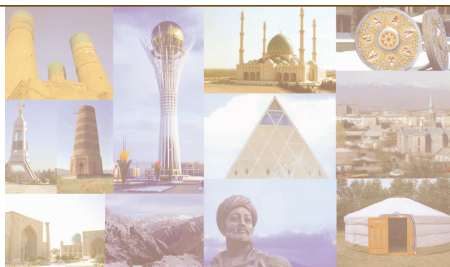


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TAJIKISTAN

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Highlights

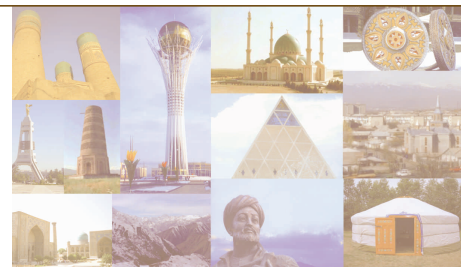
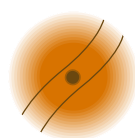
Several important events were held from 26-29 August in Dushanbe, among which the official visit of the Chinese President, the Shanghai Cooperation Organization (SCO) summit, the official visit of the President of Russia, the meeting of presidents of Persian-speaking countries (Tajikistan, Iran and Afghanistan). Russia and the crisis in the Caucasus were the focus of the SCO summit. The members of the summit made a neutral and laconic assessment of developments in the Caucasus, duly reflected in the Dushanbe Declaration. During the bilateral meetings, SCO leaders nonetheless expressed support for Russia's actions in the Caucasus. The summit members found themselves in a complicated situation owing to the host of similar unresolved problems in SCO member states and to the various configurations of foreign policy and foreign economic relations.

Since the conclusion of the SCO summit, Tajikistan has entered a complex diplomatic and geopolitical arena. The growing alienation of Russia and the West (USA and the European Union) put Tajikistan in the difficult position of having to make a new choice between Moscow and other countries. Tajikistan's "multi-directional" foreign policy clashed with the need to demonstrate loyalty to Russia. This is especially important in the light of Tajikistan's status as a member of the Collective Security Treaty Organization (CSTO) along with Russia, Belarus, Armenia, Kazakhstan, Uzbekistan and Kyrgyzstan. At the same time, the SCO summit and subsequent and related events have shown that the SCO has been actively developing economic cooperation in an attempt to oust the European Union and the United States from Tajikistan.

Internal affairs

An important event in this respect was the celebration of Tajikistan's seventeenth anniversary of independence on 8 September. Several other events were scheduled to coincide with this celebration, notably the International Symposium «Rudaki and the World of Culture» to commemorate the 1150th anniversary of the birth of the classic Tajik-Persian poet Abuabdullo Rudaki. The speech by President Rakhmon on Independence Day included new provisions, ideas and terminology. For instance, contrary to previous official rhetoric, President Rahmon spoke about the relationship between Islam and national culture. He attempted to resolve the contradiction between Islam and nationalism by combining Islam and nationalism in the framework of the traditional Hanafi branch of Islam, which has received the status of state religion. The President stated that «for many centuries, Tajiks have been making a significant contribution to the establishment and development of Islamic civilization and culture. Deep familiarity with the history of Islam is impossible without examining and assessing the special role of Tajiks in this process». The President stressed that it was fundamentally wrong to separate Islam from the national culture and national culture from Islam. The presidential declaration in support of Hanafi Islam and the idea of declaring 2009 the Year of Imam Abuhanifa Numan ibn Sabit raised acute interest. According to President Rakhmon, «it is due to the efforts of the Grand Imam that the Tajik language was given the special status of the language of worship among believers, and the status of the second language of the inhabitants of paradise». These statements by the President have become a signal to adjust the religious policy of the state, indicating that Tajikistan has entered a period of post-secularism. These declarations were immediately

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endorsed by the Party of Islamic Revival of Tajikistan (PIRT), which proclaims exactly the same interpretation of the relationship between Islam and nationalism. While it is difficult to say how these presidential declarations will be implemented in reality, the statements made by the President demonstrate significant changes in state ideology.

