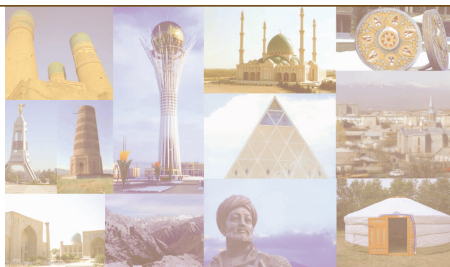


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TAJIKISTAN



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Bimonthly article

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Highlights

The main event in November and December 2008 was the return of seasonal migrant workers from the countries of reception. The scale of migration and remittances in Tajikistan was unprecedented both in terms of size and economic impact. Remittances constitute more than one third of all export revenues and finance more than 70% of the country's trade deficit. According to the information from the World Bank, in 2008 remittances constituted 56% of GDP. Every year in early winter Tajik seasonal migrants return home to spend winter there. The number of migrants is about 500,000, 73% of all Tajik migrants. But this year many Tajik migrants were dismissed because of the financial crisis, with many businesses being closed. Thus, many Tajik non-seasonal workers returned home along with Tajik seasonal migrants from Kazakhstan and Russia. Many workers did not receive dismissal pay because they had been working illegally. In addition, many workers did not even receive their salaries for the last few months of work. However, competition for jobs was perhaps the main problem for Tajik migrants working in Russia and Kazakhstan. This competition, along with the protectionist policies of the Russian government caused increased xenophobia and hatred toward migrants.

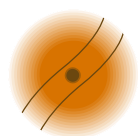
One of the recent crimes perpetrated by Russian nationalists was the brutal murder of 2 young Tajik workers in Moscow on December 6. The accident triggered a sharp response from the government and media in Tajikistan. The Tajik Foreign Ministry sent a note of protest to Russia's Ministry of Foreign Affairs. The note stated that 600 citizens of Tajikistan had perished in Russia and that 80 of them had

been killed by members of nationalist groups. A few days later, a conflict between the Russian Embassy in Tajikistan and the Tajik media was sparked. Five publications accused Russian leaders of connivance with nationalists. On 18 December, the weekly *Millat* printed a photo on the front-page showing Russian president Vladimir Putin, the Nazi swastika and skinheads. The article was entitled "Putin speaks, skinheads act, Tajiks are dying. The Government of Tajikistan must take action." The newspaper *Ozodagon* published an article headed "Tajik heads are cut", and an issue of *Tojikiston* showed a photo of a man in clothes with Nazi symbols and with the caption, "Russian". On 24 December, the Russian embassy in Tajikistan sent a note of protest to the Tajik Foreign Ministry. The note contained a requirement for action to be taken against local newspapers that had published «misleading information and incorrect remarks» about Russian leaders and their political trajectory. The Tajik media has continued with a lively discussion of migration and xenophobia in Russia.

Internal affairs

By the end of the year, political activities had taken a back seat. The social situation was stable. Tajikistan is a rural country where 73% of the population lives in rural areas and 56% of the labour force is employed in agriculture. Therefore, the main events of this period were the harvesting and processing of crops (cotton, fruits, vegetables, potatoes), and the return of seasonal migrant workers. Preparations for winter were also important in this period. This year, mountain passes closed earlier than usual owed to heavy snowfalls, making many parts of the country inaccessible by land transport until April or May 2009.

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As in previous years, the supply of electricity was restricted. In villages, electricity was available for 4–6 hours a day, and in cities for 10–12 hours a day. In the capital Dushanbe, the supply of electricity was unrestricted.

Despite difficulties with transport, electricity and heating, winter is a safe period for most Tajik people. The harvest has been gathered, migrants have brought in money and families have stored up food for winter. Prices of petrol and staple food items, such as wheat flour, went down. According to the State Statistical Committee (Goskomstat), at the end of November the basket for actual consumption cost 89.6 somoni (\$26) for each family member per month, \$3 less than in October.

One of the most noticeable events was the pilgrimage to Mecca. Over 5,200 citizens of Tajikistan visited Mecca for religious holidays. Tajik people also celebrated one of two Muslim holidays, *Idi Qurbon* (6 December).

The Majlisi Oli -lower house of Parliament- adopted a budget for 2009 almost without any debate. The expenditure side of the budget is estimated to be 6–8 million somoni (\$1.764 million). The main items of expenditure are public administration, education, and payment of pensions, benefits and insurance, government support for energy, transport, agriculture and industry.

