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TAJIKISTAN



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Highlights

The most notable event in the past two months was President Rahmon's official visit to China. From 1-5 June, President Rahmon visited various industrial regions of China and met with leaders of major companies, financial institutions and industrial enterprises. The official meeting between Presidents Rahmon and Hu Jintao took place on 5 June, resulting in the signature of ten agreements on cooperation in energy, industry, road construction and geology. Immediately after his official visit to China, President Rahmon attended the SCO summit on 6-7 June in Beijing.

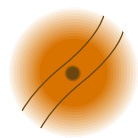
Today, China is Tajikistan's most important political and economic partner. China invested more than \$100 million in the country's mining sector and over \$200 million in the construction of major highways. In addition, there are over 50 Chinese companies in Tajikistan's carrying out infrastructure projects and building high-voltage power transition lines, (PTL)-500 North-South and PTL-220 Lolazor-Khatlon and others. Overall, the amount of Chinese investment exceeded \$1 billion. Agreements signed during Rahmon's recent visit to China will ensure that \$1 billion from China will flow to Tajikistan mainly in the form of loans. Observers note that the agreements reached on cooperation primarily concern the public sectors of Tajikistan and China and should not affect the private sector.

Priority fields of Chinese investments in Tajikistan continue to be electricity industry, building materials industry and mining. Among the most important agreements signed during President Rahmon's June visit were an agreement to build a cement plant in Shahritus region and the construction of a thermal power station Dushanbe-2. Under the cooperation

agreement between the Tajik aluminium company TALCO and the national company for the production of building materials of China CNBM based on local raw materials, a joint venture "CNBM-TALCO cement" will be established in Shahritus (southern Tajikistan). This plant will be the only manufacturer of high quality cement in Central Asia and its capacity should reach 3 million tons of grade 620 cement. The cost of constructing this plant is estimated at \$600 million. During his visit, President Rahmon also visited Shanghai city in Fujian province and the gold and copper mines of Zijin Mining Group Co Ltd mining company. This company also operates in Tajikistan where it owns 75% of shares in a joint venture, Zarafshan, which mines gold in northern Tajikistan and had invested \$200 million in its refurbishment. In 2011 Zarafshan produced 1,328 kg of gold, or almost 60% of the total amount of gold produced in the country. It was assumed that in coming years, annual gold production at Zarafshan would reach 5 tons. In addition to extending joint work on developing deposits of gold, President Emomali Rahmon came to an agreement with the company Zijin Mining Group Co Ltd regarding the development of sulphide ore deposits in northern Tajikistan.

President Rahmon also signed a memorandum on cooperation with the China National Petroleum Corporation (CNPC) whereby the company will soon begin oil and gas exploration in Tajikistan. The activities of the Chinese company will increase Beijing's influence in Tajikistan and severely undermine Russia's. Up to now, exploration of oil and gas deposits in Tajikistan has been conducted by the Russian gas monopoly Gazprom and the British-Canadian company Tethys Petroleum Ltd. If the attempts of the Russian and British-Canadian companies to find gas are unsuccessful, then the right to develop gas fields in Tajikistan could go to the Chinese company.

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The Export-Import Bank of China allocated \$50.5 million for the reconstruction of a road in the Pamir Mountains joining Tajikistan and China. Earlier this year, Tajikistan's debt to the Export-Import Bank of China was \$878.5 million, or more than 41% of its total external debt. With the future \$1 billion loan, China's share in the external debt of Tajikistan would reach 70%. Total external debt by the end of last year was estimated at \$2.1 billion, which equals 33.4% of GDP

Internal affairs

Tajikistan started to prepare for the upcoming November 2013 presidential election. The ruling People's Democratic Party of Tajikistan (PDPT) formed a campaign group to support a candidate of the PDPT in the elections in almost all regions of Tajikistan. PDPT representatives actively network with diasporas and migrant communities outside Tajikistan. Unofficially it was recognized that the presidential candidate from the PDPT would be the current president, Emomali Rahmon. Leaders of other parties did not see the mesh-Canadian company "e of nd gas sector and mours.ocuses on developing anti-cancer drugs particularly for breast cancer to start their campaigns, arguing that the elections would be held in Tajikistan "with no choice." The Islamic Renaissance Party (IRPT) remained silent on this issue. In April, a new movement "Dzhunbishi Milli baroi intihoboti ozod dar soli 2013" ("National Movement for Free Elections in 2013") announced its agenda. In May, the organizers of the movement applied for registration to the justice ministry but the ministry returned the documents for revision.

