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 TAJIKISTAN

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Prof. Saodat Olimova*

Highlights

The new law on freedom of conscience and religious communities was enacted on 2 April, sparking strong reactions both within the country and abroad. The law asserts that the Hanafi branch of Islam is the official religious movement in Tajikistan and establishes strict government control over religious activities. The law allows the government to control religious organizations by directly assigning heads of organizations; it introduces government censorship of religious printed materials and prohibits non-sanctioned contacts between local religious organization and foreign religious organizations.

The law further stipulates that the practice of religious rituals can take place only in locations specially designated by the government to this end. In hospitals and prisons, religious rituals may only be practiced with permission from the local authorities. Those who violate this law could face fines.

The law introduces considerable limitations on the registration of non-Muslim religious communities. Previously the government authorities prohibited registration of several Protestant churches and did not permit Muslim women to wear headscarves at schools and universities.

On presenting the draft law in parliament on 5 March, the Minister of Culture Mirzoshohruh Asrori mentioned that it is designed to counter "the newly emerging religious radicalism, nihilism and movements in Islam which are alien to our nation".

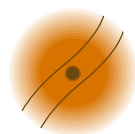
The law attracted a lot of public attention both inside the country and abroad. Secularists criticize the law because it contradicts the constitution of Tajikistan, which establishes that the state is separated from

religion, and that it also contradicts the international norms and conventions that have been signed and ratified by Tajikistan.

A number of Islamic activists, including the heads of the Islamic Renaissance Party of Tajikistan (IRPT), claim that the law severely restricts the constitutional rights of Muslim citizens and that the enactment of the law will "worsen the religious situation" in the country and may encourage "tensions between the state and religion". The enactment of the law also triggered criticism from international organizations. The U.S. mission to the OSCE publicized a statement that mentions that the new law on religion in Tajikistan "endows the state with too much authority in the areas of control over religious activities". According to the temporary plenipotentiary of U.S. at the OSCE council in Vienna, Kyle Scott, the president of Tajikistan has introduced an "extremely restrictive" law with many provisions, which violate Tajikistan's OSCE obligations with respect to freedom of religion and freedom of gathering. He also expressed his hope that the OSCE office would deliver his concerns to officials in Tajikistan.

According to Tajikistan's Ministry of Culture and Information, there are presently about 3,000 mosques operating in the country, of which 259 are Friday mosques. In addition, there are 18 Muslim educational institutions and 85 non-Muslim religious organizations. These non-Muslim groups are comprised of Christians (approximately 150,000), most of whom are Russian Orthodox, Baptists (about 5 communities), Roman Catholics (2 communities), Seventh Day Adventists (1 community), Jehovah's Witnesses (1 community), Lutherans and Korean Protestants including two Song Min churches. Non-Christian religious communities include Baha'is (4 officially registered organizations), Zoroastrians (one

*Deputy Director, Research Center Sharq, Dushanbe.



organization) and Judaists (one organization). The members of these communities mostly reside in the city of Dushanbe. According to some expert estimates, atheists represent roughly 1% of the population.

Internal affairs

The most important events of March-April were the recovery of electricity supply in Tajikistan at the end of April, the continuing return of migrants from Russia and the annual parliamentary address of President Rahmon on 15 April. The President spoke of the effects of the world financial crisis on the domestic economy and mentioned that the fall in demand for aluminium and cotton on world markets has caused foreign exchange to fall in Tajikistan. To overcome the consequences of the financial crisis, President Rahmon urged the government to seek funds abroad and to intensify contacts with international financial institutions. He also expressed the need to improve the effectiveness of fiscal institutions in collecting "all types of taxes and duties". At the same time, as a measure to help small and medium-sized businesses, President Rahmon suggested lowering VAT from 20% to 18% and profit tax from 25% to 15%. He also urged the government to develop a programme geared to reducing administrative barriers and encouraging entrepreneurship.

One of the central topics of the presidential address was the question of Tajikistan's energy independence. President Rahmon stated that Tajikistan should achieve energy independence within the next four years. The foundation of energy independence is expected to be hydropower electric stations (HPES), exploitation of local gas and oil reserves and energy-saving measures. According to the President, in the first quarter of 2009, 15 new mini-HPES's became operational in Tajikistan and the total number of mini-HPES should reach 50 by the end of this year. At the end of May, Sangtuda 1

hydropower electric station should be completed and the construction of Sangtuda 2 HPES by the end of 2011. President Rahmon stated that despite difficulties, "we will construct the Rogun hydropower electric station and prepare for the construction of Nurabad 1, Nurabad 2 and other hydro-power stations on rivers Zaravshan, Panj and Vahsh".

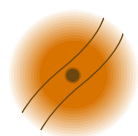
The President also reported that foreign companies are presently exploring 87 prospective sites for gas and oil. "We plan to cover all our needs in gas by the end of this year," he said.

