



BILATERAL ECONOMIC ENGAGEMENT: INDIA AND TAJIKISTAN

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When the Soviet Union was dissolved in 1991, Tajikistan was the poorest and least economically developed of the republics. The country experienced many dislocations, which are common to all the states struggling to make the transition from central planning to market economics.¹ Again, following the collapse of the USSR, the country was adversely affected by the widespread disruptions in the former Soviet trading system, resulting in shortfalls of urgently needed raw-materials and other supplies essential to the economy.² As power of the central authorities collapsed, so did structure of inter-republic trade. Shortages of food, consumer goods and fuel spread. The effects of fuel and raw-materials shortages, transport and distribution breakdowns were felt in the form of strikes and ethnic disturbances.³

The downward slide continued unabated after the breakup of the Soviet Union. Recession, unemployment and price rise resulted in a dramatic fall in Tajik people's living standard.⁴ Privatization has been slow, yet pressure on agriculture has seen more migration of rural youth looking for jobs in the cities.⁵ The Tajik economy was further hampered by the bloody civil war that broke out in 1992 which slowed down the economic development in the region. Move towards a market economy, economic recession and drive for privatization resulted in mass growth of unemployment in Tajikistan. There were in 1992, more than 22,800 unemployed in Tajikistan, while at the same time, the economy needed at least 6,000 qualified workers.⁶ This could be due to the emigration of skilled Russian workers and non-availability of workers with same skill level from among the Tajik population.⁷ Faced with the unemployment situation, the indigenous people of Tajikistan started protest campaign against the Government of Tajikistan and political unrest created in the republic.

The collapse of the former Soviet trading centre deprived Tajikistan of huge central subsidies, as well as a captive market for their products. Though the republic is endowed with oil and gas and other natural resources, it neither possesses the technology nor capital to extract and process these resources.⁸ While the economy of the country has more or less stabilised, after near total disruption in the beginning of 1990s, the social sector is in a bad shape and can create social and political unrest until urgent steps are taken. Unemployment both official and disguised, are at a high level.⁹

The Tajik economy was further hampered by the bloody civil war that broke out in 1992 which slowed down the economic development in the region. Move towards a market economy, economic recession and drive for privatization resulted in mass growth of unemployment in Tajikistan. There were in 1992, more than 22,800 unemployed in Tajikistan, while at the same time, the economy needed at least 6,000 qualified workers. This could be due to the emigration of skilled Russian workers and non-availability of workers with same skill level from among the Tajik population.¹⁰ Faced with the unemployment situation, the indigenous people of Tajikistan started protest campaign against the non-Tajiks.

Apart from the devastating human cost (an estimated 50,000 people were killed, and 500,000 persons were displaced within Tajikistan, while a further 70,000 were made refugees), the war was estimated to have cost more than 30,000 million roubles in economic losses.¹¹ According to Tajik President Rakhmonov, the economic loss inflicted by the civil war was close to \$7 bin. 150,000 houses were burned and 15,000 looted. In the South of the country almost 80% of the industrial potential was destroyed. The volume of national income reduced by 31% in 1992 compared to 1991. Industrial production had fallen by 72% by 1997.¹² As a result of the civil war, the economic situation which had left much to be desired in the first place, had greatly deteriorated. The economy has virtually collapsed not just industry, but also - agriculture, the Tajik's traditional occupation.

Again, the fear of religious fundamentalism and civil war led to mass exodus of the Russians from Tajikistan. As a result of the mass emigration, both by physical ejection and by force of circumstance, of the country's Russian- speaking and indigenous population, virtually all skilled specialists, as well as a large number of cultural figures left the country, Major regions of Tajikistan, such as, Badakshan arid Leninabad provinces, became economically and politically isolated, which made it possible to talk about an incipient process of the collapse of the Tajik state.¹³

For the 1990s, more than 450,000 Russians left the republic. About 80,000 Russian-speakers are left in Tajikistan now, mainly pensioners and other needy strata of the population. Emigration is doing great damage to Tajikistan; after all the bulk of the citizens who are leaving, are in the highly skilled category - professors and instructors, engineering and technical personnel etc. Because of this Tajikistan's industry and other structures in the republic have encountered an acute shortage of trained personnel.¹⁴

Russian emigration has also affected Tajikistan's professional potential. Schools and institutions of higher learning and training have started to shut down.¹⁵ As a result of the armed conflict, more than 80% of industry has been destroyed - virtually 100% in the south. Irreparable damage has been done to agriculture. Other spheres that have been paralyzed due to Russian emigration are geological prospecting and the energy complex enterprises in the chemical industry and heavy industry.¹⁶ Other areas that are nearly paralyzed are planning, engineering institutes and construction bureaus, science, higher and specialized education, healthcare system and education in general. There has been a steady erosion of professional and modern norms in enterprises.

The state sector has been heavily effected by out-migration and emigration as a significant number of the better educated and qualified labour force has left the country, either temporarily, or permanently. The decrease in the proportion of Russians from 7.6 percent in 1989 to the 3.5 percent of present confirms this fact. If the post-Civil War Tajikistan could provide opportunities to these professionals, can no doubt check the pace of the out-migration.

In June 2001, the unemployment rate is believed to be close to 50 percent in the country's major cities, although no serious employment survey has been conducted since Tajikistan gained independence. The situation was no better in rural areas, where many people are still officially employment in state-owned 'Kolkhozes' and 'Sovkhozes', but had not been paid for months.¹⁷ According to UNDP's Human Development report, a disproportionate number of the officially unemployed were women and young people, as women comprise 45.9 percent of the total and 51 percent are youth between the ages of 16 and 29 years. Over 60 percent of all women counted as unemployed are persons without profession or who had never previously held a job in the formal economy. More than 50 percent of all youth between the age of 16 and 29 years registered as unemployed were secondary school graduates who had just entered the job market.¹⁸

A structural problem inherent to Tajikistan's agriculture sector is a decayed irrigation system that leaves some of the country's arable lands with virtually no water. Aqueducts and irrigation canals that once brought water from the country's main water ways have long since collapsed, and there is officially no money to repair them. Among the priorities set up by the WFP is reformation of the entire irrigation system. In a joint Report, in cooperation with the United Nations Food and Agriculture Organization (FAO), the WFP says dilapidated irrigation structures is one of the factors that has most contributed to the recent decrease in agricultural output. The WFP/FAO report estimates that between 40 and 50 percent of water-pumping equipment is not functional and that those pumps remaining are breaking down 'at an alarming rate' due to over use.¹⁹

After independence, Tajikistan lacks an administrative structure that is conducive to governing both a culturally heterogeneous society and an agriculturally based economy. The state was gradually unable to penetrate society and to extract resources and was also unable to achieve social transformation on the other hand. Its policy-making autonomy and administrative capacity was seriously constrained by strong regional power centers which resisted centralized rule-making and enforcement.

