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TAJIKISTAN



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Highlights

The transfer by Tajikistan of 1,000 square kilometres to China in January sparked a huge amount of public discussion.

On 12 January 2011, Tajikistan's lower house of parliament ratified the Chinese-Tajik border demarcation protocol, giving China control of 1,000 square kilometres of Tajik territory.

The territorial dispute about the border demarcation line between modern Tajikistan and China goes back more than 130 years, originating in the territorial disputes between the Russian Empire and China and continuing into the Soviet era. After the break-up of the Soviet Union, the territorial disputes between China and Russia on one side, and Kazakhstan, Kyrgyzstan and Tajikistan on the other, continued in the five-partite (4+1) format. After the conclusion of the five-partite talks, Tajikistan and China engaged in bilateral talks, lasting until 2002. The disputed territory between Tajikistan and China covered 28,500 kilometres of Tajik territory, almost 20% of the country's entire territory. After signing the border demarcation protocol Tajikistan ceded about 3% of the disputed land, 1,000 square kilometres. This decision was highly unpopular and triggered strong criticism from mass media.

Equally unpopular was the decision, signed on 18 January, concerning the lease of 2,000 square kilometres of irrigable land in three districts of Khatlon region to the Xinxiang Uygur region in China, the idea being for 1,500 Chinese farmers to farm agricultural products on these lands.

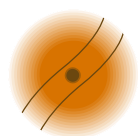
Tajikistan is presently involved in territorial disputes with bordering Uzbekistan and Kyrgyzstan.

Internal affairs

The first two months of 2011 brought a flurry of parliamentary activity. There was a nationwide discussion concerning parents' responsibility for looking after their children. President Emomali Rahmon had brought this bill up for discussion on 14 December, the deadline for comments and suggestions set to expire on 1 March. This bill has stirred a great deal of controversy. While people recognize the need to protect children's rights, certain points of the bill encouraged criticism. For instance, in a statement released on 21 January, the political council of Tajikistan's Islamic Renaissance Party expressed concern about the fact that the bill contradicts many points of the country's Constitution and limits the rights and freedoms of the people of Tajikistan. In particular, they cited the section stating that parents may not allow children under 18 to visit religious institutions including mosques, churches and prayer houses.

On 1 January a law regulating the use of tobacco and tobacco products came into effect banning smoking in administrative buildings, state and non-state public buildings, healthcare, cultural, religious, sports and educational facilities, public entertainment venues, all public transport, airports, train and bus stations, except in specially designated areas. Violation of this law carries fines set on the basis of the amendments in the Code of Administrative Violations. On 26 January the lower chamber of the parliament of Tajikistan passed amendments to the Family Code of Tajikistan, making it mandatory for foreign nationals wishing to marry female citizens of Tajikistan to meet the following criteria: the foreign national must have resided at least one year in Tajikistan prior to the marriage, he and his fiancée must sign a marriage agreement, and he must

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purchase a residence for his bride, who is a citizen of Tajikistan. These amendments contradict other regulations in Tajik legislation which forbids foreign nationals and individuals without citizenship to purchase real estate for the first 5 years of their initial stay in Tajikistan.

Another matter that has been hotly discussed at public level is the closure of mosques and the repression of bearded men. Many famous imamahatibs (priests) were dismissed and replaced by people from the committee of religious affairs, provoking negative comment from the public. Furthermore, specialists from the committee prepared a collection of the sermons that religious figures are now obliged to use.

Foreign and international policy

In the period January–February, Tajikistan and the Russian Federation actively discussed the prospect of Russia's presence in the country. These contacts included telephone conversations between the leaders of Tajikistan and Russia as well as visits of high-ranking Russian officials to Tajikistan. Most arguments concern the status and functions of the operational group of advisors of the federal border guard service of Russia and Aini military airport in Tajikistan. The Tajik authorities proposed changing the status of Russian border guard advisors and limiting their responsibilities to advisory and teaching functions. Talks about airport Aini are ongoing; America and India also want to use this airport.

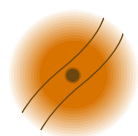
At the same time, both sides agree that the presence of a Russian military base in Tajikistan is an important aspect of Tajik-Russian cooperation. Longstanding stable partnership relations exist with Russia in the field of security, whereas help from other countries is temporary. President Rahmon expressed his approval for the continued presence of the Russian 201 military base on Tajik territory;

he claims that no other foreign military base will be present in Tajikistan. Meanwhile President Medvedev of Russia described the 201 military base as a stabilizing factor and one that guarantees security in Tajikistan. It should be noted that from 1989 to the present, sections of 210 military base have been located in Dushanbe, Kurgan-tube and Kulab. The relocation of Russia aviation forces including a helicopter squadron to Aini airport is planned once reconstruction of this airport has been completed. Talks concerning the lease of the airport are under way.

