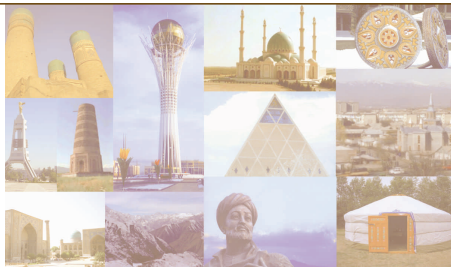


CENTRAL ASIA OBSERVATORY

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The Central Asia Observatory (CAO) was established in 2007 by three institutions that are interested in the area: Casa Asia, CIDOB Foundation and Royal Institute Elcano



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 TAJIKISTAN

 MAY - JUNE 2009

Bimonthly article

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Highlights

The campaign to destroy opium crops in the Rasht Valley (eastern Tajikistan) has been underway since the end of May. However, as the weather conditions in the Rasht valley are not suitable for growing poppies, this operation is broadly considered to be aimed at establishing control over returning combatants from Afghanistan and Pakistan. In May, for example, Mullah Abdullah returned from Afghanistan with a small group of fighters after acting as a field commander during the civil conflict and fighting alongside the Islamic opposition forces. When peace was established in 1997, rather than laying down his arms, Mullah Abdullah chose to join the forces of the Islamic Movement of Uzbekistan (IMU), leaving with them for Afghanistan in 1999. There he joined the leader of the Northern Alliance, Ahmad Shah Masood. The whereabouts of Mullah Abdullah in subsequent years is unknown. The return of Mullah Abdullah to Tajikistan has provoked growing tension in the country. The former members of the United Tajik Opposition (UTO) as well as current members of the opposition to Rahmon's regime have been rallying around Mullah Abdullah since his return. When he refused to leave the country at the request of the authorities, law enforcement agents launched an operation to eliminate him and his squad.

Despite official statements to the effect that the opposition leaders in the civil war no longer pose a threat to national security, there has been a wave of arrests. Although these former opposition members voluntarily surrendered their arms and were granted amnesty, they are now being charged with crimes allegedly committed during the civil conflict. The military operation launched by the Pakistani authorities against the Taliban in the mountain areas

near the Afghan border has contributed to the return of combatants to Tajikistan from abroad and also to the flow of refugees entering the country. According to the UN, the number of refugees from Afghanistan to Tajikistan has increased by 70%, as a result of which the area of instability in Afghanistan and Pakistan has started to spread over to the territory of Central Asia.

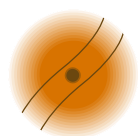
As a counter measure, the government of Tajikistan has resorted to repressive measures against religious movements. In the last 3 months, 40 Salafia supporters have been arrested (Sunni fundamentalist religious-ethnic movement, banned since January 2009), along with 93 members of the Islamic movement «Tabligi Jamaat» and 19 supporters of the banned party «Hizb ut-Tahrir». Government policy reflects concerns about Islamic extremism as well as attempts to minimize the influence of Muslim opposition movements in situations of crisis and worsening economic and social conditions. Meanwhile, the head of the Taliban's political council in Afghanistan, Abdul Vose Mutassim, has threatened the Tajik authorities with serious reprisals if they continue to cooperate with the United States and support the military campaign against the Taliban.

Internal affairs

In May–June, Tajikistan experienced heavy rains causing floods and mudflows. As a result more than 3,000 heads of livestock perished, about 40 hectares of crops were lost, 160 km of roads were eroded and 40 bridges destroyed. Government estimates put the damage from floods and mudflows at over U.S. \$ 100 million.

The measures the government is taking to assist the afflicted population are insufficient to palliate the

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effects of this natural disaster. The government of Tajikistan has therefore called on the United Nations and other international organizations to provide emergency assistance.

The UN responded to these appeals by raising U.S. \$ 118,000. Although these funds are unlikely to be of significant help, government officials nonetheless hope that other countries and international organizations will follow this example. The Organization of Islamic Conference adopted a special resolution on Tajikistan calling on OIC member states to assist the government of Tajikistan. The government of Uzbekistan was among the first to respond. A train carrying humanitarian arrived in Tajikistan from Uzbekistan. Russia sent approximately 21 million roubles in humanitarian aid. Needless to say, this natural disaster and the economic impact of the financial crisis have combined to exacerbate the political situation in Tajikistan.

Against this backdrop, the death of Tajikistan's former internal affairs minister Mahmadnazar Salikhov –who expressed dissatisfaction with the policies of President Rahmon—and the arrest of the former general director of Tajik Air, Hokimsho Tilloev, have sparked considerable public interest. The authorities are trying to cope with the situation to the best of their ability. Zarif Alizoda, former legal advisor to President Rahmon, was appointed to the position of ombudsman following the insistence of the OSCE and the EU on the establishment of this position in the framework of reforming the country's legal system. Until the end of 2007, the Tajik government had claimed that Tajikistan was not ready for the establishment of a national institution to protect human rights.