The collapse of the former Soviet trading center deprived Tajikistan of huge central subsidies, as well as a captive market for their products. Though the republic is endowed with oil and gas and other natural resources, it neither possesses the technology nor capital to extract and process these resources.²⁰ While the economy of the country has more or less stabilized, after near total disruption in the beginning of 1990s, the social sector is in a bad shape and can create social and political unrest until urgent steps are taken. Unemployment both official and disguised, are at a high level.²¹

Mass poverty and no social protection for the majority of citizen is the sad reality of Today's Tajikistan. Today, not only old people, women, and families with many children but also working citizens live below the poverty line. Most Tajik citizens face one task - to survive. Sociological studies have shown that most working men in Tajikistan look for additional earnings outside the legal labour market. Extra work is the only way to survive under such conditions of poverty. The demand for casual workers remains very high both in the legal and illegal sectors of the economy.²² Thus, the fall in employment and real wage, combined with declining spending in social sector and removal of subsidies have brought down the general living standard of the masses. Due to heavy unemployment, the people were suffering from poverty which manifests in a variety of ways that includes lack of

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resources necessary to provide for a normal life, and to avoid hunger and malnutrition, weak health, limited access to education and other basic services. Poor are not only those who are retired and unemployed, but even those who subsist in lower-wage conditions. Households try to deal with economic stress by borrowing and reducing consumption to depleting household assets through distress selling and sometimes, attempting to diversify into alternative sources of income generation by using kinship and other social network.²³ The social networking has become crucial to daily survival. According to the World Bank Poverty Assessment (June 2000), 83 percent of the nation lives under the national poverty line; the average monthly income was less than US \$ 7 and the Gross National Income (GNI) per capita was US \$ 170 (the low-income countries average in US \$ 420).²⁴ Price increases will push many families below the poverty line and some into abject poverty. Those most-affected will be pensioners, large families and those rendered unemployed by the privatization process.²⁵ In real terms, pension and child allowances have been reduced dramatically and many will slip through the pre-existing social safety net.²⁶

The most important factor that threatens the Tajik economy is population explosion. Tajikistan is wrestling with a population explosion that threatens to devastate the already impoverished country. According to Shamsiddin Kurbanov, director of the Centre for Reproductive Health and Family Planning (CRHFP), "until citizens of Tajikistan can consciously practice birth control, there will be no economic prosperity".²⁷ He was speaking at a July 11, 2002, press conference held by the local office of the United Nations Fund of Population Activities (UNFPA) to mark International Population Day.

The crisis is so acute that the Tajik parliament passed a new law on reproductive health on June 19, 2002, in an attempt to stem the rise. Earlier this year, at a family planning conference, Tajik President Imomali Rakhmonov said demographic problems were especially critical for the third world countries, such as Tajikistan. He stressed that the population was growing at a time when the economy was shrinking and contributing to impoverishment of the country.²⁸

Over the last decade, the population has risen from 5.5 to 6.25 million. Growth has been fastest among the rural poor, where numbers have ballooned from 3.8 to 4.6 million. At the same time, the country's gross revenue has roughly halved to 1.9 billion somoni, or \$ 674 million. Now international organizations say the demographic crisis is partly responsible for the fact that around a third of population is suffering from acute malnutrition and 80% of people live below the poverty line.²⁹

According to Russia's ambassador to Tajikistan, Maxim Peshkov, around two million of the youngest and most able-bodied Tajiks were in Russia, working to feed their large families back home. President Rakhmonov says that population may reach eight million by 2010, which means today's average of 0.1 hectare of irrigated land per inhabitant will fall to 0.08, which is inadequate for even subsistence farming. Because of the country's mountainous geographical location, an increase in the total area under agricultural cultivation is not feasible. Tajikistan, now the poorest country in the CIS, cannot feed its people and the only solution is the continued migration of working-age males to Russia, Kazakhstan and Kyrgyzstan.³⁰ Thus, the population explosion deteriorated the economic condition of Tajikistan to a great extent.

Faced by the bloody civil conflict and the acute economic situation, the new leadership of the republic of Tajikistan obviously appeared bewildered and overwhelmed by the sudden realization of their responsibilities to avoid the economic crisis in the region without any central support. They are searching for avenues of expeditious and comprehensive economic growth. They need considerable economic support and co-operation from outside powers including Russia to resolve the acute financial crisis and rebuild the war-devastated Tajikistan. The civil war provided golden opportunity for the outside powers to involve in Tajikistan's political and economic scenes. Instead of helping Tajikistan to solve its financial problems, they exploited the republic's natural resources for their own interests. Thus, the civil war adversely affected the country's economy. Hence, any economic recovery in Tajikistan is expected to take many years, and will depend on the government's success in curbing an expected resurgence of the civil conflict.

After the disintegration of the USSR, the structural needs of ecological character changed greatly. The closure of industrial enterprises resulted in abrupt reduction in volume of toxic substances processed by refuse-treatment facilities. The figure obtained shows that in 1990, it was 492,000 tons, in 1995-60, 600 tons and in 1999 - 42,100 tons.³¹ The volume of such substance fell to 11.7 times during the period between 1990 and 1999. Most of the ecologically harmful industries are now not functioning. The degree of contamination of water by chemicals fell drastically, which is explained by the equally rapid reduction in the use of mineral and organic fertilizers, practically complete refusal of pesticides in agriculture.³² Thus, in Tajikistan, extreme poverty has already brought in a social catastrophe.

Frustrated by poor economy, Tajikistan faces a new situation of handling its economic affairs on its own without outside support. Like all other Central Asian republics, Tajikistan

faces a complex situation of transition from a centralized social system towards a more open society based on market driven economy. Its economic ties with the members of erstwhile Soviet Union was such that economic dependence is unavoidable virtually with the rest of the CIS.

The Government of Tajikistan adopted an economic reform programme in early 1992. A liberal law on foreign investment was enacted. Many incentives were announced, particularly for all small-scale business and hydro-electric power sectors.³³ But most of these plans existed only on paper. After many years of inaction, the government now seems to be pushing and moving ahead with serious reforms.

In 1992, in connection with the proposed transition to a market economy system, the Tajik Government established an Employment fund (EF) to provide unemployment benefits, which was to be almost entirely financed by employer's levies on salaries. Two further extra budgetary funds, the Pension Fund (PF) and the Social Insurance Fund (SIF), were also in operation in 1992. In addition to the activities of the three extra budgetary funds, state budget expenditure on social and cultural services in 1993 was 103,428 m. Russian roubles (31.7% of total expenditure).³⁴ In November 1992, the Tajik Government announced special welfare measure to help victims of the country's civil war. In 1996, a public social protection fund was established by the Government to address the problem of pension arrears. In May 1998, new benefits were introduced for students, pensioners and disabled people to enable them to meet rising living costs. The World Bank agreed in June 1997 to allocate a US \$ 5 mln. loan for health-care reform, as part of a \$ 50m, credit to assist with structural adjustment programmes, including the payment of pension arrears.³⁵

In June 1999, a credit of \$32 mln was allocated to Tajikistan by the World Bank. According to Mustafa Ruiz, the permanent representative of the bank in Tajikistan, \$20 mln of that credit was given to support and develop private farms, \$5 mln to improve the education service, and \$6.7 mln for structural adjustments within the economy. The total amount of the World Bank credits to Tajikistan is \$180.4 mln, a half of which has been already spent.³⁶

The IMF also granted only \$22 mln for the implementation of the government programme of economic reforms. It laid several conditions for granting additional finance: liberalization of bread prices, changes in the procedures for compensation payments, increases in the salaries of employees of budget organization and enterprises, increases in

pensions and scholarships, reform of the taxation system, revision of the terms of repayment of state debt, and regulation of customs duties.³⁷

The Tajik government announced in November 1993 that privatization was proceeding intolerably slowly. It decided to introduce new measures to speed up the pace of the sale of state assets. The state property committee has been instructed to draw up a list of small and medium sized ventures and firms ready for privatization. However, despite pronouncements by Tajikistan Government from time to time, reiterating commitment to market economy can hardly conceal the great reluctance with which Tajikistan is moving towards privatization and the pressure of International Monetary Agencies in directing many of the steps taken in that direction.

