanwhile, is generally better, but only slightly. The PRC's passenger coaches are allowed to drive until Murgab where passengers continuing the journey must transfer to a Tajik-operated bus to reach Khorog or Dushanbe. This passenger service is offered once a week. Finally, the Kulma Pass–Kashgar route, which is about 260 km in length and is in PRC territory, is better maintained.

One constraint faced by Tajik traders in the Pamir district is the difficulty in applying for a PRC visa. There is no PRC consulate in Khorog; the administrative center of the district, and applicants

¹³ Townsend, J. 2006. The Logistics of Opiate Trafficking in Tajikistan, the Kyrgyz Republic, and Kazakhstan. *China and Eurasia Forum Quarterly*, 4(1).

¹⁴ The regional record is held at the PRC–Kazakhstan border at Khorgos. Each day, 50 trucks pass through this border point.

have to travel to Dushanbe and apply for a visa at the PRC embassy. This means delays and higher costs.

Another issue among traders in the Pamir district is the cost incurred in applying for a PRC visa. Securing a visa for entering Tajikistan will cost a PRC traveler \$300. After lobbying unsuccessfully for a reduction in these fees, PRC authorities increased application fees for visas to the PRC from \$10 to \$40.

Despite these difficulties, the flow of trade and investments between the PRC and Tajikistan has improved significantly since 2004. Many companies from the PRC are now investing in Tajikistan, specifically in the areas of construction, public infrastructure, retail trade, and food and beverage. To foster greater increase in its trade with the PRC, Tajikistan needs to address the poor physical condition of its transport infrastructure. Without the necessary investments and improvements, land transport (currently the only feasible way for most traders and travelers in that region) will continue to be expensive and plagued with delays, thus serving as disincentive for further trade flows.

To assess the efficiency of CAR customs authorities, in facilitating cross-border movement, the World Bank collected data on the average time (measured in days) and costs (calculated using US\$) spent to export and import a standard twenty-foot equivalent unit (TEU) from the capitals of selected CAR countries (Table 19).¹⁵

Based on this study, Tajikistan lags behind most CAR countries in the speed with which exports are processed and cleared. It fares better in facilitating imports.¹⁶

Of the five CAR countries included in the World Bank study, Kazakhstan takes an average of 93 days—the longest time—to transport, process, and release exports. Tajikistan ranks second, spending an average of 72 days. Uzbekistan takes the shortest time of 44 days. The average time spent by all five countries for exporting is 68 days.

Of the phases undergone to process an export, document preparation takes the longest across all countries included in the study. It accounts for an average of 56% of the time it takes to export. In Tajikistan, the process takes 50 days and accounts for 70% of the total time taken to export commodities.

Tajikistan is the most efficient in importing among the countries included in the study. Excluding the time it takes to transport and handle cargoes inland, the country takes an average of 44 days to import commodities. The second most efficient is Kazakhstan, which takes 54 days. The most inefficient is Uzbekistan, which spends 98 days, more than double the time taken by Tajikistan. Afghanistan and the Kyrgyz Republic takes 64 and 68 days, respectively. The time it takes all five countries to import averages 65 days. The study did not have data on the number of days it takes Tajikistan to transport and handle imports within its territory.

¹⁵ The World Bank. 2007. *Doing Business*.

¹⁶ It is acknowledged that the data provided by this World Bank study was completed in 2006. While the actual figures may have changed, these are still useful in relative comparisons. As of this writing, ADB plans to commission a new study beginning in 2008 to measure transport efficiency in the CAREC region.

Table 19: Time Spent and Costs of Importing and Exporting in Selected CAR Countries, 2006

Time spent	Tajikistan		Afghanistan		Uzbekistan		Kyrgyz Republic		Kazakhstan		Averages	
	Days	%	Days	%	Days	%	Days	%	Days	%	Ave.	%
Phases in exporting												
Inland transportation and handling	7	9.72	15	22.73	8	18.18	6	9.09	29	31.18	13	19.06
Documents preparation	50	69.44	44	66.67	18	40.91	51	77.27	30	32.26	39	56.60
Ports and terminal handling	5	6.94	5	7.58	10	22.73	3	4.55	11	11.83	7	9.97
Customs clearance and technical control	10	13.89	2	3.03	8	18.18	6	9.09	23	24.73	10	14.37
Total	72	100.00	66	100.00	44	100.00	66	100.00	93	100.00	68	100.00
Phases in importing												
Inland transportation and handling	—	—	25	—	41	—	10	—	33	—	—	—
Documents preparation	30	68.18	49	77.78	69	70.41	56	82.35	34	62.96	47.6	72.78
Ports and terminal handling	5	11.36	5	7.94	4	4.08	4	5.88	4	7.41	4.4	6.73
Customs clearance and technical control	9	20.45	9	14.29	25	25.51	8	11.76	16	29.63	13.4	20.49
Total	44	100.00	63	100.00	98	100.00	68	100.00	54	100.00	65.4	100.00
Costs (\$)												
Phases in exporting												
Inland transportation and handling	Cost	%	Cost	%	Cost	%	Cost	%	Cost	%	Cost	%
	2,000	46.51	1,500	60.00	1,700	66.67	1,280	90.14	2,000	71.94	1,696	62.58
Documents preparation	1,500	34.88	450	18.00	120	4.71	10	0.70	200	7.19	456	16.83
Ports and terminal handling	100	2.33	100	4.00	200	7.84	120	8.45	380	13.67	180	6.64
Customs clearance and technical control	700	16.28	450	18.00	530	20.78	10	0.70	200	7.19	378	13.95
Total	4,300	100.00	2,500	100.00	2,550	100.00	1,420	100.00	2,780	100.00	2,710	100.00
Phases in importing												
Inland transportation and handling	1,750	49.30	1,500	71.43	3,500	88.16	1,550	91.72	2,200	76.39	2,100	74.00
Documents preparation	1,000	28.17	250	11.90	120	3.02	10	0.59	100	3.47	296	10.43
Ports and terminal handling	100	2.82	200	9.52	200	5.04	120	7.10	380	13.19	200	7.05
Customs clearance and technical control	700	19.72	150	7.14	150	3.78	10	0.59	200	6.94	242	8.53
Total	3,550	100.00	2,100	100.00	3,970	100.00	1,690	100.00	2,880	100.00	2,838	100.00

Source of basic data: The World Bank. 2007.

Excluding inland transport and handling, the longest phase in importing commodities in the region is also document preparation. Importers in the countries included in the study take an average of 48 days to prepare documents, 73% of the total time spent to import. In Tajikistan, an importer takes an average of 30 days, or 68% of total import time, to prepare documents.