Another notable event in Tajikistan was the decree issued by President Rahmon ordering the removal from all offices, public places and roadsides of all the portraits showing local officials with President

Rahmon. The decree stipulates that only portraits of the head of state may be hung in public places.

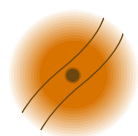
Foreign and international policy

The most notable international policy item in the period May-June 2009 was the intensification of Tajik-Chinese relations. On 15 July, in the framework of Shanghai Cooperation Organization (SCO), a bilateral meeting between the President of Tajikistan Emomali Rahmon and the leader of China Hu Jintao took place. Both parties agreed that China would provide Tajikistan with a grant of 60 million Yuan (about U.S. \$ 8.78 million) to support the government's anti-crisis policies. Tajikistan and China also found it necessary to create a joint investment fund to help strengthen mutually beneficial economic cooperation between the two countries.

Despite the global financial and economic crisis, trade turnover between the two countries in the first quarter of 2009 was 84% more than in the first quarter of last year, also mirroring the consolidation of Tajik-Chinese relations.

A delegation representing the Central Committee of the Communist Party of China visited Tajikistan shortly before the bilateral meeting between Rahmon and Jintao. At the meeting with the Chinese delegation, President Rahmon noted that relations with China are one of Tajikistan's foreign policy priorities and expressed his wish to see the relationship between the two countries develop further.

During the meeting, the discussion also turned to the prospect of constructing railways and roads connecting Tajikistan, Kyrgyzstan and Kazakhstan, with consideration also being given to the subsequent connection of these roads with China's transport infrastructure and that of Afghanistan and Iran. The two leaders also discussed various issues relative to cooperation in the field of mining and processing in



the mining industry (including uranium production), and the creation of joint ventures with a view to processing agricultural products in Tajikistan. Six agreements were signed as a result of these talks, among which the agreement between the Ministry of Energy and Industry of Tajikistan and the JSC TVEA of the People's Republic of China concerning the construction of the hydroelectric power plant Nurabad-1 on the Hingob river in Tajikistan; the agreement between the Ministry of Energy and Industry of Tajikistan and TVEA of People's Republic of China concerning the construction of a thermo-electric power plant in the city of Dushanbe; the agreement between the Academy of Sciences of Tajikistan and the Office of Science and Technology of Xingjian PRC; the agreement between the Ministry of Energy and Industry of Tajikistan and two international companies TACHIN and SAN BAO relative to the construction of a cement plant with capacity for one million tons a year; a memorandum on the establishment of the Sub-Commission of Tajikistan and Xingjian PRC with a joint commission of the Republic of Tajikistan and China on trade and economic cooperation; and, last but not least, the agreement between the state energy company Barqi Tojik of Tajikistan and JSC TVEA of China on additional work in the construction of transmission lines Lolazor-Khatlon and South-North in Tajikistan.

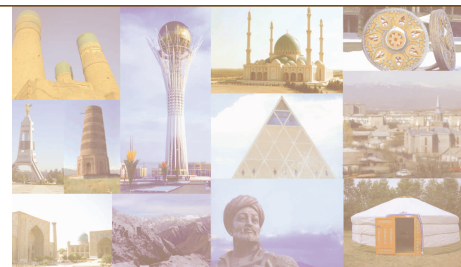
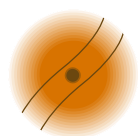
The Chinese authorities pledged to earmark U.S. \$ 560 million for the construction of Nurabad-1, U.S. \$ 400 million for the construction of the coal-operated thermo-electric power plant in Dushanbe (capacity of 200 megawatts), U.S. \$ 61 million for the construction of Lolazor-Khatlon and South-North transmission lines. In addition, U.S. \$ 51 million was allocated to the reconstruction of the Dushanbe-Dangara road, which is the first step in the reconstruction of the Dushanbe-Kashgar road. Overall then, the Chinese authorities are investing more than U.S. \$ 1 billion dollars in Tajikistan. The Tajik authorities contend that Beijing is a profitable economic partner and that cooperation

with China is at least as important as cooperation with Russia. In turn, China's investment in Tajikistan is of significant geopolitical importance for China itself. Experts say that Chinese economic development projects in Tajikistan are not economically profitable for China, but that they do yield certain political dividends and that by financing these projects, the Chinese authorities are acquiring political influence in Tajikistan.

Another important event in terms of Tajik foreign policy was the intensification of relations with Turkey. On 28 May, the President of Turkey Abdullah Gul flew to Dushanbe, where he held a meeting with President Rahmon. During their encounter, the two presidents discussed the issue of taking coordinated measures geared to fighting terrorism, extremism and drug trafficking, as well as fostering security and economic development in Central Asia. The discussion also touched on regional security issues and the situation in Afghanistan. The two presidents agreed that it was necessary for effective cooperation to be developed among Muslim countries, more particularly in the framework of the Islamic Conference Organization. Addressing the issue of the Tajik-Turkish relations in the sphere of energy, President Gul said that, given the potential of water resources available in Tajikistan, Turkey was ready to participate in the construction of medium and small hydropower plants in Tajikistan. The negotiations resulted in the signing of the joint declaration to further strengthen bilateral relations. On 29 May, Abdullah Gul attended the business forum of entrepreneurs of Tajikistan and Turkey.

