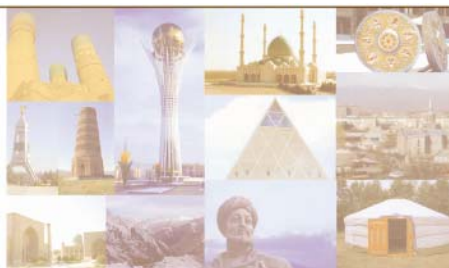




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TAJIKISTAN

SEPTEMBER-OCTOBER REPORT

November 2012

Bimonthly Article

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Highlights

The main event of the fall was President Vladimir Putin's visit to Tajikistan and negotiations about the Russian military base (the former 201st Russian Division). During Putin's visit on 5 October, the parties signed an agreement on the status and conditions of the military base in Tajikistan. The parties agreed to a Russian military presence until 2042 with subsequent prolongation at each negotiation time for the next five years. The agreement was concluded on favourable terms for Russia: there are no rental payments for the location of the military base, and the military and their families will enjoy "immunity from the jurisdiction of the authorities of Tajikistan." In turn, Russia has pledged to provide technical support and rearmament of Tajikistan.

The parties also signed another agreement for the provision of assistance to the Agency for Drug Control under President Rahmon in the fight against illicit traffic in narcotic drugs, psychotropic substances and precursors. Under this agreement, Russia will provide the agency with \$ 5 million and train specialists in Russian training centres.

In exchange for extending the presence of the Russian military base for the next 30 years, Russia has promised not to charge export tax on oil products supplied to Tajikistan, to participate in the construction of medium-sized hydropower plants and assist in improving the conditions of migrant workers (extension of the work permit for migrants from Tajikistan from one to three years). These promises have all been stated in the text of four memorandums: memorandums on cooperation between the defence ministries of Russia and Tajikistan and the industry and energy ministry on the conditions of the supply of petroleum products, a memorandum

on cooperation in the energy sector and a memorandum on cooperation in the field of migration.

Experts believe that the agreements benefit Tajikistan from a security perspective. This is particularly important in the context of the U.S. military withdrawal from Afghanistan. According to experts, all other promises are irrelevant. Tajikistan has already redirected over half its oil product imports to countries other than Russia. However, since there are prospects for restricting legislation in migration in Russia in 2013, the extension of work permits for Tajik migrants should fundamentally improve the situation of Tajik migrants. With respect to Russian participation in the construction of small and medium hydropower plants, experts believe that the construction of small and average hydropower stations does not solve the problem of winter energy shortages since these small plants do not operate in winter due to reduced water flow in the glacial rivers of Tajikistan. Hence, experts believe that the major outcome of these negotiations lies in Russia's tacit promise to support the current political regime in Tajikistan.

Internal Affairs

Independence Day celebrations took place on 9 September. Ten days later, President Rahmon made a two-day trip to the Badakhshan where he visited several regional centres and took part in the opening of schools, office buildings and bank branches. In the centre of Khorog, the capital of Badakhshan, the president participated in the celebrations of the opening of the garment factory, the beginning of the construction of the Khorog border guard station and



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the initiation of the reconstruction of water supply for the city of Khorog. The president also met with government officials and local activists. Conversations took place in the city park and lasted four hours. President Rahmon outlined his views on the operation of security forces in the city two months ago for the purpose of neutralizing organized criminal groups. Khorog residents officially welcomed the president and thanked him for his services to the people of Badakhshan.

Additional troops were deployed in Badakhshan to ensure the president's safety on the eve of his visit, which was of great political significance insofar as it showed that the opposition's resistance has been broken and the President controls the entire country. Experts nonetheless believe that the situation remains unstable.

Shortly before Independence Day, a big fire broke out in Korvon, Dushanbe, the largest wholesale market in Tajikistan, doubtless stemming from the conflict between market bosses. An area of over 8,000 square metres was damaged by the fire resulting in the death of three people, the destruction of 2,550 shops, and extensive damage to local businesses. The market traders whose shops were burnt organized a protest march in Dushanbe, held a public meeting and demanded an inquiry to establish the true cause of the fire and bring those responsible to justice. Following a meeting between traders and the mayor of Dushanbe, the general prosecutor of Tajikistan opened a criminal investigation.

In September, the price of flour and bread continued to increase, while the prices of other products have not changed. From the end of July to October, the cost of flour and bread rose by almost a third. The rise in prices was caused by poor harvests in Kazakhstan – the main exporter of grain and bread to Tajikistan. In this regard, the authorities increased the sale of flour at fixed prices. President Rahmon urged the population of Tajikistan to build two years' worth of food and fuel reserves.

Greater youth control

The education ministry's decision to limit the participation of students in seminars, training and conferences organized by international organizations

has received wide publicity and public discussion. The ministry sent a letter to university rectors in Tajikistan recommending that they ban students from attending extra-curricular training sessions and workshops.