Exporters in Tajikistan incur the highest costs among the countries included in the study, paying an average of \$4,300 to be able to export a TEU of cargo, 63% more than the average of \$2,710 and 1.6 times more than the mean. Those in the Kyrgyz Republic pay the lowest at \$1,420 or a third that of Tajik exporters. The exporters incurring the second highest costs are the Kazakhs who pay \$2,780 per TEU, 64% lower than those of Tajik exporters.

The most expensive phase in exporting from the region is inland transport and handling, which accounts for an average of 63% of total costs. The second most expensive is customs clearance and technical control, which accounts for 14% of costs. In Tajikistan, the transport and handling of exports from Dushanbe accounts for 47% of total costs. The second most expensive phase for a Tajik exporter is documents preparation, which accounts for 35% of total, 3.3 times more expensive than that in Afghanistan, the next most expensive country.

Tajikistan is the second most expensive country to import into. A Tajik importer will spend an average of \$3,550 per TEU, slightly lower than that of an Uzbek importer who will need to spend \$3,970. The least expensive to import into is the Kyrgyz Republic, where importers need to spend only \$1,690.

In importing commodities, the most expensive phase in the region is inland transport and handling, which requires an average expenditure of \$2,100 or 74% of the total cost. In Tajikistan, an importer will need to spend \$1,750 to import a TEU or 49% of his total costs. The next highest expenditure will be for documents preparation, which requires an average of \$1,000 or 28% of total costs.

To reduce the time and cost for border trade, ADB sponsored a project to help Tajikistan customs modernize its information systems. This project installed the Unified Automated Information Systems, which promises to improve communication between the center and BCPs, and to strengthen the effectiveness of customs clearance processes.

Challenges

An overview of the current situation in the transport and logistics sectors of Tajikistan is given in the preceding chapter. Drawing observations and insights from the study of the current situation of the sectors, this section will describe the impediments to an efficient trade logistics industry in the country. Broadly, the impediments come from three sources, namely, physical transport infrastructure inefficiencies and deficiencies, operational difficulties, and institutional challenges.

Transport Infrastructure Inefficiencies and Deficiencies

In the Northern Region

The railways in the north plays an important part in the transit trade between Tajikistan and west and east Uzbekistan, where Khujhand and Kanibadam are key areas connecting to the Fergana Valley. Agricultural goods like fruits and vegetables, averaging 900 wagons-full a day, pass through this line. It is estimated that Tajikistan goods account for less than 10% of the goods transported through this route. Meanwhile, the northern highway starts from Dushanbe and pass through Ajni and reaches Khujhand, which takes about 2 days to traverse.

There are key impediments in the north for traders and merchants. First, the rail locomotives are old and urgently require maintenance work and upgrades. Moreover, the electrification of the rail lines between Khujhand and Kanibadam, which would result in higher power to weight ratio, higher traction on steep slopes, and less noise, has been stalled due to lack of funding.

More problems plague the road transport in the country. The high altitude of the Gissar Range makes road transport difficult. In winter, this stretch of the road is closed and drivers have to detour into Uzbekistan and reenter Tajikistan in the north. Although there are some major construction projects in the northern area, such as the building of tunnels at Anzob by Iran and at Shashkhrstan by the PRC, more bridges, tunnels, and improvements will be needed to improve the accessibility of this trunk highway.

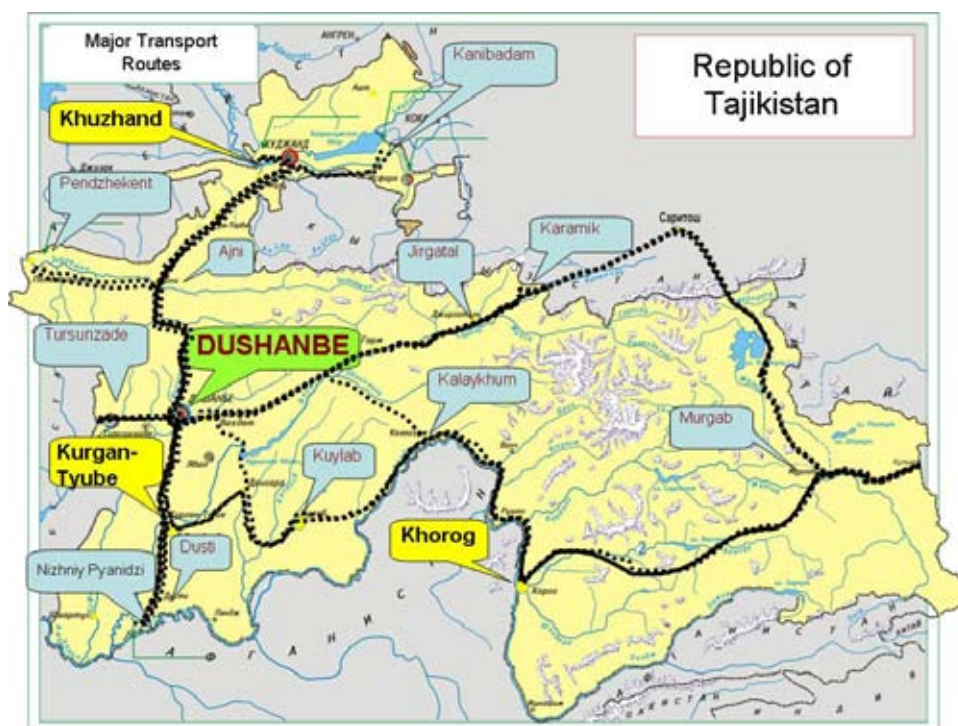
In the Southern Region

The railways in the south connects Dushanbe to Yavan, Kurgan-Tyube, Dusti, and Nizhny Pyandzn, and carries mainly cotton for export. There are also roads that run parallel to the rail lines. However, certain key parts of the roads (those at the Kurgan-Tyube and Dusti) need to be rehabilitated. With the completion of the bridge linking Tajikistan and Afghanistan at Nizhny Pyandzn, road traffic is expected to increase significantly. Thus, the quality and width of the roads in the southern region need to be upgraded.

In the Eastern Region

The accessibility and quality of the transport route in the eastern region of Tajikistan are inferior compared to those in other regions. High attitude, long distances, and poorly maintained roads

Figure 4: Transport Routes in Tajikistan



Source: Authors.

make road travel in the region considerably more challenging. The route linking Dushanbe to Kuylab, Kalaykhim, Khorog, Murgab, and Kulma Pass before entering the PRC measures a total of 1,000 km. A section extends from Dushanbe to Rogun, Jirgatal, and Karamik before entering the Kyrgyz Republic. There is no rail transport in this area.