Relations with EU

Relations between Tajikistan and the EU have developed actively. On 29-30 May, a meeting of the foreign affairs ministers of Central Asian countries and three European countries took place in Dushanbe. The European Union was represented by foreign ministers from the Czech Republic and Sweden. In the course of the forum, the parties



discussed issues concerning cooperation between EU states and Central Asian countries and the joint implementation of EU regional strategies until 2013. In addition, the participants in the forum examined the impact of the economic crisis on trade, investment and migration. Talks also touched energy, transportation, environmental protection, border control and the fight against the trafficking of drugs and people.

President Rahmon also met with the prime minister of Belgium Herman Van Rompeem. The focus of this meeting was the development of bilateral cooperation within the programmes of EU structures, particularly in the spheres of hydro energy, transportation and communication. Special attention was given to the matter of improving information exchange, free flow of goods, services and labour. The EU strategy for Central Asia represents the central thrust of regional cooperation. President Rahmon also held talks with the OSCE High Commissioner on National Minorities Knut Vollebaek.

The opening of the OSCE Border Management Staff College was a key event in Dushanbe. The task of this school is to prepare senior officers to take up posts in the border security agencies of OSCE member countries, including neighbouring Afghanistan. The college will also host a research and development centre.

Economy and business enterprises

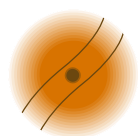
The economic situation in Tajikistan has worsened over this period. The financial crisis primarily hit industry. Industrial output in the first quarter fell 8.2 % in comparison with the same period last year, foreign trade turnover decreased by 22.4 % and exports fell 48.3 %. Currently only 86.6% of the state budget has been implemented, with losses amounting to 153 million somoni (about U.S. \$ 40 million). In the first four months of this year the

rate of economic growth narrowed to 2.9 %. The devaluation of the national currency in Tajikistan is still taking place. In May the somoni shed 10% of its value with respect to the US dollar; since the beginning of the year the somoni has fallen 25% against the US dollar. According to the experts, the current sharp devaluation of the somoni is related to the fact that the National Bank ran out of reserves after the currency intervention in May and injection of roughly U.S. \$ 2 million.

According to the State Statistical Committee, the volume of imports is currently three times higher than the volume of exports. The 50% reduction in foreign currency inflows from remittances of labour migrants is exerting additional pressure on the national currency. Additionally, currency returns from the main export sources –cotton and aluminium– fell 60–70%. The foreign currency reserves of the National Bank of Tajikistan presently stand at U.S. \$ 183 million. External debt exceeds U.S. \$ 1 billion and accounts for 30 % of GDP.

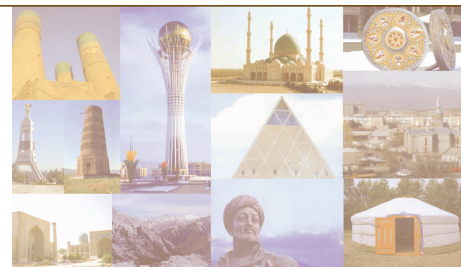
Dissatisfaction with current economic conditions in Tajikistan is spreading among the population. The increase of the dollar exchange rate caused prices of imported goods to rise. Prices of fruit and vegetables climbed 20–30% over the summer period. In the last two weeks, gas prices in the capital rose 20%. Ordinary citizens and representatives of small and medium size businesses who conduct operations in foreign currency are suffering from the currency fever. Two of the country's biggest markets have been closed down in Dushanbe.

The government is taking some action to reduce the impact of the financial crisis at socio-economic level. Parliament passed a new law to reduce budget revenues by 10% and budget expenses by 9.6%. Social security commitments have not been affected by these reductions.



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In April the government presented an anti-crisis plan. To finance the plan, the government requested U.S. \$ 200 million from international financial institutions. The plan includes measures to maintain macroeconomic stability and support the real sector of economy –including small and medium business– through the implementation of the programme "200 days of reforms". It also contains measures geared to creating jobs, improving the investment climate and attracting domestic and foreign investments. Government authorities are counting on the help of donor organizations that are currently analyzing the situation in the republic. U.S. \$ 80 million has already been earmarked by the International Monetary Fund, which has introduced a three-year credit program of US 116 million dollars. The Asian Development Bank (ADB) allocated U.S. \$120 million in the form of assistance. The new budget of the U.S. State Department mirrors an increase in economic assistance to Tajikistan from U.S. \$ 25.2 million to U.S. \$ 46.5 million. The Chinese authorities are willing to invest U.S. \$1 billion in the Tajik economy.

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