The public did not discuss the announcement of Tajikistan's inclusion in the list of authoritarian states, along with Uzbekistan and Turkmenistan. This information from *The Economist Intelligence Unit* was reported by all the main newspapers in Tajikistan. Neither did people take practically any notice of the conclusion of the scandalous litigation between the state aluminium company TALCO and its former partner Ansol. According to TALCO, the payment to the law firm that represented TALCO in the British court was 56 million dollars.

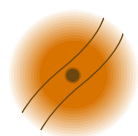
The second scandal of the year, concerning the delivery of inaccurate information by the Tajik government to the IMF, also came to an end, with the public paying no attention to this story either. On 5 November, following a meeting between the head of the IMF mission to Tajikistan, Axel Schimmelpfennig, and President Emomali Rakhmon, a statement was issued to the effect that a lot had been done to restore the shattered confidence of the IMF and that the credits, which had been given in a context characterized by rule breaking, had been returned to the Fund.

The fight against drugs. From 18–24 November, Tajik law enforcement agencies conducted the second phase of a preventive operation to combat illegal drug trafficking «Channel-2008». During this phase, 26 drug trafficking crimes were disclosed and 184 kilograms of drugs seized.

Foreign and international policy

In the last months of the year, relations between Tajikistan and the EU expanded significantly. Implementation of the EU strategy for Central Asia has already produced tangible results. There was a particularly intensive spate of political dialogue at bilateral and regional level between the EU and Tajikistan. The first meeting in the framework of the Dialogue on Human Rights between Tajikistan and the EU took place on 31 October in Dushanbe. On this occasion, the following issues were discussed, among others: national framework for the protection of human rights, judicial reform, human rights monitoring mechanisms and national institutions for the protection of human rights.

On 24 November, a European Commission delegation arrived in Dushanbe for a visit that included a meeting of the Joint Committee of the European Union and Tajikistan, which covered issues concerning the development of cooperation between Tajikistan and the EU. The discussions included the implementation



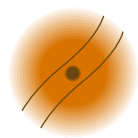
of EU strategy in Tajikistan. The priority areas of EU–Tajik cooperation are social protection, health, private sector development, public financial management and poverty reduction. At the meeting of the Joint EU-Tajikistan Commission, issues such as border management, human rights and democracy, and the development of small and medium-sized businesses were discussed. The visit of the EC delegation was timed to take place in “European Week” in Dushanbe. The objectives of this visit were to promote intercultural dialogue and tolerance as well as expanding information on relations between the EU and Central Asia. A number of events were staged in the context of this European Week, among which: a concert of European and Tajik folk music «Folk *Falak*», an exhibition called «The original copy», showing interpretations of famous European masterpieces, and a film festival of European film directors. A conference titled «The EU Strategy for Central Asia and its priorities in Tajikistan» also took place during that week. The conference concluded that Tajikistan would receive 66 million euro in technical assistance projects and grants from the funds allocated by the EU to Central Asian States in the period from 2007 to 2010 to implement the new EU Strategy for Central Asia.

On 4 December, the EC and the Government of Tajikistan signed the second financial arrangement for the amount of 14 million euro to support Tajik government reforms in the field of social protection. This arrangement complements the first financial agreement for the amount of 9 million euro, which was signed by the parties in January 2008. This programme is expected to contribute to the effectiveness of state budget expenditure in the social sector through improved financial management and accountability. It will also help to establish a modern and sustainable system of social protection and a reliable system of statistical standards in the social field.

In the closing months of 2008, active engagement between Tajikistan and Russia continued. The inter-governmental commission on economic cooperation between Tajikistan and Russia discussed issues of military-technical cooperation. The Tajik-Russian joint working group discussed the question of Russia’s participation in the construction of the Rogun hydroelectric power plant. While there is an understanding in the political-military sphere, economic cooperation is a much trickier issue. Despite the successful construction of Sangtuda 1 Hydroelectric power plant (Sangtuda HPP-1) by the Russian company RAO EES, the agreement on the construction of the Rogun power plant with Russia has not been forthcoming. The construction of the Rogun hydroelectric power station requires about \$3-4 billion.

In November, relations with neighbouring Uzbekistan deteriorated further. On 27 November, Uzbekistan unilaterally closed all the checkpoints on the Tajik-Uzbek border and stopped the flow of people, vehicles and goods between two countries. In mid-December, some checkpoints opened up. At the same time, however, the Uzbek authorities have raised the rate of customs duty for Tajik trucks. They also halved gas supplies to Tajikistan and stopped the transit of electricity from Turkmenistan to Tajikistan.