Businessmen and travelers face many challenges while traversing the eastern route. For Tajik nationals who travel to the PRC, there is no consulate located at Khorog or Murgab to process visa applications. It is time-consuming and expensive to travel to Dushanbe and apply for a visa before returning to the east and traveling to the PRC. A visa entry also costs \$40, up from \$10 as a reaction of the PRC government to a rise in visa processing fees by the Tajik government on PRC travelers. Moreover, containers bound for Dushanbe need to be deconsolidated at Khorog and then loaded into delivery trucks because the roads from Khorog to Dushanbe are not wide enough to accommodate container vehicles. For PRC travelers, the common problem is that passenger coaches originating from Kashgar can only drive up to Murgab. The next leg of journey is only possible through the use of Tajikistan buses, thus creating some inconveniences.

Transit Problems

Presently, there is little potential for transit trade and transport. Most of the goods entering Tajikistan is for domestic markets and not for reexport to other countries. Most transit cargo shippers select other routes that completely bypass Tajikistan. For instance, PRC goods being exported to Europe can be transported through the old Euro–Asia Highway (Tianjin–Mongolia–Russia–Europe) or the new one (Urumqi to Alashan Pass or Horgos, both entering Kazakhstan and through the Commonwealth of Independent States before reaching Eastern Europe). Besides

geography, several institutional challenges and poor physical infrastructure also influence this outcome.

The Transport Internationaux Routiers (TIR) is the only international customs transit system working effectively in the region. This system facilitates cross-border movements by providing a single procedure and a guarantee chain from the point of departure of goods to the point of destination, thus cutting delays and costs for such trade in goods. Despite the advantages it offers and the widespread acceptance it has achieved in the region, the PRC has chosen to continue not participating in it. This limits the system's potential in the region.

A transit route starting from Tajikistan has three main options. One is through Uzbekistan to Europe. A second option is through the southern route to Afghanistan and Pakistan and then to Iran and, thereafter, by sea transport to Europe or Southeast Asia. The third option is through Kulma Pass into the PRC and then to Southeast Asia.

The first option is theoretically the shortest and should, therefore, be preferred by Tajikistan. However, the obstructionist policies and actions of Uzbekistan make this route an unreliable and expensive option. The second route holds much promise with the completion of the bridge at Nizhny Pyandzn, but the political instability in Afghanistan and Pakistan may pose some risks. The third route has potential if the PRC completes its accession to the TIR.

Operational Difficulties

Lack of Modern Vehicles

Financing difficulties, extended use, and poor road conditions combine to increase the rate of wear and tear of the transport vehicles in Tajikistan. A number of vehicles of trucking companies, such as Degertaj, Bilkcom, Ganjina, and Orien Auto, are formerly state-owned and are now obsolete. These vehicles may not have depreciated fully but their physical condition is relatively poor. Thus, they have lower fuel efficiency and pose a danger to drivers and pedestrians alike. Aside from outmoded and obsolete trucks, Tajikistan also lacks specialized transport assets such as reefer containers and refrigerated trucks, which are important for the movement of fruits and vegetables.

Lack of Modern Facilities

A problem in Tajikistan that is common in the region is the lack of organized storage facilities and material-handling equipment (MHE). A typical warehouse offers just basic storage services and uses manual labor to move and retrieve goods. It cannot move dangerous cargoes and bulky items. The lack of storage and modern MHE such as forklifts, cranes, and conveyors in airports also hamper the development of the country's air transport industry, making Tajikistan's major airports less attractive as transit hubs than the airports in Tashkent and Almaty. Moreover, special storage facilities, such as warehouses offering chiller and freezer services, are limited in the country.

Lack of Full-Service Logistics Service Providers

Many international companies use international freight forwarders to service their cargo-handling needs. The latter are more expensive but are able to provide a more comprehensive range of services. Local operators, in contrast, may be more price competitive but offer a very limited

range of services. For instance, intermodal transport is an area where some local operators may not be able to offer services. Tapping the services of local operators exposes the client to more risks as it is unclear in Tajikistan who will be responsible in resolving insurance claims in case of accidents.

Financing Difficulties

Insufficient access to affordable financing prevents logistics service providers from expanding their scale and scope of services to required or desired levels. The retail price of a brand-new truck ranges from \$40,000 to \$100,000, net of a 25% value-added tax. At this cost, most entrepreneurs would need to go to a bank and secure a loan. However, with the banking and finance industry being heavily regulated, they would find it difficult to access bank services such as secured and unsecured loans, and business facilities such as an overdraft protection system. Local banks have limited credit and mortgage facilities to support business expansion by local operators, and there are virtually no overseas banks. Furthermore, interest rates remain high, thus making borrowing costs expensive.

To make matters worse, there are no leasing companies in Tajikistan. Companies that could not purchase a new truck but might be willing to lease one would not have any choice except to abandon expansion or refueling plans and continue using their less productive trucks. This increases operating costs due to lower fuel efficiency and higher maintenance costs.

Institutional Challenges

Lack of a National Plan

In interviews with government personnel and representatives of private enterprises, it was understood that although there is a national economic plan for the Republic of Tajikistan, no similar plan for the country's transport and logistics sectors exists. Such a plan, which must be strategic in nature, ought to contain the government's policies, key actions, and investment directions.

Cumbersome Customs Procedures

Exporting a TEU requires 72 days while importing takes 44 days, with traders and merchants needing to fill up 16 or more documents. In addition to cumbersome customs procedures, the high cost of transporting goods also deters intraregional trade. Formal payments such as a value-added tax, customs duties, and excise payments constitute about 40% of the total transport cost. Informal payments are at times even higher. All these costs encourage the intentional under-declaration of the actual value of goods in the invoice to lower payable duties. Under-declaration costs Tajikistan about \$5 billion in lost revenues annually.

An example of a cumbersome customs procedures is the requirement for importers to obtain certification on the quantity and quality of cargoes. The former is issued by the Customs or the Chamber of Commerce and Industry while the latter is issued by the Tajikgosstandart, a government agency. All goods not produced locally need to be inspected and given a certificate of quality before being exported.

Another challenge faced by traders is the lack of harmonized customs procedures, documentation requirements, and valuation of items. For example, different customs duties are charged by

different countries for the same goods. The inconsistency is a constant source of trade friction between Tajikistan and Uzbekistan. ADB has been actively facilitating a platform for customs harmonization and some progress has been made, albeit at a gradual pace.

Long Delays during Border Crossings

Long delays at the borders and the unreliability of such delays are common impediments to more efficient and less costly intraregional trade in Central Asia.¹⁷ Time-and-motion studies at selected border points in Tajikistan have shown that if the inspection of vehicles can be completed at an average rate of 3 hours per truck, the productivity gains can result in an annual financial savings of \$30 million nationwide.¹⁸ Achieving this level of efficiency may be difficult since, even if Tajikistan is progressing from a Soviet-era model of customs control toward better risk management such as sampling and surveillance, it is not uncommon that complete vehicle checks are still being conducted at border posts. Exporters and importers of fresh produce are particularly hit hard by these inspections. The speed with which Tajik border posts clear cargo is far lower than the 50-vehicle-per-day CAR record achieved at the Horgos post at the border between Xinjiang, PRC and Kazakhstan. This CAR record, itself, is woefully below those of developed countries.

