

BTI 2010 | Tajikistan Country Report

Status Index	1-10	3.42	# 118 of 128	
Democracy	1-10	3.67	# 103 of 128	➔
Market Economy	1-10	3.18	# 120 of 128	⬇
Management Index	1-10	2.97	# 115 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	6.7	HDI	0.69	GDP p.c.	\$	1756
Pop. growth	% p.a.	1.5	HDI rank of 182	127	Gini Index		33.6
Life expectancy	years	67	UN Education Index	0.90	Poverty ²	%	50.8
Urban population	%	26.4	Gender equality ¹	-	Aid per capita	\$	32.8

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

Executive Summary

During the period between 2007 and 2009, the situation in Tajikistan deteriorated from one of relative stability and modest development to one of great uncertainty. Tajikistan has been badly affected by factors beyond its control, such: as an unusually harsh 2007/2008 winter, which triggered an energy crisis; the adverse policies of Uzbekistan, its regional neighbor; and the impact of the global financial crisis on Russia and Kazakhstan, where the bulk of the country's labor force works. Furthermore, the government took ill-calculated steps that contributed to a deepening of the crisis.

Until recently, the leadership successfully managed to maintain a secular state in a religiously active society, but in 2007 it launched policies to restrict religious life. It alienated the mainstream Muslim constituency by closing mosques and humiliating clergy members by introducing state-sponsored exams for imams. It also mismanaged relations with major investors, who left the country; and, since its business reputation has suffered, no alternatives have been found. Ongoing legal proceedings in a London court involving the Tajik Aluminium Plant (TALCO), one of the most expensive cases in legal history, have brought international notoriety to the country, which spends state funds on foreign lawyers during an acute humanitarian crisis.

Domestic events have also plunged. The government has become less inclusive, with key figures being nominated from the president's own entourage. Profitable Uzbek-owned businesses have been overtaken, leaving the Uzbek minority alienated. Security incidents along the civil war dividing lines have taken place, although they have been limited. At the same time, protests over social and economic hardship have grown more powerful. Communication between the rulers and the ruled has broken down.

Instead of pursuing a long-term development agenda, the government operates in a crisis-management mode. Currently, it awaits a large-scale return of labor migrants, who may evolve into an explosive force. So far, the leadership has pulled through, balancing on the brink of a disaster, mostly because no viable political contenders are visible. This cannot continue. There are many discontented, but it is unclear who will capitalize on the protest mood.

History and Characteristics of Transformation

Tajikistan is the poorest among the Soviet successor states and has a population of 7.2 million (2008). After the collapse of the Soviet Union in 1991, Tajikistan descended into five years of civil war, from 1992 to 1997. The total amount of dead is unknown, and no official figures exist. The estimates range from between 50,000 to 100,000 dead, mostly among the civilian population. Some 500,000 people were displaced internally, while 200,000 fled to the CIS countries and another 70,000 to Afghanistan.

A wide range of mainly domestic but also external factors led to the outbreak of civil war in 1992. The breakup of the Soviet Union triggered power struggles that were fought between various factions with changing alliances. The war started as a clash of ideologies: Soviet secularism versus Islamism, democracy/liberalism versus the ancien regime. It soon became apparent that the main fault lines between these factions were tensions between lowlanders and highlanders, especially those who were resettled into the lowlands to cultivate cotton. The beginning of the war was fraught with several competing sub-factions and warlords. The Tajik government, supported by the People's Front of Tajikistan (PF) drew its support from the southeastern Kulob region and the central region of Hissar. Opposition groups and fractions had strongholds in the southwestern Qurghonteppa region, where the war started, as well as in the Gharm region and in Mountainous Badakhshan (known by its Russian abbreviation, GBAO). These two latter territories, one of which borders on Afghanistan (GBAO), became the key support bases for the United Tajik Opposition (UTO) when it came into being in 1993.

In 1997, after eight rounds of negotiation under U.N. and Russian mediation, the government and the UTO signed peace accords and created the National Reconciliation Commission to supervise the development of the peace process. The commission's last meeting was held in 2000, and elections to the new bicameral parliament were held in March, formally bringing the peace process to a successful end. Tajikistan is among the few post-conflict countries that have transitioned quickly from war to internal stability and have formed a functioning government. However, when regime stability was re-established after the war, democracy was not really on the agenda.

Although still the poorest of the CIS countries, burdened with failing infrastructure, crumbling health and education systems, and weak institutions, Tajikistan has managed to recover economically since the war. By 2000, the government had liberalized the exchange rate, prices and trade, reformed the financial sector and privatized many lands and small enterprises. After 2000, the economy demonstrated strong growth, averaging 10% annual growth between 2001 and 2004, which slowed down to 6% in 2005. External debt was cut in half, and poverty was reduced from 83% of the population in 1999 to 64% in 2003. However, while this growth is partly the result of structural reforms and recovery in capacity utilization, it was also aided by favorable world prices for aluminum and cotton as well as increasing remittances from Tajik migrants in Russia.

Since 2000, President Emomali Rahmon has secured regime stability – but with diminishing concern for democratic norms. Neither the parliamentary elections (1999, 2005) nor the presidential elections (2000, 2006) can be described as free and fair. The referendum of 2003, which approved the president's petition to extend the terms of office to seven years and allow another two terms for the incumbent, is also dubious. In the first years after the peace accords, Rahmon pursued a strategy of co-opting key opposition figures into senior appointments and opening the spoils of power to them. The grip on individual opposition leaders gradually tightened; some fled but were later extradited from other countries and brought back to Tajikistan before a court on charges of corruption or treason. The same fate befell the president's most loyal supporters, as they also fell from grace and power. As a result, potential rivals for power have been marginalized. Politics in Tajikistan are heavily dependent upon patronage networks and personal loyalty. Governance is often exercised through informal channels. Civil society is weak and hardly existent beyond the capital city and some other major towns, such as Khujand, the capital of Sughd Province. Village communities are of some importance in local decision-making but do not play a crucial political role. Nevertheless, the institutional façade for democracy and market reforms is maintained.

The international community tolerates the regime's authoritarian style, which is reflected in the conduct of past and recent elections, the closure of media outlets and restrictions on opposition figures. Because of its long and porous border with Afghanistan, Tajikistan is important for strategic reasons (e.g., combat against extremism and the drug trade). Yet the ability of the international community to influence the president is extremely limited. For international donors, his rule – however unjust and inefficient – is far more preferable to the horrors of the civil war years. Whereas internal stability has been largely maintained, the country is vulnerable to a spillover of instability from Afghanistan and Pakistan. Its long and mountainous border with Afghanistan renders the country an important drug route, which makes drug trafficking an occupation with growing appeal for the poverty-stricken population and drives up drug consumption. This is still fairly low, but it is expected to rise.