The introduction of the Tajik rouble in 1995 has given the country effective control over monetary policy. Under IMF pressure, the government is pressing forward with a light monetary policy. In September 1995, the Tajik Government announced an ambitious Five Year Programme of economic reform, including privatization, reformed taxation system, new legislation to encourage investment, the liberalization of foreign trade, and land reform.³⁸ The plan stated that the government's goal is to create a "socially oriented market policy, which insures an upturn in the republic's economy in the prosperity of the people". It outlined a five-year programme spanning three stages. In the first stage, between 1995 and 1997, the aim was to reform agriculture, complete the privatization of small business, start the privatization of medium and large enterprises, attract foreign investment, and develop a legal base for market economy.³⁹ In the second stage, from 1998 to 1999, the aim was to complete privatization of large enterprises, implement fundamental structural reforms, boost living standards, and create effective monetary, credit and taxation system.⁴⁰ The third stage, which was to start in the year 2000, was intended to complete the structure of the market. It was hoped that the economy would by then be growing.⁴¹

Foreign investments make it possible to produce appropriate structural changes and raise technical levels of production. But acute lack of capital funds in Tajikistan does not allow it to begin rehabilitation process of production. Hence start of works in the nearest future is dependent on the restoration of production capacities of existing enterprises.

Several countries of the world extended their assistance to help the Republic of Tajikistan during its economic crisis. As part of its Silk Road Economic Belt (SREB) strategy, China has emphasized the expansion of ties with Central Asia, more especially with Tajikistan. Dushanbe has welcomed the establishment of a strategic partnership and the

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growing presence of Beijing in the Tajik economy, whether through increased trade, investment flows or assistance in the development of infrastructure with open arms.⁴² Policy makers in Dushanbe view China's promotion of investment, trade and transport infrastructure under the rubric of the SREB as directly aligned with Tajikistan's core strategic goal of alleviating the country's transport bottlenecks and secondarily, accessing additional sources of energy.⁴³ The United States has been also a major contributor since the early days of Tajikistan's independence, providing nearly \$1 billion in aid between 1992 and 2010. This assistance has primarily focused on economic development and humanitarian issues, including food security along with poverty reduction and public health, measures, as/well as promotion of human rights and democracy.⁴⁴ The European Union, too, is a major assistance donor as well as a trading partner whose assistance has been focused exclusively on border management, counter-narcotics, counter-terrorism, providing training, equipment and laboratories to enhance border-monitoring capabilities etc.⁴⁵

Foreign investment was discouraged by the civil unrest, although hi 1994-95, several western companies formed Joint ventures to exploit Tajikistan's large mineral reserves, especially gold. It was hoped that foreign investment would increase, following the conclusion of the peace agreement in June 1997. A number of International Financial Organizations allocated credit to Tajikistan in the late 1990 to facilitate the structural reform process, and to assist hi rebuilding the country's infrastructure. Loans were also provided to improve medical facilities to pay pension arrears. By 1998, Tajikistan's economic situation appeared to have strengthened with growth of some 4.0% and a reduction of the budgetary deficit. However, the financial crisis in Russia in mid- 1998 had a strongly adverse effect on the Tajik economy, as did the sharp decline in world cotton prices, Tajikistan's second largest export commodity. Structural reforms continued in 1999, with restructuring of the banking sector remaining a priority for the government.⁴⁶ The introduction of a new currency, the 'somon', at the, end of October 2000 was expected to strengthen Tajikistan's monetary and Banking System, and the country's economic performance improved significantly in 2000-01, despite the effects of drought. Economic growth, however, had failed to reduce poverty (affecting almost 80% of the population in 2001, according to the ADB) or increase employment; an estimated 200,000 people left Tajikistan in 2001 to seek work abroad.⁴⁷

During this period of crisis, Tajikistan looked towards the West for the financial help and moves away from its traditional strategic partner Russia towards a closer relationship with the West. This change in the former Soviet republic's foreign policy was cemented when

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Tajik President Imomali Rakhmonov, in December 2002 made the first official visit to the United States and France since Tajikistan gained its independence in 1991. International and domestic commentators saw the president's meetings with his counterparts George W. Bush and Jacques Chirac as the strongest sign yet that Tajikistan was drawing a line under its historic association with Russia. The tension between the two nations has been sparked mostly by an increased Western presence in the region following the September 11 attacks on America and confrontations over Tajik migrants working in Russia.

Rakhmonov's visit coincided with a storm in the Tajik media. A series of Articles published in the Russian media which criticized the Tajik president for his decision to visit the West. Shukhrat Sadiev, a lecturer at the department of history and international relations at the Russian-Tajik Slavic University, told IWPR that Moscow's reaction is based on a fear that improved relations between Tajikistan and America will damage Russian interests in the region.⁴⁸

Before September 11, 2001, only Germany and America had an ambassadorial presence in the republic. Since that time, Britain, France and Japan have opened embassies in Dushanbe. High ranking political and military figures are now visiting Dushanbe to hold talks with the authorities. Iskandar Asadullaev, former director of the president's Centre of Strategic Research, said Russia's position in Central Asia has been weakening for some time, and that this has been thrown into sharp relief by America's growing power. In such a climate, it seems, the Central Asian nations, unable to count on Russian financial assistance, have little choice, but to improve their political, economic and military relations with the West.

Tajikistan's call for Foreign Investment attracted several western countries towards the region. There were almost 200 registered joint ventures in Tajikistan in 1996, a minority of which are currently operational. Seventy percent of existing joint ventures are involved in production, and the remainder are mostly in trading and services. The two largest joint ventures are with British mining companies, Zarafshan and Darvoz. There is one Italian joint venture, Giavoni, with Carrera jeans which started in 1995, and one South Korean cotton processing joint venture, Koobal.⁴⁹ There were six registered Tajik-American joint ventures and four American representative offices, Interfur and Karakum Oil Ltd. being the most active. Due to financial and bureaucratic problems, 229 joint ventures and foreign companies closed in 1996. Among these, 19 involved some level of American capital: 13 Tajik-American joint ventures, 2 American companies and 4 Tajik-American joint ventures with

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British, Russian and Ukrainian capital. Most joint ventures are located where the raw-materials are found, and therefore, many are in the northern part of the country.⁵⁰

America has already stepped up its aid to the republic. In 2002, Tajikistan received around 142 million US dollars in assistance, compared to a total of 580 million for the whole of the previous decade. President Bush had already promised Rakhmonov more than 50 million dollars in grants and humanitarian aid for 2003 alone.⁵¹ As a result of this new relationship with the West and the international media attention that was bound to follow, Tajikistan has made some much - needed improvement to its economy.

In spite of the benefits of an unproved relationship with the West, Tajikistan is in no hurry to sever its links with Moscow. The vast majority of the Tajik migrants who leave in search of seasonal work end up in Russia, where they earn far higher wages than those on offer in their poverty stricken and civil war-ravaged home.