Limited Customs Facilities

Tajikistan's border-crossing points (BCPs) lack modern inspection equipment and facilities and thus, often resort to the physical inspection of goods. These equipment include x-ray machines, conveyor systems, and detection systems. Meanwhile, BCPs like Karamik lack sufficient storage facilities for storing goods that require temporary quarantine.

Fees for Escorts

In cases when these carry sensitive cargo, such as ammunition or hazardous goods, or if these need to pass through a dangerous route, trucks are escorted by customs officials and sometimes armed guards, for the fee of \$3/10 km. Escort services are provided by two organizations—the customs and the State Motor Vehicle Inspectorate. The former provides escort services for high-value items while the latter provides escort services for dangerous goods (DG) and bulky and heavy products. The only trucks exempted from escorts are those with TIR carnets. Resolution 472 “On Approval of Rates of Customs Fees for Provided Customs Services” mandates the use of a risk management-based approach to decide whether or not escorts are needed.

Obstacles Posed by Uzbekistan

One of the most critical challenges faced by Tajik transport operators and traders is the obstructionist policy of Uzbekistan. Although both nations signed an agreement on eternal friendship on 15 June 2000, bilateral relations has been caustic. Uzbekistan maintains an unofficial blockade of Tajikistan, mining certain border passages and imposing various difficulties on Tajik drivers crossing Uzbek borders. For instance, Tajik drivers must pay \$100 at each border point along the Sari-Asiya and Charjou routes, and at the passage between Sari-Asiya and Cherneevka. If such payments are not made, the drivers face the threat of physical abuse and seizure of goods on grounds of customs violation.

¹⁷ The variance and standard deviation statistical methods are employed to measure the range of waiting time for each border crossing. The delays can be long or short, but if the variance is large, then each border crossing can yield very different outcomes, ranging from a short to a long delay.

¹⁸ International Monetary Fund. 2007. Republic of Tajikistan, *Country Report No. 07/144*, April.

Legal Changes to Free Trade and/or Special Economic Zones

Tajikistan does not impose export tariffs but restricts the export quantities of certain items per year, the amount being arbitrarily determined. Exports of tobacco, alcohol, and related products have quotas set by the government. Another problem is that the country does not offer export credits and does not have a system for countertrade, such as barter, thus foregoing additional trade that such policy handles generate. Moreover, Tajikistan does not have free-trade zones or special economic zones. In Central Asia, these projects have been generating interest as they promote cross-border trade and build up the capacity and capability of local manufacturing industries. Without such zones, foreign investors will not find investing in fixed assets worthwhile, while local manufacturers have little support to increase production output.

Recommendations

Strategies and interventions to enhance trade and facilitate the transport of goods and people in Tajikistan must be designed in the context of the major transport corridors in the region. These corridors are as follows:

1. **Corridor 1: The People's Republic of China (PRC) to Europe (East–West).** As the manufacturing hub of the world, the PRC exports finished goods to Europe. For these products, there are two main routes. The first one is a sea route through which goods originating from inland PRC are moved to ports at Tianjin, Lianyungang, Shanghai, or Shenzhen and then by sea vessel to Europe. This route takes an average of 45 days to traverse. The second is land-based—by road or rail—using the Trans-Siberian Railways (mainly via Russia) or the Euro Asia Railways (from Xinjiang Uygur Autonomous Region [XUAR] to Kazakhstan and Commonwealth of Independent States [CIS] to Eastern Europe). It is also possible for goods to be transported by rail to Kashgar in XUAR, going to the Kyrgyz Republic and Uzbekistan.

This corridor obviously has little bearing on Tajikistan. If Tajikistan is to be included in this corridor, goods can move only by road from Kashgar to Kulma Pass. Since rail transport is more cost-effective and Tajikistan lacks rail connectivity, most international traffic will travel to the north of Dushanbe, bypassing the capital.

2. **Corridor 2: Russia to South Asia or the Middle East (North–South).** This route originates from Moscow or Novosibirsk in Russia and progresses by rail or road southward. It passes through Astana, Bishkek, and Tashkent, and ends in Karachi in Pakistan, or Bandar Abbas in Iran. From there, it continues by sea to Southeast Asia or to the Middle East.

This route has many border crossings and is disadvantaged by the consequent delays and additional costs caused by crossing borders. Moreover, the Russian Federation is likely to transport goods eastward to the port of Vladivostok, where goods will travel by sea to the Far East. Again, the lack of a north–south railway in Tajikistan means that international traffic will travel to the west of Dushanbe, bypassing the capital.

3. **Corridor 3: The PRC to South Asia or the Middle East.** An intra-Asia route, Corridor 3, links the giant economy of the PRC to Afghanistan and Pakistan and serves as a gateway to the Middle East. PRC goods move inland to Kashgar and Kulma Pass by road. The goods then travel to Dushanbe, where it can be put in containers and travel to Afghanistan and Pakistan, ending in Karachi to continue the next leg, using sea vessels.

This corridor is mainly useful for regional trade and for the transport of goods meant for the markets in Afghanistan, the PRC, and Pakistan. Although it suffers from inadequacies in the rail sections comprising it, it is the only viable option for, say, PRC goods meant for export to Afghanistan and Pakistan. Tajikistan should capitalize on the warm trade and economic

relations between Pakistan and the PRC and establish a more efficient Sino-South Asia corridor. It ought to promote this corridor through trade exhibitions and fairs that can be held in Dushanbe.

Infrastructure deficiencies and inadequacies, especially those for intermodal transport, make Tajikistan unprepared to capitalize on the current trade flows along major transport corridors in the Central Asian Region (CAR). A viable direction would be a regional link with the neighboring countries of Afghanistan, Pakistan, and the PRC. This requires institutional reforms and operational improvements. The next section will discuss these initiatives. With Tajikistan's resources being limited, priority investment areas are also listed.

Figure 5: Transport Corridors around Tajikistan



Source: Authors.

Strategic Framework

Strategic intent: Promote a new corridor linking the People's Republic of China and South Asia that passes through Tajikistan.

Strategic thrusts: Strengthen the connectivity of Tajikistan, especially Dushanbe, by undertaking institutional reforms, implementing operational improvements, and investing in priority public transport infrastructure initiatives.