Transformation Status

I. Democracy

1 | Stateness

The monopoly on the use of force is fully entrenched. There are no significant actors contesting the state in territorial enclaves. Still, this may be a superficial assumption. A fairer picture could be that former guerrillas are lying low while central political control remains strong and that a sign of its weakening would provide an impetus for them to become active once again. Incidents of violence involving field commanders in the former opposition strongholds of Gharm and the Quarategin Valley have flared up. In February 2008, an incident took place in Gharm, when a riot police colonel was shot dead while trying to arrest the head of an organized crime squad from a local police unit, Mirzohoja Ahmadov, an ex-UTO field commander who resisted arrest together with his men. However, the incident did not appear to have national implications, although its timing – at the height of the energy crisis during an extremely harsh winter – seems ill-conceived.

Monopoly on the use of force

There are many people, especially of the older generation, who continue to associate themselves with the old Soviet state and its welfare provisions. For them, the current state compares unfavorably to the Soviet model, which they wish was still there. Thus, the present is in competition with the past for legitimacy.

State identity

Formally, all citizens have equal rights. However, some citizens are more equal than others. The leadership increasingly promotes an ethno-nationalist ideology of Tajikistan as a descendent of the Aryan civilization. This ideology forms a cornerstone of the state-building project. This is in reference to the neighboring Uzbekistan, with whom cultural rivalry is acute and borders are disputed.

The state is explicitly secular. The regime views religion as a security problem rather than a constructive social force. However, it presides over a devout and religiously active population. As a result, it has to grant concessions to the public by treating religion with respect and emphasizing its role in history and national identity. The regime seeks to keep religious practices and expressions of politicized Islam under tight control. The Islamic Revival Party (IRP) is allowed to legally

No interference of religious dogmas

function because of the legacy of the civil war and the resulting peace accord, but the party does not promote any policies aimed at transforming Tajikistan into an Islamic state or at introducing Sharia norms into law. Instead, it represents the interests of excluded groups of society. That said, the popularity of the IRP may well be declining, especially among members of the younger generation, who increasingly see it as buckling under the ruling party's pressure.

The state maintains a basic civilian state apparatus throughout the entire territory, although its penetration in the outlying highlands is sketchy. The bureaucratic apparatus was inherited from Soviet times, but it has experienced continuous degradation since the collapse of the Soviet Union. One of the factors responsible – largely due to miniscule government budgetary allocations for salaries and training – is the inability to recreate a professional bureaucratic cadre and the problem of attracting educated individuals to staff governmental jobs. There is a skeleton of all civilian institutions, such as a system of courts, tax authorities, local departments of health and education which supervise schools and hospitals, social security offices and local government functioning on the municipal, district and provincial levels.

Basic
administration

Re-centralization of authority has been a continuing process that is most visible at the local level. The president can dismiss and appoint heads of provinces and districts. Regular turnover keep appointees loyal to their patrons and prevents too much power from being accumulated by any particular local fiefdom. The result of centralization policies is that little power is vested in the local institutions, which look to the center for guidance. Likewise, good governance and democracy on the local level are largely nonexistent.

2 | Political Participation

No general elections were organized in the period under consideration. Before the reporting period, Emomali Rahmon won the November 2006 presidential elections without challenge. Both the 2005 parliamentary elections and the 2006 presidential elections failed to meet key OSCE criteria for democratic elections and were not conducted in accordance with domestic law. Parliamentary elections showed some improvements over previous ones but more in technical terms than in terms of fewer irregularities on election day. Neither IRP nor the communists fielded candidates to the presidential elections for fear of reprisals. The incumbent ran against “independent” candidates nominated by the regime, one of whom stated that he would cast his vote for Rahmon. There was virtually no debate or electoral promises from state officials. In the wake of parliamentary by-elections in Dushanbe in February 2009, the IRP took the Central Election Commission to court – and lost.

Free and fair
elections

Rulers are not democratically elected. Decisions are made by the president, his informal (mostly familial) entourage and a few key ministers he appoints. There are no significant veto players, but the president has to consider regional interests and power-holders, businessmen in the cotton sector and several key figures within security structures, such as the Committee of State Security, although the power of this latter group seems to be on the decline. Veto powers can include important external powers, such as Russia, China or the United States, but only on certain issues that they are prepared to invest in and for which they see tangible leverage.

Effective power to govern

The IRP has a network of branches throughout the country that operate legally and informally draw upon Islamic regional networks. The IRP can conduct meetings at its premises and distribute information, but it is regularly denied permission to organize popular rallies. In 2008, however, its stakes rose when it began drawing supporters from outside of its traditional regional strongholds, including from many women. The regime allows it to operate since it is aware that it is not a contestant for power, at least at present. The same applies to the communists, who are allowed visibility, but not to organize protest actions. By contrast, nearly all key individuals who launched bids for power are in jail or in exile. Civil society groups are allowed to function, although watch-dog type organizations have had to close or restrict their operations. These groups are monitored if they venture into politics. Since civil society organizations are exclusively foreign-funded, they are suspected to be agents of the West. Although they are also mostly supported by donors, community-based organizations that deal with socioeconomic issues are accepted because they perform a local development function. In general, there is more freedom for their operations, but this vastly differs from region to region. For example, in cotton-producing lowlands in the south, controls are tight, while in the highlands – and especially in the Pamir – the situation is more relaxed.

Association / assembly rights

As a result of a humanitarian crisis in February 2008 brought about by the winter freeze and insufficient energy supplies, protests erupted in the capital city of Dushanbe (the capital) as well as in the cities of Kulob, Panjakent and Khorog. Previously, the country had had very low levels of social protests due to a fear of repression. This time around, however, the authorities did not crush the protests by force, which is a sign that they recognize their failure to fulfill their social promises.

For a poor and authoritarian country, the quality of printed and broadcast journalism in Tajikistan is surprisingly good. However, the functioning of the media is severely restricted both by government interference and by an inability to secure independent financial support. Income from advertising is negligible, opposition parties are too poor and most rich businessmen cannot finance a newspaper or a TV channel without being suspected of using it to launch a bid for power. There is one exception: Hasan Sadulloev, the owner of Orion Bank and the popular and surprisingly objective radio broadcaster Imruz, who is also the president's brother-in-law. Under these circumstances, the mainstream media has to rely upon the state

Freedom of expression

for funding and has to adhere to its line. Journalists who write for foreign media outlets have experienced harassment since they are more independent and have a more powerful voice.

Newspapers are only read by a tiny minority. The population draws its information mostly from state TV. However, since electricity in the countryside is rationed in the cold season to one-two hours per day (or there is often no power for weeks), few have a chance to watch the news. As a result, oral sources of information (e.g., gossip and rumors) prevail.

