

# CENTRAL ASIA OBSERVATORY

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 TAJIKISTAN

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Prof. Saodat Olimova\*

## Highlights

A dramatic worsening of relations with Russia was the main event of the first month of 2009. In early February 2009, the President of Tajikistan Emomali Rakhmon abandoned a planned visit to Russia and initially refused to attend the EAEC (Eurasian Economic Community) and CSTO summits in Moscow. Participation in the summits by the President of the Republic of Tajikistan was extremely important for Russia, which had prepared a special project within the framework of these organizations.

Since adoption of a draft concerning a CSTO collective rapid-reaction force would not be possible in the absence of a member of the organization, President Rakhmon finally took part in the two summits. His participation had the effect of reducing tension to some extent, but did not eliminate contradictions with Russia completely. Chilly relations with Moscow stem from the apparent warming up of relations between Moscow and Tashkent. During his visit to Uzbekistan at the end of January, Russian President Dimitri Medvedev supported President Karimov's position in the cross-border water conflict between Tajikistan and Uzbekistan. Uzbekistan opposes the construction of the Rogun hydroelectric power plant in Tajikistan, fearful that the construction of dams and hydropower plants will trigger water shortages in the lower lying regions of Uzbekistan. Tajikistan, on the other hand, has suffered from acute winter electricity shortages for several years and therefore views the construction of a hydropower plant as a necessity. Tajikistan initially hoped to receive major investment and technical assistance from Russia for the construction of hydropower facilities, plus political support in the water conflict with Uzbekistan, in return for which it agreed to host the Russian military base

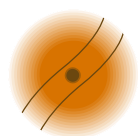
free of charge. Tajikistan also transferred to Russia complete ownership of the optical-electronic complex for controlling outer space, which is located in Tajikistan, and allowed Russia to use Aini military airfield. However, when Russia refused to participate in the construction of the Rogun hydroelectric power plant, the question of making the Russian authorities pay for their military base and other military facilities located in Tajikistan was raised.

During the visit he eventually made to Moscow in February, President Rakhmon discussed the current status of Tajik-Russian relations with Russian President Medvedev. However, on the very next day, Tajikistan announced that the Talco aluminium plant and the Nurek and Rogun power stations should be considered as objects of strategic importance and that they cannot be privatized or sold out to foreign parties, which means that neither Russia nor any other nation can now own stakes in these facilities. This development coupled with the warming up of relations between Russia and Uzbekistan makes the prospect of Tajik-Russian cooperation unclear. This is having a negative impact on the lives of the residents of Tajikistan in many respects because Tajikistan and Russia have close military, political, economic and cultural ties. Those bearing the brunt of deteriorating political relations between Russia and Tajikistan are the Tajik labour migrants working in Russia, which has stepped up the number of deportations since February.

## Internal affairs

2009 kicked off with unprecedented growth of religious activity in Tajikistan following the announcement that this year will be devoted to the commemoration of the Grand Imam Abu Hanifa, the founder of the Hanafi school of Sunni Islam (8th

\*Deputy Director, Research Center Sharq, Dushanbe.



century). Numerous conferences, book presentations and propaganda activities on television and radio are scheduled to take place throughout the year. President Rakhmon also devoted an official speech to Imam Abu Hanifa.

Conversely, on 8 January the Supreme Court of Tajikistan outlawed the activities of the Salafia religious movement, whose leaders in Tajikistan –graduates from universities and religious schools in Pakistan, Saudi Arabia, Iran, Egypt and other countries– have been opposing local imams. The Salafia followers believe that Tajik Islam has deviated too far from the original teachings of Islam and are urging believers to return to the origins of Islam, ie, the Koran. The influence of Salafia members has surged in recent years, especially among young people. It is the negative attitudes of Salafia members toward other interpretations of Islam that has caused their break from other schools of Islam. Additionally, Salafia followers have started to turn their religious movement into a political force. The Tajik government has therefore outlawed the Salafia movement and is supporting the local imams who belong to the Hanafia school of Islam, considered to be the most liberal. The commemoration of Imam Abu Hanifa is another attempt to support local imams. According to the Ministry of Culture, there are 3,242 mosques in Tajikistan today.

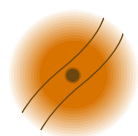
## **Foreign and international policy**

One of the most striking developments in foreign and international politics in early 2009 was the improvement of relations with the European Union, in which respect significant progress was made during the official visit of President Rakhmon to Belgium, Latvia, Lithuania and Estonia in February 2009. This visit resulted in an agreement to provide assistance to Tajikistan in the framework of regional cooperation between the European Union and Central Asia, to which end there are provisions to earmark 100 million euro for Tajikistan, a sum

comprising the previously allocated 66 million euro plus an additional 34 million euro. This is the largest per- country allocation of the EU assistance programs in Central Asia. The funds will be earmarked for areas such as strengthening boundaries, combating drug trafficking, educational reforms, energy, human rights and civil society development, as well as reducing the effects of the global financial crisis.

President Rakhmon held meetings with the EU foreign policy chief Javier Solana, EC President Jose Manuel Barroso and the chairman of the European Parliament's Committee on International Affairs Zbigniew Ziobro. In the course of these meetings, President Rakhmon discussed important aspects of cooperation relative to hydropower generation and the creation of transport and communication infrastructure. The additional 34 million euro has been allocated to Tajikistan to finance regional security, minimize the impact of the global financial crisis and support agriculture. The creation of a regional electricity market and Central Asia's increased transit potential –particularly in Tajikistan– were also discussed during the Brussels visit. Emphasis was placed on priority areas of cooperation, namely ensuring stability and security in the region coupled with the economic reconstruction of Afghanistan, the strengthening of the Tajik-Afghan state border, and combating drug trafficking. Discussions of cooperation in energy projects resulted in an agreement with the European Investment Bank, which will invest in the hydropower projects in Tajikistan. It should be noted that Tajikistan is the first country in Central Asia to sign a cooperation agreement with the European Investment Bank.

