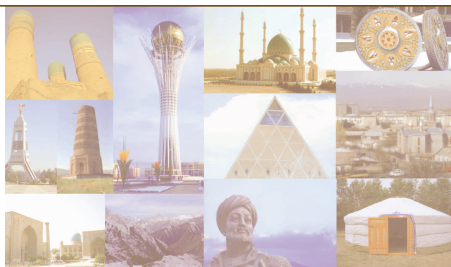


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 TAJIKISTAN

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Bimonthly article

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Highlights

In late July, a previously suspended visit of Russian President Dmitry Medvedev took place in Dushanbe. On 31 July the presidents of Tajikistan and Russia attended the opening of Sangtuda-1 hydropower station and signed a certificate of acceptance. They also signed an agreement on its operation. The construction of Sangtuda-1 HPP on Vakhsh River started in 2005. It is the largest joint Tajik-Russia projects (Russia owns 75% of the shares and Tajikistan 25% of the shares.) The cost of the Russian share of construction amounted to \$680 million. The designed capacity of 670 MW generated by Snagtuda-1 HPP will allow Tajikistan not only to cover all its electricity requirements, but also to export electricity to neighbouring countries in the summer, among which Afghanistan and Pakistan. Not surprisingly, the leaders of Pakistan and Afghanistan, Asif Ali Zardari and Hamid Karzai, also attended the opening of HPP Sangtuda-1. Together with Dmitry Medvedev and Emomali Rahmon they discussed the project to build the mid-South Asian electricity transmission network (CASA-1000) initiated by the World Bank and Asian Development Bank. This network of power transmission lines can transmit power from Tajikistan to Kabul and the north of Pakistan. Another quadripartite meeting of the leaders of Pakistan, Afghanistan, Tajikistan and Russia took place in the framework of the G8 summit in Italy, where it was established that neighbouring countries should be involved in solving the Afghan problem.

During President Medvedev's visit to Tajikistan a number of contentious issues in Tajik-Russian relations were discussed, particularly military cooperation. During these discussions, Medvedev accepted Dushanbe's official requirement for

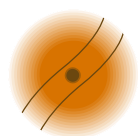
reviewing the format of military cooperation and agreed to pay rent for the stationed Russian 201-th military base (with personnel of about 6,800). In response, Russia will sell weapons to Tajikistan at market prices and train Tajik military at Russian military educational institutions on a paid basis. Russia has hitherto sold weapons to Tajikistan at domestic prices and offered free instruction to Tajik officers at Russian military schools.

The presidents of Russia and Tajikistan also discussed economic issues between the two countries, albeit reaching no common ground as regards continuing cooperation on the construction of Rogun HPP. The subject of the disagreement is the allocation of ownership shares of Rogun HPP. Russia is demanding 51% of the joint enterprise, while Tajikistan is not ready to yield this share of ownership. Currently, the project on the construction of Rogun HPP has no private participants. In 2008 Russia planned to build three mid-size hydropower plants in Tajikistan. However, the construction of these plants was stalled due to opposition from Uzbekistan. Another open question is the price at which Tajikistan can purchase electricity from Sangtuda-1 HPP.

The stumbling block in these discussions was the question of the status of the Russian language in Tajikistan. A week before the arrival of President Medvedev, Emomali Rahmon submitted a draft law «On State language» to parliament. The current language law in the constitution of Tajikistan states that Russian is the language of inter-ethnic communication. Citizens of Tajikistan have the right to interact with state institutions in Russian and Tajik.

Under the new draft law «On State Language of Tajikistan», any interaction with state authorities and administration, enterprises and institutions may

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be conducted in Tajik only. In addition, under the draft law, every citizen of Tajikistan will be required to know the state language.

Today in Tajikistan, about 30 out of 3,000 secondary schools use Russian as their primary language of instruction. Half these schools are located in Dushanbe. The universities also have groups where subjects are taught in Russian. The Russian-Tajik Slavic University located in Tajikistan offers courses for the preparation of teachers of Russian language. Nevertheless, the Russian language programs are reduced every year. Fewer and fewer citizens of Tajikistan know Russian, even despite the presence of almost 1 million migrants working in Russia. The Russian delegation did not address the question of the Russian language and its status as a language of interethnic communication during Medvedev's visit. The prospect of building the railway through Tajikistan to Pakistan raised a greater degree of interest. Interest in constructing the railway was expressed by Pakistan and Russia. Clearly, Tajikistan is the key country in this project. This project and other prospective projects in economic cooperation, energy production, transportation and mining are likely to form the agenda of President Rahmon's long-awaited official visit to Russia.