3 | Rule of Law

A separation of powers exists only on paper. The executive, represented by the president and his circle, exert both a formal and informal (via the judiciary and Supreme Court) monopoly of power. The president appoints all 56 district heads and five province governors, including the mayor of Dushanbe. In 1999, the single chamber legislative body (Supreme Soviet) that had been inherited from the Soviet era was transformed into a bicameral system comprising a standing lower house of elected deputies, the Assembly of Representatives, and the National Assembly, the upper house of deputies elected by the regional assemblies that includes eight additional presidential nominees. The parliament votes as instructed by the executive, and a formal system of checks and balances exists only on paper. Many members of parliament are former executives who were moved from their jobs to make room for others, so the parliament serves as a kind of dignified retirement.

Separation of
powers

At a higher level, the judiciary is subordinate to political authority and used to prosecute opponents. On a lower level, the judiciary is undermined by corruption. The president controls the judiciary by virtue of his right to nominate judges for the Constitutional Court, the Supreme Economic Court and the Supreme Court, as well as the procurator-general and the military prosecutor. The rule of law in Tajikistan is weak and is affected in great measure by the Soviet legacy, when the interpretation of legislation could be bent according to the will of the political authority. Tajikistan also inherited the civil and criminal codes of the Soviet era, which have been in a process of evolution and adaptation ever since. The constitution and legislation concerning political matters have been modified substantially. In politically sensitive cases, the courts rule the way they are instructed to by the ruling group. Some illustrative cases include the prosecution of former civil war opponents on the Islamic side for crimes amnestied under the peace accords, the prosecution of political opponents for corruption (which is usually only penalized in select cases), and the convictions in 2004 – 2005 of the president's most loyal supporters and prominent opponents to lengthy jail sentences. There is a Judicial Training Centre responsible for providing judges with professional training.

Independent
judiciary

Corruption among public officials is deeply rooted. Public prosecutions for corruption happen, but only in cases when the perpetrator's political reputation is tarnished by disloyalty to the president or to a ruling provincial elite. The system deals with corruption behind closed doors by demoting corrupt officials or transferring them to unenviable positions. The Agency for State Financial Control and Corruption Fight established in 2008 has not exerted any tangible impact to date.

Prosecution of
office abuse

Most civil rights exist mainly on paper, such as the freedom from arbitrary arrest or of the right to have wrongdoings in the law-enforcement sector investigated. Death in custody still occurs. There are no ways of redressing the past civil war grievances because the state practices a "forgive-and-forget" policy. Justice mechanisms are influenced by corruption and patronage. Justice is reached more often through personal networks and bribery than through investigations and prosecutions. However, in 2008 protests, over social and economic hardships were tolerated. A freedom of movement exists, and the religious rights of non-Muslims are respected, though a new law on freedom of conscience and religious associations is expected to restrict the activities of non-traditional Muslims and, primarily, Protestant evangelical Protestant missionaries.

Civil rights

4 | Stability of Democratic Institutions

Tajikistan is a mimicry of democracy: The façade is maintained, but there is no substance. There does not appear to be any potential for future democratization. The institutions perform different functions from those stipulated by the constitution. The parliament, for example, is a place for honorary retirement for former executives who need to vacate their jobs.

Performance of
democratic
institutions

In formal terms, democratic institutions in Tajikistan are part of the autocratic regime that practices a mimicry of democracy. As a member of the OSCE, Tajikistan has signed a number of commitments, but the government does not abide by them.

Commitment to
democratic
institutions

5 | Political and Social Integration

A multiparty system formally exists, but, aside from the ruling People's Democracy Party (PDP), only two parties – the Tajik Communist Party (CPT) and the IRP – are represented in parliament. The real appeal of these opposition parties is unknown since so-called elections have had nothing to do with making real political choices. However, these parties have genuine political agendas and represent groups in society that are marginalized under the current regime. Other parties are registered, but they have only a narrow membership base. Their main credo is opposition to the current president.

Party system

Interest groups are represented by prominent “avlods” (i.e., extended families or kinship/ patronymic associations) that, in turn, represent their regions. Avlods form an informal cast system. This vertical power of patronymic groups is counterbalanced by “gaps” and “gashtaks,” which are male clubs. Gaps are male networks based on personal affiliations, that is, professional, co-educational or other shared experiences. These are horizontal networks in society capable of maintaining solidarity and solving problems informally. The interplay between vertical and horizontal networks constitutes a process by which pressures in society are relieved, but they only represent the interests of the elite.

Interest groups

There is no traceable consent to democracy. In fact, democracy has acquired a bad name and is associated with chaos and civil war.

Consent to democratic norms

There is a large gap between urban and rural segments of the population and their ways of association. Tajikistan is predominantly a rural country, and many recent migrants to the cities bring their rural mentality with them. They tend to rely upon their extended families and representatives of the same region for help and are expected to invest in solidarity bonds, if they are in a position to do so. Citizens from other regional groupings are distrusted and sometimes resented. In Soviet times, the “older” urban population used to rely upon the state and now have more power to self-organize and participate in civil society initiatives.

Associational activities

II. Market Economy

6 | Level of Socioeconomic Development

Tajikistan is rich in hydropower potential and natural resources, such as high-quality coal, gold, silver, precious stones and uranium. Extracting industries were developed during the Soviet era, but they have suffered severe decline. In 2006, Tajikistan (with a score of 0.684) ranked 124th out of 179 countries surveyed in the UNDP Human Development Index. Per capita income constituted \$430 in 2007 (using the Atlas method). Although poverty had declined, it still remains high and began rising again in 2009. In 2007, poverty affected 53% of the population, using the World Bank’s minimum poverty standard. The Gini coefficient for 2007 was between 0.30 and 0.34.

Socioeconomic barriers

The political economy of Tajikistan includes two major sources of income for the population outside of the government’s control: remittances from labor migrants and the drug trade. The World Bank’s Migration and Remittances Factbook 2008 estimated that remittances constitute 37% of GDP in Tajikistan, one of the highest as a proportion of GDP worldwide. Over a million Tajiks, mostly men, work

abroad, primarily as manual laborers in Russia and Kazakhstan. According to 2008 estimates of the International Organization for Migration, annual remittances constitute \$1.5 billion. Smuggling to and from China constitutes another revenue-generating activity that bypasses state channels.

It is hard to analyze Tajikistan in quantitative terms since national statistics are deficient, existing estimates are manipulated up or down (depending on political expediency), many income-generating activities lie outside the government's control and the taxation system primarily only works at border points, where import duties are levied.