According to Devendra Kaushik, a former professor in the Centre for Russian, Central Asian and East European Studies, Jawaharlal Nehru University, New Delhi that about 1.5 to 2 million Tajiks were working as seasonal migrant labour in Moscow city and other regions like Saratov, Tyumen and Chelyabinsk, etc. The Tajik workers living in Russian Federation for a period of 9 months in a year extending from April to November. In Moscow alone some 40,000 Tajiks are working officially. Remittances by the Tajik migrant labour in Russia contributed substantially to the national economy of the republic.⁵² According Prof. Kaushik, that on an average a Tajik migrant worker brings home something 1,500 to 2,000 US \$ each year. The rush of the worker leaving for Russia was so big that various trains going to Russia were cancelled to prevent their migration.⁵³

Although strong economic growth was sustained in 2002, there was a high level of external debt, and the deficit on the current account of the balance of payments remained significant, partly owing to low global prices for aluminum and cotton. Moreover, there was little foreign investment, and substantial further reform was required to promote private-sector development.⁵⁴

From 2002, the Government aimed to increase the pace of economic reform, in particular by means of an acceleration of the privatization programme (in November 2003 it was announced that over 500 medium-sized and large state enterprises were to be privatized, with the aiming of achieving full privatization by 2007). In January 2004, the IMF noted that economic growth, while remaining strong in 2003 (at some 9%), had become less dependent on cotton and aluminum production (which had recovered since the end of the civil conflict),

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and that the persistent deficit on the current account of the balance of payments had, none the less, been reduced. The level of external debt was significant, at some 73% of GDP in 2003, but had declined as a result of economic growth and debt-restructuring; nevertheless, further restructuring of Tajikistan's debt to Russia (its largest creditor) was a priority. Meanwhile, the rate of consumer-price inflation remained high, at around 13%, and the need further to reduce inflation was identified by the IMF as the country's principal macroeconomic objective.⁵⁵

Followed by the policy of privatization, the state began to sell the stock for dozens of plants and factors including branches in the export sector - cotton and mining. The new owners of the privatized enterprises, as a rule, are their former administrators. The majority of banks belong to the state. The securities market is only in an initial stage of gestation.⁵⁶

In the spring of 1997, in accordance with a decree by the president of republic, 50,000 hectares of land were allocated to the peasants. The fertile soil of Tajikistan can produce up to three harvests a year. The transformation in the agrarian sector has enabled a certain improvement in the country's food situation.⁵⁷

The following table shows the privatization in Tajikistan since 1991-1998.

Table-3.1 : Privatization in Tajikistan, 1991-1998

Total Number of Enterprises	7310
Out of that	
Large Enterprises	380
Small Enterprises	5060
Large privatization by 1997	15
Small scale of privatization, year-wise	
Year	No.
1991	36
1992	631
1993	125
1994	325
1995	313
1996	434
1997	686
1998	1175

Source: *State Property Committee of Tajikistan Website.*

According to Bobokalnov, Tajikistan's economic development strategy is based on a deep and comprehensive economic transformation, which would eventually create a firm foundation for its independent existence. This strategy means not only reform in economic policy or the system of economic management and regulation, but also fundamental reorganization of the overall economic system of the country. The Tajik economy is not only dealing with usual transformational dilemmas, but also struggling to maintain its current levels of development, which have been disrupted due to the break up of the Soviet Union. Now the country has to build its own national economy on the basis of private markets. In addition, it has to build national institution and create national policies in all areas. As regards economic reforms, Bobokalnov adds, the republic has done much to create legislative bases for market economy. The country has introduced stabilization policies and structural reforms in its economy. It has liberalized its international trade partially and is also committed to privatizing its economy substantially. Today, in new economic conditions, the necessity of economic integration in stabilizing and developing national economy has been constantly increasing and active participation in international diversion of labour is becoming an important pre-requisite for its efficient-functioning.⁵⁸ In this connection, wide collaboration with foreign countries, in particular with the CIS countries, in the sphere of production and technology acquires an exceptional significance, as economic integration can help in the possible effective use of raw material resources and production-economic potential of the country contributing to expansion of trade and increase of foreign investment inflows.⁵⁹

Success of economic transformation in Tajikistan is closely connected with deepening of economic integration, and first of all with the CIS countries. If the policy of autarchy and isolation from other Central Asian republic is followed, Tajikistan will face a lot of difficulties in solving a complex of political and economic problems. On the contrary, integration can be major factor of stabilization and economic, growth in the country as well as political stability.⁶⁰

Russia maintains the deepest economic ties with the republic of Tajikistan since the collapse of the Soviet Union. Elites in Tajikistan view Russia as a key partner on labour migration and defence ties, both of which leave Tajikistan heavily dependent on Russian goodwills.⁶¹ Russia has put greater efforts to push Tajikistan towards greater integration with Russian-led organizations, most notably the Eurasian Economic Union (EEU).⁶²

As a most critical economic partner of Tajikistan, Russia's importance derives from its status as a magnet for Tajik migrant workers with few employment prospects at home.

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Today, approximately, half of working-age Tajik men live and work abroad, almost entirely in Russia, and the remittances sent home to their families are equivalent to between 40 percent and 50 percent of Tajikistan's GDP.⁶³ Russia still accounts for nearly one-fifth of Tajikistan's foreign trade and remains a major source of foreign investment. According to Tajikistan's Ministry of Foreign Affairs, Russia has invested in recent years more than \$ 700 million in industries, such as energy and mining, manufacturing and construction, transport infrastructure and agriculture.⁶⁴

In 1992, Tajikistan joined the Economic cooperation Organization (ECO) and the European Bank for Reconstruction and Development (EBRD), It became a member of the International Monetary Fund (IMF) and the World Bank (WB) in 1993. In May 1995, Tajikistan became the last country of the CIS to attain monetary independence from Russia by introducing its own currency - the Tajik Rouble (TR).⁶⁵

Tajikistan has sought to promote closer economic integration among the member states of the Commonwealth of Independent states (CIS), especially with Russia. After independence, the new leadership of the Republic of Tajikistan need considerable economic support and cooperation from Russia. In 1993, the Tajik Prime Minister emphasized that "reconstruction in Tajikistan depends largely on financial unification with Russia". Tajikistan is also dependent on supplies of new Russian currency and in greater need of Russian aid and assistance. From Russian point of view, Tajikistan is of great strategic importance too, which produces commodities and goods of vital interests to Russia. Russia has interest in gas, oil and hydro-power resources of Tajikistan and supply of the country's cotton, grain, fruits and vegetables to Russia on a stable and long-term basis.

Tajikistan has continued close ties with Russia, which remains the main commercial partner. Trade turnover between the two countries amounted to more than \$360 million in 2002, which was 32 percent of Tajikistan's total foreign trade, Tajikistan would not like anything to affect the economic relations that is so vital for its post-civil war recovery and reconstruction.⁶⁶

Although the Republic of Tajikistan is trying to diversify trade links and has become member of the Economic Cooperation Organization (ECO), the country is increasingly realizing the political and economic importance of Russia, both as an input supplier and as a market. The prospect of a return of growth in Russia have also generated new interests in improved regional and economic ties. The Russian Federation is concerned with preserving historical and cultural ties with Tajikistan, with protecting the position of the, Russians there,

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with containing the instabilities associated with regional and clan rivalries and with putting up a barrier to religious extremism and terrorisms.⁶⁷ In January 1994, Russia agreed to provide large amounts of cash in roubles to Tajikistan, alone among the republics of the CIS up to that time to receive such direct financial aid, but with stringent provisions.⁶⁸ Special circumstances cited to justify such extraordinary financial aid included the collapse of the Tajik economy, the continuing war on Tajikistan's southern boundary, and deep Russian interest in maintaining stability, prosperity and Russian influence in the area. Russia's main task is to protect its southern borders and in its policy on Tajikistan is to preserve and strengthen its influence in Central Asia by preventing it from becoming involved in the sphere of influence of other states and security the CIS southern borders.

