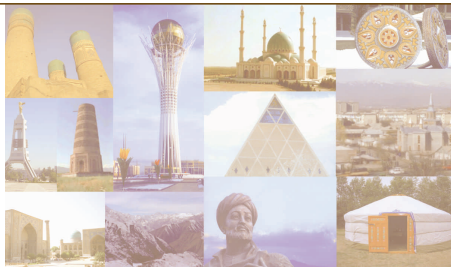


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CASA ASIA



TAJIKISTAN



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Highlights

The main event in the past two months was a routine discussion of relations between Tajikistan and Russia, which resulted in the visit of President Rahmon to Moscow in October 2009. Discussions, consultations and talks preceding this visit focused on the following issues: cooperation in the sphere of energy, disputes about the terms of presence of the Russian 201st military base in Tajikistan and the problem of completing the construction of Rogun HPP.

Tajik authorities are not happy with the present status of Tajik-Russian cooperation in the field of energy. In particular, their discontent concerns the slow rate of realization of Russian projects in Tajikistan such as the construction of three small hydropower electric stations and a geological survey of natural gas on Tajik territory. During President Rahmon's visit to Moscow, these claims were settled. Along with other issues, the agreement reached included the following: creation of a joint venture for the geological survey and the establishment of the "Rosneft" retail chain for selling oil products.

Moscow, in turn, had its own claims to settle with Dushanbe concerning the final estimation of the cost of Sangtuda HPP. The Russian authorities were also concerned about Tajikistan's ownership share of Sangtuda, which is 25% plus one stock. During the talks, these problems were solved. The issue of the construction of Rogun HPP was waived from the list of discussion topics. The problem with Rogun is that the Russian authorities agreed to participate in construction of Rogun only under the following condition: Tajikistan has to remove the legal ban (passed in February 2009) on the privatization of Rogun HP, Nurek H and Tajik Aluminum Company.

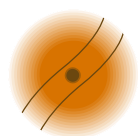
During the talks, the disputes over the presence of the Russian 201st military base in Tajikistan were also settled. Before Rahmon's visit to Russia, there were rumours that Tajikistan planned to charge Russia \$300 million a year for the presence of its military base in Tajikistan. Currently, Russia does not pay anything.

Experts say that by raising the question about the Russian military base on its territory, Tajikistan was drawing on the experience of neighbouring Kyrgyzstan. Kyrgyzstan made Russia pay for its military base by referring to the US, which pays rent for its Manas military base located on Kyrgyz territory. Furthermore, by receiving money for Russian military base, Tajik authorities want to obtain guarantees of military assistance from Russia in the event of internal instability in Tajikistan.

However, during Rahmon's visit to Moscow the parties agreed to postpone the issue of payment for the Russian military base until 2014, when the current agreement regulating the status of Russian military bases expires. Currently, Russia is interested in maintaining its military presence in Tajikistan. President Rahmon, in turn, is also interested in Russian military presence in Tajikistan because it ensures the stability of the current political regime in the country.

Another result of the talks between presidents Rahmon and Medvedev was the promise from the Tajik side to support Russian language in Tajikistan and reinstate broadcasting of Russian TV channels. This issue is especially relevant now because of the new law "On the State Language," which was passed on 5 November, whereby all Tajik citizens must know the Tajik language. Courts and other state institutions will have to switch to Tajik in the near future.

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Moreover, all commercial and public advertisements have to be presented in Tajik only. Violators of the law face high fines.

Internal affairs

There are concerns about the growing presence of religious extremist groups in Tajikistan, mainly in connection with the activities of Islamic militants from the Islamic Movement of Uzbekistan who arrived in Northern Afghanistan from the Afghan-Pakistani border region, later crossing the Afghan-Tajik border to station themselves on Tajik territory. On 15 October, special services of Tajikistan and Kyrgyzstan conducted an operation to discover and apprehend militants entering Kyrgyzstan from Tajik territory, during which four militants from the Islamic Movement of Uzbekistan were killed in the city of Isfara and one of them arrested. Currently, some particular areas along the Tajik-Kyrgyz border are being blocked. So far, 28 members of the Islamic Movement of Uzbekistan have already been arrested. In preparation for the possibility of armed conflicts with the militants, CSTO Collective Forces implemented operational tactical exercises.