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	2076.1	2310.6	2811.1	3712.3
Growth of GDP	%	10.6	6.7	7.0	7.8
Inflation (CPI)	%	7.1	7.1	10.0	13.1
Unemployment	%	2.0	2.0	2.2	2.5
Foreign direct investment	% of GDP	13.1	2.4	12.0	9.7
Export growth	%	22.6	2.9	6.4	-1.3
Import growth	%	25.9	16.5	-4.3	1.7
Current account balance	\$ mn.	-57.0	-18.9	-21.4	-495.1
Public debt	\$ mn.	807.1	828.6	842.4	1065.3
External debt	\$ mn.	1041.4	1065.5	1016.4	1227.9
Total debt service	% of GNI	4.9	3.1	2.5	2.2
Cash surplus or deficit	% of GDP	-6.6	-	-	-
Tax Revenue	% of GDP	9.8	-	-	-
Government consumption	% of GDP	8.3	10.4	10.4	9.4
Public expnd. on edu.	% of GDP	2.8	3.5	3.4	3.4
Public expnd. on health	% of GDP	0.9	1.1	1.1	-
R&D expenditure	% of GDP	0.1	0.1	0.1	0.1
Military expenditure	% of GDP	2.2	-	-	-

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

7 | Organization of the Market and Competition

The institutional framework for a market economy exists and in large measure replicates those of other CIS countries, with some modification. The framework is in no way indicative of action but, rather, is a justification for decisions made through informal channels.

Market-based
competition

Agriculture is the backbone of the national economy. It employs 60% of the working population, according to a World Bank estimate, and generates 20% of GDP. Cotton is the main cash crop and a major source of government revenue, over which it keeps tight controls. Cotton-producing areas are required to fulfill targets in cotton cultivation and harvesting. Farmers have to dedicate up to 90% of their land to cultivating cotton, which is bought at fixed price, while inputs (e.g., fuel and fertilizer) are provided on non-market terms for which farmers with no alternatives. The cotton sector has accumulated a large debt (now estimated at \$450 million), which prevents individual farmers from investing in business development. In cotton-growing areas, only production from the remaining land can enter into the market economy. In non-cotton areas, farmers have more freedom, such as with pricing, but market access is problematic due to poor road infrastructure and closed borders.

Tajikistan's currency, the somoni (TJS), is fully convertible. However, due to the extreme underdevelopment of the banking sector, getting profits out of the country is difficult, which was confirmed by murky transactions through off-shore accounts to and from the Tajik Aluminium Company (TALCO), the country's main industrial asset to survive past the Soviet era.

Rudimentary anti-monopoly regulations formally exist in law. However, monopolies have already been formed in the key sectors, such as cotton production, while other lucrative assets, such as an aluminum plant and uranium mining, are under the direct control of the state. The monopoly of Tajik Air, Tajikistan's national airline, over most profitable routes was gradually eroded as Russian and Turkish carriers were allowed to schedule flights and the state allowed Somon Air, a Tajik private airline, to operate.

Anti-monopoly
policy

In principle, foreign trade is liberalized, but it is undermined by hostile interstate relations with Uzbekistan that have resulted in the erection of trade and transit barriers. Since import and export duties are heavy and license duties severe, corruption paves the way for lax attitudes among customs and border guards, who permit informal trade to flourish. There are special rules for state-controlled commodities, such as cotton and aluminum. The retail trade is subject to heavy duties, mainly in order to protect the domestic market from an influx of imports from China. In general, apart from aluminum and cotton, the Tajik economy remains isolated from world markets.

Liberalization of
foreign trade

The banking sector is underdeveloped and state-controlled. There is virtually no capital market. There are three main banks. The two state-controlled banks are left over from the Soviet era: Vnesheconombank, a state commercial bank for foreign economic affairs, and Sberbank, which administers state payments, such as salaries, pensions and benefits, and which is also the savings bank for most people. The main commercial bank is Orienbank, which is headed by the president's brother-in-law, Hassan Sadulloev. Two foreign-owned banks are present: Aviabank, from Russia, and the Tujorat bank, from Iran. By 2009, there were 121 credit institutions operating in the country, including 12 banks, seven credit societies, one non-banking financial institution and 101 micro-financing institutions.

Banking system

8 | Currency and Price Stability

Inflation is rising rapidly to an annual average of 20.7% in 2008. This can be partially attributed to an increase in international food and energy prices and an increase in the electricity tariff, by 25%, in May 2008. Year-on-year inflation accelerated to 25.7% in July 2008, with high food and energy prices continuing to exert upward pressure. The local currency (the somoni) is not pegged to a foreign currency but, rather, is subject to a flexible exchange rate. The central bank has cut the refinancing rate by 0.75%. In general, the government does not attempt to pursue a consistent foreign-exchange policy because it does not have appropriate instruments to control it. Inflation and foreign exchange are largely outside of the government's power.

Anti-inflation /
forex policy

External debt is rising, and the debt-to-GDP ratio reached 50% in 2007. Tajikistan is now classified as a "debt distress country." In 2006, it contracted debt from China worth \$604 million to finance energy and infrastructure projects. The debt size constitutes 25% of GDP and poses a risk to debt sustainability. At present, the government's investment budget is financed mostly from development assistance, while the sustainability of budget revenues is questionable. Since 2007, severe shortages of gas have developed owing to supply cuts from Uzbekistan, the supplier of 97% of the country's gas, triggered by Tajikistan's accumulated payment arrears. There are also overdue payments to Russian electricity suppliers.

Macrostability

The trade deficit more than doubled between January and June 2008. Tajikistan posted a trade-in-goods deficit of \$746 million in this period, more than double the deficit posted in the same period in 2007, owing to a surge in import expenditures. The current-account deficit grew more than tenfold in 2007, to \$495 million, which is equivalent to 13.3% of GDP. The government has promised the IMF that it will prevent a large increase in Tajikistan's external debt, which amounted to \$1.25 billion in mid-2008, after having nearly doubled from about \$683 million in 2005. It is unclear how the government plans to repay the debt since its annual budget only amounts to an estimated \$700 million.

Macroeconomic stability is related to how the president and his entourage exercise control over the economy, for example, whether they make appointments on merit or on other grounds, whether they control – directly or through proxies – the main economic assets, to what extent they encourage or fight corruption, how much transparency is permitted and whether decisions are made for the benefit of the country as a whole or merely for the ruling group. On the one hand, there was a positive trend in that state budget revenue was \$483 million in the first half of 2008, or 17% above target, and up by \$166 million compared with the same period in 2007. On the other hand, in October 2007, the government was forced to reveal that the National Bank of Tajikistan (NBT) had guaranteed at least \$328 million in external loans to Kredit Invest (KI), an insolvent Tajik private financial institution, ostensibly for cotton financing. Of this amount, \$241 million comprised deposits of the NBT's foreign exchange reserves, which were held by creditor banks as collateral against the loans to KI. Thus, in effect, all of the country's foreign exchange reserves are either encumbered as pledges or could be called on to cover the guarantees. Rapid growth in monetary liabilities and the depletion of foreign-exchange reserves leave the country vulnerable to a potential balance-of-payments crisis.