The anti-drug effort

From 16-22 September, «Kanal-2008», the annual preventive operation to combat illegal drug trafficking, took place. According to the Anti-Drug Agency, law enforcement agencies and border troops in Tajikistan identified 38 crimes related to smuggling and drug trafficking. In the course of «Kanal-2008», over 953 kilograms of narcotics were seized.

Foreign and international policy

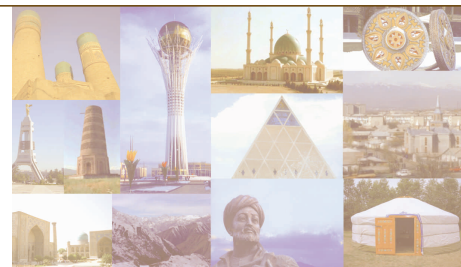
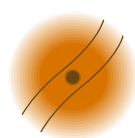
The Republic of Tajikistan is implementing its so-called “multi-directional” foreign policy, aimed at establishing and maintaining good and mutually beneficial relations with various countries. Nevertheless, relations with Russia have traditionally been the priority. Therefore, the visit of the Russian President Dmitry Medvedev on 29 August 2008 was a significant event in foreign political life in Tajikistan. On the one hand, the visit breathed new life into Tajik-Russian relations, on the other, it exacerbated existing differences and contradictions.

During the visit, President Medvedev signed six documents aimed at promoting bilateral trade, economic and cultural cooperation. The signed agreements concern cooperation in agriculture and the strengthening of cultural links. Medvedev and Rahmon signed a memorandum on cooperation in the implementation of new energy projects in Tajikistan: the parties have agreed to construct three new hydro power stations on the inland rivers of Tajikistan and to allow the participation of Russian companies in the completion of the Rogun

hydroelectric power station as well as to launch exploration work in the field of energy commodities, gas and uranium. The Russian companies Gazprom, Rosatom and Inter RAO EES are expected to participate in these projects.

The most complex project involving Russian participation is the construction of the Rogun hydroelectric power station, with projected power output of 3600 megawatts. Russia began negotiating its participation in the construction of the power station in 1994. In 2004 an agreement to complete its construction was reached between RUSAL of Russia and the Tajik government. However, the agreement was accompanied by numerous tensions concerning the type of dam projected, its height, the size of each participant's share in the project and the assessed cost of construction. Finally, the Tajik government annulled the 2007 agreement with RUSAL. Consultations on Russia's participation in the completion of the project have since resumed, following President Medvedev's visit to Tajikistan.

Security and military cooperation is another important aspect of Tajik-Russian relations. Russia and Tajikistan have traditionally enjoyed a high level of political and military cooperation. Recent events have shown that Russia is beginning to play an increasingly prominent role in world affairs. The military conflict in Georgia and the financial crisis in America attest to the changes that have taken place in terms of the distribution of power in the world, particularly in Eurasia. With regard to Tajikistan, this change has primarily been mirrored in the strengthening of Russian military presence in Tajikistan. Thus, during President Medvedev's visit to the country, an agreement on the joint use of Aini military airport in Hissar was reached. The main goal of Russian squadrons at the Aini airfield will be to support operations launched from Russian military bases, including its base in Tajikistan. In addition, the military and technical upgrade forecast at the Russian military base in Tajikistan (former 201 rifles



division) will result in the Tajik National army receiving the old armaments of the Russian military base, estimated at \$1 billion. The allocation of these weapons to Tajikistan is expected to significantly strengthen its armed forces.

EU relations

In addition to Russia and China, the EU plays a very active role in Tajikistan. Interaction with the EU has been very productive in the framework of financial cooperation, as stipulated in the EU Strategy for 2007-2013. This strategy specifies three main priorities: effective governance and economic reform, poverty reduction and regional cooperation. Tajikistan is also cooperating with the EU in projects related to combating terrorism, extremism, organized crime, drug trafficking and proliferation of WMD, and in addressing environmental problems. Intensive work is being conducted in the field of border management.

