COMPARATIVE ANALYSIS OF TAJIKISTAN'S TRADE AND ECONOMIC RELATIONS WITH RUSSIA AND CHINA

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A B S T R A C T

During its twenty years of independence, the dynamics of Tajikistan's trade and economic relations with Russia and China have undergone dramatic changes. Russia's share is gradually declining, while China's is growing; imports noticeably outstrip exports in Tajikistan's goods turnover with these countries. The import and export commodity structures also greatly differ. Both Russia and China have their own areas of specialization in the economy and are pursuing a policy aimed at establishing unequal relations with Tajikistan.

KEYWORDS: ***Tajikistan, Russia, China, trade and economic relations, foreign trade turnover.***

Introduction.

Dynamics of Tajikistan's Trade and Economic Relations with Russia and China during Twenty Years of Independence

In order to make forecasts and elaborate promising vectors in the development of Tajikistan's economic system, a comparative analysis of the efficiency of its trade and economic relations with different countries of the world must be carried out. The matter primarily concerns Tajikistan's largest foreign economic partners—the Russian Federation and the People's Republic of China.

Both the Russian Federation and Tajikistan are not only members of the CIS, EurAsEC, and CSTO, but were also part of the same state for almost 150 years (first the Russian Empire and then the Soviet Union). During this time, they underwent mutual economic integration, established common political and public institutions, experienced an upsurge in the number of Tajik migrant workers coming to Russia, and enjoyed perceptible cultural rapprochement.

Both before and after the revolution, Russia rendered Tajikistan significant assistance in overcoming its long centuries of socioeconomic backwardness. In Soviet times, the centralized government sent large amounts of material and financial resources, advanced technology, scientific-technical staff, and engineering personnel to Tajikistan. This helped Tajikistan to overcome its extreme backwardness and become a country with a middle level of economic and social development in a relatively short time.

It is particularly worth noting that Tajikistan was rendered assistance in accordance with the theoretical conception elaborated by the C.P.S.U. intended to level out the economic and social development of the countries belonging to the Soviet Union. The Russian Federation, Ukraine, and Belarus were the main donors helping Tajikistan to overcome its technical-economic and social backwardness.

During Soviet times, such scientific-intensive spheres as machine-building, the electronic and electrotechnical industry, as well as the production of rare and trace metals were established. The manufacturing industry developed at an accelerated pace. Large power plants (the Nurek and Baipazin hydropower plants, the Dushanbe Central Heating and Power Plant, and others) were built and put into operation, and the first phase of a large-scale project to establish the South Tajik territorial production complex was implemented at a rapid rate.

The collapse of the Soviet Union brought with it economic disintegration of the post-Soviet space and a breakdown in commercial and production ties between Russia and Tajikistan; de-industrialization and de-urbanization processes also began in the country. There was a dramatic change in the sociopolitical nature of trade and economic relations between Tajikistan and Russia that then acquired market features.

There have been severe fluctuations in Tajik-Russian economic relations during the twenty years since the collapse of the Soviet Union. This is shown by the data on goods turnover between the two countries presented in Table 1.

Whereas the absolute indices in the table show the rapid growth rates of the foreign trade turnover between Tajikistan and the Russian Federation, the relative ones reflect its drastic fluctuations.

Table 1

Foreign Trade Turnover between Tajikistan and Russia

	1991	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
$m	53.1	231.3	363.9	234.1	251.0	236.3	301.3	339.3	489.1	911.0	1,171.8	898.1	958.3
% of Tajikistan's foreign trade turnover	40.1	14.8	24.9	17.5	17.2	13.7	14.3	15.2	15.7	22.7	25.0	25.1	24.9

Source: *Tajikistan: 20 Years of State Independence*, Statistics collection, Dushanbe, 2011, pp. 575, 576.

Table 2

Trade Turnover between Tajikistan and the PRC

	1993	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
$m	0.5	6.0	15.3	7.4	9.7	32.4	63.1	98.2	158.9	283.6	466.5	672.0	685.3	772.0
% of Tajikistan's foreign trade turnover	0.1	0.4	1.0	0.6	0.7	1.9	3.0	4.4	5.1	7.1	10.0	18.8	17.8	19.1

Source: *Tajikistan: 20 Years of State Independence*, pp. 577, 578.

