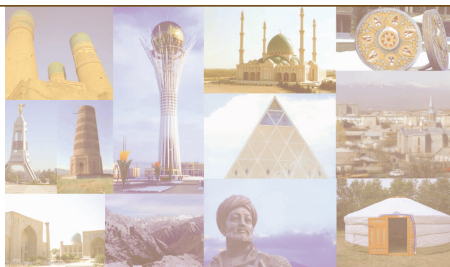


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MAY 2012

 TAJIKISTAN

 MARCH-APRIL 2012

Bimonthly article

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Highlights

The highlight of the spring was a sharp aggravation in confrontations between Tajikistan and Uzbekistan, starting in late March with Uzbekistan's decision to cease gas supplies to Tajikistan despite the January contract to supply 200 million cubic meters of gas to the country. Uzbekistan ascribed this decision to a requirement to fulfil obligations to supply gas to China. Tajikistan pointed out that Uzbekistan produces 200 million cubic meters of gas per day, but Tashkent said nothing in response.

On 2 April gas supplies were stopped. Tajikistan does not have other suppliers. The largest enterprise in the Republic, the Tajik Aluminium Company (Talco) consumes 45-50 million cubic meters of gas per year (1/4 of the Uzbek import), and is still without fuel. The only plant of this kind in Central Asia and one of the largest in the CIS, Talco has a project capacity of 517,000 tons per year and provides up to 60% of Tajik exports. Its stoppage could have a devastating impact on Tajikistan.

Tajikistan's attempts to find alternative routes for gas supplies have not been successful thus far. Construction of a gas pipeline from Iran, discussed at the 25 March meeting by President Rahmon, Iranian President Mahmoud Ahmadinejad and Hamid Karzai of Afghanistan, takes time. In addition, the pipeline must pass through the territory of Afghanistan, whose future after the withdrawal of NATO troops will be difficult to predict. Importing gas from Turkmenistan is a much more realistic prospect, but while Turkmenistan has agreed to sell gas to Tajikistan, Uzbekistan is blocking transit of gas through its territory.

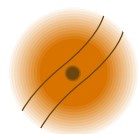
At the same time, the already tense situation concerning rail transport worsened. Since 4 March Uzbekistan has virtually stopped trains into Tajikistan and in late March began to dismantle railways in the Khatlon area. According to the transport ministry, 130 rail cars with goods for southern Tajikistan and northern Afghanistan have been marooned in Uzbekistan.

In early April, confrontations between the two countries moved to diplomatic level. On 3 April the embassy of Tajikistan in Russia issued a sharp statement on Tajik-Uzbek relations, accusing Tashkent of deliberately trying to destabilize the socio-political situation in Tajikistan. The statement expands on all the problems that have been exacerbated in recent years in terms of bilateral relations: the transport blockade of the southern and central regions of Tajikistan, Tashkent's reluctance to eliminate land mines along the Tajik-Uzbek border, a number of claims on Tajik property (areas, power lines, railroad base) and parts of the border, as well as the blockade of the transit of gas and electricity from Turkmenistan. From an official perspective, Uzbek actions are contrary to international law and the UN's efforts to meet the Millennium Development Goals.

On 3 April Tashkent hosted a session of the National Security Council under its President, Islam Karimov. According to official data, there were discussions of the "threats and security challenges in Uzbekistan and in the region, as well as measures to neutralize these threats." Some sources say that this was an emergency meeting devoted to the recent sharpening of relations with Tajikistan.

On 4 April, the foreign affairs ministry published the response from Uzbek prime minister Shavkat Mirziyoev to the prime minister of Tajikistan Akil

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Akilov. Tajikistan says the letter contains harsh and unjustified objections to the country's claims.

On 13 April, the Tajik service of Radio Liberty (Ozodi) reported that Uzbekistan had concentrated heavy armoured vehicles and troops on the border with Tajikistan, near the town of Sardob. Tajik sources suggested that Tashkent is taking advantage of a desperate situation to try and wrest ownership of Farkhad hydroelectric dam from Dushanbe. The dam is located on the territory of Tajikistan whereas the hydro-plant itself is on Uzbek territory. On the same day a meeting of representatives of power structures of Tajikistan and Uzbekistan took place in Sughd. Relations between the two countries remained tense throughout April.