Due to an influx of remittances, the population accumulated ready cash and started to rely on imported food and consumer goods, which rendered domestic manufacturing and agricultural production unviable. Now the prices for imported commodities have escalated sharply, while remittances are drying up, which makes the continuation of the same consumption pattern impossible. With expanding imports, the trade deficit will widen. The Economist Intelligence Unit forecasts a current-account deficit of around 13% of GDP in 2008, which should narrow to around 9.5% in 2009.

9 | Private Property

Although property rights are defined by law, in reality, the laws are subject to politics. The confiscation of the property of political opponents is common and now extends to members of particular religious groups. Even housing rights are not immune to governmental interference. In 2007, Mahmud-Said Uboidulloyev, the mayor of Dushanbe, announced his intention to make the city a high-rise capital. His plan called for private houses to be demolished and for their owners to be resettled in apartment blocks. In the end, the initiative was called off, perhaps owing to a lack of funds and fear of protests. Land rights are very complicated. For example, there is no private ownership of agricultural land, but farmers can lease it for life with a right to transfer land to their descendants. At the same time, land can be taken away if it is not cultivated and used “properly.”

Property rights

The private sector accounts for about 50% of GDP. In 2008, business entrepreneurs protested before the Tax Committee against an increase in license fees that make their operations unviable. Corruption and nepotism erect powerful barriers to business development. Tajikistan continues to rank low on most of the Doing Business indicators; the country fell three places, to 159th out of the 181 economies measured by Doing Business 2009. In 2007, on average, it took 49 days to start a business, but this refers to small and medium-sized enterprises primarily in retail and services. Anything more lucrative requires patronage and political connection to the government. Start-up capital, which is in theory available due to labor migration, is not fully utilized but, rather, mostly spent on consumption because of a lack of incentives and high levels of non-commercial risk to entrepreneurs.

Private enterprise

10 | Welfare Regime

The government seeks to outsource the provision of welfare to international development organizations who try to provide for the most vulnerable groups. The Russian government pays Russian state pensions to those who used to work in pan-Soviet organizations and enterprises during the Soviet era. However, heating remains the state's responsibility, a duty which it performs poorly. Tajikistan suffers from chronic winter energy shortages due to the mismanagement of Barq-i Tajik (Tajik Electricity), the state-owned electricity company. Energy shortages result in shortages of food and fuel, increased prices, prolonged blackouts and limited access to water. The fact that no significant investments have been made has led to the deterioration of the energy infrastructure. By 2008, TadAZ (renamed TALCO) consumed up to 43% of total electricity supplies, while households consumed about 28%.

Social safety nets

The key social indicators (e.g., primary- and secondary-school enrollment rates, infant mortality, the maternal mortality ratio, the total fertility rate and the incidence of tuberculosis and child malnutrition) have been declining. Migrants' remittances provide the social safety net, which the state mostly has withdrawn from. Moreover, the population is forced to finance the government's ambitions. In May 2008, for example, the government asked residents of the capital to "voluntary" give up half of their salaries in May and June so as to help finance the construction of a hydropower station in Rogun. The average salary in Tajikistan in 2008 was \$60. Government agencies and state enterprises were instructed to withhold 50% of the salaries due to employees. Fearing government reprisals, the population complied.

In principle, equality of opportunity continues to deteriorate. However, the leadership has appointed a number of able, professional women as heads of administrative districts in the 2007 reshuffle, putting them in real positions of power. Several women were also appointed to posts in the central government, although they were not high-ranking posts. Educational opportunities are equally

Equal opportunity

open to boys and girls, who study in mixed schools, but family pressure makes girls leave school earlier to get married. Many women enroll at universities and participate in business, especially the retail trade.

Regional Tajik groupings form a hierarchy of social stratification in which jobs are only open at a certain level or in a sector controlled by a patron from the same group. Gharmis from Quarategin Valley and from the former Qurghonteppa province are particularly disadvantaged. The Uzbek minority suffers discrimination in business opportunities and in government appointments except at the district level and in areas where they constitute a majority. Other ethnic groups, such as Slavs or Kyrgyz, are much smaller, and ambitious members of these groups have left Tajikistan to return to their ancestral the states.

11 | Economic Performance

In 2008, industrial production took a sharp downturn as the global financial crisis exposed Tajikistan's internal vulnerabilities. Industry, including aluminum production, was hit by an energy crisis (and subsequent power rationing) that was triggered by an unusually cold winter in 2008.

Output strength

However, according to the Asian Development Bank (ADB), the economy has been growing at a rate of 7.8% in 2007 and 7.9% in 2008. In 2007, growth was facilitated by a global price boom in Tajikistan's export commodities (e.g., in aluminum, gold and cotton). In 2008, the economy posted solid growth as services rapidly expanded after having been boosted by strong performances in the construction, trade and finance sub-sectors.

Construction activity was buoyed by large disbursements on externally and internally financed infrastructure projects. However, with remittances sharply declining, this bubble is likely to burst.

Agriculture growth rose to 7.9% in 2008 from 6.5%, supported by robust expansion in non-cotton sub-sectors, including livestock and fruits and vegetables, as higher global prices made food production more profitable. The area allocated for only growing cotton was further reduced in 2008, which allowed farmers to grow other crops.

Inflation fell to 11.9% in December 2008 from 19.9% a year earlier, though the average annual rate remained relatively high, at 20.7% (27.9% in 2007). The retreat in international food prices, as well as the lifting of an export ban on wheat from Kazakhstan, helped bring wheat and other food prices down.

External debt is rising. The country is now classified as a "debt distress country." The trade deficit more than doubled between January and June 2008. The current-

account deficit grew more than tenfold in 2007, to \$495 million, which is equivalent to 13.3% of GDP. Unemployment is hard to estimate as labor migration is informal and there is no registration of migrants. In the rural areas, farming jobs are available but only in subsistence agriculture.

12 | Sustainability

Tajikistan suffers from the impact of climate change. A shortage of precipitation produces less water. In the long run, the melting of glaciers will aggravate the situation and lead to the drying-up of Tajikistan's powerful rivers. In the 2007/08 winter, the reservoir in Nurek saw a dramatic drop in its water levels, and, in February 2008, the water reached the dead-zone level (i.e., the critical level that maintains a sufficient head to run the turbines). It is too early to say whether declining water levels is a temporary phenomenon or a permanent downward trend. A lack of heating forces the population to use wood and grass, which contributes to deforestation. Environmental damage caused by TadAZ's outdated technology and equipment contributes negatively to these effects and causes neighboring Uzbekistan, whose population suffers from the adverse health effects, to put pressure on the Tajik leadership to rectify the situation. Another environmental concern relates to the uranium mines in the north of the country, which were developed to meet the needs of the Soviet defense industry in the 1960s and abandoned thereafter. An environmental policy framework exists and is followed to a certain extent in terms of water management, but it is ignored in aluminum production.