Table 3

Correlation of Export and Import in Trade between Tajikistan and Russia

	1991	1995	1998	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Export, *$m*	31.5	95.3	47.9	258.8	104.7	87.5	52.2	60.5	82.8	65.4	97.3	124.3	102.9	101.8
Import, *$m*	21.6	136.0	102.1	105.1	129.4	163.5	178.1	240.8	256.5	423.7	813.7	1,047.4	795.2	856.5
Trade balance (+) (–)	+45.8%	–42.7%	–2.1 times	+2.5 times	–23.6%	–87.0%	–3.4 times	–4.0 times	–3.1 times	–6.5 times	–8.4 times	–8.4 times	–7.7 times	–8.4 times

Source: *Tajikistan: 20 Years of State Independence*, pp. 581, 582.

In 2004, Tajikistan's share of trade with Russia in its total foreign trade turnover dropped to 14.3%. By 2010, this index reached 24.9%, but it still lags far behind the 1991 level when Russia's share in the total volume of Tajikistan's trade with foreign countries amounted to 40.1%.

The trade dynamics between Tajikistan and China stand out against the background of the above-noted fluctuations.

Trade relations between Tajikistan and the PRC did not begin until 1993. In Soviet times, Tajikistan imported a small amount of Chinese goods that were distinguished by high quality and enjoyed deserved respect among local consumers. Their inflow was regulated by Soviet central planned and foreign trade organizations. After 1993, trade between China and Tajikistan began to develop consistently and at very high rates, as shown by the data in Table 2.

The above tables show two opposing trends. During the indicated time period, Russia's share in Tajikistan's foreign trade turnover dropped from 40.1 to 24.9%. At the same time, the PRC's share increased from 0.1 to 17.8%. The volumes of trade turnover with Russia increased (in absolute terms) 18.0 times, and with China 1,370.6 times.

In terms of its share and absolute trade turnover volumes, China still trails behind Russia. Nevertheless, there is every reason to conclude that China will soon rank as Tajikistan's first trade partner. For the moment though (that is, in 2010), its four top foreign trade partners are Russia (with a share of foreign trade turnover of 24.9%), the PRC (17.8%), Turkey (11.3%), and Kazakhstan (8.1%).

These trends can be seen in the documents of official sources, that is, the data of the Russian Statistics Agency. However, the PRC's statistics on absolute trade volumes between the two countries indicate larger figures. According to Chinese data, in 2011, the trade turnover volumes between the PRC and Tajikistan topped $2.2 billion.

If we proceed from them, it turns out that the PRC currently ranks first among Tajikistan's foreign trade partners. In other words, China has managed to perceptibly exceed the current level of trade between Tajikistan and Russia, although the export and import commodity structures of these countries greatly differ.

Trade Turnover Structure between Tajikistan and Russia

In the context of the development of Tajik-Russian relations, the trade balance between Tajikistan and Russia arouses justified anxiety (see Table 3).

The data in the table indicate that extremely undesirable trends are developing in Russian-Tajik trade relations. Primarily, an acute inequality in trade can be seen (by years). Fluctuations cannot only be seen throughout the entire period under review, but are also clearly traced in short time periods. It is worth noting that in 2010, compared with 2000, the export of goods to Russia dropped more than 2.5 times. At the same time, the opposite trend is seen with respect to the export of Tajik goods to China.

Stable high growth rates can be seen in imports from Russia. In contrast to China, Russia's imports consist of basic goods; the development of Tajikistan's economy depends on them, as well as the security of its population. Goods worth mentioning are fuels and lubricants, wheat and the flour made from it, sugar, vegetable oil, and others.

At the same time, it is worth noting the growing negative disproportion in the trade turnover structure between Tajikistan and the Russian Federation. Between 1991 and 2010, the volume of Tajikistan's export to Russia grew 3.2 times, while import rose 39.6 times. These figures show that import has increased 13.0 times faster than export. So the trade balance with Russia is extremely negative; in 2010 alone, imports exceeded exports 8.5 times.