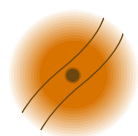
Regarding freedom of speech and expression, President Rahmon proposed turning libel and insult into civil offences. Parliament supported his proposal and abolished Articles 135 and 136 of the Criminal Code of Tajikistan that imply criminal prosecution for libel and insult. This however does not apply to provisions concerning public insults directed at the

president, which is punishable by a fine or two to five years imprisonment. Meanwhile, the Tajik authorities continue to block a number of news websites, a case in point being the popular Internet news website www.news.tj.

The two-year campaign to restrict believers' rights was stepped up. Preparations for the presidential elections in 2013 and the authorities' fear of the "Arab spring" have served to tighten religious policies in Tajikistan.

On 6 June, parliament approved an amendment to the Law "On Administrative Offences" whereby religious organizations of Tajikistan are no longer entitled to establish relations with foreign organizations without government approval. Breaking this law carries a fine of 1,200 to 1,600 Somoni (\$256 - \$342). Faith-based organizations conducting promotional and educational activities in schools or residential areas will be fined up to 2,000 Somoni (\$427). Furthermore, citizens of Tajikistan are not entitled to go abroad to study in religious schools on their own and are only allowed to study in foreign religion universities after completion of their studies at the Islamic Institute in Dushanbe and only after obtaining written permission from the education ministry and the committee on religious affairs. Violation of this law is punishable by a fine of up to 4,000 Somoni (\$850).

The introduction of these amendments unleashed a storm of indignation among believers of different faiths. Human rights activists pointed out that these amendments contradict the Constitution and the law "On Freedom of Conscience and Religious Associations", but the state's intervention in the affairs of religious organizations continues to increase. The state committee for religious affairs and the Islamic Centre proposed that imam-khatibs limit time for memorial sermons at Muslim funerals arguing that long sermons at funerals and memorial services do not comply with Shariah.



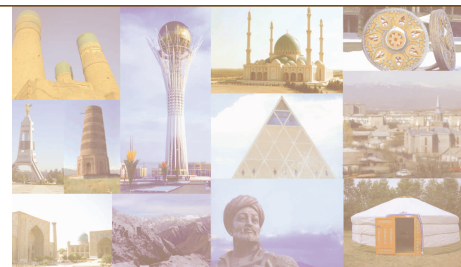
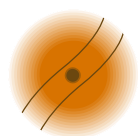
The campaign to establish control over religion involves not only the state committee on religion and the Islamic Centre, but also the Council of Ulem, which has produced detailed instructions regarding religious education curricula limiting the range of issues that can be discussed by imams, withdrawing students from foreign seminaries, tightening regulations of the annual pilgrimage (haj) and forbidding children to pray in mosques. Courts occasionally sentence people suspected of religious extremism to long prison terms. In Sughd region, for example, 17 defendants have been on trial since mid-May accused of membership of the IMU. In April this year the Sughd regional court convicted 34 defendants for membership in the IMU and sentenced them to prison terms of 8 to 28 years. In June, the prosecutor's office in Dushanbe indicted 12 members of Hizb ut-Tahrir, mostly university students. Systematic tax inspections of the Islamic Renaissance Party (IRPT) and the launching of campaigns to discredit well-known clerics in official media have only increased tension in society.

