

The global competitiveness report economics essay



World Economic Forum, a Geneva based independent organization, yearly publishes the Global Competitiveness Report which provides rankings of the economic competitiveness of a country. This is based on 12 pillars of competitiveness at all stages of development. The Global Competitive Index (GCI) helps in ranking countries based on their competitiveness. A highly ranked country will determine a high level of productivity (“ World Economic Forum”, n. d.).

Tajikistan has recently faced strong economic growth and stability. However, it has also faced hard global financial, energy and food crises. Tajikistan has been ranked 116 out of 139 and has scored 3.5 GCI on a scale of 1-7. This has improved from previous year rank of 122. This shows a growth in country’s productivity. Tajikistan is still in 1st stage of development i. e., Factor Driven Stage because it has GDP per capita less than 2000 USD (Appendix A).

Source: Global Competitiveness Report, 2011

12 Pillars of Competitiveness

Adapted from: Global Competitiveness Report, 2011

12 Pillars of Competitiveness is divided amongst Sub Indexes. When Sub indexes are analysed, Tajikistan lies on 112th position for Basic requirements, 123rd in efficiency enhancers and 118th position (Appendix B) in innovation and sophistication factor (GCR, 2011).

1st Pillar: Institutions

Tajikistan is ranked 77 with a GCI score of 3.8 (GCR, 2011). Tajikistan has more wastefulness of government spending, burden of government regulation and more business cost of crime violence. However, it has poor efficacy of corporate boards and transparency of government policy making (Appendix C).

2nd Pillar: Infrastructure

Tajikistan is ranked 116 out of 139 and has scored only 2.6 GCI out of 7 (GCR, 2011). There are nearly 30,000 km of roads of which one-third is in poor condition (Jane's Intelligence, 2011). Quality of Airport Infrastructure is one of the worst out of 139 countries of GCR (Appendix C).

3rd Pillar: Macroeconomic Environment

Tajikistan is poorly ranked 131 out of 139 and scores 3.3 GCI (GCR, 2011).

4th Pillar: Health and Primary Education

Tajikistan is ranked 97 in Health and Primary Education and has scored 5.3 GCI. There are 50 nurses and midwives per 10,000 people, 20 physicians per 10,000 people, 61 hospital beds per 10,000 people (Kaiser Family Foundation, n. d.). There is high Primary Education Enrolment rate of 95% for girls and 99% for boys (UNESCO Education Database, n. d.).

Source: UNESCO Education Database

5th Pillar: Higher Education and Training

Ranked as 105 with a GCI of 3. 4, Tajikistan has literacy rate is 99. 6% for those 15 years and older. The secondary education enrolment rate is 77% of girls and 88% of boys (UNESCO Education Database, n. d.).

6th Pillar: Goods Market Efficiency

Tajikistan is ranked 128th in GCR 2010-2011. This country has many trade barriers and numbers of procedures required for starting a business (Appendix C).

7th Pillar: Labour Market Efficiency

Tajikistan has comparatively good labour market efficiency and is ranked 73 and has GCI score of 4. 4 (GCR, 2011). Tajikistan's pay and productivity is quite high and flexibility of wage determination is better. However, reliance on professional management is inadequate (Appendix C).

8th Pillar: Financial Market Development

Availability and affordability of financial services is poor, but availability of venture capitalist is mediocre (Appendix C). This country is ranked 127 for Financial Market Development (GCR, 2011).

9th Pillar: Technological Readiness

Internet use in Tajikistan is 8. 8 per 100 people and 1. 3 personal computers per 100 people (World Bank, 2009). It is ranked 120 in GCR 2011.

Source: World Bank – ICT at a Glance – Tajikistan

10th Pillar: Market Size

Tajikistan is ranked 126 in market size and has a GCI of 2.3, as there is very low foreign market size (Appendix C).

11th Pillar: Business Sophistication

This country has low quality and quantity of local suppliers with improper control of international distribution (Appendix C). Therefore, Tajikistan is ranked at 126th position in Business Sophistication.

12th Pillar: Innovation

Tajikistan is on 103rd position (GCR, 2011). Government effectively procures advancement of technology products and has fair capacity of innovation, but there is inadequate spending and collaboration in R&D (Appendix C).