The emergence of this situation can be explained by the following reasons:

1. Tajikistan is importing those commodities from Russia that, as mentioned above, are vitally important for it. Due to Tajikistan's geographic location, they cannot be imported (or imported in the necessary amounts) from other countries closer by. For example, Iran is mainly selling crude oil, since it does not have sufficient production capacities for producing gasoline, diesel fuel, and lubricants. Moreover, there are certain technical issues and aspects of interstate relations that are preventing petroleum products from being sent from Iran to Tajikistan.

   Oil fields have been discovered in Tajikistan, but they are at a great depth (4,500-6,000 m), and their exploitation does not look economically lucrative. The country is unable to import and refine crude oil; the same can also be said of grains. Tajikistan's bioclimatic conditions do not allow strong and hard wheats to be produced in sufficient amounts; the republic mainly grows soft wheat varieties. Moreover, the planting of cotton, the cultivation of which is considered more efficient than growing wheat, predominates in the republic's crop acreage. So both at present and in the future, Tajikistan will import wheat from Kazakhstan and Russia and, possibly, also from Pakistan and India.

2. Tajikistan imports those products from Russia it can also acquire from other countries: these include fruit, vegetables, canned goods, cotton fiber, raw tobacco, textiles, and so on. Recently, Russian trade companies prefer to buy many types of products earlier imported from Tajikistan in other countries. It should also be kept in mind that the goods Tajikistan offers cannot be compared in importance with those it purchases from Russia.

   For example, the Russian Federation imports cotton fiber from Tajikistan (in 2010, it imported around 23,000 tons). Based on the data of the early 1990s on volumes of cotton fiber export, it can be concluded that Tajikistan still has a large amount of untapped potential. Moreover, Russian trade companies prefer to import cheap goods from China (clothing, footwear, knitwear, and fabrics), which has caused the production capacities in Tajikistan's light industry to take a sharp nose dive. Tajikistan's textile, garment, knitwear, and shoe manufacturers, which are traditionally oriented toward the export of finished goods to Russia, have been unable to compete with China and simply ceased to exist.

   The export of onions, dried fruit, and peanuts to the Russian Federation is more or less satisfactory. However, the Chief Sanitary Physician of Russia has recently called for restrictions to be introduced on the import of food products from Tajikistan. According to the Tajik side, this unjustified embargo has political undertones, and Russia is using it as a lever of pressure on the Tajikistan government.

3. Russia's economic policy regarding the former Soviet republics unfortunately relies on the neo-classical concept of free trade. Although it is Tajikistan's strategic partner, Russia, instead of promoting the establishment and development of commercial flower growing in this republic, prefers to buy Dutch roses. However, Tajikistan could in time provide large-scale deliveries of flowers not only to the Asian, but also to the European part of Russia. The same situation has also developed in the manufacture of perfume and cosmetic oils, cotton and silk fabrics, tobacco commodities, wines, canned vegetables and fruit, juices, and others.

   For example, a total of 62 tons of Tajik potatoes, 169 tons of fresh tomatoes, 604 tons of canned vegetables and fruit (including tomatoes), 353 tons of fruit and vegetable juices, 84 tons of raw tobacco, and 397 tons of plants used for perfume and pharmaceutical purposes. Nevertheless, it would not take much effort to increase the delivery of certain types of products tens and hundreds of times (for example, Tajikistan could easily organize deliveries of early potatoes to Russia in amounts of 50,000 to 100,000 tons).

4. The export of Tajik commodities to Russia is inhibited by Uzbekistan's restrictive policy regarding their transit. For this reason, the winemaking and tobacco industry, citrus growing, and certain sub-branches of Tajikistan's chemical industry have undergone a profound slump.

   The most graphic example in this context is export to Russia of explosives (known as ammonal) manufactured at the Isfara Chemical Plant back in Soviet times. These explosives are commonly used in construction, the mining industry, when knocking down facilities, and so on. But from the very first days of Tajikistan's independence, Uzbekistan has been blocking rail transportation of ammonal through its territory. In so doing, the Uzbek authorities refer to the danger of an explosion during transportation, although according to the technical specifications, this is utterly impossible.

