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Tajikistan could gain from the current crisis in Ukraine

Written by: Alexandr Fando*

The poorest former Soviet republic's growth should be buttressed by agricultural exports towards Russia - a nice windfall at a time when remittances from migrants working in Russia are declining. In parallel, the mining, energy and finance sectors are attracting foreign investors.

How does Tajikistan resemble Switzerland? Even though the country is three and a half times larger, it has about the same population as Switzerland and its lands are also dominated by mountain ranges sheltering glaciers. Unfortunately, the similarities stop there: we are in the poorest Central Asian country, the only former Soviet republic with a gross national income per capita (990 dollars) below the poverty line as set by the World Bank. To compare, Uzbekistan's is 1,900 dollars and Ukraine's almost 4,000 dollars. The country's growth relies heavily on remittances from its many expatriates.

Low wages and chronic unemployment in the country are pushing Tajiks to earn a living elsewhere: according to official sources, 800,000 people are working abroad permanently – most of the time in Russia. Doing “physical” labor and often in precarious living conditions, these migrants stay abroad for several years with the objective of sending part of their salary home. Last year, some 4.2 billion dollars were remitted to Tajikistan, almost half of the country's GDP.

An important source of income for households in Tajikistan, these transfers are beginning to decline following the fall of the Russian ruble: the average amount sent to the country has gone down from 310 dollars in 2013 to 270 in the first half of 2014. Moreover, the war of sanctions being waged between Western countries and Russia will slow Russia's economy and, among others, will have a negative impact on the purchasing power of migrants. At the same time, this hardening of Russian-European commercial relations could be very advantageous for countries in Central Asia.

Why? Even if Tajikistan is 93% covered by mountains, its agricultural sector is well developed. Thanks to a favorable climate, Tajiks grow cotton, fruits and vegetables in the country's fertile valleys. If the export of agricultural products to Russia has been limited by several administrative measures, these barriers could be rapidly eased and export volumes quintupled in 2015. During the month of August, representatives from the Kremlin – including the minister of foreign affairs and the committee member in charge of food policy – visited Dushanbe, the capital of Tajikistan, in order to reinforce mutual economic cooperation.

The potential development of the agricultural sector could eventually offset the decline in revenue from the sale of aluminum abroad. Since 2011, the world price for the metal – which has historically accounted for more than half of Tajik export revenues – has weakened considerably. Moreover, the

mountain ranges hide many more riches: almost all of the chemical elements of the periodic table have been found there. Yet these deposits are rarely exploited due to a lack of know-how and investments.

Projects supported by foreign investors already exist in Tajikistan: countries like China, the European Union and the United States are the most active in the mining, energy and finance sectors. The Tajik government, in turn, is progressively reforming legislation in order to make the country more attractive. Its accession to the World Trade Organization in 2013 demonstrates the willingness of authorities to integrate the country into the international economic relations system. Microfinance and SME finance actors are also present in the country and are playing a key role in developing the local economy.

In this context, the former Soviet republic is seeing a progressive increase in the inflow of foreign capital. Thanks to this important source of revenue for the development of the economy, jobs are being created – giving Tajik migrants real hope that they might be able to return to their families. At the same time, solid perspectives are opening up for investors tempted by what Tajikistan has to offer – that includes Swiss investors too.

* Symbiotics Investment Analyst for Central Asia and based in Geneva