After Tajikistan achieved independence, it maintained extensive economic relations with other former Soviet republics individually and with the CIS. Relations with the CIS and the Russian Federation preserved some characteristics of Tajikistan's relationship with the Soviet central authorities. Until 1995, Tajikistan remained in the ruble zone rather than establishing its own national currency, as the other four Central Asia republics had done. In the mean time, Russia retained the dominant position in the CIS and hence, in commerce with Tajikistan that the Moscow Government had enjoyed in the Soviet period. Russia and Tajikistan undertook to maintain their bilateral exchange of goods at existing levels as the republics made the transition to a market economy. In 1992, some 36 percent of Tajikistan's imports came from Russia, and 21 percent of its exports went to Russia, about 60 percent of total external trade was with the CIS countries and 45 percent of exports went to those countries.⁶⁹

Tajikistan's indebtedness to Russia for various credit is constantly growing. The country obtained these credits after it transferred its gold to the depository of Goskomdragmet Rossi (the state committee of precious metals of Russia), and after the Tajik Government acted to guarantee repayment of the credits through part of the book value of the Nurek Hydroelectric Station, aluminum and cotton.⁷⁰

The economic relations between Russia and Tajikistan came to the limelight when the Tajik government and Russian institutions accredited in Tajikistan, such as the Russian Embassy, made great efforts to prevent the further deterioration of economic contacts between the two countries after the USSR fell apart. In the interest of economic cooperation with Russia, the Tajik Government cancelled some contacts with foreign firms, particularly in oil and gas extraction.⁷¹

The Central Government under Rakhmonov is primarily sustained by economic and military assistance from Russia. According to the estimates published by the Tajik opposition in 1992-95, Russia provided more than 600 million dollars in aid and credits - not to mention the costs of maintaining border troops and the 201st MRD.⁷²

Tajikistan's Foreign Minister, while speaking about how his country attaches significant importance to the relations with Russia says: "we attach special significance to our relationship with the Russian Federation with which we have been united by visible and invisible bonds for many years. Major Tajik industrial facilities for example, remain closely connected to industries in the European part of Russia."⁷³

From time to time, the Tajik and Russian press publish ambitious plans for the economic rebirth of Tajikistan. The core of these plans is to complete construction of the Rogun hydroelectric station, which will enable the republic to become a major supplier of cheap electric power for the neighbouring states of Central Asia, but also Afghanistan, Pakistan and even India.⁷⁴

Russia is always prepared for closer economic cooperation with the Republic of Tajikistan, as an influential and authoritative member in the association of states of the Central Asian region, and Tajik inclination towards Russia for economic development is also very strong and consistent. Thus, the economic deal sends a powerful signal of the existence of specific ties between Tajikistan and Russia.

However, with Tajikistan adopting a market economy and accelerating privatization, the new economic scenario has also necessitated more investments from the outside countries including Indian Republic. To attract foreign investments and bear the fruits of market economy in a changed liberalization perspective, it had to make various changes in its economic policies.

India as an extended neighbour of Central Asian regions has major geo-strategic and economic interests in this region. Both India and Central Asia have economic complementarity in terms of resources, man-power and markets.⁷⁵ These diverse resources can be pooled for a broader regional cooperation in Asia and to realize the potential of both the regions fully. For India, economic cooperation is possible through joint ventures in banking, insurance, agriculture, information technology and the pharmaceutical industry. Certain Indian commodities, for example, tea and drugs, pharmaceuticals and fine chemicals have established a foothold in the Central Asian market.⁷⁶

Central Asian states are keen on trade and commercial ties with India and look forward to its role in their economic transformation. In November 1992, India offered joint ventures in several fields of economy. There was a proposal to increase the counter-trade. To promote economic cooperation between the two countries, some specific measures were taken including promotion of trade data and information, transport and transit routes, air links, agreements on investment protection etc.⁷⁷ According to Gulsan Sachdeva, a distinguished professor, of Jawaharlal Nehru University, Central Asia provides good investment opportunities for Indian business as shown by London-based Indian Steel Tycoon Laxmi Mittal who owns 6 million ton capacity steel plant in Kazakhstan employing more than 40,000 people, said Sachdeva.

Central Asia is being rich in energy and a big market, geo-economically, it is pivotal place in Indian economic policy. The future vision for cooperation between India and Central Asian countries in the field of energy seems significant. Recently, India's interest and prominence in the Central Asian region are one of the main driving forces for India's involvement in the region.⁷⁸ Since trade and economic relations between India and Central Asian Republics remains a low and unsatisfactory aspect of the relationship. However, there are tremendous potentialities of a beneficial relationship. The ground situation depicts a low level of trade relationship, inadequate number of joint ventures and no investments projects in Central Asian countries by India.⁷⁹ There are numerous reasons for this negligence of Indian engagements in the region such non-availability of hard currency, difficulties in currency conversion facility services and communication links whether road and rail connectivity.⁸⁰ To connect with region at present, it is only through air links which are problematic and costly. However, the potential for shared economic advantages for India and Central Asian region's is vast. The strategically important Central Asian region is a gigantic consumer market, hungry for a range of goods and services which the region is unable to produce and manufacture at home. Therefore, in this respect, India can be best option as both are linked through recorded history.⁸¹

India and Central Asia (CA) have economic complementarily in terms of natural resources and consumer markets. For India, the economic ties can be materialized through joint ventures in different sectors.⁸² Now, both sides have improved their economic engagement in different sectors, such as banking insurance, agriculture, information technology, pharmaceuticals etc.

The Republic of India established strong economic ties with Central Asian republics, more especially with Tajikistan. Both countries are strongly and inseparably associated with other by numerous economic ties after the disintegration of the Soviet Union. The region's importance has been greatly highlighted for its huge reserves of natural resources. Tajikistan is a country with large reserves of oil, natural gas, natural resources etc. Tajikistan's geo-strategic importance has attracted India to establish close and cordial economic relations with the region. Dushanbe has always been a priority in Indian foreign and economic policy. India regards economic cooperation with Tajikistan as the best way to counter the influence of Pakistan and other outside powers in the region. The economic factors play a dominant role in the relationship of both the countries. Trade and economic ties between India and Tajikistan are based on inter-governmental agreements on trade and economic cooperation as well as commercial contracts.