A standoff between the committee of religious affairs and the Turajonzoda family continues. In May and June, Turajonzoda's lawyers appealed to the superior court to challenge a court decision to close the mosque where Turajonzoda used to preach. Currently, the mosque is functioning as quarter mosque, but the Turajonzoda brothers are entitled to preach there. The hereditary leaders of the Qadiriya Sufi order in Tajikistan and well-known theologians, the Turajonzoda brothers are well respected among the Muslims of Tajikistan. Hoji Akbar Turajonzoda was one of the leaders of the United Tajik Opposition during the 1992-1997 civil war. After signing the peace agreement, Turajonzoda served as first deputy prime minister of Tajikistan. He then began to criticize the authorities and in 2010 he lost his status as a senator and his family started having difficulties. In particular, access to the Internet portal of the Turajonzoda family was denied in Tajikistan last year. Later, a cotton factory owned by Hoji Akbar Turajonzoda was set on

fire. Subsequently the Vahdat city court denied the status of mosque to the Muhammadia mosque and then completely shut it down, this being the mosque where the Turajonzoda brothers used to preach. This is clearly an attempt on the part of the authorities to deprive the Turajonzoda brothers of publicity. Previously, every Friday thousands of people congregated at the mosque to listen to the brothers preaching.

On the night of 13 June, the husband of President Rahmon's younger sister, Holmumin Safarov, was killed by what appeared to be professional killers. Holmumin Safarov was 57 years old and had in recent years headed the committee for environmental protection. The President's family did not comment on the incident. The crime is being investigated by a special group consisting of members of the internal affairs ministry and the national security committee. Tajik media discussed possible motives ranging from acts of terrorism and to intrigues of powerful drug barons. The murder took place just before the 15th anniversary of peace in Tajikistan, leading many observers to believe that the crime was political. The Supreme Court began hearing the case of Nizomhona Juraev, a major businessman in Isfara, charged with smuggling, forging documents and evading customs duties. The widespread opinion is nonetheless that Juraev was connected with organized crime leaders and high profile figures. As the investigation continued, several influential officials were arrested and three prosecutors resigned from their positions.

Tajikistan continues to reform the pension system, including transition from a state pension to an accumulation and insurance pension. From now on, each insured person (employee) will rely on a pension that he/she earned during the period of work. The State will pay a basic pension, which relies on age, disability and certain other categories. The size of the pension has yet to be defined.



Foreign and international policy

Major foreign policy events in Tajikistan in the last two months were exhausting negotiations with Russia over the terms of the Russian military base in Tajikistan, Rahmon's visit to China and the anti-terrorist exercises of the armed forces of SCO member states.

On 15 May, President Rahmon participated in an anniversary meeting of the Security Treaty Organization and an informal summit of the CIS member states. During a meeting with Russian President Vladimir Putin, Rahmon expressed his wish for the Russian side to take Tajikistan's national interests into account. From the perspective of the Tajik government, Russia's desire to establish a free military base on the territory of Tajikistan for 49 years is unacceptable. The Tajik government proposed a limit of 10 years for the Russian military base. Dushanbe also would like to secure Russia's support in terms of its increasingly deteriorating relations with Uzbekistan. Agreements were not reached and negotiations regarding the base continue. Joint anti-terrorism military exercises of the Shanghai Cooperation Organization (SCO), the so-called "Peace Mission 2012", took place in the Sughd region from 7-14 June. The exercise was attended by over 2,500 soldiers and officers from China, Kazakhstan, Kyrgyzstan, Russia and Tajikistan, and over 500 combat vehicles and aircraft were involved. Uzbekistan ignored the manoeuvres and refused to allow Kazakhstan to transit military equipment across its territory.