Institutional Reforms

Establish the Tajikistan National Logistics Council. A number of agencies involved in the transport and logistics sectors are the Ministry of Transport and Communications, the Ministry of Economic Development and Planning, Association of International Automobile Carriers of the Republic of Tajikistan (ABBAT), and the Freight Forwarding Association. To better coordinate the overall direction of the sectors, a public–private partnership mechanism, perhaps in the form of a Tajikistan National Logistics Council, is proposed. This new entity should provide a structured channel of communication where key decisions are agreed upon, while serving as a focal point for information dissemination on important reforms, investment proposals, and liaison with external organizations, such as the World Bank and ADB. The Council could also serve as a platform for the government to consult private interests before a law or regulation is passed that might have important implications for the transport and logistics industries.

Develop a National Transport and Logistics Master Plan. One of the first tasks of the Council should be to create a master plan for the transport and logistics sectors. This master plan should be the outcome of a series of reviews and consensus-building consultations among the Council’s members. It must spell out clear roles and responsibilities and a defined timeline for tasks.

To formulate a more responsive plan, a time-cost-distance study must be conducted under the guidance of the Transport Division of the United Nations Economic and Social Commission for Asia Pacific, which pioneered the study methodology. The study aims to ascertain the efficiencies and bottlenecks along major transport corridors. Such study will give the Council a valuable set of data for its overall planning of transport and logistics systems and networks in the country, and for determining the direction of regional cooperation.

Dialogue with Uzbekistan. Uzbekistan’s unofficial blockade of Tajikistan’s goods, inconsistent customs practices, and unfair treatment of Tajik drivers have been identified as a critical impediment to the development of Tajikistan’s trade and transport logistics sectors. Tajikistan’s major transport corridor to the European market passes through Uzbekistan. Renewed discussions on the matter must therefore be launched at bilateral and multilateral levels. The Transport Corridor Caucasus–Europe–Central Asia (TRACECA) may be used as a venue for such talks.

Improve Bilateral Relations with Afghanistan, the Kyrgyz Republic, and Kazakhstan. Tajikistan’s relationship with Uzbekistan is unlikely to improve immediately. In the meantime, it has to search for new ways to improve its transit trade volumes. With the construction of the bridge at Nizhniy Pyandzn linking it with Afghanistan, more trade and tourism can flourish in its southern region. It should therefore expend effort and resources into making this corridor more efficient. At the same time, bilateral relations with the Kyrgyz Republic and Kazakhstan should be cultivated to rally support for its case against Uzbekistan, and to improve economic ties with them.

Enter into Joint Township Development with the PRC at Kulma Pass. The PRC, due to its large market size and economic influence, can play a significant role in Tajikistan’s development. Already, many PRC businesses are active in Tajikistan in the areas of retail and wholesale trade and construction. A landmark project that could demonstrate the strength of the bilateral ties between both countries is a jointly-managed customs-free town at Kulma Pass. This

border town would be a joint development effort of both countries where the locals can go and purchase duty-free goods, barter hard-to-find items, and exhibit their merchandize, thus, promoting trade and commerce. A classic example in the region is the border town of Horgos at the PRC–Kazakh border, where the construction of a retail center, an exhibition complex, and entertainment facilities are in progress. The town can only be attractive if there are incentives (e.g., tax-free purchases) and amenities (e.g., hotels, markets and shops, and recreational centers) available to lure merchants and traders to visit it. The authorities can also set up offices for freight forwarders to provide transport services for merchants who have purchased goods and need service providers to ship the items back home.

Forge a Multilateral Transport Agreement with Afghanistan, the PRC, and Pakistan. Besides the individual action suggested above for Afghanistan and the PRC, a multilateral transport agreement that includes Pakistan can encourage even greater free flow of goods and passengers. Pakistan has good relations with the PRC. As noted earlier, a transport corridor that links Karachi to Kabul, to Dushanbe, and to Kashgar can therefore be developed. This will require diplomatic initiatives from the governments of these countries and investments in multimodal transport, where containerization will become important. Iran can be included in the agreement and in future similar initiatives, since the port of Bandar Abbas can be an alternative seaport for goods coming out of the PRC.

Explore the Possibility of Establishing a Visa Application Center at Murgab or Khorog. There are many Tajik traders in the Gorno–Badakhshan Autonomous Region, especially Khorog and Murgab, who spend time and money to get visas for the PRC. A roundtrip to Dushanbe to apply and obtain such a visa costs at least 5–6 additional days in traveling time, and expenses for accommodation and transport. The process can be streamlined by the setting up of a PRC consulate in, say, Khorog or Murgab so that it becomes faster and more cost-effective to travel to the PRC. Tajikistan must exert serious effort in the diplomatic front to convince the PRC government to accede to this proposal.

Enact Legislation on Free Trade and Free Economic Zones. Tajikistan needs to pass laws to establish free-trade zones and free-economic zones (FEZs). The Council can be active in driving this initiative, although other ministries such as the Ministry of Law and the Ministry of Energy and Industry, should be involved. Initially, FEZs can be established in Nizhnyi Pyandj in the Khatlon oblast, Khudjant in the Sugdskaya oblast, and in the Kumsangirskiy rayon.

Adopt Modern Risk Management at Customs. Long queues of vehicles and passengers can be seen in border posts, waiting for inspections to be completed and clearances issued. Sometimes the throughput is so slow at peak periods that only four to five vehicles can be cleared per day. This situation results mainly from the current customs clearance method that stresses full check and audit of vehicles and their contents, with only transport vehicles with Transport Internationaux Routiers (TIR) carnets being able to pass through the border posts promptly. To alleviate delays at border posts due to adherence to existing customs clearance policies, it is recommended that Tajik customs adopt a modern risk management approach that stresses sampling and the use of better technology and equipment to detect anomalies. It is also recommended that Tajikistan participates in activities organized by the International Freight Forwarders Association (FIATA) and TRACECA, and in regional initiatives such as ADB’s Central Asian Regional Economic Cooperation (CAREC) program, where customs harmonization is actively promoted.

Review Transport Escort Policy and Requirements. Escort services are commonly provided to convoys carrying dangerous cargoes, or controlled items such as ammunition and firearms. However, it is reported that Tajikistan, as in all other countries in the CAR, deploys escorts even to those convoys not required by law to be provided such service. This practice imposes an indirect taxation on merchants and traders. The Council and Tajik customs administration ought to review it and determine if there is a need to limit it.

Operational Improvements

Explore the Possibility of Encouraging the Growth of a Financing and/or Leasing Industry.

The only way logistics companies in Tajikistan can acquire new trucks or to refleet is to purchase these vehicles outright. With both retail and wholesale prices of trucks, and the value-added tax imposed on these being high, buying trucks outright has become a very expensive proposition. To encourage the modernization and expansion of the local logistics industry, financing and/or leasing services must be made available.