Another notable event this same month was the International Conference «Central Asia and Afghanistan: Challenges, Opportunities and Prospects», which was held in Dushanbe on 11 November and attended by government officials, experts from research centres in Central Asia, the United States, NATO, OSCE, EU, European Commission, UNHCR, the UN Office for Drug Control and Crime, and Partnership for Peace. The conference discussed the situation in Afghanistan, its impact on the countries of Central Asia, the role of the Central Asian states in the reconstruction of Afghanistan, and the role of NATO forces in Afghanistan.



Economy and business enterprises

Acute energy shortages are commonplace in winter in Tajikistan. In November, the lack of electricity meant that 262 companies (33%) were unable to operate. The Tajik Aluminium Company TALCO cut aluminium production by 10%. An important event was therefore the start-up of the 3rd unit of Sangtuda HPP-1 in November. But this did not solve the energy shortage problem. Sangtuda HPP-1 is located on the Vakhsh River, 120 kilometres southeast of Dushanbe. The designed capacity is 2.7 billion kilowatt / hour per year. The planned height of the dam is 76 meters. The estimated project cost is \$ 482 million. The first unit started to operate in January this year. Sangtuda HPP-1 hydroelectric power plant is a joint Tajik-Russian facility, with Russia holding a 75% stake and Tajikistan the other 25%.

The implementation of infrastructure projects has continued. In addition to the construction of roads, bridges and tunnels, the Asian Development Bank (ADB) initiated the preparation of an investment project to rehabilitate the highway linking Dushanbe, central Tajikistan, and Uzbekistan and Turkmenistan. This is the third part of the transport corridor linking Russia, the Middle East and South Asia.

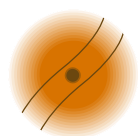
The cotton season ended in Tajikistan in the second half of December, with 349,022 tons of cotton being collected, the equivalent of one-third of the volume of cotton produced by Tajikistan during the Soviet period. The drop in cotton production cannot only be ascribed to declining world prices for cotton, but also to the lack of interest of farmers in farming this crop. Farmers are not entitled to sell cotton and have run up heavy debts with futures firms, which had been giving credits to farmers to finance their logistical expenses at higher interest rates, while purchasing cotton from them at low prices for the past 15 years. The farmers' total debt exceeds \$600

million. This year the Tajik authorities have introduced a new system of financing through cotton-growing commercial bank lending. However, interest rates on these loans are so high that the farmers have refused to grow cotton.

In the closing months of 2008, transfers from migrants continued to take place, but the volume of remittances through banks decreased by one third. Because of the decline of confidence in the banking system, returning seasonal migrants prefer to carry their remittances in cash. According to information from the National Bank of Tajikistan, the amount of remittances to Tajikistan in January-November 2008 amounted to \$ 2.47 billion, \$ 874 million or 55% more than last year.

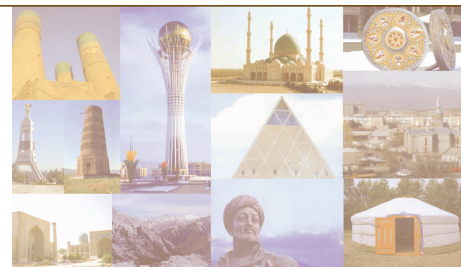
There is a growing concern about the impact of the global financial crisis on Tajikistan's economy. While the economic situation is satisfactory and economic growth continues, the first signs of the impact of the global financial crisis nonetheless showed themselves at the end of the year. The amount of remittances shrank, aggregate demand fell and the volume of foreign trade decreased. The volume of foreign trade was affected not only by the fall in international prices of major export commodities from Tajikistan (cotton and aluminium), but also by a decline in international prices for imported fuel and food.

The Government of Tajikistan has decided to establish a stabilization fund from additional budget revenues in 2008. In mid-December, at a meeting of the Advisory Board, President Emomali Rakhmon spoke of the urgent need to improve the investment climate in Tajikistan. He also announced a plan to develop a programme headed "180 days of reform." The programme should improve the investment climate in Tajikistan, stimulating the private sector and entrepreneurship in general, besides attracting foreign and domestic investment. In general, it is expected to lead to the creation of new jobs in the country.



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In addition, much attention was paid to the idea of establishing and developing international development institutions within the framework of existing regional groupings. For example, in November, a new joint-stock company called «Private Equity Fund in Kazakhstan and Tajikistan» was established. Furthermore, Tajikistan has applied for membership of the Eurasian Development Bank. The country has also been actively involved in the creation of inter-state development institutions in the framework of the Shanghai Cooperation Organization.

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