Due to the activities of the Uzbek authorities the production of ammonal was reduced to the minimum, while use of the production capacities of the Isfara Chemical Plant dropped to 1.8-2.5%, resulting in losses of more than $2 billion for Tajikistan. Because of the chronic delays in deliveries of ammonal from Tajikistan to Russia, a new enterprise was built for its manufacture.

A similar situation also developed in Tajik wine production (this branch specialized in the manufacture and export of fermentation must to the eastern districts of Russia) and citrus growing. However, due to the artificial barriers set up by the Uzbek authorities, Tajikistan was unable to export these commodities. Referring to possible drug trafficking, The Uzbek customs officials delayed the inspection of train carriages carrying fruit, vegetables, and citrus products from Tajikistan for up to 7-10 days. During this time, the grapes and lemons thoroughly spoiled. In the end, citrus growing, as an independent branch of Tajikistan's agriculture, ceased to exist. As for winemaking, small amounts of its products are exported to Afghanistan and Pakistan.

The transit of goods from China to Tajikistan through Uzbekistan also encounters almost insurmountable barriers. Uzbekistan's customs authorities are creating obstacles causing the shuttle traders from Tajikistan who import Chinese commodities into their country to go bankrupt. For example, in December 2009, trucks were detained on the Uzbek-Kazakh border carrying New Year's merchandise for sale in Tajikistan during the preholiday season. As a result of the two-month delay (which lasted until February 2010), Tajik merchants went entirely bankrupt, since they were unable to sell the products they had bought and return their bank loans.

Structure of Goods Turnover between Tajikistan and China

Contradicting trends can be seen in the dynamics of goods turnover between China and Tajikistan, which is shown in the data of Table 4.

The data in Table 4 show significant jumps in trade between the two countries. In 1993, imports topped exports 106 times. But as early as 1995, exports were 14.0 times higher than imports. Between 2000 and 2008, inclusive, there was an increase in imports over exports; however, dramatic changes were also seen in the development of this trend.

For example, compared with 2007, the export volumes in 2008 rose by almost 10.0 times, and by almost 5.0 times between 2008 and 2009. On the whole, between 2007 and 2010, export volumes

Table 4

Ratio of Export to Import in Trade between Tajikistan and China

	1993	1995	1998	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Export, *$m*	0.1	5.6	4.9	3.4	1.4	2.1	5.7	6.1	5.7	10.0	8.3	81.6	405.4	447.0
Import, *$m*	10.6	0.4	0.9	11.9	6.0	7.6	26.7	57.0	92.5	148.9	275.3	384.9	266.6	238.2
Trade balance (+) (–)	–106 times	+14 times	+9 times	–3.2 times	–4.3 times	–3.8 times	–4.7 times	–9.3 times	–18.0 times	–14.9 times	–33.1 times	–4.7 times	+1.6 times	+1.4 times

from Tajikistan to China rose 53.7 times. The reason for this was that in the indicated time period, the PRC made significant hikes in the volume of its purchases of primary aluminum from Tajikistan.

In the indicated years, raw mineral goods predominated in the structure of Tajik exports to China; in 2010, lead and zinc concentrate were added to it, supplied by the Altyn-Topkan mining and processing enterprise. Since 2009, the ratio of exports to imports in Tajik-Chinese trade has drastically changed. This has put Tajikistan's trade balance back in the black, which can no doubt be considered a positive trend.

Nevertheless, the following question arises: "How stable is the increase in Tajikistan's share of exports in its goods turnover with China?" There is no easy answer. Moreover, as already noted above, in recent years, serious doubts have appeared about the reliability of the Tajik customs statistics.

In this respect, changes in the ratio of export to import of goods between the PRC and Tajikistan require in-depth analysis. It must be carried out using the statistics of both countries, as well as data collected when studying smuggling across the Tajik-Chinese border.

As for Tajik-Russian trade, underestimation or differences in statistics are almost never seen. Nevertheless, there are other problems in trade between Russia and Tajikistan. In order to reduce the border tax burden, importers of goods from Russia attempt to lower their customs value. The Tajik customs authorities are responding to these attempts by carrying out price adjustment and determining the real value of the goods being imported, including their production, loading-unloading work, and transportation to the final destination. Such actions are entirely justified, since lowering the value of goods imported by Russia from Tajikistan is fraught with significant shortfalls in taxes to the republic's state budget.