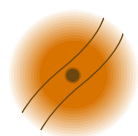
Internal affairs

In July Tajik law enforcement agencies carried out the counter-terrorist operation in Tavildara, 180 km east of Dushanbe. This operation was related to the return from Afghanistan to Tajikistan of a former commander of the United Tajik Opposition (UTO), Mullah Abdullah. His return increased tensions in the region. The former UTO field commanders and their supporters began to join Mullah Abdullah. At first Dushanbe tried to resolve the situation with Mullah Abdullah peacefully and sent a former Minister for Emergency Situations Lieutenant-General Mirzo Zieev to the talks as a mediator. However, Mirzo Zieev not only failed to convince

Mullah Abdullah to leave Tajikistan but joined him. Along with Mullah Abdullah, Mirzo Zieev was a popular figure in Tavildara region, where he was a UTO military commander from 1992 to 1997. However, unlike Mullah Abdullah, Zieev was promoted to the position of the Minister of Emergency Situations after peace accords in 1997 and did much to strengthen President Rahmon's authority. Once President Rahmon had consolidated his position sufficiently, he no longer needed his former supporters and in December 2005 Mirzo Zieev was dismissed from his position as a minister without explanation, after which he devoted himself to farming on his private estate. During the counter-terrorist operation in Tavildara, Mirzo Zieev was killed. A fight with government forces also resulted in the death of Nemat Azizov, the leader of a criminal group operating in Tavildara in recent months. Ultimately then, this operation, which took place over the last three months, resulted in 11 insurgents being killed and 20 insurgents detained. The insurgents who were killed included foreign mercenaries from Russia. During the operation several hideouts containing large numbers of firearms, explosives and ammunition were discovered.

In addition to combating informal armed groups, the government sought ways to cope with the economic crisis. President Rahmon appealed to the farmers and residents of rural areas to take steps towards resolving the economic crisis by preparing a two-year supply of food.

Another notable event in Tajikistan was the heated debate that emerged from the introduction of the course on Islamic studies in secondary schools. Initially, this subject will be taught only in the eighth grade. To prepare teachers for this course, 400 teachers of history and literature are the undergoing appropriate training in Islamic studies at the Dushanbe Pedagogical University.



Foreign and international policy

The most notable event in Tajikistan's foreign policy was the visit of Russian President Medvedev and the first quadripartite meeting of the presidents of Russia, Afghanistan, Pakistan and Tajikistan. Pakistani President Asif Ali Zardari was on an official visit to Tajikistan while the Russian and Afghan presidents were on working visits to Tajikistan. The presidents discussed inter-connection of transportation, communication and energy networks of Russia and Tajikistan with networks of Afghanistan and Pakistan. The presidents expressed the need for further quadripartite economic cooperation in regional trade, hydropower projects, construction of energy transmission facilities and transportation infrastructure, and especially in preparation for the project on the construction of the power line connecting Central and South Asia. Following the meeting, a joint statement was adopted emphasizing concern over the "increasing role of drug trafficking as one of the main sources of financing terrorist activities".

Relations with Pakistan became more firmly-rooted during the meeting of the intergovernmental commission on trade-economic and scientific-technical cooperation between Tajikistan and Pakistan held in Islamabad. The parties signed several bilateral agreements on expanding trade and economic cooperation, including an agreement on favourable terms of trade between the two countries. The parties also agreed to intensify work on the preparation of bilateral documents on cooperation in science and technology, health, culture, transportation and communication.

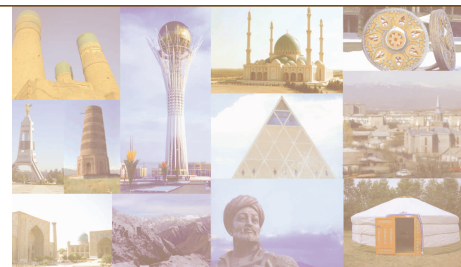
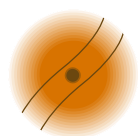
President Rahmon made a working visit to Egypt to attend the NAM summit. In the series of meetings Rahmon met with Prime Minister Manmohan Singh and discussed issues of bilateral cooperation as well as the forthcoming official visit of the President of India to Tajikistan in September of 2009.

Between 31 July and 9 August, military exercises of Central Asian states and USA took place in Dushanbe in the framework of «Regional Cooperation-2009». These exercises were organized by the Ministry of Defence of Tajikistan and the central command of the Armed Forces of the United States. The exercises were attended by the heads of departments of defence and high ranking military officials from five states: the United States, Kazakhstan, Kyrgyzstan, Afghanistan and Tajikistan. One purpose of these exercises was to improve the system of interaction among participating countries in joint search, rescue and counter-terrorism operations.

Relations with the EU and European structures
The OSCE held its third annual preparatory meeting in Tajikistan. At the two-day meeting the subject of discussion was the progress of preparatory work for the annual meeting of the OSCE Human Dimension (HDIM) in September in Warsaw. The meeting was attended by over 100 representatives from government, civil society and international organizations. The meeting was organized by the Ombudsman for Human Rights in Tajikistan in cooperation with the Ministry of Foreign Affairs of Tajikistan, a local non-governmental organization, Human Rights and the Rule of Law Bureau, the Office of the UN High Commissioner for Human Rights and the Danish Institute for Human Rights. At the meeting Ilya Todorovic, who heads the Office of the High Commissioner for Refugees (UNHCR) in Tajikistan, expressed concern about the situation of refugees in Tajikistan. Mr. Todorovic said that UNHCR had appealed to the government of Tajikistan to integrate the refugees who have been residing in Tajikistan for at least 5 years.