During the meeting with NATO Secretary-General Jaap de Hoop Scheffer, security issues were discussed. European countries represented by the EU and individual European countries have therefore emerged as major donors to Tajikistan.



Along with the progress made in terms of relations with the EU and the deterioration of relations with Russia, a number of controversial events concerning relations with Uzbekistan also took place. Rakhmon's anti-presidential demarche was followed by a concentration of Uzbek military forces –including armoured vehicles– along the Tajik-Uzbek state border. It was only after President Rakhmon's visit to Moscow that this concentration dissolved. In the wake of the Moscow visit, President Karimov went as far as mentioning the possibility of Uzbekistan participating in the completion of the Rogun hydroelectric power plant. Soon after, a delegation on trade and economic cooperation from Uzbekistan visited Dushanbe for the first time in seven years. The Tajik-Uzbek intergovernmental commission on trade and economic cooperation focused discussions on the settlement of water and gas disputes and border issues. The parties signed an agreement on water and electricity and also agreed on the delimitation and demarcation of 97% of the disputed 1,200 km borderline. Visa issues and the de-mining of border areas have yet to be resolved.

### **Economy and business enterprises**

The first two months of 2009 were marked by a sharp decline in business activity and stoppages in the operation of many industrial enterprises owing to power outages and the suspension of natural gas supplies from Uzbekistan.

On 31 December, Uzbekistan stopped the transit of Turkmen electricity through its territory, electricity that Tajikistan had purchased from Turkmenistan for the winter period. Consequently, electricity supply in Tajikistan was limited in all areas except for the capital. In rural areas electricity was supplied for 3 hours a day and in cities for 4-5 hours a day. On 27 January, the supply of electricity was reduced further, to 1-2 hours per day in rural and urban areas and 12 hours a day in the capital. Many rural areas were completely cut off. It was not until 3 March, once

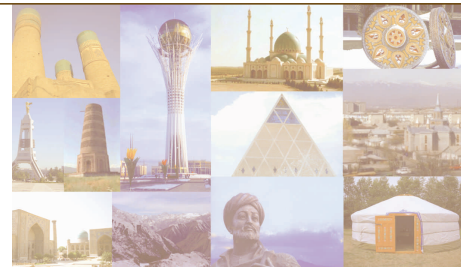
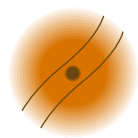
the transit of Turkmen electricity to Tajikistan via Uzbekistan had been reinstated, that electricity supply was restored to the previous level.

The shortage of electricity led to a decline in production. In January, 341 industrial enterprises (44% of all enterprises) did not operate. Industrial production in Tajikistan in January 2009 amounted to \$115 million, ie, 95% of total industrial output in

January 2008. GDP in January exceeded \$252.4 million, breaking down as follows: 33.7% manufacturing, 58% services and 8.3% taxes. In January-February, the global financial crisis started to take a toll on the Tajik economy, which is particularly affected by declining world prices of cotton and aluminium, Tajikistan's largest export commodities. Even more significant is the reduction of money remittances and the return of migrants who have been fired from their jobs in Russia and other countries, resulting from reduced production, rising unemployment and the tightening of migration policy in Russia. The fall in remittances by Tajik migrants has in turn led to a fall in consumption and general welfare in Tajikistan, with average monthly expenditure on food falling from \$26 in December to \$25 in January.

To resolve the consequences of the global financial crisis a special commission headed by the Prime Minister Akil Akilov has been formed. The government's main goal is to maintain the stability of main macroeconomic indicators such as inflation, exchange rate, tax collection and the rate of growth in government spending.

Inflation is presently the government's main concern. In January the falling somoni/US dollar exchange rate forced the National Bank of Tajikistan to make a series of interventions on the foreign exchange market. As a result, the reserves of the National Bank fell from \$350 million to \$198 million. Nevertheless, in February the exchange rate stabilized at 3.74-3.78



somoni to \$1. In January Tajikistan recorded a 4% inflation rate.

Another problem for the government of Tajikistan has been the financing of large energy and infrastructure projects. World Bank experts recommended that the government of Tajikistan cut expenditure and suspend the financing of major economic projects such as construction of the Rogun hydroelectric power station. However, President Rakhmon and national experts believe that the financing of energy projects and consequently the construction of small and large hydropower facilities will help Tajikistan cope with the negative impact of the crisis and stimulate economic growth. Thus, 35% of budget expenditure has been allocated to financing the real sector of the economy such as construction of strategic facilities, including hydropower plants, transmission lines, roads and tunnels. Public financing of these projects in the current year has increased nearly fourfold.

The growth of employment opportunities in Tajikistan is another important task being tackled by the government of Tajikistan in a bid to palliate the negative impact of the global financial crisis. The Ministry of Economic Development and Trade and the Ministry of Labour and Social Protection are presently developing job creation schemes for returning migrants, who are expected to find employment in the construction of the Rogun hydroelectric power station, the Sangtuda 2 hydroelectric power plant, and the construction of transport infrastructure projects and other facilities currently under construction. Returning migrants have been invited to participate in public works programmes and to attend job fairs, and also to apply for plots of land in certain rural areas.

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