Internal affairs

On Friday 20 April, President Rahmon made his annual address to parliament. In his message the President announced the country's achievements over the past few years and outlined prospects for domestic, foreign, economic and social policy. He highlighted the three goals Tajikistan has set itself: achieving energy independence, ensuring food security and taking the country out of communication isolation. President Rahmon noted that poverty was reduced from 81% in 1999 to 42% in 2012 and expressed confidence that this trend will continue. He also said that the minimum pension from 1 September will be increased and equated to 150 Somoni (\$31), and 380,000 people will receive higher pensions. He also promised to increase the minimum wage and to increase student stipends to \$41.

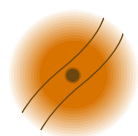
The President paid special attention to the banking sector. He urged the population to keep their money in banks and said that the State guarantees the security of deposits. Rahmon also raised the issue of an over-bloated bureaucracy, pointing to the need to reduce the number of structural units of ministries and departments.

On the subject of foreign policy, the President noted that Russia is still Tajikistan's main partner. He also noted the dynamically developing relations with China. On the topic of the 'gas crisis', the President noted that regardless of the past he is looking forward to cooperation with Uzbekistan. "Countries in the region are close to us from every point of view, we have a common history, life and traditions," he said.

A Gallup poll shows that 56% of respondents in Tajikistan believe the local press to be free as opposed to 26% who consider it oppressed. The survey showed that in comparison with neighbouring countries, the press in Tajikistan has more liberty in the way it approaches and sheds light on certain issues, but that freedom of speech in Tajikistan continues to be threatened. This positive attitude on the part of over half the population stems from the existence of an independent press which, unlike state-run media, demonstrates greater courage.

Foreign and international policy

The most important event in the international arena in the last two months was a large-scale celebration of the Iranian New Year (March 21-22). During the holiday week several important events were staged with the participation of more than 50 countries. On 24 March Dushanbe held a meeting of the heads of state of Tajikistan, Pakistan, Iran and Afghanistan. The leaders discussed a wide range of issues regarding regional cooperation in policies, security, fight against modern threats, investment, trade and economic cooperation. President Rahmon highlighted the development of cooperation among countries in the region in recent years and its impact on international politics, insisting that Tajikistan, Pakistan, Iran and Afghanistan should expand cooperation in order to create modern electric power transmission systems, construct roads, railways and new hydropower stations in Tajikistan capable of producing low-cost electricity for importing to neighbouring countries. He also stressed the need to construct a new railway



linking China, Kyrgyzstan, Tajikistan and Afghanistan, with future access to Iran and Pakistan. To meet these challenges President Rahmon proposed creating a cooperation forum of the four countries to develop relations in the fields of economy, trade, culture and security.

On March 25 the leaders of Tajikistan, Iran and Afghanistan signed a memorandum on the construction of railway lines and oil, gas, electricity and water transportation lines. The three leaders agreed to establish a special commission to oversee these projects. The first meeting will take place in Tehran, two months after the signing of the Memorandum. The Islamic Development Bank (IDB) plans to finance the construction of the Iran - Central Asia railway connection designed to provide the countries in the Central Asian region access to Persian Gulf ports as well as the Turkish railway network. The summit of Persian-speaking countries was so successful that it shook the scepticism of some experts regarding the feasibility of an alliance among these three countries.

A day later, on 26 March Dushanbe hosted the fifth conference of regional economic cooperation on Afghanistan (RECCA). The participants agreed on the need to implement a series of sweeping administrative reforms and cross-border economic initiatives, including enhanced customs procedures and the signing of a regional transit agreement to advance regional economic integration. Participants at the conference also recognized that corruption, bureaucracy and security risks on both sides of the border continue to be an obstacle to maximising economic benefits.

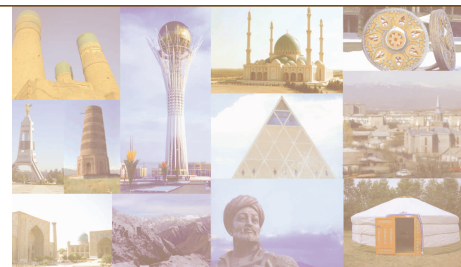
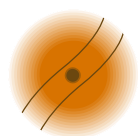
Representatives of Afghanistan made a number of proposals for promoting trade and implementing joint projects with the Central Asian countries. President Rahmon proposed the creation of a multidisciplinary professional and technical training centre in Dushanbe for preparing specialists for the

Afghan economy. He stressed that the reconstruction of irrigation systems in Afghanistan and the building of a network of hydroelectric plants and water reservoirs in both countries as sources of water and cheap energy are the major factors for the development of fallow land and revival of agriculture in Afghanistan.