In 2010 trade turnover between Tajikistan and Uzbekistan shrank by 61%. Uzbekistan mainly exports natural gas and electricity to locations in the Zeravshan valley of Sogd province. This contrasts with the figure five years ago, when the volume of trade reached \$800 million per annum and Uzbekistan was Tajikistan's second largest trade partner. The volume of trade decreased in 2010 due to the virtually complete cessation of exports of oil and petroleum products as well as mineral fertilizers from Uzbekistan. The volume of small cross-border trade between Tajikistan and Uzbekistan has also tapered off notably. VN:F [1.9.3_1094]

Economy and business enterprises

At the beginning of 2011 the financial results for 2010 became available. According to the data provided by the National Bank of Tajikistan, the amount of remittances from labour migrants to Tajikistan not only reached pre-crisis level, but even exceeded it. Labour migrants transferred about \$2.3 billion to Tajikistan, which is equal to 40% of the country's GDP (in 2010 it was \$5.6 billion). The amount of foreign investment in Tajikistan also increased in 2010: in the year to September, the figure was \$320 million, up from \$159 million in 2009. The main investors are Russia, Kazakhstan, Iran, UK, China and Switzerland. Russia invested 70% in credits and 20% in grants. To encourage



investment, a new organization called "Tajikinvest" has been created by the department of management and state property of Tajikistan.

Manufacturing output increased in January-February 2011, with the total volume reaching \$260 million, 6.7% higher than in the same period in 2010. This increase was possible because of the increasing production of electro-energy, metal goods, textiles and foods. Mining contributed 7.3%, manufacturing industry 66.4%, and electro-energy, gas and water production contributed 26.3% to the total output. Foreign trade including electro energy and natural gas in 2011 was \$756.6 million, which is 46.5% (\$240.1 million) greater than in 2010. The trade balance is negative and reached US 227.8 million. The import of fuels, oil products, chemicals and food -especially wheat- has increased. At the same time, exports of cotton, metals and minerals have increased.

The finance ministry puts the annual level of inflation in 2010 at 9.8%. This year annual inflation of 7% is forecast

In 2010, thirty mini hydroelectric power plants (each with the potential to generate between 5-500 kWt/hour) were constructed as a part of the project "Long-term programme on construction of small hydro-electric power plants in 2009-2020." In 2010 food prices rose by 13.4%. Government officials are trying to keep price increases under control by setting up sales of essential items. For example, the agency for material reserves organized the sale of wheat flour, rice and sugar from state reserves at prices that are 10-15% less than market prices. Government officials ascribe these price increases to higher oil and petroleum product prices in Tajikistan. Since oil and petroleum products are imported into Tajikistan from abroad, and diesel and gasoline prices in Tajikistan rose by 40% and 46% respectively, the transportation costs also increased, which pushed the prices of food products up.

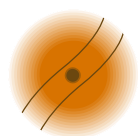
It should be noted that in addition to the drop in the supply of fuels from Uzbekistan, in June 2010 Russian officials also introduced export fees on oil and petroleum products exported to Tajikistan, causing fuel prices to jump.

Prices of drugs and medicines have also increased owing to the introduction of 23% VAT on the import and sale of drugs. Since most drugs are imported into Tajikistan from abroad, the introduction of the tax raised the sale prices 1.5-fold. Before this tax, importers did not have to pay any VAT or import taxes.

Since 1 February, cell phone providers raised their fees by 3%, justifying this move with the introduction of amendments to the tax code whereby all cell phone services are taxed at 3% since 6 February. This amendment is very unpopular, since the number of cell phone users is 5.9 million out of a total population of 7.5 million. The widespread use of cell phones is due to large-scale labour migration from Tajikistan. Currently Tajikistan is a leading user of cell phones in Central Asia. In February MLT cell phone provider demonstrated the use of fourth-generation long-term evolution cell phone technology, which is 10 times more effective than 3G technology.

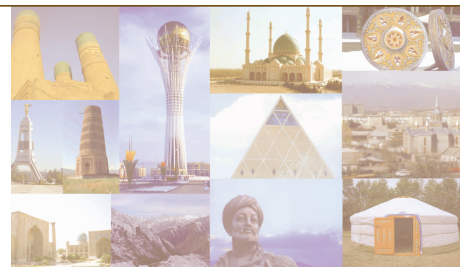
Give the rise in prices, the tax code amendments enacted on 1 January received much criticism. The experts say these amendments are having a negative impact on the business climate, especially small and very small enterprises.

These amendments modify part 2 of article 161 of the tax code and state that employee wages cannot be less than the average monthly nominal wage of employees in the same location in Tajikistan the previous year. This means that employers have to pay no less than the average monthly nominal wage in addition to paying a 25% social tax. Small business owners claim that they can go out of business if they raise their wages and this can lead to a higher



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unemployment. According to the State Statistical Committee, the average monthly wage in 2010 in Tajikistan is \$79. In Dushanbe the average monthly wage in 2010 was \$160.

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