Economy and business enterprises

The summer months saw an intensification of the construction of transport projects. A notable event was the completion of a road tunnel under the mountain pass «Shar-Shar» along the Dushanbe -



Nurek - Dangara - Kulyab road, connecting the capital with the southern part of the country. To complete the project, the Chinese Government allocated \$ 40 million to Tajikistan. The main contractor in this project was the Chinese Railway Construction Corporation. The total length of the tunnel is over 2.2 km.

The Export-Import Bank (Eximbank) of China allocated another \$49 million in the form of a loan for the rehabilitation and reconstruction of the Dushanbe - Nurek - Dangara road. The loan will be granted for a period of 20 years at an annual rate of 2% and with a grace period of 5 years. The duration of this road rehabilitation project is estimated to be two years. According to the Ministry of Transport and Communication of Tajikistan, the total cost of the project is \$51.6 million, of which \$2.6 million will be allocated by Tajikistan. This project is the first step in the reconstruction of the Dushanbe - Dangara - Kulyab - Kalayhumb - Khorog - Kulm - Kashgar road, which will connect eastern China with western Tajikistan.

The major challenge for local authorities in this period was to take measures against the negative effects of the global financial and economic crisis. The Asian Development Bank (ADB) decided to allocate a grant of \$40 million to support of a programme designed to alleviate the impact of the financial crisis in Tajikistan. The funds will be allocated directly to the state budget. The ADB funds will be distributed among regions with low income and will cover social security, utility expenses, provision of food, educational institutions, health care, finance training centres for adult education programmes for migrants, and will also cover re-employment costs. This last item in the list of expenses is extremely important for Tajikistan, since labour migrants in Tajikistan are those who have suffered the most from the impact of the global economic crisis. More than 1 million labour migrants from Tajikistan are employed in construction sites in Russia and Kazakhstan, many

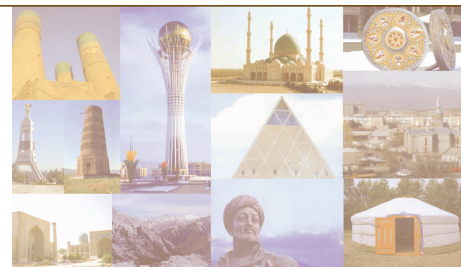
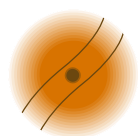
of which have been frozen in the aftermath of the crisis. As a result many workers were laid off and had to return to Tajikistan. According to the National Bank of Tajikistan, in the first half of 2009 the total amount of remittances from migrant workers decreased by 34% (from \$1.06 billion to \$696.6 million) in comparison with the same period last year.

To solve the employment problem of returning migrants, the government is considering the option of exporting labour to the Middle East. During a recent visit to Saudi Arabia, the delegation of the Migration Service of Ministry of Internal Affairs of Tajikistan signed agreements with Saudi officials.

Local authorities are also trying to create domestic jobs. The Ministry of Labour and Employment has contracted about 500 residents in the Khovaling district of the Khatlon region to extract gold in mines in Shugnov. Despite the efforts of local authorities to fully address the problem of employment, it will be impossible to resolve in the near future.

With financial support from the Swiss State Secretariat for Economy, the International Trade Centre (ITC) begins a new technical assistance project in the textile and garment industry in Tajikistan. The project will be implemented in cooperation with the Ministry of Economic Development and Trade and the Ministry of Energy and Industry of Tajikistan. The new project is the third phase of the project «Promotion of trade in Kyrgyzstan and Tajikistan» with a total budget of \$3.66 million, where Tajikistan's share is \$1.5 million. In early August, semi-annual official statistics for the first half of 2009 were published.

Inflation in Tajikistan in January-July 2009 amounted to 3.1%. During the first seven months of this year, food prices rose by 1.9%, the price index for industrial goods rose by 3.5% and the price of paid services increased by 8%. Meanwhile, the National Bank of Tajikistan has revised its annual inflation forecast for 2009 from 13% to 9%.



Starting on 1 August, electricity tariffs increased by 25% as per the decision of the government of Tajikistan. Along with an increase in electricity tariffs, prices of petroleum products, including gasoline, diesel fuel and motor oil, are also expected to go up. Consequently, prices of agricultural produce such as meat and flour products are also likely to rise.

Tajikistan's foreign trade turnover in January-July 2009 amounted to more than \$1.9 billion, which is 31.27% less than last year. The trade deficit is \$907.7 million. The volume of trade with CIS countries is \$884.3 million, representing 46.4% of total foreign trade. The volume of trade with non-CIS countries is \$1.019 billion, representing 53.6% of total foreign trade.

In January-July 2009 Tajikistan received humanitarian aid worth 454.3 million from 37 countries. In the same period last year, Tajikistan received \$58.8 million in aid from 41 countries. The sources of the highest amount of foreign aid are United States - 37.7%, Russia – 15.9%, Kazakhstan - 10.3% and Germany – 8.5%.

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