

# soviet disintegration and economic decline in tajikistan

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## **ABSTRACT**

*After the demise of the Soviet Union in 1991, Tajikistan was one of the poorest republics in Central Asian region. 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. The effects of fuel and raw-materials shortages, transport and distribution breakdowns were felt in the form of strikes and ethnic disturbances. The Tajik economy was further hampered by the bloody civil war in 1992 which slowed down the economic development in the region. Despite of Tajikistan's economic reforms the inter-regional economic links between the two sides still remain. Russia is the largest export and import part of Tajikistan and numerous economic deals send a powerful signal of the existence of specific ties between Tajikistan and Russia.*

## **Key Words**

- Economic Recession – Decline in Gross Domestic Product (GDP)
- Market Economy – an economic system in which production and prices are determined by unrestricted competition between privately owned business.
- CIS – Commonwealth of Independent States.
- GNI – Gross National Income
- War-devastated – to bring to ruin by war.
- Civil war – a war between citizens of the same country.
- SIF – Social Insurance Fund
- UNFO – United Nations Food & Agriculture Organization
- UNFPA – United Nations Fund of population Activities
- CRHFP – Centre for Reproductive Health & Family Planning

The collapse of the USSR, loss of trade and economic links with Russia and other republics of the former USSR, non-availability of the enormous grants from the federal budget, end of the practice of free use of the transport infrastructure of the Union, the civil war and the related great destruction, full economic blockage by the neighbor country, abrupt weakening of the regulating role of the state in transition from centrally planned economy to market, brought to deep economic crisis.<sup>1</sup>

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.<sup>2</sup> 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.<sup>3</sup> As power of the central authorities collapsed, so did structure of inter-republic trade. Shortage of food, consumer goods and fuel spread. The effects of fuel and raw material shortages, transport and distribution breakdowns were felt in the form of strikes and ethnic disturbances.<sup>4</sup>

The downward slide continued unabated after the breakup of the Soviet Union. Recession, unemployment and price rise resulted in a dramatic fall in people's living standard.<sup>5</sup> Privatization has been slow, yet pressure on agriculture has seen more migration of rural youth looking for jobs in the cities.<sup>6</sup>

### **Decline of Industrial Production:**

Declining industrial production characterized the Tajik economy since the onset of perestroika. Industrial production stood at 53 percent of the GNP in 1992. Tajikistan's economy shrank by 13 percent in the first quarter of 1992 and 20 percent in the second quarter of 1992.<sup>7</sup>

With supply of from other CIS states disrupted (their economies being in equally critical shape), civil war and political instability exacerbated the economic crisis in Tajikistan, whose economy declined drastically. During 1992-96, real GDP declined by 60%. Its debt liability also increased. The debt to GDP ratio grew from 74.4% to 109% between 1992-97. Inflation was very high and as a result, real wages have gone down by more than 95% between 1993-97. The fall in

employment and real wage, combined with declining spending in social sector and removal of subsidies brought down the general living standard of the masses.<sup>8</sup>

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.<sup>9</sup> 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.<sup>10</sup> 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.<sup>11</sup> 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 and Leninabad provinces, became economically and politically isolated, which made it possible to talk about an incipient process of the collapse of the Tajik state.<sup>12</sup>

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.<sup>13</sup>

Russian emigration has also affected Tajikistan's professional potential. Schools and institutions of higher learning and training have started to shut down.<sup>14</sup> 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 paralysed due to Russian emigration are geological prospecting and the energy complex, enterprises in the chemical industry and heavy industry.<sup>15</sup> Other areas that are nearly paralysed 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.<sup>16</sup> 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 employed in state-owned 'Kolkhozes' and 'Sovkhozes', but had not been paid for months.<sup>17</sup> 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.<sup>18</sup>

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 (UNFAO), 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.<sup>19</sup>

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.<sup>20</sup> 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.<sup>21</sup>

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.<sup>22</sup> 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 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.<sup>23</sup> 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).<sup>24</sup> 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.<sup>25</sup> In real terms, pension and child-allowances have been reduced dramatically and many will slip through the pre-existing social safety net.<sup>26</sup>

### **Population Explosion Threatens Tajik Economy:**

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".<sup>27</sup> 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.<sup>28</sup>

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 countries 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.<sup>29</sup>

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, can not feed its people and the only solution is the continued migration of working-age males to Russia, Kazakhstan and Kyrgyzstan.<sup>30</sup> 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 cooperation 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.

Economic relations between Tajikistan and Russia were badly disturbed because of the breakdown of overall commercial and financial arrangements in Russia after the disintegration of the USSR, which was unable to give financial assistance to Tajikistan at the time of the republic's financial crisis. Unlike other former Soviet republics, the Tajik Government has been slow to implement reforms designed to effect a transition to a market economic system.

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.<sup>31</sup> 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.<sup>32</sup> 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. However, with Tajikistan adopting a market economy and accelerating privatization, the new economic scenario has also necessitated more investments from the Western countries. 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.

### **Economic Reforms of Tajik Government:**

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.<sup>33</sup> 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 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)).<sup>34</sup> 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\$ 5mln. loan for health-care reform, as part of a \$ 50m. credit to assist with structural adjustment programmes, including the payment of pension arrears.<sup>35</sup>

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.<sup>36</sup>

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.<sup>37</sup>

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, a reformed taxation system, new legislation to encourage investment, the liberalization of foreign trade, and land reform.<sup>38</sup> The plan stated that the government's goal is to create a "socially oriented market policy, which ensures 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 the market economy.<sup>39</sup> In the second stage, from 1998 to 1999, the aim was be to complete privatization of large enterprises, implement fundamental structural reforms, boost living standards, and create effective monetary, credit and taxation system.<sup>40</sup> The third stage, which was to start in the year 2000, was intended to complete the structure of the market. It is hoped that the economy would by then be growing.<sup>41</sup>

Foreign investment was discouraged by the civil unrest, although in 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 in 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.<sup>42</sup> 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.<sup>43</sup>

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 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.

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.<sup>45</sup> 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 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.<sup>46</sup>

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.<sup>47</sup> 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 improved 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.<sup>48</sup> According to 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.<sup>49</sup>

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.<sup>50</sup>

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), 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.<sup>51</sup>

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.<sup>52</sup>

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.<sup>53</sup> 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.<sup>54</sup>

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 republics 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.<sup>55</sup> Thus, Tajikistan's economic development strategy helped to create a firm foundation for its independent existence in international sphere.

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