On 17-18 September 2008, the first Security Forum «The European Union - Central Asia» took place. The forum focused on the following topics: politico-military threats, drug trafficking and border management, energy security and environment. All these issues tie in with the new concept of cooperative security. One of the first activities planned to take place after the forum was the government-supported conference «Border management and combating illicit drug trafficking in Central Asia», which was held in Dushanbe on 21-22 October 2008. Participants at the conference included representatives of governments of the Central Asian republics and the EU, the European Commission, OSCE, OONODS, UNDP, France, Germany and Finland. The goal of the conference was to define measures aimed at helping the countries of Central Asia to strengthen their institutional commitments in regional cooperation and to establish mechanisms for coordination.

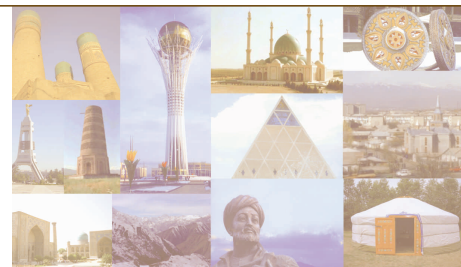
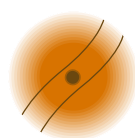
On 20 October, the opening ceremony of the OSCE Office in Tajikistan took place in Dushanbe. Although an OSCE office had already been functioning for many years, the new OSCE office was given a mandate to facilitate cooperation in the field of monitoring state borders, migration, media development and other issues.

Economy and business enterprises

Tajikistan has been experiencing positive economic growth for a number of years. GDP for January-September 2008 exceeded \$3.6 billion, representing a 7.2% increase over the same period last year in relative prices. According to the State Statistical Committee, GDP breaks down as follows: production 43.6%, services 43.8% and taxes 12.6%.

Construction of major infrastructure projects is scheduled, among which LEP-500 «South-North» and LEP-220 «Lolazor-Khatlon» in the Khatlon region, the construction of transit transport corridors, tunnels and bridges. In early October, the third phase of the road rehabilitation project (Dushanbe – Kyrgyzstan border) was launched. This project is being financed with soft loans issued by Asian Development Bank.

Ongoing construction projects are under way at Rogun hydroelectric power station, the Sangtuda-1 hydroelectric power station (with Russia) and Sangtuda-2 (with Iran). However, despite the growth in GDP, rising food and fuel prices combined with inflation have adversely affected the welfare of the population. According to the State Statistical Committee, prices of food products have increased 14.5%, the index for non-food products is up 4.4% and the cost of paid services has risen 21.2% since the beginning of the year. Monthly inflation rates in the consumer sector are estimated at 1.41%. In October, then, the average consumer residing in Tajikistan was estimated to spend about \$30 on food per month.



Tajikistan's foreign trade turnover in the period January-September 2008 amounted to \$ 3.54 billion, 24% (\$685.4 million) more than in the same period last year. According to the State Statistical Committee, total trade balance was a negative, amounting to \$1.25 billion. Tajikistan maintained foreign trade relations with 92 countries around the world. The trade deficit with the CIS countries amounted to \$1.19 billion. Trade with non-CIS foreign countries showed a surplus of \$51.9 million. Over the reported period, exports came to \$1.14 billion and imports to \$2.39 billion. The following CIS countries are major trading partners in foreign trade: Russia (\$864.1 million), Kazakhstan (\$206.5 million) and Uzbekistan (\$174.8 million). Non-CIS major trading partner countries are Turkey (\$454.6 million), the Netherlands (\$417 million) and China (\$ 315.6 million).

In September, the World Bank report “Doing business in Tajikistan and Business Climate” was issued in Tajikistan. According to the report, Tajikistan has dropped three positions, ranking 159th among 181 countries with the worst conditions for running businesses. The worsening of the business climate in Tajikistan was attributed to further complication of administrative regulation. The time needed to obtain a construction permit, for example, has increased to 160 days. The report shows that the business environment is suffering from the effects of overly complicated registration procedures, a complex tax system and high taxes, and very high corruption levels.

The world financial crisis has not had a direct impact on the financial system in Tajikistan due to the poor integration of the national financial sector in the global financial system.

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