As an energy-saving measure, President Rahmon suggested utilizing only energy-saving light bulbs in Tajikistan.

President Rahmon also covered issues related to unemployment, professional training, education and health care. He stated that in spite of the financial crisis, the state would meet all its obligations in terms of pensions, student stipends, wages to state workers and subsidies.

Questions related to information security occupied an important place in the presidential address. The President mentioned that Tajikistan is currently under informational attack and said "Tajik mass media should serve as a shield against false information, preserve stability and strengthen hope in the good future".

In addition to tighter state control over media and Internet, the broadcasting of the Russian TV channel RTR-Planeta and the Russian radio channel RTR Rossia has been terminated. The official explanation was the absence of an agreement for transmitting these channels in the territory of Tajikistan in 2009. According to the Tajik television and radio broadcasting authorities, the formerly occupied frequencies and equipment of RTR Planeta will be transferred to one of the state Tajik channels.



Therefore not a single Russian channel is presently broadcast in Tajikistan. Nonetheless, 15% of the population have satellite TV and can watch Russian TV channels.

Foreign and international policy

The main aspects of foreign policy in the past two months concern regional water-energy cooperation. At the beginning of March, President Rahmon visited Tehran to participate in the tenth summit of the Organization of Economic Cooperation (OEC)¹.

In his summit speech, President Rahmon suggested speeding up OEC reforms and increasing the organization's effectiveness. He stressed that in times of financial crisis, reliable transportation-transit systems, unified energy systems and the movement of free capital, labour and goods are particularly important issues in the framework of the OEC.

Before the summit, President Rahmon conducted negotiations with the Iranian President Mahmud Ahmadinejad and with Afghan President Hamid Karzai. The presidents discussed the status and perspectives of cooperation among these Persian-speaking countries. Attention was essentially devoted to key projects relative to the development of transport infrastructure and hydro-electricity potential. The presidents also discussed the construction of the power lines between Tajikistan, Afghanistan and Iran, and between Tajikistan, Afghanistan and Pakistan as well as the construction of Dashti Jum hydropower electric station. Military cooperation, security and other current challenges were also discussed.

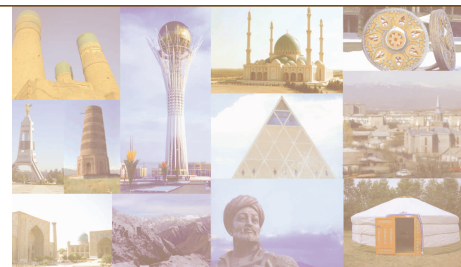
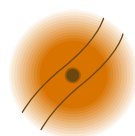
After the OEC summit, President Rahmon held a meeting with the President of Pakistan Asif Ali Zardari. The presidents discussed cooperation in energy production and air transportation, and future cooperation in the industrial sector, agriculture, and

exploration of natural resources, cultural exchanges and tourism.

President Rahmon then flew to Turkey to participate in the Fifth Global Water Forum (16-22 March). He held meetings with the President of Turkey Abdulla Gul and Prime Minister Rejep Erdogan. President Rahmon discussed trade, economic cooperation and issues related to the global financial crisis. The high priority projects for cooperation with Turkey were singled out as the construction of hydropower electric stations and the establishment of joint ventures and infrastructure projects.

At the Fifth Global Water Forum, President Rahmon called on the global community to assist the Central Asian countries in the resolution of water issues. President Rahmon suggested expanding the current capacity of water reservoirs located in upstream areas of Amu-daria and Sir-daria, which could help to "regulate the water flow, produce more electricity and rationally use natural resources".

Water-energy issues are at the root of tensions between Tajikistan and Uzbekistan. The discussion of these issues continued at the summit of International Foundation for the Preservation of the Aral Sea in Alma Ata. Participants at the summit fell into two opposing groups: countries located in upstream areas (Tajikistan and Kyrgyzstan) and those in the down-stream areas (Uzbekistan and Turkmenistan). Kazakhstan -one of the downstream countries- occupied a neutral position. President Kurmanbek Bakiev of Kyrgyzstan and President Rahmon made similar statements defending their rights to construct dams on their territories. President Karimov of Uzbekistan countered by claiming that no dams should be built without the consent of all the countries in the region and that international expertise should be sought before constructing these dams. Karimov also mentioned that the EU, the World Bank and the Asian Development Bank backed his opinion. Indeed, the EU's special representative



for Central Asia Pier Morel had previously expressed an opinion that Central Asian countries should refrain from building large dams in their countries. This statement sparked huge criticism in Tajik mass media.

The confrontation between the two opposing groups at the summit attests to the failure to create a water-energy consortium, which could become a foundation for regional economic cooperation.

The agreement on the Uzbek-Tajik borderline signed on 5 October 2002 in Dushanbe was finally enacted on 24 March. The agreement provides for the start of a process to delimit the contested border areas between Uzbekistan and Tajikistan.

