



AN ANALYSIS OF ECONOMIC COOPERATION BETWEEN RUSSIA AND TAJIKISTAN

Economic cooperation with Russia remains important for Central Asia despite claims about its diminishing role in the region. Trade and investment partnership with Russia significantly contribute to the region's economic performance. A country-by-country analysis shows that Russia's bilateral economic relations with Kazakhstan are historically strong. It plays an important role in Kyrgyzstan in both political and economic terms. Russia has deepened its economic ties with Uzbekistan, which recently obtained an observer status in the Eurasian Economic Union. However, economic relations between Russia and Tajikistan remain less explored and mainly considered from the migration point of view. Therefore, this commentary aims to analyze comprehensive economic cooperation between the countries, which, beside migration, consists of trade, investment and aid.

Economy of Tajikistan remains undiversified and highly dependent on a limited number of industries, in particular production and export of metals. In 2019, almost 73% of the population lived in rural areas and mainly relied on agriculture. As the agricultural sector remains underinvested, the production per worker is extremely low. At the same time, agricultural production and exports are one of the main sources of incomes. One additional feature of Tajikistan is high rates of population growth. The country's inability to create enough jobs increases pressure on its labor market and causes mass migration. As a result, Tajikistan's dependence on migrant remittances increased substantially since the 2000s, making it vulnerable to external shocks. Beside high dependence on migrant remittances, the country's economic weaknesses include poor business climate, low savings, weak domestic employment prospects, long-running difficulties in the financial sector and high dependence on China for investment and loans. The pandemic has negatively affected Tajikistan's economy due to the lockdowns, sharp decline of migrant remittances, which, in turn, decreased domestic demand, and reduction of government investment. As a result, in the first half of 2020, real GDP growth fell to 3.5% from 7.5% in 2019 as a whole and it is likely to decrease further to 1.6% in 2020. Moreover, it is expected that the budget deficit will reach 5.8% of GDP in 2020, which will be financed through external borrowing and grants.

As it was noted above, international migration is vital for Tajikistan's economy, because the government and private sector do not create enough jobs for its rapidly growing labor force. Almost 98% of Tajik migrants work in Russia and according to various estimates, their total number exceeds 1 million. Every year about half a million Tajiks leave the country for overseas employment. In 2019, migrant remittances equaled \$2.7 billion and accounted for 33.4% of the country's GDP. Migrant families use 94% of the remittance income for their basic consumption needs. However, there are significant migration-related challenges. These include management of the outflow of migrant

workers while ensuring their safety given that 85.5% of migrants had no skills training before departure, 86% of them relied on informal networks such as friends and relatives, and most of migrants have a quite limited legal literacy. As a result, in December 2019, the number of migrants in the reentry ban list of Russia exceeded 267 thousand.

Economic situation in Russia significantly affects Tajikistan's economic performance. Russia's long-lasting economic slowdown, which was worsened by the pandemic, caused sharp decline in the remittances. According to data from the Central Bank of Russia (2020), in the 1st and 2nd quarters of 2020, the remittances from Russia to Tajikistan equaled \$359 million and \$322 million, respectively. In the 3rd quarter, they started to recover and amounted to \$543 million. However, these numbers are significantly lower than the figures of the previous year. For instance, in the 1st and 2nd quarters of 2019, remittances were equal to \$462 million and \$649 million, respectively, while in the 3rd quarter they reached \$830 million. At the same time, the pandemic made the migrants return from Russia to Tajikistan, which also worsened economic losses. According to preliminary estimates of Tajik officials, the total cost of returned migrants' income is \$650 million. These numbers show that losses in remittances from the pandemic-induced lockdowns and economic slowdown in Russia were substantial for Tajikistan.