Today, an important sign of the relationship between India and Tajikistan is to revive and develop the relationship in different spheres especially in the sphere of economy. India is one of the main partners of Tajikistan in the region and expand cooperation with it is a priority foreign policy orientation of the Republic of Tajikistan.⁸³ Tajikistan is inviting India, Indian companies for investment on economy of the Republic of Tajikistan, which giving great hope in near future.⁸⁴

The strong geo-cultural ties of Tajikistan and other Central Asian republics with India have been at the root of sustained trade and commerce between them over the centuries. Indian traders engaged in trade with Central Asia in the 19th century were not deterred by frequent closures of the route through Afghanistan on account of inter-tribal conflicts of wars of succession.⁸⁵ Discarding the Afghanistan route, they first switched over to transit-trade through Persia before settling down in the 90's of the 19th century in favour of the Bombay-Batumi Sea route and then by rail to the Caspian and across the Caspian to the Krasnovodsk.⁸⁶ The inclusion of the peoples of Central Asia and India in a common geo-cultural complex imparted strength to them for overcoming the political barriers. The public mind in India has been in general clear about high Indian stakes in Central Asia on account of India's age-old vital cultural and economic interests in the region.⁸⁷

Even before the "Great Silk Route" came into existence during the Kushan period, Tajikistan was having an extensive trade in art and handicraft products as well as precious stones with north-west India. The relics discovered at Shortugai in Tajikistan and Harappa in north-west India show a striking similarity.⁸⁸ Pieces of Badakshan lazurites have been

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discovered at Harappa which goes to prove the existence in the pre-historic period of the 'Lapis Lazuli' on the trade route long before the "Great Silk Route" came into vogue.⁸⁹

For the present, the trade and economic connections between Tajikistan and India are maintained by the route of Mumbai, Bandar Abbas, Meshad, Sarakhs, Charjou, Termej and Dushanbe. This route includes the shipping, rail and road freightage. However, for political and other reasons, the facilities of this route are utilized at an extremely low level. Especially, almost insurmountable obstacles for the movement of goods to and from Tajikistan are created by Uzbek and Turkmen governments.⁹⁰

Obstacles in the Way of Indo-Tajik Economic Relations

As far as the growth of economic potential is concerned, the role of aviation in the trade and economic relations will increase substantially. In relations with India, Tajikistan is much behind the neighbouring Central Asian states. The reasons behind it are the poverty of the population, low potential of the entrepreneurship and poor resources of the aviation company.⁹¹ This is complicating the trade and commercial relations between the two countries.

The other problem complicating the trade and economic relations between India and Tajikistan is inadequate potential of the private business in the Republic of Tajikistan. For certain reasons the state in Tajikistan has completely stepped aside from entrepreneurship, and the private traders do not have enough resources at their disposal for purchasing large consignments from India.⁹² They are also not in a position to supply large consignments to India of goods in compliance with the generally accepted international standards. For this, they lack enough experience and expertise.⁹³

Further another problem standing in the way of Tajik-Indian economic cooperation is the absence of direct relations, connections between the banks of both the countries. The Tajik banks do not have corresponding accounts in the Indian banks. The same is true of the Indian banks. The payments between companies of individual countries must get past through European and American banks. It creates difficulties in passing payments. Now, efforts are needed to establish direct bank relations between the two countries.⁹⁴ Despite of these, the inter-state, inter-governmental and inter-departmental economic relations between the two countries still exist and are based on mutual cooperation.

The first major step in the direction of strengthening economic relations between India and Tajikistan was taken during the state visit of the then Tajik Prime Minister Abdulmallik Abdullajanov in February 1993. The Tajik prime minister pledged to forge

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bonds of friendship and economic cooperation in the interest of peace and stability in the region and signed six agreements to give substance to their cooperation.⁹⁵ The then Indian Prime Minister, Narasimha Rao, announced a credit line of US \$ 5 million to promote economic and commercial cooperation with Tajikistan and also a gift of medicines and blankets as assistance to help Tajikistan in overcoming its difficulties arising in the wake of the civil war.⁹⁶ During this visit of the Tajik Prime Minister, an agreement on cooperation in trade and commerce was signed by the then Indian Commerce Minister, Mr. Pranab Mukherji and Tajik Trade Minister, Salijev. An agreement on cooperation between the State Bank of India (SBI) and the Commercial Bank for Foreign Economic Activity (CBFEA) of Tajikistan was signed by the chiefs of the State Bank of India and the Chairman of the National Bank of Tajikistan (NBT).⁹⁷ Again, in 1995, India extended a credit line of US \$ 5 million to the Government of Tajikistan to set up a Joint Venture with a private Indian company “Ajanta Pharma” for production of pharmaceuticals. The Joint Venture, ‘Tajik Ajanta Pharma’ could not function due to the inability of Tajik side to provide working capital.⁹⁸

The Indo-Tajik economic relations got a big boost from the historic state visit to India by the Tajik President Emomali Rahmon in May 2001. The visit resulted in signing of five agreements on mutual-legal assistance in criminal matters on prevention of illicit trafficking in narcotics, on long-term cooperation in the field of industry.⁹⁹ MOU on technical cooperation and agreement of direct air services between Dushanbe and New Delhi, besides a Joint Declaration on Principle of Mutual Relations.¹⁰⁰ The Indian Prime Minister announced a US \$ 5 million grant for buying Indian goods and services. India’s then Prime Minister Vajpayee also noted that the state visit of Tajik President had opened up a new chapter in ‘close and dynamic’ Tajik-Indian relations of friendship and cooperation oriented towards 21st century.¹⁰¹

Similarly, on November 13, 2003, India’s then Prime Minister, Mr. Atal Behari Vajpayee paid a goodwill visit to Dushanbe. It was the first-ever visit by an Indian prime minister to Tajikistan since the country gained independence on September 9, 1991. During his stay, Prime Minister Vajpayee met the president, Emomali Sharifovich Rahmon and the Prime Minister, Akil Akilov.

During his stay in Dushanbe, Prime Minister Vajpayee and Tajik President Rahmon called for increasing trade and commerce between the two countries. One crucial area identified was the vast hydro-electric potential of Tajikistan.¹⁰² India announced a financial package of \$ 40 million for Tajikistan, which included a credit line of \$ 25 million, which

could be used for mutually agreed industrial and infrastructure projects.¹⁰³ India would cooperate with Tajikistan on developing the latter's infrastructure for mutual benefit. The two sides agreed to extend road links from the Iranian port of Chabahar through Afghanistan into Tajikistan and set up a Joint Working Group (JWG) on counter-terrorism. India would help Tajikistan to reconstruct the airport at Ayni.¹⁰⁴ This enabled in strengthening bilateral cooperation between the two sides.

After India's Prime Minister Vajpayee's visit to Tajikistan, again in August 2006, Tajik President Rahmon visited India for the fourth time. The two countries have consultative mechanisms on India-Tajikistan Joint Commission on Trade, Economic, Scientific and Technical Cooperation, Joint Working Group on Counter Terrorism and Foreign Office Consultations (FOC). India has been assisting Tajikistan in its economic development, capacity building and humanitarian needs.¹⁰⁵

During this visit of President Rahmon to India, the country announced rehabilitation and modernization of Varzob-1 Hydro Power Station (costing approx. US \$ 17 mn.) through Indian companies, Bharat Heavy Electricals Limited (BHEL), India's largest power generation equipment manufacturer, and National Hydroelectric Power Corporation (NHPC), a company that was incorporated for planning and promoting effective hydroelectric power in India.¹⁰⁶ India also announced a grant to set up an "India-Tajikistan Modern Engineering Workshop (ITMEW)" at the Tajik State Technical University (TSTU) in Dushanbe. Further, a grant of US \$ 0.6 mn. was extended by Government of India to set up a Fruit Processing Plant (FPP) in Dushanbe. Hindustan Machine Tools (HMT) (International) Ltd., from the Indian side and Dushanbe Contract Prom (DCP) from the Tajik side were the executing agencies. The plant was commissioned on 26th January, 2005, and handed over to the Dushanbe Hukumat (Local Government) for commercial operation.¹⁰⁷ Again, India provided a grant of US 2 mn (\$ 1 mn cash; and 1 mn 'in kind' i.e. power cables generator and pump sets) to overcome a crisis due to unprecedented harsh winter during January-February, 2008.¹⁰⁸