Another notable event was the construction of the Ismaili Centre in Dushanbe for Tajik Ismailis, the followers of the Ismaili branch of Islam. This construction was financed by the Aga Khan Foundation and cost more than \$20.5 million. Another notable and controversial event was the introduction of a special uniform for teachers and university professors.

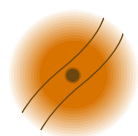
Foreign and international policy

On 8 September, the president of India Pratibha Patil made an official visit to Dushanbe. Mrs. Patil held a meeting with President Rahmon and took part in the Tajik-Indian business forum. At the opening of the forum, President Rahmon named India as one of the strategic partners in the region.

Rahmon urged Indian businessmen to invest in the Tajik energy sector. Indian businessmen, in turn, demonstrated readiness to cooperate with Tajikistan by implementing joint energy projects, expanding trade, establishing small and medium-sized businesses and cooperating in agriculture. The following impediments to cooperation were also discussed: the lack of direct air and railway communication between Tajikistan and India, differences between Tajik and Indian legislation regulating economic spheres, and difficulties and safety issues concerning transportation through Pakistan and Afghanistan.

Relations between Tajikistan and China are relatively intensive and stable. In the framework of the 18th International Trade Fair in Urumqi, China, talks concerning the implementation of energy projects in Tajikistan took place between the head of Tajik Chamber of Commerce Sharif Said and representatives of Chinese energy companies Gojan and Xuannen. The Chinese corporation *Tebian Electric Apparatus Stock Co (TBEA)* is constructing a high-voltage south-north line with capacity of 500 kW. Also, TBEA is preparing to build a thermoelectric power station with capacity of 270 MW.

The active search for investors and partners in the field of energy in Tajikistan is explained by the need to achieve energy independence from other countries, particularly Uzbekistan which presently supplies about 600 million kilowatt-hours every autumn-winter season. In exchange, Tajikistan supplies Uzbekistan with 900 million kilowatt-hours in summer. Uzbekistan generally stops supplying energy when disputes with Tajikistan arise. As a result, Tajik people do not have enough electricity in autumn and winter. To avoid the shortage of electricity this year, President Rahmon visited Turkmenistan. During the talks with Turkmen President Gurbanguly Berdimuhamedov, agreements to purchase electrical energy from Turkmenistan in winter were completed. So vital was this visit to Turkmenistan for President



Rahmon that he did not attend the CIS summit in Kishinev, which took place at the same time.

The operation of Sangtuda-1 HPP, the energy agreement with Turkmenistan and the agreement with Uzbekistan to allow the transit of energy from Turkmenistan allowed Tajik officials to announce that Tajikistan no longer depends on Uzbek supplies of electricity. However, most experts are sceptical about this claim concerning energy independence from Uzbekistan, arguing that northern regions of Tajikistan are still connected to Uzbek energy networks.

The deepening of cooperation with NATO in the field of security is another important issue in Tajikistan's current international agenda. At the end of October, the commander-in-chief of American military forces in Afghanistan, General David Petraeus, visited Dushanbe. General Petraeus, President Rahmon and Tajik defence minister Serali Hairulloev discussed anti-drug efforts, antiterrorism measures and border security arrangements in the context of the current situation in Pakistan and Afghanistan. General Petraeus announced the arrival of American special military forces in Tajikistan next year. He also thanked Tajikistan for its help in the anti-terrorist campaign in Afghanistan, which includes permission for air and land transportation of cargo from the U.S. military base in Kyrgyzstan to Afghanistan through Tajik territory and support for French and Spanish partners. Transit through Tajikistan is part of the northern supply route, which passes through Central Asian countries and helps diversify supply routes to northern Afghanistan.

About 100 French and Spanish troops left Kyrgyz Manas military base in October. Sixty Spanish troops were relocated from Bishkek to the Afghan city of Herat and 30 French troops with military equipment were relocated to Dushanbe International Airport where the French airborne unit is already stationed. Another notable event was the Tajik-German

symposium of law enforcement agencies from both countries. The goal of this symposium was to set up an information exchange system between EU and Central Asian countries as well as Afghanistan and Pakistan.