In terms of trade, Russia also plays an important role for Tajikistan. According to data from the International Trade Centre (2020), Russia's export to Tajikistan increased from \$69 million in 2001 to \$953 million in 2019. For the same period, its imports from Tajikistan decreased from almost \$130 million to \$37 million. While Russia's exports consist of agricultural products, mineral fuels and machinery, its imports mainly include agricultural products and cotton. A share of cotton in Tajikistan's total exports in 2019 equaled almost 69%. In the early 2000s, aluminum played an important role in Tajikistan's exports. For instance, in 2001 Tajikistan exported aluminum worth \$64 million, supply of which in the following years dropped down to \$1 million or were close to zero as the country reoriented its exports to other countries, in particular Turkey. Russia ranks first in terms of Tajikistan's import partners, but its share in the country's total exports is low and equaled 3.3% in 2019.

In terms of investment, Russia lost its positions in Tajikistan as its companies withdrew from the country due to high levels of corruption and taxes, and low level of property rights guarantees. In 2019, foreign direct investments from Russia equaled \$33.1 million and its share in total investments amounted to 9.6%. At the same time, China invested \$262.3 million, which accounted for 75.8% of total investments.

Russia is important for Tajikistan in terms of providing aid. Recently, it allocated \$2 million through the project, which is being implemented by the United Nations Development

Program (UNDP) to improve livelihoods and develop entrepreneurship in rural areas of Tajikistan. The project aims to strengthen regional cooperation in the Fergana Valley between Tajikistan, Uzbekistan and Kyrgyzstan. Russia's aid to Tajikistan through the UNDP projects has amounted to \$15 million since 2014. Using the aid, Tajikistan created several hundred jobs and 15 thousand people benefited from the new entrepreneurship opportunities.

One of the main important issues in bilateral relations between the two countries is Tajikistan's potential accession to the Eurasian Economic Union. Recently, the Eurasian Development Bank (2020) published an analytical report, which shows potential gains for Tajikistan from the accession based on the comprehensive analysis of benefits and costs. The report forecasts that the accession will positively affect the country's economic growth, investment activity, employment, productivity through technology transfer and institutional environment. Moreover, it will increase not only migrant remittances, but also their wages on average by 10-30%. All these changes will provide additional migrant remittances worth \$1.3-1.5 billion. However, Tajikistan's decision remains uncertain.

The government of Tajikistan tries to address all above-mentioned issues through bilateral contacts with the Russian counterparts. For instance, Russia ratified an agreement on the organized recruitment of Tajik labor migrants who work seasonally in Russia. According to the agreement, Tajikistan takes responsibility for marshalling workers for positions requested by Russian employers, selecting candidates with the necessary qualifications and providing training, while employers provide migrants with safe working conditions ensure regular payment of wages. Recently, Rustam Emomali, a speaker of the Senate of Tajikistan, visited Russia and discussed migrant-related issues with high profile Russian officials. In particular, he appealed for the Russian government to grant an amnesty to Tajik citizens unable to regularize their documents. Moreover, Emomali also mentioned the need to improve Russian language-education in Tajikistan. The government of Tajikistan pays special attention to the development of Russian language in cooperation with Russia. It should be noted that Russia implements several educational programs in Tajikistan.

To conclude, the economic dependence of Tajikistan on Russia is still high despite significant decline in Russia's investment in the country. Migration, trade and aid play important roles in economic cooperation between the countries. As migrants play a crucial role in Tajikistan's economy, the government should invest in their education and provide training to obtain necessary skills in order to improve their competitiveness. By means of high competitive migrants, Tajikistan will be able to address other important issues in cooperation with Russia, including trade and investment.