Environmental
policy

According to the UNESCO Institute for Statistics, Tajikistan's public expenditure on education was 3.4% of GDP in 2006. The country benefits from offers of free places at Russian universities and other foreign educational establishments. The Russian government also subsidizes the Tajik-Slavonic University in Dushanbe, and the Aga-Khan Foundation established a university in Khorog aimed mainly at the Ismaili community. Muslim foundations offer free places to study abroad, but the government is becoming increasingly wary of radical religious influences. R&D expenditure as a percentage of GDP for 2000 – 2005 is not listed in the 2007/2008 Human Development Report. The Tajikistan Development Gateway reports that related 2005 expenditures constituted \$2.7 million, or 0.1% of GDP. The country is described as "scientifically lagging." Both the educational and R&D sectors suffer from a severe lack of qualified teachers due to high levels of emigration by the professional cadre as well as to the aging of those who have remained in the country.

Education policy /
R&D

Transformation Management

I. Level of Difficulty

In general, structural constraints in Tajikistan are significant. During the period under observation, some of them deteriorated while the situation in other dimensions improved. Tajikistan is a landlocked country isolated from the world by high mountains and by a hostile regional environment (Uzbekistan and Afghanistan). The Chinese government has invested in transport infrastructure, and access on the eastern side is improving. Relations with Uzbekistan deteriorated over alleged spying scandals and a Tajik plan to build a dam for electricity generation. The security situation in Afghanistan also deteriorated, dashing the hopes that post-conflict reconstruction would present economic opportunities. Instead, it has unleashed fears of a spillover of instability. The rise in opium cultivation in Afghanistan has had repercussions on the country because it lies on a major drug transit route to Europe.

Structural
constraints

There are also climatic and geographical constraints. Only 7% of the territory is arable, and high mountains make the roads impassable for six months a year and pose a challenge to internal communications and getting supplies to mountainous regions. The climate is continental, with very hot summers and cold winters. Electricity and heating have been a major problem in the last two winters, with temperatures soaring to minus 20 degrees Celsius during the 2007/2008 winter and whole districts receiving no electricity for weeks. The soil also froze, which made it impossible to plant cotton in the early spring. Apart from the aluminum plant, industrial infrastructure inherited from the Soviet days has collapsed as has coal-mining. Tajikistan has a high birthrate, at 1.5%, and 67.5% of its population is under the age of 29, which puts pressure on social infrastructure. Apart from subsistence agriculture, there are few jobs for young people. Labor migration to Russia and Kazakhstan was the main safety valve for the population, but the global financial crisis has affected them badly. Many expatriate Tajiks have lost their jobs and, consequently, been unable to send remittances home. Poverty used to be offset by remittances, but since the autumn of 2008, it has become extreme and been exacerbated by rising prices for basic commodities. Since Tajikistan imports wheat, a staple good, the food crisis is very real.

In Tajikistan, there has always been a form of traditional civil society. Voluntary activities are conducted by neighborhood groups (mahallas), and civil society activities are carried out public spaces (e.g., mosques, tea houses, and bazaars), where non-governmental discussions and organizing have taken place. Apart from that, there are only a handful of Soviet dissidents, foreign-backed NGOs and Islamic societies.

Civil society traditions

Although the civil war is not publicly discussed, the experience is recent, as the peace accords were signed only in 1997. Regional rivalries and distrust between population groups continue, a situation that could lead once again to war should political conditions change. Preferential treatment for the Tajik majority group forces the Uzbek minority (15-25% of the population, depending on the source of information) to feel like second-class citizens and to be held accountable for policies of Uzbekistan that are thought to be adverse toward Tajikistan. They are discriminated against in government appointments and business opportunities, and they have their cultural rights, such as access to information in their own language, restricted. Tajik-Uzbek interethnic tensions are mounting, with the Uzbeks looking up to their kin state across the border. No territorial claims are pursued, but since Uzbeks primarily live along the border, this could emerge as an issue in future. The activities of Islamist cells and jihadist networks continue, although no major acts of terror were committed in 2007 and 2008. Pressure on the Islamic Movement of Uzbekistan (IMU) from the local tribes to abandon the Pakistan's North-West Frontier Province has increased fears that they would return to Tajikistan, where they fought in the civil war.

Conflict intensity

Intra-elite power struggles have recently become more violent again. In November 2007, for example, a bomb ripped apart the official car of Major General Rajabali Rakhmonaliyev, the head of Tajikistan's National Guard, which serves as President Rahmon's personal protection force. Days later, a bomb exploded outside a conference center in Dushanbe, the capital, killing one person.

II. Management Performance

14 | Steering Capability

The period between 2001 and 2007 was favorable for the government thanks to high prices for its export commodities, Russia's economic prosperity and the dividends of peace. The leadership relaxed, feeling that its policies of centralization and control were working. However, they are now going through a major trial since

Prioritization

Tajikistan entered a period of multiple crises in late 2007 due to a harsh winter, an energy shortage and the effects of the global economic meltdown. In his annual address to the nation in 2008, President Rahmon stressed three “national strategic interests: to guarantee the energy independence of the country, to get the country out of communications isolation and to ensure food security.” None of these priorities has been achieved. Instead, the government has exacerbated the situation with its own actions. The government could not achieve energy security because it continued to subsidize TALCO with cheap electricity, diverting it from social needs and rejecting offers to privatize the plant and thereby raise revenues on the regional electricity market. It also fell out with RusAl, a prospective investor, which had been planning to build additional electricity-generating capacities in exchange for receiving control of the plant and to invest in the new Roghun hydroenergy project. RusAl sued the Tajik government for breach of contract in international courts, further stripping the state budget of cash. No alternative investors were found, and there is no long-term strategy for how to solve the energy problems. Communication has become more difficult since relations with Uzbekistan have further deteriorated. In the winter, the country has had to rely on food aid provided by the international community.

The government has also alienated the population with ill-timed measures, such as changing the administrative jurisdiction of six villages, an action which achieved little in policy terms but caused local protests in Badakhshan/Tavildara. Although the government has a poverty-alleviation strategy paper supported and developed in cooperation with international donors, in reality, its main strategy was for the population to rely on labor remittances. Moreover, the government’s long-term development agenda was based on the unrealistic assumption that the regional and international environment would remain favorable.

There have been some initiatives in Tajikistan to foster market reform in privatization and anti-corruption measures to improve the business climate and attract investors. For example, in 2008, the anti-corruption agency claimed to have recovered \$13 million in embezzled funds. However, these measures were stopped short whenever a hard choice had to be made, such as those related to removing the president’s relatives and personal associates from key positions or prosecuting them, who could implicate others if genuine investigations were permitted.