There are two main types of lease—an operating lease and a financial lease. An operating lease is usually short term and useful for short-gestating projects such as an airport's acquisition of a bigger crane to unload a huge cargo. A financial lease allows the procurement of assets through installment. It allows the borrower to free up, for operating costs, resources that would otherwise have been tied up in the outright acquisition of assets. It would be difficult to encourage the establishment of leasing services without the participation of local banks. The involvement of the Council will be important as individual companies do not have the bargaining power to negotiate financing from banks. If such financing can be obtained, several private enterprises can then form a joint venture to start a leasing company.

Expand Logistics Services. Since the local logistics operators cannot provide a full range of logistics services, multinational corporations usually prefer engaging the services of international service providers. An example of such services is door-to-door delivery, especially of goods across boundaries. Providing this service requires the local operator to have strong international and regional connections, local expertise, and the tools and technology to carry out the job. To take full advantage of the opportunities offered by an expanding international trade in Tajikistan, local operators ought to continuously upgrade both equipment and capabilities. The government must, for its part, implement policies and programs that encourage these service providers to do so. An example of such policies is the granting of tax breaks and other similar incentives.

Establish a National Supply Chain Training Institute. As of this writing, the Tajik Technical University and ABBAT offer training on logistics. The former provides formal training for full-time students, while ABBAT focuses more on vocational and on-the-job training for working professionals. Nonetheless, there is consensus in the private sector that there is a lack of executive training in the field, causing staff and managers to be sent to Almaty and Bishkek for skills upgrading.

With this demand in mind, a Supply Chain Training Institute can be created to spearhead education in the transport and logistics sector. This institute can be a collaborative effort between the Tajik Technical University and ABBAT, with the support of the Council, to offer accredited courses ranging from diploma to degree programs on supply chain management. It can also arrange

for overseas study trips and visits of foreign resource persons to Dushanbe for forums and seminars. The establishment of the institute centralizes the management of human resource development in Tajikistan's logistics sector.

Construct Wholesale Trade Centers. Tajikistan is the only country in Central Asia that does not have wholesale trade centers, which are huge facilities that allow a wide variety of merchandise to be displayed and sold wholesale. Typically, it contains a number of floors and each floor or section showcases products grouped by categories such as furniture, consumer electronics appliances, and fast-moving consumer goods.

A well-known example of a wholesale trade center is the PRC's YiWu, located in Zhejiang province. Another, which is closer to Tajikistan, is HuaLing, which is located in Urumqi in the XUAR and is the regional wholesale center for furniture.

Efforts to establish one or several such centers can be led by the Chamber of Commerce and Industry. In establishing these centers, proper planning is important because there will be a need to streamline visa, customs, and freight handling processes around these facilities. It is suggested that one be built and operated in Dushanbe to house categories like construction materials, agricultural products, and processed food. Related products in the value chain can be subsequently added. These centers will attract foreign investors and merchants from the region to trade and invest. A spin-off effect will be increased demand for freight handling, which local logistics operators can provide.

Wholesale centers of a smaller scale can also be tried in other regional centers such as Khujand and Khorog.

Modernize Equipment and Facilities. Besides normal maintenance costs, logistics companies may wish to consider investing in

- cold rooms (freezers and chillers);
- reefer containers and vehicles; and
- new warehouses with conventional racking to improve storage space utilization, although investments may be made also for more material-handling equipment such as pallet jacks, forklifts and tower cranes.

Border-crossing points will also need better equipment and facilities as follows:

- X-ray machines for the BCPs at Kulma Pass and Karamik;
- Warehouses in Nizhniy Pyandzh, Ayvadb, Pakhtaabad, Pendzhekent, Chanakl Fotehabod, Batken, and Kizil-Art Pass. Storage facilities are sorely lacking in most border posts to protect cargoes from natural elements, which shortens the lifespan or compromises the condition of the products;
- Scanning equipment, such as metal detectors and handheld devices, which can greatly improve the productivity of customs officers. These tools lessen the need to completely unload and load cargoes to and from vehicles during inspection; and
- Trained dogs for the campaign against opium and drug trafficking.

Box 2



Profile of the Chamber of Commerce and Industry

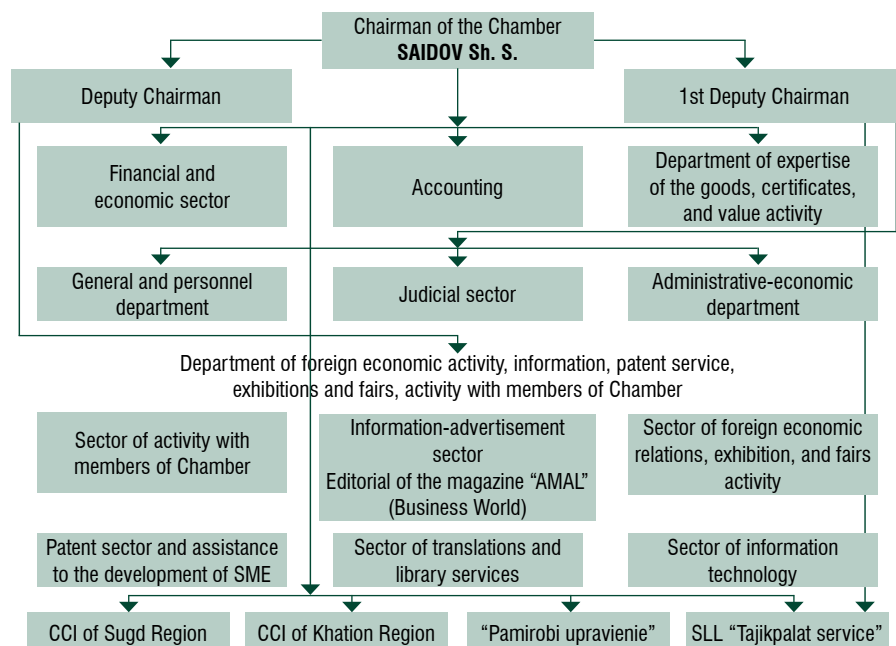
DUSHANBE, 734012, VALAMATZADEH STR 21

Phone: 221 7743

An essential service of the Chamber of Commerce and Industry is the facilitation of the participation of local businesses in overseas trade exhibitions and fairs, such as the renowned International Fair in Algeria in 1998 and Expo 2000 in Hanover, Germany. The Chamber sent 206 Tajik business establishments to participate in the Central and South Asia Commodities Fair held in Kashgar, Xinjiang Uygur Autonomous Region (XUAR), People's Republic of China from 28 June to 2 July 2007.