The outcome of the meeting of the Tajik-Kyrgyz intergovernmental commission for integrated study of bilateral cooperation in May in Bishkek was disappointing. Kyrgyzstan may refuse to participate in implementing the international Iran-Afghanistan-Tajikistan-Kyrgyzstan-China (Kashgar-Herat) rail project, which could put Tajikistan in a difficult position. If the project is implemented, it would

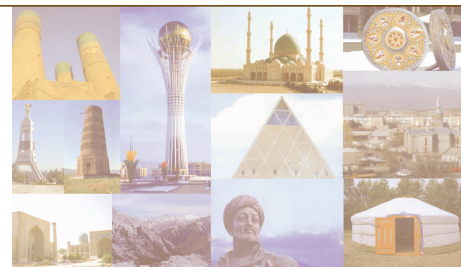
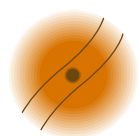
decrease Tajikistan's transport dependence on neighbouring Uzbekistan, which had been blocking movement of trains to Tajikistan. Much more successful was a meeting of the Tajik-Iranian commission for bilateral cooperation. During the meeting in Tehran, Tajikistan and Iran signed five cooperation agreements in various fields.

Relations with the EU

About 125 plastic and reconstructive surgery operations to eliminate defects in maxillofacial pathology were carried out by 14 plastic, eye and ENT surgeons from Germany under the direction of German ENT-surgeon Martin Kamp over a 7-day period on a charitable basis. German surgeons arrived in Tajikistan on a charity mission as part of the project "Assistance to Tajikistan" which kicked off eight years ago.

Economy and business enterprise

The most discussed topic in the business community in Tajikistan over the past two months was a delay in the examination of Rogun hydropower plant. In 2007, in order to attract external funding for construction of Rogun, the Tajik government announced its intention to establish an international consortium of investors. The prerequisites consisted of providing a feasibility study (FS) and an environmental and social impact assessment (ESIA) of hydro facilities and reservoirs on the environment and on social environment. Therefore, the government of Tajikistan in 2007 addressed the World Bank with a request to conduct the ESIA and FS assessment that met international standards. The World Bank responded to the request and provided a loan to carry out the assessments as well as taking part in the selection of consultants. Consulting company Poyry Energy (Switzerland) won the tender. The consultants began work in February-March of 2011. The duration of the research was 18 months. The research was terminated and the World Bank expressed concerns "on the process and methodology of evaluation studies" on



construction of Rogun hydroelectric power, and demanded that the government of Tajikistan "in a proper way solved all open questions." No one knows what these questions are and want the ESIA and FS assessment to continue.

Competition between Tajikistan and Uzbekistan to service Afghanistan's electricity market continues to grow. Uzbek authorities unofficially warned Afghanistan that if they increase the amount of purchased electricity from Tajikistan, during the wintertime Uzbekistan may stop provision of electricity to Afghanistan. Currently, Tajikistan's daily supply to its southern neighbour is 1.4 million kilowatts per hour and it is assumed that these volumes could increase tenfold

Growing exports of electricity to Afghanistan are extremely important for Tajikistan because of falling exports in 2011. Reduced production of aluminium and cotton coupled with the fall in world prices for major export commodities lowered exports from Tajikistan. The population of Tajikistan mainly lives off remittances from migrants and agriculture. The volume of gross agricultural production since the beginning of this year was about \$206 million, 6.9% higher than in the same period of January-April 2011. Growth of potatoes and vegetables increased by 5.7%. In January-April cash income rose 29.8% compared with the same period last year, amounting to over \$1.2 billion. Average monthly nominal wages in April 2012 amounted in 519 Somoni (\$107), decreasing in comparison to March 2012 by 12.4%. The minimum wage is 80 TJS (\$16).

While salaries reduced prices went up. Thus, other than for food and electricity, there was a 4% increase in the price of Internet connection services caused by an implemented 3% excise tax that ISPs in Tajikistan have been obliged to pay since 1 June. According to the statistical agency, as of 1 April this year, the number of Internet users in Tajikistan reached 2.1 million.

In June, traders went on a strike at the central market of Kulyab, a town located in the southern part of the country. The decision to strike was made after rents were raised on the market. According to entrepreneurs, this is the third rate increase in the past six months. In addition, in the last 3 months the cost of retail trade patents doubled.

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