EU relations

A delegation of committees on parliamentary cooperation from the EU headed by Ona Juknevičiune visited Tajikistan. During her meeting with President Rahmon, Mrs. Juknevičiune expressed concerns about the allocation of EU funds for various projects in Tajikistan. In response, President Rahmon informed her of the measures that have been undertaken to reduce corruption and of the laws that have recently been enacted.

One of the major projects financed by the EU is the expansion of access to INTERPOL resources in Central Asia. At the beginning of March, Tajikistan started to implement this project.

Economy and business enterprises

The impact of the world financial crisis became more tangible in March-April. The volume of trade fell drastically, state revenues decreased, and foreign direct investment and remittances shrank significantly. The IMF placed Tajikistan among the 20 poorest countries, which are to suffer from the "third wave" of the world financial crisis.

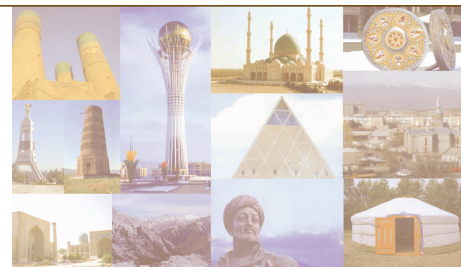
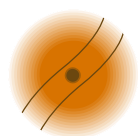
To counter the effects of the world financial crisis, a new programme focusing on fiscal policies has been introduced in Tajikistan. In line with this scheme, the state budget for 2009 has been adjusted, state capital expenditures reduced and others cut down. The state budget may well run up a deficit due to the slowdown in GDP growth to 3% annually coupled with the fall in exports and in remittances by at least 30%. In general, according to the Ministry of Finance the state budget deficit may reach \$60m or 3% of GDP.

In the framework of the three-year programme on poverty reduction and sustainable growth, Tajikistan received a loan of \$116m from the IMF, of which \$39m was forthcoming immediately. Clearly, the IMF loan is designed to enhance stabilization. In line with this programme, the Tajik authorities must strive to maintain a flexible exchange rate, create the foundation for increasing social security expenditure, control the growth of foreign debt and conduct structural reforms in central bank, state enterprises and agriculture.

The European Bank of Reconstruction and Development (EBRD) is also involved in alleviating the consequence of the global financial crisis in Tajikistan. On 3 March, the EBRD Board of Directors approved a transfer of 50m euro to support the banking sector and agriculture in Tajikistan.

According to the National Bank of Tajikistan, on 1 April the country's foreign debt amounted to \$ 1.4 billion, ie, \$180m more than last year.

In the first quarter of this year, the volume of reserves went down by \$23.6m to \$174.96m. According to the Chairman of the National Bank of Tajikistan Sharif Rahimzoda, the fall in reserves was caused by interventions in support of domestic currency and by payment of the last loan of \$16m to the IMF. According to the State Statistical Committee, the monthly rate of inflation is 0.35%. Over the period, the domestic currency (somon) depreciated by 10% with respect to the US dollar.



Another measure to help local producers in the current financial situation was the introduction of an anti-dumping law.

At the same time, the implementation of infrastructure projects has not been stalled. On 19 March, the construction of a new 46-kilometre railroad between Yavan and Vahdad was launched. This railroad is expected to become part of the future railroad connecting Dushanbe and Kurghon-teppa, permitting rail access to the Afghan border.

March and April were also marked by an ongoing scandal in the cotton-growing sector. Auditors from Ernst and Young revealed abuses in the allocation of funds by the National Bank of Tajikistan. They were unable to account for the spending of \$221.5m that had been allocated for the cotton-growing sector in 2001-2007. According to the auditors, the previous chairman of the National Bank Mr. Murodali Alimardon –now deputy prime minister– authorized a transfer of \$859.4m to the private company Kredit-Invest, which used these funds for commercial purposes. Mr. Alimardon denies his involvement in the diversion of these funds. Neither state authorities nor the IMF have commented on these findings. Nevertheless, the state authorities have admitted that the main problem in the banking sector is defaults and non-payment of loans to cotton-growing enterprises.

The cotton-growing sector is facing losses because of low productivity and the fall in world process for cotton. According to the Ministry of Finance, only a third of the state loan has been repaid and interest on only 32% of loans refunded. This year the state is allocating another \$47m, 30% of which will be divided among several banks.

Some experts believe that despite the direct financing of the cotton-growing sector through banks, it is impossible to revitalize the cotton-growing sector. These same experts believe the cotton-growing sector

requires structural reforms. Currently, farmers cannot freely grow or sell cotton, since there is no cotton market, no ownership of land and many administrative barriers to contend with

¹ Tajikistan has been an OEC member since 1992. Iran, Pakistan and Turkey established the OEC in 1985. In November 1992, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan and Afghanistan became members of the OEC. OEC headquarters are located in Tehran.

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