Politics, Foreign Affairs, and Security

- The President-elect of Moldova, Maia Sandu, was sworn in as the President of the Republic of Moldova. During the inauguration ceremony held in Chisinau, she took the oath of office on the Moldovan constitution in the presence of members of the parliament, constitutional court and foreign diplomats. President Sandu vowed to give all her strength and skills for the prosperity of Moldova during her four-year presidential term (Aa.com.tr, 24.12.2020).
- The President of Kazakhstan, Kassym-Jomart Tokayev, had a telephone conversation with the President of Azerbaijan, Ilham Aliyev. The leaders discussed issues of bilateral and regional cooperation and interaction in the international arena. Kassym-Jomart Tokayev congratulated Ilham Aliyev on his birthday and noted his outstanding contribution to the successful socio-economic development of Azerbaijan and protection of its territorial integrity. President of Azerbaijan, in turn, invited companies from Kazakhstan to participate in the restoration of Nagorno-Karabakh (Kazinform, 24.12.2020).
- Recently, the Minister of Foreign Affairs of Kyrgyzstan, Ruslan Kazakbaev, had a meeting with the Ambassador of Turkey to Kyrgyzstan, Cengiz Firat. The parties discussed the results of Kazakbaev's visit to Turkey, the current agenda of the Kyrgyz-Turkish strategic cooperation and the priority areas of effective interaction. Kazakbaev expressed gratitude to Turkey for its assistance in countering the consequences of the pandemic. Cengiz Firat, in turn, noted that Turkey was highly interested in comprehensive cooperation with Kyrgyzstan (Kabar, 21.12.2020).
- The President of Tajikistan, Emomali Rahmon, had a meeting with the Chairman of Afghanistan's High Council for National Reconciliation, Abdullah Abdullah. The parties discussed issues of peace in Afghanistan, as the country seeks stability and securing the rights of the Afghan people. President Rahmon supported the peace process in Afghanistan, which will have a positive impact on the region. Last week, he expressed concerns over a reported concentration of armed militants near the Tajik-Afghan border (Kabar, 23.12.2020).
- The Minister of Foreign Affairs of Azerbaijan, Jeyhun Bayramov, received the National Security Advisor of Afghanistan, Hamdullah Mohib, and the Chief of Staff to the Afghan President, Mohammad Shaker Kargar. The sides hailed the existing bilateral relations and exchanged views on cooperation in trade, security, transport and other areas between the two countries. Hamdullah Mohib congratulated Azerbaijan on its victory and stressed that Afghanistan has always supported the territorial integrity of Azerbaijan (Azertag.az, 22.12.2020).
- The Hungary-Uzbekistan Parliamentary Friendship and Cooperation Group has been established in the Hungarian National Assembly. The Chairman of the Friendship Group of the Central Asian Countries in the Hungarian Parliament, Sándor Lezsák became the Chairman of the new group. Prior to that, in November 2020, the Oliy Majlis of the Republic of Uzbekistan created an Inter-Parliamentary Group for cooperation with the National Assembly of Hungary (Akipress.com, 21.12.2020).

Economy, Finance, and Energy

- The Prime Minister of Kazakhstan, Askar Mamin, participated in the opening ceremony of the QazTehna plant in the Karaganda region, which would annually produce 1,200 buses and electric buses, and 500 pieces of special equipment. A key partner of the plant is the Yutong company, which is one of the largest bus manufacturers in the world. The launch of the plant created more than 1,000 new jobs. The cost of the project exceeded 23 billion tenge (54.7 million dollar) (Kazinform, 21.12.2020).
- According to Russia's Minister of Economic Development, Maksim Reshetnikov, the country's GDP will contract by 3.8% as the economy started to recover gradually. Earlier, the ministry forecasted that Russia's GDP would decline by 3.9%. The country's manufacturing output reached last year's level in 11 months of 2020, agriculture increased by 1.5%, while growth rates of construction demonstrated stabilization. The government of Russia expects that GDP will grow by 3.3% in 2021 (TASS, 25.12.2020).
- Recently, China's Ambassador to Belarus, Xie Xiaoyong, participated in the opening ceremony of the China-Belarus S&T Cooperation Center at the Great Stone Park. According to the Ambassador, total investments of 68 companies from 14 countries, working in the Great Stone Park, exceeded \$1.2 billion. In 2020, the park performed better than other industries of Belarus's economy. It exported products worth \$75 million, attracted \$300 million in investment and created almost 1,000 new jobs (BelTA, 23.12.2020).
- The President of Uzbekistan, Shavkat Mirziyoyev, conducted a regular meeting on challenges in the field of investment and foreign trade. As economic uncertainties remain in 2021, Mirziyoyev urged to take targeted measures to attract investments. In order to achieve higher economic growth rates, the government of Uzbekistan intends to implement 226 major projects, for which it plans to raise \$7.5 billion in foreign direct investments. The government expects that the volume of exports will reach \$17 billion in 2021 (UzReport, 24.12.2020).
- Russia plans to provide financial support to Kyrgyzstan on a gratuitous basis. Recently, the Embassy of Russia in Kyrgyzstan announced that Russia would allocate \$20 million to cover the financial gap in Kyrgyzstan's budget. The aid will be used for payment of salaries, pensions and benefits for low-income families. The government of Kyrgyzstan also plans to finance its health care system. Kyrgyzstan has already approved the draft agreement (24.kg, 25.12.2020).
- During 11 months of 2020, Georgia imported 575 million kWh of electricity from Azerbaijan, which accounted for 45.2% of its total electricity imports. This volume was lower by 34.7% than in the corresponding period last year. Azerbaijan's supply of natural gas to Georgia decreased by 4.1% and equaled 1.4 billion cubic meters. For the reported period, bilateral trade between the countries amounted to \$831.3 million and Azerbaijan ranked fourth in the list of Georgia's major trade partners (AzerNews, 23.12.2020).