Tajikistan is inviting India, Indian companies for investment on economy of the Republic of Tajikistan. The Indian company "CHL International Ltd" was busy in constructing new five Stars Hotel in the capital of Tajikistan.¹⁰⁹

Establishment of Free Economic Zones in Tajikistan

The most acceptable way of productive investment programmes is the establishment of Free Economic Zones (FEZs) in different regions of Tajikistan. These zones have become

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important factors in development. The Republic of India in this direction has a wealth of experience and the Tajik can use this experience. The creation of free economic zones due to the fact that Tajikistan is how at the crossroads of Eurasia, the Middle East and South Asia.¹¹⁰ The Republic of Tajikistan is a rare economical natural potential for mutually beneficial cooperation and is ready to confirm to the current level of economic cooperation and friendly relations with the Republic of India.¹¹¹

In September 2009, India's then President Pratibha Patil paid a three-day goodwill visit to the Republic of Tajikistan. Her visit was the first ever visit by an Indian president to the Central Asian region. President Patil held talks with her Tajik counterpart, Mr. Emomali Rahmon on a wide range of issues, including efforts to tackle terrorism, bilateral relations and developments in and around the region aimed at consolidating ties between the two countries in the political, economic and other spheres.¹¹²

During president Patil's visit, Hydro-electric power was one of the most important issues discussed between the two presidents. Tajikistan is the second largest producer of hydroelectricity in the Commonwealth of Independent States (CIS), after Russia.¹¹³ Its potential, according to official figures, is about 40,000 MW, i.e. around four percent of the world hydroelectric potential.¹¹⁴ India is providing help for the Varzob-1 Hydro-Power Station. The progress of Varzob-1 Hydro-Power Station, being upgraded by Indian companies, National Hydro Power Corporation (NHPC) and BHEL, was reviewed. India's involvement in this sector needs to be enhanced as this will be mutually beneficial for both countries.¹¹⁵

India has also wide experience in the development of tourism and would like to share it with the Republic of Tajikistan. India's tourism occupies an important place in the world in terms of number of tourists and on the basis of income from this kind of activity. It has successfully created the State Tourism Corporation (STC) which has material resources.¹¹⁶ It is necessary to contact this corporation to invite experts on tourism, to make an objective estimation of the potential of tourism in Tajikistan, especially its recreational diversity to solve the problem of reconstruction of the available material resources of tourism in accordance with the international standards.¹¹⁷ As the State Tourism Corporation of India has a high reputation in the world, creation of Joint Venture with it will enable the receipt of long-term credit on the basis of guarantee of this corporation with the purpose of development of an infrastructure of tourism and organic connection of Tajikistan to the global tourist industry.¹¹⁸

Tajikistan showed an interest in India's experience and technology for purifying and disinfecting water, ensuring the rational use of hydropower, building mini power plants and processing natural building materials.¹¹⁹ India offered its assistance in setting up the production of semiconductors in Tajikistan using its own raw-materials and so on. The Indian side has also been showing an interest in developing Tajikistan's mineral resources. In addition, Indian-Tajik cooperation has been designated in such spheres as environmental protection, tourism, the textile, leather and chemical industry, public health, civil aviation, telecommunication, science and so on.¹²⁰ Tajik representatives expressed their desire to create joint ventures with the Indian side in such branches as the production of electrical engineering equipment, precision tool engineering, optics and so on.¹²¹ India is also rendering Tajikistan gratuitous assistance in building small enterprises, like fruit-processing plant in Dushanbe and hotels, supplying medication and supporting Tajik municipal structures.¹²²

India's Connect Central Asia Policy

Recently, China has made deep inroads in the Central Asian republics in terms of investments in and with the region. It was in this context that India formulated its 'Connect Central Asia Policy' which is a broad-based approach including political, economic, cultural and security relations.¹²³ The primary goal behind this policy was re-connecting with the region which has a long shared history with India. India's Minister of State for External Affairs, E. Ahmed unveiled the "Connect Central Asia Policy (CCAP)" at the first meeting of the India-Central Asia Dialogue, a Track-II initiative held from June 12-13, 2012, in Bishkek, Kyrgyzstan to fast-track India's relations with the Central Asian states.¹²⁴ In his keynote speech, Ahmed mentioned that "the policy calls for setting up universities, hospitals, Information Technology (IT) Centres, an e-network in telemedicine connecting India to the Central Asian Regions, Joint Commercial Ventures, improving air connectivity to boost trade and tourism, joint scientific research and strategic partnerships in defence and security affairs."¹²⁵

With the aim of strengthening the all-round relationship under its Connect Central Asia Policy, India has offered to undertake a series of new development projects in Tajikistan. These include : an IT Centre, Medical Centres, language labs, supply of agricultural machinery and the implementation of a package of small development projects and setting up of fruit and vegetable processing plant.¹²⁶ In addition, both sides have agreed to enhance cooperation in hydel power, solar and other forms of renewable energy and to start discussions on a regional energy infrastructure network.¹²⁷

According to the joint statement on strategic partnership, the two countries have "agreed to discuss and finalize in the near future more bilateral documents in spheres, such as, air services, double taxation, consular issues, justice, mining, social security, finance and banking, industry and energy, and transportation and communication".¹²⁸

Tajikistan is one of the largest beneficiaries of India's ITEC (Indian Technical and Economic Cooperation) programme, where Tajik officers have been trained under the ITEC scheme.¹²⁹ Similarly, 160 students have received Government of India Scholarships for higher studies, till date.¹³⁰ Again, till date, 728 Indian Technical and Economic Cooperation Scholarships and 280 Indian Council of Cultural Research (ICCR) Scholarships have been utilized. After the visit of the president Patil in September 2009, the number of ITEC slots was increased from 70 to 100 per year.¹³¹ Again, the ITEC training slots increased to 150 from 100 during Tajik President Rahmon's visit to India in September, 2012.¹³²

During the visit of President Rahmon to India in September 2012, India, as part of its ongoing developmental partnership with Tajikistan, announced various new development projects. The bilateral trade between India and Tajikistan since 2004 to 2014 is as follows :

Table-3.2

Bilateral Trade Between India and Tajikistan, 2004-2014

Total Trade

Value in US \$ Million

2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
10.68	12.13	15.50	22.21	34.18	32.56	41.33	30.14	48.02	55.13

Source: Ministry of Commerce & Industry, India, 2015.

The major items of India's exports are pharmaceuticals, tea, coffee, chemicals, textiles and clothing and machinery and the major imports are aluminum, cotton, dry fruits, vegetables, organic chemicals and essential oil.¹³³ The exports and imports items between India and Tajikistan are as follows :

Table-3.3

Exports from India to Tajikistan, 2004-2014

Value in US \$ Million

2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
6.59	6.24	7.45	12.40	16.71	15.71	18.31	21.28	35.16	54.27

Source: Ministry of Commerce & Industry, India, 2015.