Implementation

The leadership in Tajikistan has demonstrated a remarkable ability to learn the art of political manipulation from its own experiences and from the mistakes of its neighbors, such as that of Kyrgyzstan on how to manage the opposition and that of Uzbekistan on how to deal with religion in a secular state. In terms of its own experiences with its religious policies, the leadership has perhaps drawn the wrong conclusions, and therefore adopted more restrictions to and regulations of religious life in 2007 and 2008. In addition to outlawing Hizb-ut-Tahrir, in January 2009, the Supreme Court outlawed the Salafi movement on the grounds that it presents a

Policy learning

threat to national security. The government has learned how to manage international donors and has become more successful at obtaining developmental assistance. One obstacle to policy innovation is the high degree of centralization in decision-making and the hierarchical structure of authority, which leaves little room for initiative from the lower ranks and from outside the governing circle.

15 | Resource Efficiency

During the period under consideration, the leadership tried to bring younger technocrats into appointments where they would be responsible for implementation. However, this was not very effective since such jobs are poorly paid as compared to those in the international development sector. At the lower ranks, the bureaucratic apparatus is weakly endowed. Staff is badly paid and has to rely on other income. High-level appointments are jeopardized by the president's Danghara clan and are based on personal loyalty, while representatives of rival regions have only a slim chance of obtaining appointments on merit. Recruitment policies of any agency are determined by the regional origin of its head, but they also include the remnants of the Soviet bureaucracy, who are often responsible for implementation. Many such people are close to retirement.

Efficient use of assets

The inefficient use of budget resources is demonstrated by the fact that the government has paid over \$126 million in legal fees over the past three years to Herbert Smith, a British law firm, in connection with an embezzlement case involving TALCO. Herbert Smith continues to bill the Tajik government \$11 million every month. Legal costs are going to set the U.K. and possibly the world record in legal fees. So far, TALCO's lawsuit is set to rank as the third most expensive lawsuit contested in the English courts to date. In the meantime, the international community provides food aid to the country. Waste is also demonstrated by construction of the new presidential palace in the midst of a humanitarian crisis.

There is a strict hierarchy of policy goals that makes choices relatively straightforward. Internal security is the paramount concern, followed by maintenance of the regime in power. Other policy goals are subordinate to these key objectives. Governmental decision-making is concentrated in a narrow circle of presidential associates, which enables coordination. The president is an arbiter between competing interests, some within his own family circle, as some of key jobs are held by his relatives. Defense and security is coordinated by the Security Council, and border management is coordinated with the help of international donors. Decision-making on key foreign policy issues is in president's hands.

Policy coordination

In 2008, in Transparency International's Corruption Perception Index, Tajikistan ranked 151th out of the 180 countries surveyed. Prosecutions on corruption charges

Anti-corruption policy

are typically motivated by political interests. There are no conflict-of-interest rules or codes of conduct. Both the key opposition and government figures are among the 100 richest people in Tajikistan. The government has established an anti-corruption agency under donor pressure.

16 | Consensus-Building

Although the regime officially presents itself as democratic, it is actually a mimicry of democracy. Market reforms have been proclaimed, but, in reality, the vested interests of the key powerful families constitute a cartel on which initiatives can or cannot go ahead. The financial crisis has severely undermined the attractiveness of market-based democracy.

Consensus on goals

There are actors who say they want to build genuine democracy, but they are opposition political parties who are very far from power. How they would behave if they ever gained power is unclear.

Anti-democratic
veto actors

The presidential policy has progressively eliminated the Uzbeks from senior governmental positions and from attractive business niches. Gharmis and Pamiris, the former opponents in the civil war, have been marginalized. Increasingly, the president's own larger regional alliance of Kulob has been underrepresented in senior appointments, as most power on the central level has been going to a smaller Danghara clan (a sub-region of the Kulob zone of southern Khatlon Province), causing frustration among other Kulobi clans, who made a decisive contribution to winning the war. In other words, all other clans from Kulob, apart from the Danghara, are unhappy with the president's personnel policy. The appointment system does not pretend to be inclusive. Regional interests are represented in the parliament and by the heads of provincial and regional administrations.

Cleavage /
conflict
management

The main conflict-management technique is to implicitly remind the population of the recent civil war experience and to avoid conflict by marginalizing or suppressing political actors to disable them from growing into credible forces.

The state also manages cleavages along religious lines between more and less devout adherents of Islam through a combination of prohibitive means and propaganda among the loyal clerics. The government is aware of the challenge of religious extremism, but it is unsure of how to deal with it and how much power radical ideas really have in the society.

Civil society does have a degree of influence upon the government, although it is not overt. Intra-Tajik Dialogue, a follow-on from the Dartmouth Park Conference project, and confidence-building dialogue between Islamists and secularists are venues where representatives of the intellectual community and Islamic experts and politicians meet with key government figures dealing with religious policy. Although this influence is not overt because dialogues are confined within narrow circles, some provisions of the Law on Religion, for example, have been influenced

Civil society
participation

by those discussions. The Institute for Strategic Studies, a presidential think tank, includes experts from civil society, who serve as consultants and researchers in their projects (e.g., on corruption in the official systems and ways to combat it). Civil society is allowed to participate in social policy formulation, such as those related to women, youth or elderly people. However, democracy and human rights activists are given a largely unsympathetic hearing, and explicit criticism of the government is discouraged.

A general amnesty covers crimes committed during the official civil war period (1992 – 1997) by the parties to conflict, although not all crimes are pardoned. Crimes committed before or after this period can be prosecuted. Occasionally, prosecutions for non-amnestied crimes are reopened, but the motivation is to get rid of former opposition figures or personalities in one's own camp who have emerged as rivals. For society at large, the government practices "forgive-and-forget" policy. The recent civil war is hardly mentioned publicly, no monuments or signs commemorate the major sites, and school history books avoid any in-depth coverage of the events. There has been a reconciliation between the former leaders of the government and the opposition (UTO leader Said Abdullo Nuri died in 2007), and some of the key figures have collaborated in the drug trade very well. The National Reconciliation Commission (1998 – 2000) played a major role in forging reconciliation between the elites.

Reconciliation

Since there are formal restrictions and informal taboos on discussing the war, it is impossible to judge what ordinary rural people think and feel. Those who feared revenge from relatives mostly fled and stayed in Russia. On the surface, the social atmosphere remains calm, and people are primarily concerned with everyday matters.

17 | International Cooperation

When it comes to how Tajikistan uses international support, the key problem is that the government and the international community have very different views on what the priorities should be and how assistance should be given. The government has wanted the donors to invest in large-scale infrastructure projects (e.g., hydropower stations), to provide more budgetary support and funds that the government can manage directly, and to help rejuvenate industrial potential to create jobs. Budgetary aid has been provided by the World Bank, the Asian Development Bank, the IMF and the European Commission, but the prevailing mood among donors has been that the government is too corrupt to be trusted with large sums of donor money, which makes them reluctant to allocate money in a way that would make it difficult to ensure control. International agencies have preferred to support community development in the rural areas in the belief that the aid is thereby more likely to get to the people.