U.S. officials promoted their initiative for regional cooperation. The "New Silk Road" initiative provides for the transformation of Afghanistan into one of the key centres of trade between the countries of Central and South Asia. "Rich natural resources of the region, new trade agreements and a developing network of transport and energy routes emphasize a promising economic potential of an integration process of South and Central Asia," said the chief U.S. representative at the conference, Assistant Secretary on Central and South Asia Robert Blake.

The conference proceedings were complicated by the political demarche of the U.S. delegation which left the hall during a speech given by Iranian President Ahmadinejad, who urged NATO forces to leave Afghanistan immediately. Speaking at a press conference afterwards, Blake said, "We were disappointed that President Ahmadinejad used his opportunity to speak at the regional integration conference and lashed into U.S. and its NATO partners. He attacked our policy in Afghanistan. We decided to leave the hall as a protest." In response to reporters' questions on how the U.S. and Europe can conduct programmes for the regional integration of Central Asia and South Asia without the participation of Iran, Blake urged all countries in the region to avoid trade relations with the government of Iran. In response to this statement, the Tajik authorities announced that they would continue cooperation with Iran within the framework of previous agreements.

Another important foreign policy event was the visit of the Russian foreign affairs minister Sergei Lavrov



on 24 April. Talks between President Rahmon and the Russian minister focused on the presence of Russian military bases in Tajikistan, the use of the Aini airfield and the repayment of the Sangtuda-1 debt. The Russians insist on signing an agreement on the presence of Russian bases with a contingent of more than 7.000 troops for 49 years at no cost. Tajikistan, on the other hand, wants to be paid rent for these Russian bases as well as their shorter-term presence in the country. The duration of the agreement providing for three military garrisons near Dushanbe, Kulyab and Kurgan-Tube concludes in 2014. However, experts claim that the parties are unlikely to reach an agreement in the near future that takes Tajikistan's interests into account. The outcome of the Russian minister's visit to Tajikistan shows that negotiations between these two strategic partners regarding the military base have met with varying degrees of success on both sides. However, the principle agreement concerning the extension of the presence of the Russian base in Tajikistan was reached. Lavrov also said that in the future, Tajikistan and Russia intend to sign two bilateral agreements on economic cooperation and labour migration. This is the first visit of a senior representative of Russian authorities to Tajikistan since last year's diplomatic spat between Moscow and Dushanbe.

Economy and business enterprise

March brought unusually cold weather and heavy snowfalls. Roads were full of snow and transport was interrupted in many parts of the country. Livestock began to fall. A sharp decrease in the inflow of Vakhsh River, whose waters fills the reservoir of Nurek hydroelectric plant, led to a tightening of limited power supply. In March power supply was reduced to 1.5-2 hours a day. In some remote areas, settlements were completely cut off from electricity. All these factors led to a reduction in the work of industrial enterprises. The annual deficit of electricity in Tajikistan is estimated to be 3-4 billion kilowatt-

hours. In order to reduce the deficit, Tajikistan attempted to finish the giant Rogun hydroelectric plant with a capacity of 3.6 GigaWatt, but neighbouring Uzbekistan is against this project. In 2011 Tajikistan produced 16.22 billion kWh of electricity, which is 1.2% less than a year earlier. In January and February 2012 there was a 2.5% decline in the production of electricity in the country compared to the first two months of 2011. April stands out for three unpleasant events: an increase in export duties on petroleum products, complete stop of gas supplies from Uzbekistan and growing electricity consumption. Termination of the gas supply led to a reduction in the volume of industrial production, including the stoppage of the biggest cement plant and a reduction of production at the aluminium plant TALCO by 20%. On 26 April flows of Uzbek gas to Tajikistan resumed, marking the start of the activities of the cement plant in Dushanbe. At the same time, many factories switched to coal in northern Tajikistan. Increases in export duties led to a rapid growth of contraband fuel from Kyrgyzstan, where fuel is supplied from Russia duty-free in exchange for the free presence of a Russian military base in Kant.

The U.S. Agency for International Development (USAID) together with the Aga Khan Foundation in close collaboration with a company PamirEnergy signed an agreement to facilitate cross-border electricity trade between Tajikistan and Afghanistan. Within the framework of the project "Regional energy security, efficiency and trade" (RESET), USAID will provide \$785,000 in addition to the \$140,000 allocated by the Aga Khan Foundation for the project to expand PamirEnergy power grids across the border from Tajikistan to Afghanistan. Electricity will be supplied to residents of Shugnan district of Badakhshan province in Afghanistan.

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