One of the common laments of Tajik businessmen is the lack of a local venue for hosting trade exhibitions. Thus, there is less incentive for overseas investors and merchants to visit Tajikistan. Trade expositions are important platforms for encouraging trade flows, and there is a need to organize large-scale exhibitions to attract traders. Without such facility and event, business trips are unproductive and time consuming. For example, a Chinese commodities trader wanting to meet suppliers in Tajikistan will have to meet them one by one over different dates and venues, facilitated by the Chamber or through informal channels. With the organization of trade exhibitions being centralized, meetings can be conducted in a matter of one or two days.

Figure 6: Organization Structure of the Chamber of Commerce and Industry



CCI = Chamber of Commerce and Industry, SLL = Services for Labelling Bar Code.

Source: Chamber of Commerce and Industry of the Republic of Tajikistan.

Physical Infrastructure Investments

Rail Transport. The list below contains the more pressing requirements to improve Tajikistan's rail network. It is by no means an exhaustive list but it contains proposed priority areas. The investment proposals are mainly either the construction of new railway lines or the upgrading of existing ones between key nodes, or the maintenance of equipment and systems.

Table 20: Prioritized Investment Proposals for the Rail Transport Industry

Proposals	Unit	Cost (in \$ millions)
Upgrading of the Kolkhozobod–Nizhniy Pyandzn section	121.0 km	119
Construction of the rail between Kofarnihon and Yavan	46.3 km	170
Electrification of lines and/or use of electrical locomotives between Bekabad and Kanibadam	—	110
Purchase of new diesel locomotives	15 units	60
Purchase of new passenger wagons and upgrading of old ones	100 new units; 180 old units	115
Purchase of 180 rail wagons for cargo transport	2,000 km	110
Upgrading of general rail infrastructure, signals, and systems	—	20
General rehabilitation of railways	142 km	29
Total		733

Source: Authors.

Road Transport. There are many sections of the road network in Tajikistan that require rehabilitation and upgrading. The list below contains the more pressing needs, consisting mainly of the rehabilitation and/or upgrading of existing roads in key cities.

Table 21: Prioritized Investment Proposals for the Road Transport Industry

Proposals	Unit (km)	Cost (in \$ millions)
Rehabilitation of roads from Dushanbe to Khujhand	311	296
Rehabilitation of roads along the Dushanbe–Tursunzade section	64	54
Rehabilitation of roads along the Ajni–Pendzhekent section	113	29
Rehabilitation of roads along the Kurgan–Tyube–Dusti section	60	22
Rehabilitation of roads along Farkhar–Pyandzh–Dusti section	133	28
Rehabilitation of roads along the Khorog–Rastkala–Tukazbulok section	—	5
Total		434

Source: Authors.

Air Transport. Air transport investments center mainly on the improvement of logistics facilities and material-handling equipment (MHE) at the Tajikistan International Airport. The cost of these investments has yet to be estimated in consultation with airport authorities.

Table 22: Prioritized Investment Proposals for the Air Transport Industry

Proposals
Construction of warehouses in airports
Procurement of material-handling equipment for the storage, movement, and loading and/or unloading of bulky items, palletized goods, and unpalletized products.

Source: Authors.

Conclusion

At this dawn of a new century, economic cooperation and global trade have become imperatives for the eradication of poverty and the pursuit of development and growth. At the multilateral and bilateral levels, efforts are focused on greater integration, on tearing down barriers that obstruct the free flow of goods, capital, and labor. Despite many issues that remain to be resolved and constraints that need to be addressed, it is clear that economic growth cannot be achieved in isolation.

Central Asian countries face complex challenges in their efforts to achieve economic growth through greater cooperation and international trade. Most of them are landlocked and have inherited antiquated transport infrastructure and modes of operations that make transshipment of goods and people across borders extremely difficult, expensive, and inefficient. These physical, operational, and institutional impediments continue to impede the economic and social progress of these countries. While progress has been made toward addressing these impediments, with support from international organizations such as ADB, many pressing issues remain, such as the harmonization of customs administration and cross-border operations.

Tajikistan's particular challenges have been identified in this study. Its railway system, which was designed and built during the Soviet era, have specifications different from those of countries with whom it has strategic imperative to trade and establish international trade transit corridors. Within its borders, the southern and northern sections of its railway system are disconnected, severely limiting the flow of goods and people. It faces the obstructionist trade policies of Uzbekistan, which has been identified as the single most important obstacle to the development and progress of its transit trade sector. Underinvestment in public transport infrastructure has caused large sections of its road networks to deteriorate rapidly. Its customs administration system, and its lack of coordination with the customs authorities of its neighboring countries, have caused long delays and high costs in the transport of goods across its borders.

The study provided broad recommendations to address these problems. Sufficient and appropriate investments must be made urgently to restructure organizations and redesign systems and procedures to make the transport of goods and people within its borders and through its territories more efficient and less costly. Diplomatic efforts must be strengthened to resolve issues with Uzbekistan, improve relations with other CAR countries, open new export markets, and new transport routes with Afghanistan, Pakistan, and the PRC. These measures are just some of the many initiatives that must be undertaken if Tajikistan is to reap the full benefits of an efficient and effective trade and transport sector.

All these measure notwithstanding, however, the single most important element is political will, both from the government and from the private sector. Without this political will, none of the measures that need to be taken can be implemented in the form and intensity required.

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Appendixes

Appendix A

Interviewees and their Organizations

Organizations	Name	Designation
ABBAT	Mr. Boymurod Eshonov	Vice President
Ministry of Economic and Development	Mr. Shoev Abdumanon	Head of Infrastructure Development
	Mr. Berdiev Sultonmurod	Specialist of Infrastructure Development
	Mr. Valiev Aarron Abdurakhmanovich	Head, Investment Projects
Chamber of Commerce and Industry	Mr. Saidov Sharif	Chairman
	Mr. Karamaliev Asanali	Deputy Chairman
DHL Express	Mr. Jamsted Rizoev	Commercial Manager
Ministry of Transport and Communications	Mr. Khudoyerov Khudoyer Zavkibekovich	Deputy Minister
	Mr. A. Glusupov	Head of Inland Management Department
	Ms. Yokeebzorda Farida	Head of International Relations Department
	Mr. A. Nabiev	Head of Airport and Air Navigation Department
	Mr. K. Muminov	Specialist of Railway Department
	Mr. Z. Zevarsheer	Specialist of Automobile Transport Department
ABBAT Terminal (Dushanbe)	Mr. Amirali Shokirov	Deputy Director
	Mr. Murali Nurmatov	Deputy Director
Tajikistan Customs Department	Mr. Alimjan Aminov	Head of International Cooperation Management
People's of Republic of China Embassy	Mr. Xiao Yun	Assistant Secretary

Appendix B

Transport Operators in Tajikistan

1. **State Unitary Aviation Enterprise (Tajik Air)**

734006, RT, Dushanbe, 32/1, Titova St.