Effective use of support

The international community does not have any real sticks and only a few carrots to influence the government's policy. Tajikistan is not heavily dependent on international aid.

Still, the government has learnt a few useful lessons in border management and benefited from training and equipment provided by the European Union and the United States to its border-protecting service. It has also mastered its ability to communicate with international donors and improved its knowledge of how their world works. It quickly secured humanitarian assistance after the United Nations and other organizations launched an appeal, which has amounted in \$13.8 million in international donations as of mid-July 2008.

By 2008, the government had already lost international financial credibility. Based on new information provided by the authorities to IMF staff in December 2007 and January 2008, the IMF's executive board agreed in March 2008 that the Tajik National Bank (NBT) had supplied the international lender with "inaccurate information" and doctored data concerning the size of its international reserves, its net domestic assets and its credit policy.

Credibility

Disbursements in the amount of approximately \$47.4 million, which were made on the basis of this inaccurate information, were set to be repaid in six monthly installments between September 2008 and February 2009.

The Tajik authorities agreed to undertake a special audit of the NBT, which would be conducted by a recognized international firm. The audit will establish a reliable foundation for the future provision of monetary data and data on external debt as well as to define steps to ensure transparency of all the NBT's financial operations. The IMF's executive board has urged the authorities to publish the results of the audit as soon as it has been completed.

There is an ongoing international forensic investigation into TALCO, Tajikistan's aluminum smelter and biggest state-owned company, and Barq-i Tojik, the state electricity company, which has been supplying electricity at subsidized prices to the smelter. The related IMF report states that the financial operations of TALCO were most worrisome and remain nontransparent. Following the IMF action, the World Bank and the Asian Development Bank, both major lenders, initiated their own audits and traced \$500 million in loans intended to be channeled through the commercial banking system to the cotton sector. In 2008, U.S. Ambassador Tracey Jacobson publicly announced that the audit should include the aluminum plant and aluminum-related cashflow, which amounts to annual revenues exceeding \$1 billion.

Foreign investors also suffered at the hands of the government, which sought to squeeze out those who did not please it. Foreign direct investment from the West almost came to a halt when Commonwealth and British Mineral sold its shares in

the Zarafshon Gold Company, the main gold mine in Tajikistan, to China's Zijin Mining in 2007. In August 2007, the government issued a statement that the agreement with RusAl on investment into the Rogun power station was annulled and that alternative investors would be sought. No such investors have come forward.

Tajikistan is the weakest player in the Central Asian neighborhood and is disadvantaged by Uzbekistan, its powerful nemesis. The absence of regional cooperation is not fully its fault, but a curse. As is typical for weaker regional players, it places its hopes in international organizations, since they create rules and build alliances. The leadership has actively participated in the regional organizations in which Russia plays a key role, such as the Collective Security Treaty Organization (CSTO), Eurasec (Eurasian Economic Community) and the Shanghai Cooperation Organization (SCO). However, only the latter brought tangible benefits in terms of infrastructure rehabilitation, while a much-hoped-for relaxation of visa, trade and transit regimes with Uzbekistan did not materialize. In 2007, Tajikistan made an unsuccessful attempt to restrict the activities of the OSCE and downgrade its presence in the country, but the organization managed to hold its ground.

Regional
cooperation

To a large extent, international policies and interests in Tajikistan are influenced by geopolitics. The 2007 – 2008 period saw President Rahmon zigzagging between Moscow and Washington, with both offering large-scale financial and technical support, but only a share of it has come through and not quite on the terms that the government had expected. The net result has been a tarnished relationship with Moscow, which has doubts about Rahmon's credibility as a loyal partner, while China has been increasingly gaining in prominence as a key partner.

Strategic Outlook

The global financial crisis might trigger major political change in Tajikistan. The state is fragile and has little resilience to external shocks that can, in turn, cause internal upheavals. In periods of relative prosperity, reliance on the law-enforcement and administrative apparatus has been sufficient to suppress feeble dissent. But as the economic and social situation keeps worsening, coercion may not be enough. A large-scale return of labor migrants from Russia is likely to result in a welfare crisis and have major political and social impacts. The loss of remittances means that poverty will become dire and, in some areas, life-threatening. Returning migrants, mostly young men, will have no jobs and can either resort to drug trafficking or fall under the spell of radical religious groups, who may also use financial incentives or promises to recruit followers or who protest against the government. After the experience of brutalization in Russia, migrants tend to become more aggressive and constitute a force of “angry young men” ready to be mobilized. If protests were to break out on a mass scale, the leadership would hesitate to use force owing to the fact that the army cannot be trusted.

Another key issue is the country’s failing infrastructure and energy supply in winter conditions. The effects of global climate change upon Tajikistan have been hard, and the government has no strategy for coping with it. The diversion of electricity for industrial needs at the expense of the population cannot continue without consequences. The government has no ready source of revenue that it can turn to in order to finance urgent state requirements and cushion it through difficult periods, while squeezing money out of the population by legal and illegal means has reached its limits. In 2008, the central bank reported that its foreign reserves stood at only \$378 million.

Controls upon religious life introduced in 2007 have been too tight and left many discontented, especially in the semi-urban environment, where many informal mosques and prayer houses existed. Closing these mosques left mullahs angry at the government. Local clergy members do not have to be very radical or politicized to create a milieu of dissent, but since it has access deep into society, it can feed protest moods quite effectively. Like the rest of society, the mainstream clergy is ethnically and regionally divided, and its stance emphasizes divisions rather than fostering a unified anti-government message.

The leadership of Tajikistan will have to start making serious concessions if it wants to stay in power. However, the regime has grown accustomed to governing in a virtual absence of political challenges, and its ability to grasp the gravity of the situation should not be overestimated. There are five major steps that Tajikistan must take. First, it needs to privatize and tender industrial assets and hydropower production facilities to foreign investors on favorable terms and with reliable government guarantees. Second, it has to move away from a cotton monopoly and, instead, create larger private farms based on the model in China, where the reform of the previously state-owned cotton sector was successful. Third, Tajikistan cannot afford to alienate

external actors both in its immediate neighborhood and further afield, as it needs all the international cooperation it can get. Fourth, the government has to ensure that the mainstream clergy is on its side so as to counterbalance the message of radical groups and not to feed further discontent. To do this, it must relax restrictions on religion and welcome the opposition IRP as an ally in maintaining stability instead of treating it as an agent bent on undermining it. Lastly, the government's policy of narrow-based personnel appointments has to change if it is to come across as being more inclusive.