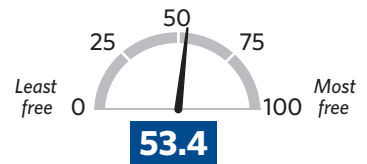


TAJIKISTAN

Economic Freedom Score



World Rank: **129**

Regional Rank: **27**

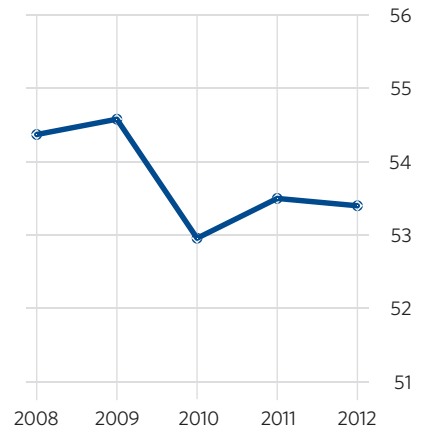
Tajikistan's economic freedom score is 53.4, making its economy the 129th freest in the 2012 *Index*. Its score is 0.1 point lower than last year, reflecting declines in property rights and government spending scores. Tajikistan is ranked 27th out of 41 countries in the Asia-Pacific region, and its overall score is lower than the world average.

Tajikistan lags far behind many other developing countries in terms of economic and human development. The economy is overly dependent on commodity export earnings and remains vulnerable to market volatility. The government does a poor job of maintaining several of the pillars of economic freedom. In particular, the rule of law is too weak to sustain meaningful economic progress. Property rights are not well respected, and corruption is rampant.

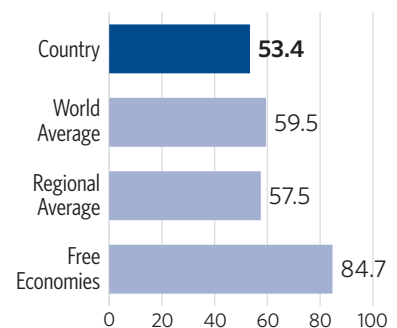
The effectiveness of government remains low, and the quality of the management of public finance has deteriorated considerably. Inflationary pressures undermine monetary stability, and government interference with market prices is extensive. Much-needed private-sector development is held back by an inefficient and unstructured regulatory system.

BACKGROUND: Tajikistan faces a number of challenges to its stability, including Islamist terrorism and tensions in relations with Kyrgyzstan. Tajikistan's transition to democracy has been uncertain since the 1992–1997 civil war between an Islamist/democratic coalition and the ruling post-Communists. President Imomali Rahmon, whose 20-year rule has been perpetuated through widely criticized elections, controls all three branches of government. Human-rights abuses are widespread, poverty and corruption remain pervasive, and remittances and drug production and trafficking are important sources of income. Security incidents in 2010 included a mass prison break, Tajikistan's first suicide car bombing, and armed conflicts between government forces and opposition militants. Regional Islamist radical groups are increasingly active. Nonetheless, Tajikistan experienced significant real GDP growth in 2010. Major exports are aluminum, cotton, and electricity.

Freedom Trend



Country Comparisons



Quick Facts

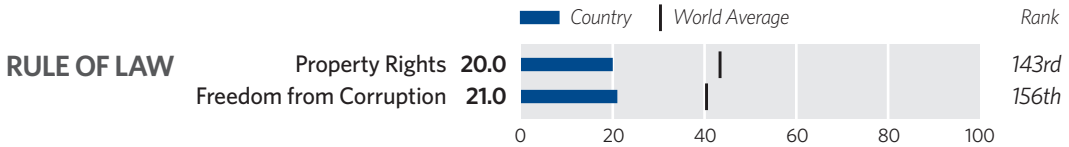
Population: 7.6 million
GDP (PPP): \$14.7 billion
 6.5% growth in 2010
 5-year compound annual growth 6.6%
 \$1,935 per capita
Unemployment: 2.2%
Inflation (CPI): 6.5%
FDI Inflow: \$44.8 million
Public Debt: 36.7% of GDP

2010 data unless otherwise noted.
 Data compiled as of September 2011.

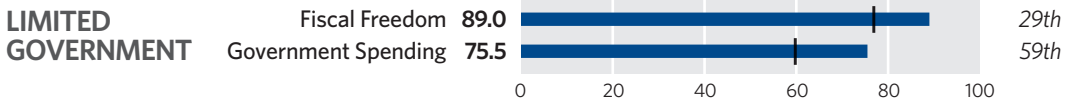
How Do We Measure Economic Freedom?

See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

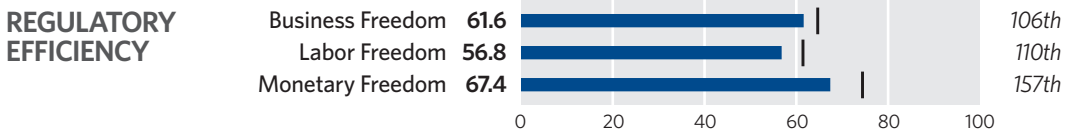
THE TEN ECONOMIC FREEDOMS



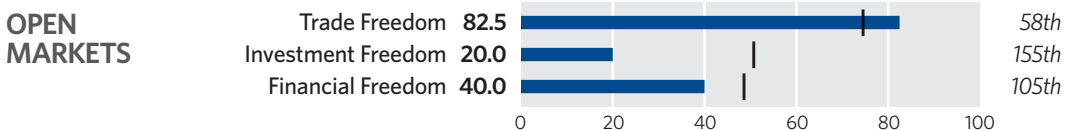
Protection of private property rights is weak. Judicial corruption is widespread, and the courts are sensitive to government pressure. Legal proceedings are not transparent, and a lack of respect for due process undermines the freedom of civil society. Under Tajik law, all land belongs to the state; individuals or entities may be granted first- or second-tier land use rights. Widespread cronyism and nepotism are symptoms of pervasive corruption.



The top income tax rate is 13 percent. The statutory corporate tax rate is 15 percent, but the top corporate tax rate for transport and banking services is 25 percent. Other taxes include a value-added tax (VAT), with the overall tax burden amounting to 17.6 percent of GDP. Government spending is equivalent to 28.6 percent of total domestic output. The budget balance has been chronically in deficit, and public debt stands at 36.7 percent of GDP.



The business environment has improved only marginally, with a more simplified business registration process implemented in recent years. Entrepreneurial activity is seriously hampered by state interference that increases regulatory costs and by inconsistent bureaucracy. The labor market remains underdeveloped. The government influences prices through regulation, subsidies, and numerous state-owned enterprises.



The trade weighted average tariff rate is 3.8 percent, but onerous non-tariff barriers are pervasive throughout the economic system and severely constrain the freedom to trade. All private investment is screened and requires government approval. Investment laws are implemented inconsistently. Financial-sector assets have grown rapidly, but the state's continuing interference seriously handicaps private-sector development.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	+0.4	Business Freedom	+0.9	Trade Freedom	0
Freedom from Corruption	+1.0	Government Spending	-1.8	Labor Freedom	+0.4	Investment Freedom	0
				Monetary Freedom	+2.9	Financial Freedom	0