Table-3.4

Imports to India from Tajikistan, 2004-2014

2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
4.09	5.89	8.05	9.81	17.47	16.85	23.02	8.86	12.86	0.86

Source: Ministry of Commerce & Industry, India, 2015.

On 3 August, 2012, Mr. Sharif Rahimzoda, Minister of Economic Development and Trade and Ambassador, Mr. Asith Bhattacharjee signed a protocol supporting Tajikistan's accession to the WTO. On 2 March, 2013, Tajikistan became 159th member of the World Trade Organisation (WTO).¹³⁴

During the visit of Tajikistan president to India in September, 2012, both sides reviewed the economic cooperation between the two countries and felt the need for increasing the volume and base of bilateral trade through concrete supportive measures and mechanisms. In this respect, the role of Joint Commission on Trade, Economic, Scientific and Technological Cooperation needs to be enhanced.¹³⁵ Both countries emphasized the importance of physical connectivity and felt that the lack of surface transport corridor was a constraint to mutual exchanges between the people of the two countries. They agreed to cooperate in the development of land corridor with the help of other countries of the region.¹³⁶ India, as a part of ongoing development assistance programme with Tajikistan, announced more development projects in the field of tele-education, telemedicine, agriculture machinery and other such small development projects.¹³⁷

Again, on February 19-20, 2013, the “7th Session of the Tajikistan-India Joint Commission on Trade, Economic, Scientific and Technical Cooperation” was held in New Delhi. Since the Tajik side was represented by Sharif Rahimzoda, the Minister of Economic Development and Trade of the Republic of Tajikistan, Co-Chairman of the Joint Inter-Government Commission from Tajik side, Shirinov Abdujabbor, Chairman of the National Bank of Tajikistan, Faizulloevzk-Deputy of the Republic of Tajikistan alongwith others joined the session. Since the Indian side was represented by Mr. S.R. Rao – Commerce Secretary, Department of Commerce, Ministry of Commerce and Industry, Government of India, Co-Chairman of the Joint Inter-Government Commission from Indian side Mr. J.S. Deepak and others joined the discussion of the session.¹³⁸

During the session, both sides expressed happiness on signing of the protocol of bilateral negotiations between the two countries for access of Tajikistan to the WTO and agreed that the level of bilateral trade, investment and economic cooperation needs to be enhanced to their full potential.¹³⁹

Indo-Tajik economic relations reached at its height in April, 2013, during India’s Vice-President Hamid Ansari’s historic visit to Tajikistan. Speaking to the ‘The Hindu’ on board Air India’s Special Plane returning to New Delhi from Dushanbe, Mr. Ansari was replying to a question whether India was worried over the assistance that China was providing to Tajikistan Ansari said, “there is no clash of interests in giving assistance to Tajikistan. We are doing it in our own way and helping Tajikistan in capacity building, human resource development, information technology and they are very appreciative about it. We are not in competition with any country”, said Ansari.¹⁴⁰

During Ansari's visit to Tajik Technical University, India offered to gift a Super Computer to Tajikistan which would be in place over the years at a Centre of IT excellence and become the seed for developing IT expertise among young people in the Middle East nation. India also proposes to set up an Enterprise Development Center (EDC) in Tajikistan which will help create entrepreneurs and job providers as against job-seekers.¹⁴¹

Despite some of India's development assistance being targeted to areas that might ultimately benefit the demand for Indian goods and services, such as the proposed Central Asian e-network which aims to bolster capacity in the health and education sectors of Central Asia- a substantial part of Indian aid to Tajikistan has been in sectors that are unlikely to directly benefit India particularly given the limited overland access.¹⁴² Recent Indian development assistance such as a US \$ 600,000 grant given to set up a fruit processing plant, a US \$ 20 million grant for the renovation of a Hydro Power Station (HPS) and the 2 million Polio vaccines provided through UNICEF in 2010 at an approximate cost of over US \$ 220,000, however, clearly highlights that India's engagement with Tajikistan is driven not solely by a desire to meet New Delhi's projected energy demand or to mitigate shared security concerns, but also by a strong desire to help diversify the Tajik economy and to assist with humanitarian efforts.¹⁴³

During the State visit of India's Prime Minister Narendra Modi to Tajikistan in July 2015, at the invitation of the president of the Republic of Tajikistan, Mr. Emomali Rahmon, the two leaders noted that trade and economic linkages between India and Tajikistan are not in keeping with their potential. They highlighted the importance of trade and investments in developing a balanced and sustainable bilateral relationship and committed to work together to overcome structural and functional issues hampering economic relations between the two countries.¹⁴⁴

The leaders underscored the importance of improving connectivity in the region to realize the full potential of trade and commerce. The two leaders discussed ways and means to explore possibilities of developing an alternate surface route in cooperation with other countries of the region.¹⁴⁵ Tajikistan reiterated its support to the International North-South Transport Corridor (INSTC) which will considerably reduce transit time and cost for transportation of goods between India and Central Asia and beyond and welcomed recent measures to speed up its implementation.¹⁴⁶

Also, both leaders stressed the importance of enhanced air connectivity between the two countries to facilitate trade and economic linkages as well as tourism and greater people-
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to-people interactions. They called upon relevant authorities in both countries to find constructive ways and means to increase the frequency of flights on the Delhi-Dushanbe sector, including the provision of Fifth Freedom Rights for Carriers.¹⁴⁷ Tajikistan expressed its intention to facilitate agricultural cooperation with India, and in particular welcomed greater involvement of Indian companies in the agricultural sector in Tajikistan.¹⁴⁸ The leaders noted the centrality of energy security for rapid economic development and the president of Tajikistan sought greater Indian engagement in the field of hydropower generation in Tajikistan.¹⁴⁹

The two leaders also recognized that health sector is an important area of bilateral cooperation and agreed to expand cooperation in the field of health for the benefit of the people of the two countries. The Republic of Tajikistan welcomed India's proposal to implement a tele-medicine project in Tajikistan by connecting reputed multi-specialty hospitals in India with hospitals in Dushanbe and other regions of Tajikistan.¹⁵⁰

Indo-Tajik relations wrote a new chapter during Tajik president Rahmon's visit to India in December, 2016. Both leaders highlighted the need to increase scope and scale of economic engagement, especially in the field of trade and investment traffic. For this purpose, hydel power, IT, pharmaceuticals and healthcare were chosen as the areas of priority action. Rahmon sought Indian investment in small and medium hydroelectric projects and in four free economic zones in Tajikistan.¹⁵¹

Similarly, India's President Ram Nath Kovind paid a goodwill visit to Tajikistan in October, 2018 and met President of Tajikistan, Emomali Rahmon in Dushanbe. During this visit, India's president said that "India will remain committed to providing capacity building and development assistance support to Tajikistan." "We are happy to offer a grant of \$ 20 million for financing development projects is identified by the Government of Tajikistan. We will undertake a feasibility study of solar projects in seven villages in the country and provide two English Language Laboratories for Tajik military", said president Kovind.¹⁵² Highlighting the importance of connectivity, President Kovind said the two nations will promote International North-South Transport Corridor and other connectivity initiatives.¹⁵³

Thus, it is indicated that India is having an ever-increasing and ever-growing trade with the Republic of Tajikistan. The economic relationship between the two countries is more practical and mutually beneficial in nature.

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