Source: Global Competitiveness Report, 2011

(b) TAJIKISTAN: THEORY OF COUNTRY SIZE

Location and Climate

Tajikistan is surrounded by land area by Uzbekistan, Afghanistan, China and Kyrgyzstan and has no coastal area. Dushanbe is the capital city and country's largest commercial centre. The country has 93% mountains and half of its territory lies above 3,000 metres. The highest peak is Peak Somoni (approx. 7,500 metres). It has continental climatic conditions. There are extreme cold winters and hot summers. However, southern region has subtropical climate, where rainfall occurs in winter and spring. Tajikistan has plenty of water resources with the main rivers being the Syr Darya and the Amu Darya (UK Foreign and Commonwealth Office, 2010).

Population

Most of the population resides in the arable areas – the Ferghana, Gissar and Vakhsh Valleys Darya (UK Foreign and commonwealth Office, 2010).

Tajikistan's population is approximately 7 million with population density of 49 people per square km (UN World Population Prospects, 2008). The crude birth rate is 27.4 per 1,000 people, the death rate is 6.2 per 1,000 people, and the fertility rate is 3.13 children per female (Appendix D). The population growth rate is 1.85% (UN World Population Prospects, 2008).

Source: www.indexmundi.com

Resources

The country is affluent in many deposits of natural resources such as coal, mercury, oil, gas, tin, antimony, molybdenum, gold, silver, salt, talc, asbestos, fluorine, limestone, marble, gypsum, clay, sand-pebble materials, precious stones, etc. There are nearly 400 deposits explored and 70 of which are being exploited (State of Environment Report, 2003).

Source: Geoscience Database of ECO, 2011

2.9% of the country is covered by forests and cultivable land is only 6.52% of the area of the country (World Development Report, 2009). Cotton is the most significant crop. Industries are mainly a large aluminium plant, hydropower facilities, and small old-fashioned factories mostly in light industry and food processing (Forbes, 2007).

Tajikistan's Natural Advantage: its water resources.

Tajikistan is in first position in terms of hydrological resources place in Central Asia and ranks 3rd in the world after U. S. and Russia. These resources are mainly used for irrigation and industrial needs. Mountainous rivers are used potentially to develop hydroelectric power which produces 95% of the total electricity (State of Environment Report, 2003). Energy consumption per capita is less. In 2007, around 4500 million kWh of electricity was exported from Tajikistan. During drought in 2000, when water level dropped in reservoir serving the largest hydroelectric power station in all of Central Asia, Norak, then Tajikistan also imported electricity amounted to an estimated 5242. 3 million kWh (Ministry of Foreign Affairs, 2007).

The hydropower dams Rogun and Sangtuda I and II are under construction. Rogun is planned to have a capacity of 3, 600 megawatts that will be able to produce an average annual output of 13. 3 billion kWh. Tajikistan Government is anxiously identifying any foreign finance to finish the construction of the Rogun (Ministry of Foreign Affairs, 2007). When finished, they would add significantly to electricity production and then it can be exported for profit. Moreover, Rogun will be the world's tallest dam (Forbes, 2007).

Hydroelectric energy will boon Tajikistan's economic growth in near future because there is high need to import oil and natural gas from its neighbouring countries (Ministry of Foreign Affairs, 2007).

(c) Political Environment of Tajikistan

The Republic of Tajikistan got its independence during the breakup of the U. S. S. R. in 1991 and shortly faces a civil war from 1992 to 1997. Its recent election in 2006 was considered blemished and unjust but peaceful because opposition founded resolved their differences peacefully and decided to work together. In this election, President Rahmon protected his new 7 year term in office. There is lack of transparency in the legislative process which resulted in the weakness of civilians in Tajikistan (Global Edge, n. d.).

Security Concerns and Foreign Relations

Among immediate neighbourhood, Afghanistan and Uzbekistan have difficult relationship with Tajikistan and is the main security concern. Uzbekistan has concerns about Tajikistan's plans to develop hydropower, which it considers as a threat to downstream irrigation. The uncontrolled illegal trafficking of opium and heroin from Afghanistan through Tajikistan, encouraging corruption, violent crime, and economic distortions are still serious threat to Tajikistan's constancy and development (Global Edge, n. d.).

Civil Rights and Liberties

Freedom House has given Tajikistan a status of "not free" and has allocated 6 out of 7 rating for political rights and 5 out of 7 for civil rights. The lower the rating the higher the degree of political and civil liberties (Freedom House, 2009). Legal right is given to workers to form and join trade unions and bargain collectively. The government indulges in selection of union leaders and so controls the trade union movement. All trade unions must register with the government (US Department of State, 2009).