In all likelihood, the same problem also exists in the import of goods from China; our preliminary calculations show that in 2012 alone, the state budget could be $393 million short.

Areas of Tajikistan's Trade and Economic Cooperation with Russia and China

If we compare the vectors of Russia's and China's economic cooperation with Tajikistan, a certain amount of specialization can be noticed. Recently, Russia has been oriented toward building hydropower plants and looking for oil and gas, while the PRC has been focused on building physical infrastructure facilities. But recently, China has also begun contending for participation in the development of the hydropower industry and in geological exploration of Tajikistan's hydrocarbon resources, although its strivings are not always yielding fruit.

Unfortunately, both Russia and China are frequently guided by their narrowly egotistical and geopolitical interests when planning economic cooperation. On the whole, it can be noted that both countries are pursuing an unequal policy with respect to Tajikistan.

The real intentions of Russia and China, as well as their institutional opportunities in economic and scientific-technical cooperation with Tajikistan, are expressed in different ways. Both countries have an absolute predominance of public investments in Tajikistan. The private sectors of China and Russia are still reluctant to invest funds in the Tajik economy, which is related to the unfavorable investment climate in the country.

As for public investments, in this respect, Russia lags significantly behind China, the international reserves of which have long topped $3 trillion.

At present, Tajikistan's public debt to China is nearing $2 billion, which poses a significant risk with respect to the country's economic security. If Tajikistan is not able to pay back its external loans on time, China might make territorial claims on it. By issuing Tajikistan loans, China is very well aware that it will have difficulty returning them. Nevertheless, the PRC encourages Tajikistan to take out new loans. At present, both countries are holding talks on several infrastructural projects called upon to ensure a higher mutual transport availability; they will be implemented using Chinese loans.

China has favorable opportunities for developing trade and economic relations with Tajikistan in the geographical respect too. At present, goods are being delivered from China through the Kulma border pass, which is open all year round. Moreover, a large part of the Chinese goods reaches Tajikistan through Kyrgyzstan, in the south of which there is a road from the PRC that operates continuously. The current schedule of operation of these roads somewhat alleviate the tough transit conditions introduced by Uzbekistan for importing Chinese goods into Tajikistan.

Problems in Tajikistan's Relations with the Great Nations-Strategic Partners

Despite the fact that both Russia and China are Tajikistan's strategic partners, they occupy a passive position with respect to such a major project as completion of the construction of the Rogun Hydropower Plant. As we know, this project was developed back in the 1970s-1980s by a group of engineers from the Zhuk All-Union Hydroproject Institution, which still functions to this day. In recent years, specialists from this institute, keeping in mind the latest achievements in Russian and world science, have made significant changes to the Rogun hydropower plant building project.

In this respect, it should be mentioned that this project has aroused Uzbekistan's immense discontent. However, the Russian political leadership is well informed that world-renowned experts (both Russian and foreign) think that any arguments against building the Rogun Hydropower Plant are insubstantial.

It comes as a great surprise that Russia, which has great influence on Uzbekistan, is not taking any steps to overcome (or at least weaken) the resistance of this republic to construction of the Rogun Hydropower Plant. The Russian government is not striving to take on the role of arbiter or mediator in the issues relating to the transit of Tajik goods through Uzbekistan and the undeclared economic blockade it is imposing. Moreover, Tajikistan has been unable to enlist Russia's alliance support in its difficult relations with Uzbekistan, even though it (in contrast to Uzbekistan) is a member of the EurAsEC and CSTO.

China has assumed a similar stance with respect to Tajik-Uzbek disputes and the development of the hydropower industry in Tajikistan. An agreement has been signed between Tajikistan and China about the latter's participation in building the Yavan Hydropower Plant in the Zeravshan Valley; in 2010, specialists from the PRC started planning and surveying work.

However, just one statement by the Uzbek leader against construction of the Yavan Hydropower Plant was enough for the Chinese to halt work. The Chinese government has called on both countries to settle their relations and stated that only after a compromise is reached between them with respect to construction of this hydropower plant will it allow Chinese companies to participate in building this facility. During the President of Tajikistan's recent trip to the PRC in May 2013, documents on strategic partnership were signed between Tajikistan and the PRC. However, this new status is unlikely to help Tajikistan resolve its most difficult development-hindering problems with Uzbekistan.