Because of these restrictions several international organizations have already faced problems in terms of carrying out their activities and have had to cancel them. For example, in October, the German Academic Exchange Service (DAAD) could not hold scheduled meetings with university students in Sughd province. In 2012, DAAD scholarships were awarded to 58 Tajik nationals, mostly students, graduate students and researchers.

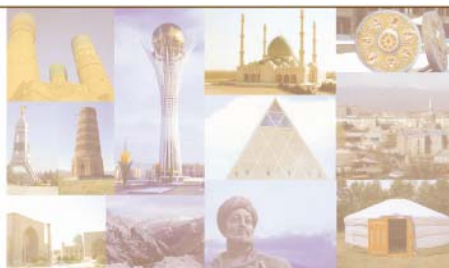
Local community organizations have faced similar challenges. In late October, a court ordered a Young Lawyers Association called Amparo to close down after it was charged with holding illegal seminars and workshops at schools and universities. Human Rights Watch qualified this decision as politically motivated because Amparo's activities focus on increasing legal literacy and protecting the rights of military conscripts, and also because Amparo has publicly denounced cases of torture and abuse in the military on multiple occasions. Experts believe that the new prohibitions are connected with the presidential elections to be held in 2013.

State officials continue to tighten controls of religious organizations. In southern Tajikistan, for example, local officials banned Millennium, a public organization for promoting Christianity.

The confrontation between the Islamic Renaissance Party (IRP) and state officials is still underway. In response to the general prosecutor's charge against IRP in August this year, the IRP revealed a series of government documents directly outlining measures aimed at limiting its influence among the population.

Foreign and International Policy

President Rahmon made an official visit to India early September. After meeting with the Tajik president, Indian prime minister Manmohan Singh said the two countries would make efforts to convert their relations into a strategic cooperation. During the visit, the parties signed six cooperation documents. On the eve of Rahmon's visit, The Times of India mentioned



that the parties would discuss issues of cooperation on the use of Ayni military airfield. Although this particular topic was not discussed, the warm welcome extended to President Rahmon is probably a sign that Indian officials wish to expand their country's presence in Central Asia. In return, Tajikistan is interested in establishing economic cooperation in the spheres of industrial production, production of electrical appliances and textiles.

During his visit, President Rahmon also visited India's Silicon Valley in Bangalore and discussed prospects of cooperation with Indian business representatives.

After stopping off at Ashgabat and Tashkent, U.S. General William Fraser, commander of Transportation Command (USTRANSCOM), visited Dushanbe on 21-22 October as part of his Central Asian tour. General Fraser expressed U.S. interest in the use of Tajikistan's territory for the transit of its troops. Washington is concerned about the unreliability of the Pakistani route and wants to develop a Russian-Central Asian Northern Distribution Network (NDN) of cargo to Afghanistan via Uzbekistan, Tajikistan and the Caspian Sea. This question is at the forefront of the agenda again after Putin's visit to Tajikistan and the signing of military agreements between Moscow and Dushanbe and Bishkek.

EU Relations

A conference "The European Union and the Government of the Republic of Tajikistan: partnership in the implementation of the reform of public financial management" took place on 17 October in Dushanbe. The participants discussed the results of the projects implemented within the framework of the EU in the field of public financial management in Tajikistan and developed recommendations for the future. The participants also discussed the development of a professional financial education system and research in the area of public financial management in Tajikistan. The conference was attended by representatives of the European Union, the government of Tajikistan, parliamentarians, academics and experts, and representatives of the diplomatic corps.

In the last ten days of October, a traditional European Week took place in Tajikistan with the usual series of concerts, workshops, lectures, and demonstrations of European films.

Economy and Business Enterprise

The report of the Statistical Agency of the CIS countries points to the strong growth of Tajikistan's GDP (7.4%) in the first half of 2012. The main driver of the country's economic growth in recent years has been the consumer sphere - trade, construction and services, in turn highly dependent on remittances. Industrial growth was 12%, driven by the growth in textile production, clothing industry and food industry. In recent months, the growth in metal production has resumed.

Experts point at the risks for the economy, with short-term risks including substantial foreign debt payments, which could have a certain pressure on the state budget. The weakness of the banking sector and a significant level of non-performing assets in the banking system represent another risk for the economy. In the medium to long term, the main risks are lack of diversification in terms of exports and significant economic dependence on imports.

Seasonal electricity shortages represent a negative factor in terms of economic development. On 7 October, restrictions were imposed for electricity consumption in various regions of Tajikistan. Simultaneously, the export of electricity to Afghanistan was stopped as well.

Notable events in the past two months include the adoption of the new Tax Code, effective as of 1 January 2013, and the amendments in the system of social benefits, particularly the reduction of social benefits for temporarily disabled workers who will now only receive 70% of their payment instead of 100% as before.

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