Economic Environment of Tajikistan

This country has one of the lowest per capita GDPs of \$1, 907. 00 (Global Edge, n. d.). From 1992 to 1997, the civil war rigorously damaged the fragile economic infrastructure which resulted in fast declination of industrial and agricultural production. Since then Tajikistan experienced stable economic growth, but nearly two-thirds of the population still live in poverty (Forbes, 2007). Due to Tajikistan's weak governance, wide unemployment and external debt burden, its economic situation is weak but is adopting measures to recover from it (Appendix D). However, the continuation of privatizing of medium and large enterprises can increase the country's productivity (Forbes, 2007).

Government's Attitude towards Trade

Socio-Economic Objectives

Tajikistan is an agricultural country and nearly 50% of labour is employed in this sector (Appendix D). Government distributed 75 thousands hectares of land plots among rural population and 10, 800 farm enterprises were in operation which resulted in increment of grain production up to 600, 000 metric tons per year. Tajikistan also has huge capability to produce hydro-electricity power (UNESCAP, n. d.). Tajikistan is facing more export competition because under World Trade Organization, the international business environment is rule-based and of higher level. Tajikistan is looking for agreement of WTO because only tariffs and preferential trade concessions do not guarantee export competitiveness. Tajikistan's strong agricultural sector of high quality cotton and process food products offers export opportunities (USAID, 2006).

Political Objectives

Tajikistan signed agreements on promotion and mutual protection of investments with many countries. Currently, more than 210 joint ventures are established in Tajikistan. The main areas of activities of joint ventures are textiles, output of necessary products, export-import operations, agro-processing, construction and construction materials, telecommunications, and mineral resources exploration. Among the main trading partners of Tajikistan are Belgium, Germany, Italy, Liechtenstein, Netherlands, Switzerland and the United Kingdom. The main exports to these countries are raw cotton and aluminium (UNESCAP, n. d.).

Source: UNESCAP

(d) GLOBALIZATION IN TAJIKISTAN

Globalization helps a country like Tajikistan to enter foreign markets and access the latest technologies and business methods by involvement in global production networks, to improve range and quality of their products. However, the increasing pressure of competition forces local producers to work more efficiently and adapt quickly to the changing business environment. Although accession to WTO seems to be an inevitable step, Tajikistan need to make sure that it will increase their economic growth and social development, improve living standards for their people and increase trade (UNESCAP, n. d.).

Financial System

Inflation in Tajikistan is not yet fully under control and high level of external debt and exchange rate weakness shows that stabilization may not be

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maintainable. The slow economic growth in Tajikistan is related to undeveloped market institutions and also to the lack of competitive environment in the country. Tajikistan's financial system still remains in the initial developmental phase. It experiences many obstacles in developing foreign trade. Among those are its landlocked situation and geographical remoteness, underdeveloped transport infrastructure, national security problems and the low purchasing power of its population (UNESCAP, n. d.).

Import and Export

Many products are imported, even though most of them could be produced locally because those enterprises have insufficient financial resources either to operate at all or to operate at a high level of capacity utilization. Tajikistan does not have the resources to develop export oriented industries as it requires large, risky investments to produce goods that are competitive in world markets. Tajikistan should look towards expanding the production and export of goods in which it has a comparative advantage, such as cotton filament, cotton and silk yarns and aluminium (UNESCAP, n. d.).

Recommendation

An effective trade facilitation system is a significant prospect in maintaining a trade capacity (especially for landlocked Tajikistan) (UNESCAP, n. d.).

An effective trading capacity can benefit in following ways:

Cheaper imports

Lower inflation and so lower wages and low production cost.

Quick and reliable movement and shipment of exports.

Tajikistan also needs to

Set up permanent mission at WTO, Geneva and seek recognition as Least Developed Country by the UN.

It should increase opening hours of key border crossing post to 24 hours per day, as they open only for 10 hours per day.

It should focus on upgrading infrastructure and operations of the border crossing points and introduce “ single-window” border crossing approach.

Tajikistan should improve ownership and governance of cotton farms and introduce Universal Cotton Grade Standards.

It should also adopt plans to increase electricity prices and develop regional electricity market with Nurek excess capacity.

It should also improve Privatization process to more FDI friendly (World Bank, 2005).

However, Tajikistan also has to be competitive as suppliers and elevate quality of export products for international competition. New products have to be developed and new markets to be explored. Moreover, Tajikistan needs to advance and produce infrastructure to maintain the country's competitiveness.