In this respect, it would be appropriate to examine another problem related to Tajik-Chinese economic relations. In this case, the matter concerns Tajik producers who are unable to compete with Chinese goods. The mass import of cheap Chinese commodities is helping most of the low-income Tajik population to make ends meet. But Chinese goods are known for their low quality and many are detrimental to human health. The most regretful thing, however, is that the massive influx of cheap Chinese goods has brought enterprises of Tajikistan's light industry to a complete halt and led to a rise in unemployment in the country. This has forced Tajik citizens to look for work abroad. Unfortunately, both the Tajik and the Chinese government prefer to step silently around this situation.

So it turns out that it has not been the Chinese investing in the real sector of the Tajik economy for twenty years, but Tajikistan investing in the development of the light industry, car manufacture, and the production of Chinese building materials. Despite the communist rhetoric, China has been employing a neo-liberal concept of free trade toward Tajikistan (just as it has toward several other countries), knowing in advance that due to the absence of equal conditions for competition, many branches of the neighboring country will be doomed to death. This is compelling a closer study of Tajik-Chinese trade and economic relations and the need for their revision, since they are threatening the emergence of new risks to the security of Tajikistan's economic system.

Conclusion

An analysis of Tajikistan's trade and economic relations with Russia and China shows that they are unequal and need significant improvement (from the viewpoint of meeting Tajikistan's national interests).

Russia is trying to preserve the position of a suzerain state with respect to Tajikistan, but, at the same time, is relying in the foreign economic sector on the policy of neo-liberalism and monetarism. When some problem arises, the Russian leaders refer to the fact that everything is regulated by the market.

Incidentally, a pro-market policy is also pursued within the Union State of Russia and Belarus and within the EurAsEC. This policy does not envisage measures to accelerate the economic growth rates of certain countries and the social development of backward regions. Moreover, it does not aim to level out the economic and social development of certain countries belonging to the economic community. This is causing those problems that have led to the crisis in the EU to appear in the worst possible way in the EurAsEC.

It can be confidently said that czarist Russia related much better to Central Asia than present-day Russia does to those countries that continue to seek guidance from it. Having noticeably reinforced its presence in Central Asia in recent years, Russia is still unable to refuse Alexander Solzhenitsyn's advice to get rid of its underbelly (i.e. Central Asia) as soon as possible.

In our opinion, the entire set of relations between Russia and Central Asia does not meet the demands of the time and requires revision. We will note that the absolute majority of the agreements signed between Tajikistan and Russia are not working in full. China is taking very skillful advantage of this by trying to fill the vacuum Russia has left.

While recognizing the economic advantages of cooperating with China, the dangers that accompany it cannot be ignored. They include China's augmentation and use of its competitive advantages when carrying out its expansive trade policy, indifference to production cooperation, territorial claims on its neighbors, etc.

Most of the Tajik population is still hoping to restore and rapidly develop relations with Russia in all vectors. Russia still regards Tajikistan as a political bastion of widespread bilateral cooperation in production cooperation and development of human capital. Production cooperation should include the implementation of joint measures to build medium and large hydropower plants, restore the mining industry, develop the infrastructure of agriculture, and rehabilitate the manufacturing industry. Cooperation must be intensified in the human capital sphere in education and public health, while favorable conditions must also be created for migrant workers from Tajikistan.

Remittances sent by Tajik migrant workers to their homeland are increasing with each passing year. A large share of this amount (from 30 to 45%) goes to purchase Chinese goods. The absence of an import substitution policy is causing the Tajikistan population to essentially spend this money on investments in China's industry and not on the purchase of their own commodities.

It stands to reason that this situation is unacceptable and requires major revision. Tajikistan should insist on reexamination of the entire system of foreign economic relations on a comprehensive, equal, and mutually advantageous basis.

Tajikistan is too vulnerable in its relations with Russia and China, and the economic giants should understand this. Therefore, Tajikistan's central task is to uphold its own national interests.

In the meantime, however, Russia and China are pursuing their own egocentric strivings in Tajikistan, which is impeding the country's socioeconomic development.