Tel 992 37 221 3228, 221 2145

Fax 221 8685, 251 0041

mop_gart@tajnet.com

www.tajikistan-airlines.com

- Provides international air transport of passengers and cargoes. Offices abroad: Moscow, Novosibirsk, Ekaterinburg, Alma-Aty, Bishkek, Munich, Istanbul, Shardja, Delhi, Urumchy, Teheran.

2. **State Unitary Enterprise (ROHI OHANI TOJIKISTON)**

734012, RT, Dushanbe, 35,

Academician M. Nazarshoev St.

Tel 992 37 221 7503

Fax 221 8334

tajrwwc@rs.tj, railway@tojikiston.com

- Provides services for the transport of passengers, luggage, and cargoes by railroad. Handles technical maintenance of railroads, trains, and communications.

3. **Association of International Automobile Transporters (ABBAT)**

734025, RT, Dushanbe, 35/1, Bokhtar St.

Tel/Fax 992 37 221 1862; 221 1857; 221 2219

- Provides services and organizes international transport. Issues licenses and required documents for organizing international transport. It represents the Republic of Tajikistan in TIR-system (MDP Convention – 1975) in the issuance and use of TIR-CORNETS MDP books). Unites 4 international auto transport expedition companies.

4. **Auto Transportation Expedition Company
for international transport in Dushanbe**

734025, RT, Dushanbe, 35/1, Bokhtar St.

Tel/Fax 992 37 221 1862; 221 1857; 221 2219.

- Handles international and internal auto transport and transport requirements such as expediting, customs clearance, and insurance.

5. **Auto-Transportation Expedition Company
for international transport in Sugd region**

735700, Republic of Tajikistan, Sugd, Khudjand, 7 Shark St.

Tel 992 3422 63307; 43601

- Handles international and external automobile transport for the Republic and all transport requirements such as expediting, customs clearance, and insurance.

6. **Motor Transport Forwarder Company
for international transport in Khatlon region**

735140, Republic of Tajikistan, Khatlon,
Kurgan-Tube, 120 Madaniyat St.
Tel 992 3222 24794; 28385

- The company does international and internal motor transport for the Republic. It provides all transport requirements such as forwarding, customs clearance, and insurance.

7. **Auto Transportation Expediting Company
for international transport in Khorog town**

736000, Republic of Tajikistan, Mountainous-Badakshan
Autonomous Region, Khorog, 17 Shotemura St.
Tel 992 35220 2 12; 42 39; 64 13

- Provides international and internal auto transport for the Republic and all transport requirements such as expediting, customs clearance, and insurance.

8. **Dushanbe Transportation Office
Ministry of Transportation of the Republic of Tajikistan**

734000, Republic of Tajikistan, Dushanbe,
Vakhdat Highway, 9th km
Tel 992 37 225 8648; 225 8643

- Provides transport of passengers and cargoes in the Republic. Handles construction, repair, and rehabilitation of automobile roads. Unites 15 auto transport and road repair enterprises.

9. **Sugd Transportation Office
Ministry of Transportation of the Republic of Tajikistan**

735700, Republic of Tajikistan, Sugd, Khuzhand, 7 Shark St.
Tel 992 3422 64131; 43879

- Provides transport of passengers and cargoes in the Republic. Handles construction, repair and rehabilitation works of automobile roads. Unites 24 auto transport and road repair enterprises.

10. **Khatlon Transportation Office
Ministry of Transportation of the Republic of Tajikistan**

735140, Republic of Tajikistan, Khatlon Region,
Kurgan-Tube, 40 Bakhdat Ave.
Tel 992 3222 22065; 27350

- Provides transport of passengers and cargoes in the Republic. Handles construction, repair, and rehabilitation of automobile roads. Unites 15 auto transport and road repair enterprises.

11. Khorog Transportation Office

Ministry of Transportation of the Republic of Tajikistan

736000 Republic of Tajikistan, Mountainous-Badakhshan

Autonomous Region, Khorog, 164 Lenina St.

Tel 992 35220 3049; 4854

- Provides transport of passengers and cargoes in the Republic. Handles construction, repair, and rehabilitation of automobile roads. Unites 25 auto transport and road repair enterprises.

12. Representative Office (KN IBRACOM GZCO)

734017, Republic of Tajikistan, Dushanbe City, 28 Tashkenskaya St.

Tel 992 37 224 4030; 224 4030

- Provides transport services and warehousing.

Appendix C

Summary of Trade and Transport Agreements

International and/or Multilateral Agreements

Agreements												
1. UN International Goods Purchase and Sales 2. Agreement on International Goods Transportation and Automobiles 3. Agreement on International Railways Transportation for Goods 4. International Railways Goods Tariff 5. Union Jurisdiction for International Railways Goods Transportation 6. UN Convention on Goods Transportation by Sea 7. World Convention on International Transportation through Air 8. FIATA Conventions 9. Convention on Road Traffic (8 Nov 1968) 10. Convention on Road Signs and Signals (8 Nov 1968) 11. Convention on the Contract for International Carriage of Goods by Roads (19 May 1956) CMR 12. Customs Convention on International Transport of Goods under TIR Carnets (14 Nov 1975)												
Countries	1	2	3	4	5	6	7	8	9	10	11	12
Azerbaijan			X	X			X	X				X
Kazakhstan		X	X	X			X	X	X	X	X	X
Kyrgyz Republic	X	X	X	X			X				X	X
Tajikistan		X	X	X					X	X	X	X
Turkmenistan		X	X	X					X	X	X	X
Uzbekistan	X	X	X	X				X	X	X	X	X

Bilateral Agreements

Countries	Agreements	Date and Place of Signing
Azerbaijan	International Automobile Connection	Dushanbe, 2007
	International Railway Transportation	Dushanbe, 2007
Afghanistan	Aviation Agreements	Kabul, 2002
	Goods and Passengers Transport and Transit	Kabul 2005
India	Aviation Agreements	Dehli, 2001
Iran	International Transportation	Tehran, 1997
	Aviation Agreements	Dushanbe, 2002
Kazakhstan	Road Transport	Bishkek, 1992
Kyrgyz Republic	Road Transport	Bishkek, 1998
	International Automobile and Passengers Transportation	Dushanbe, 1996
	Cross Border Traffic Customs Mutual Agreement	Bishkek, 1998
	Air Connectivity	April 2004
People's Republic of China	International Road Traffic and Transportation	Dalian, 1999
	Cross Border Traffic Customs Mutual Agreement	Dushanbe, 2003
	Aviation Agreements	PRC, 2007
Uzbekistan	International Transportation and Entry Points for State Borders	Tashkent, 2002