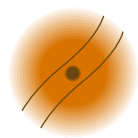
The visit of the Swiss Minister of International Affairs Michelin Calmi-Rey to Tajikistan was another significant event. The Swiss authorities promised to resolve the disputes between Tajikistan, Kyrgyzstan and Uzbekistan concerning the issue of water supply. Switzerland is going to use its own experience in solving this problem. Switzerland will also broaden its activities in representing Tajikistan in such international organizations as the World Bank, IMF and WTO.

The traditional European Culture Week was the main cultural event in October, during which demonstrations of European cinema, concerts and exhibitions took place.

Economy and business enterprises

Tajikistan is being affected by the global financial crisis. In January–August 2009 Tajikistan's GDP was \$2.7 billion, 1.8% less than in the previous year. Foreign trade turnover fell 30.6% in the last eight months to \$2.2 billion, mainly on account of the decrease of exports of main Tajik commodities such as aluminium and cotton. In the period January–August 2009, the export of aluminium from Tajikistan decreased by 55.36% in comparison to the previous year. According to data provided by the Tajik Aluminium Company (TALCO), in January–August 2008, exports of Tajik aluminium reached \$782.1 million, whereas in January–August 2009, the figure was \$349.1 million. The share of aluminium in total exports from Tajikistan decreased from 74.7% last year to 58.2% in January–September 2009.

The decrease in aluminium exports can be ascribed to lower demand for metals and the subsequent fall



of metal prices on world markets. The status of cotton exports can be explained in similar terms. The main consequence of the financial crisis, however, has been the decrease in remittances from Tajik labour migrants, who have been significantly affected by the global recession. Many workers lost jobs because of the slowdown in the manufacturing and construction sectors in Russia. Some migrant workers stayed in Russia and accepted lower wages and worsening working conditions while others returned to Tajikistan, engendering a substantial reduction in the amount of remittances. According to the data provided by the National Bank of Tajikistan, in the period January–September 2009, remittances amounted to \$1.36 billion, 35.3% less than in the previous year.

To solve the problem of employment for returning migrants, the Tajik government is attempting to create job opportunities within the country. In some regions, former migrants are given land for agricultural production. In Hovaling region, 500 former migrants were employed at Shugnov gold minefield. However, unemployment continues to increase despite government initiatives. To remedy the situation, the Migration Service of the Ministry of Interior of Tajikistan and officials of Saudi Arabia signed a memorandum on the export of Tajik labour migrants to Saudi Arabia.

The financial crisis -and especially the fall in remittances- is having an extremely negative impact on the wellbeing of the population in Tajikistan. According to FAO and WHO data, 400,000 people in rural areas of the country are in danger of starvation this winter. The only positive factors that can help Tajik peasants this year are the relatively high wheat yield and the help of international organizations. According to the State Committee of Statistics of Tajikistan, 39 countries offered aid to Tajikistan in January–September 2009. The biggest share of aid was offered by USA (35.5%), Russia (16.6%), Latvia (11.3%), Kazakhstan (8.9%) and Germany (7.7%).

Despite the recession, joint infrastructure projects with China have not been interrupted. In recent months, the construction of the 2.2 kilometre tunnel under the Shar-Shar pass on the road connecting Dushanbe, Nurek, Dangara and Kulab has been completed. This road connects Dushanbe with southern Tajikistan. The Chinese government offered about \$40 million for the construction of this road. The Chinese Railroad Building Company is the general contractor for this project. Moreover, the Chinese Export-Import Bank issued a \$49 million loan for implementing the reconstruction of the road connecting Dushanbe, Nurek and Dangara. This is a 20-year loan with a 2% interest rate. Construction is supposed to be completed in two years. The total cost of the project is \$51.6 million. Tajikistan's share in this project is \$2.6 million. This is the first stage of the reconstruction of the road connecting Dushanbe, Dangara, Kulab, Kalaihumb, Horog, Kulma and Kashgar (China). This road will connect eastern China with western Tajikistan.

Economic ties with EU countries

Relations with Poland become more intensive. Tajikistan and Poland signed an agreement on economic cooperation, one of the goals of which is to increase turnover between the two countries. Tajikistan exports textiles, non-precious metals and other products to Poland, while Poland exports food, machinery, equipment and chemical products to Tajikistan. At the beginning of October, the representative office of the Latvian Trastakomerbanka (TKB) was opened in Tajikistan.

It is the first European bank in Tajikistan. TKB plans to help Latvian businessmen in exploring the new market for their products and services.

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