Society and Culture

- An exhibition featuring Cultural Capitals of the Turkic World was held in Skopje, the capital of North Macedonia. The event was organized by TURKSOY within the framework of the Celebration of the Day of Education in Turkish Language and was attended by the President of the Grand National Assembly of the Republic of Turkey, Mustafa Şentop, and the President of the Assembly of the Republic of North Macedonia, Talat Caferi. During the event, photos of the Cultural Capitals of the Turkic World such as Merv, Turkistan, Sheki, Kastamonu, Osh and Khiva were shown to the people of North Macedonia (TURKSOY, 22.12.2020).
- Darkhan Kydyrali of the International Turkic Academy paid a visit to Pakistan, where he met with the President of the Economic Cooperation Organization Science Foundation (ECOSF), Manzoor Hussein Soomro, and discussed further strengthening of cooperation. The President of the Academy also signed an agreement on cooperation between the Academy and the Standing Committee on Science and Technology (COMSTECH) of the Organization of Islamic Cooperation (OIC). The ceremony of signing of the memorandum was attended by the President of the Academy, Darkhan Kydyrali, and the Coordinator General of the organization, Muhammad Iqbal Choudhary (Twesco.org, 23.12.2020).
- Abai's special room was unveiled in the park named after Abai in the Turkish city of Çorum on the occasion of the 175th anniversary of the great Kazakh poet and thinker. The event was organized by the Embassy of Kazakhstan and the Municipality of the Çorum's İskilip District. The Abai room exhibits a wax statue of the great poet, jewelry and other objects representing the Kazakh culture (Millidusunce.com, 26.12.2020).
- The Ministry of Industry and Infrastructural Development of Kazakhstan sent 100 sets of the Kokchetav-4P mobile mechanical ventilators to Tajikistan as humanitarian aid. The Kokchetav-4P mobile mechanical ventilators are produced in Kazakhstan and 90% consist of local components. Kazakhstan has provided humanitarian aid to Kyrgyzstan, Tajikistan, Afghanistan and Uzbekistan since the beginning of the COVID-19 pandemic (Astanatimes.com, 25.12.2020).
- A photo exhibition entitled "Chyngyz Aitmatov - Singer of Human Values" in honor of the 92nd anniversary of the famous Kyrgyz writer, publicist, philosopher and diplomat was held in Tashkent. The opening ceremony of the photo exhibition was attended by Uzbek and Kyrgyz diplomats. In 2018, Uzbekistan also celebrated the 90th anniversary of the well-known Kyrgyz writer at the highest level (Kabar.kg, 22.12.2020).
- The Heydar Aliyev Cultural Center in Uzbekistan has published a new book dedicated to the Azerbaijani literature. The book was written by Atkhambek Alimbekov, Professor at the Tashkent State University of Oriental Studies. The book provides valuable information and excerpts in Uzbek language from the works of great Azerbaijani poets and writers such as Nizami Ganjavi, Imadaddin Nāsīmī, Yunus Oguz, Mohammed Fuzuli, Elchin Huseynbayli and others (Azernews.az, 24.12.2020).