

# Tajikistan's New Trade

## CROSS-BORDER COMMERCE AND THE CHINA-AFGHANISTAN LINK

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### **Introduction**

The official Tajik narrative on cross-border relations with Afghanistan focuses on security concerns, namely the spread of drug trafficking and Islamic militancy. Presenting these threats as entirely external in origin is useful for Tajik elites as it attracts the attention of the international community. However, these issues can in large part be explained by elements of Tajik society itself, including interregional balances, rivalries between influence groups, patrimonial sharing of riches, and the recurrent poverty of the majority of the population. Moreover, the security and defense aspects of relations with Afghanistan are counter-balanced by commercial opportunities offered by Tajikistan's geographical location. A parallel development of trade with both Afghanistan and China is transforming the social fabric and economic strategies of Tajik elites. In Central Asia, Tajikistan has benefitted the most from Chinese investments in road infrastructure, the aim of which is to integrate Tajikistan better into Beijing-led regional trade dynamics involving Afghanistan and Pakistan. Tajikistan is also subject to growing pressure from Afghan partners to open up its borders so that Afghan businessmen have road access to the Chinese market. Pro-Chinese and pro-Afghan lobbies are thus going to structure Tajik trade, particularly in Tajikistan's eastern Gorno-Badakhshan Autonomous Region (GBAO). The pattern of border openings contradicts a more security-oriented approach.

### **Landlocked Tajikistan and the Chinese and Afghan Neighborhoods**

Although Tajikistan is one of three Central Asian republics that borders China, it never developed direct relations with China during the Soviet period. Because of its civil war (1992-1997), it was the last Central Asian state to sign a border delimitation treaty with Beijing, which it did in 2002. In the treaty, Tajik authorities ceded to China 1,000 square kilometers of mountainous zones situated east of Murghab in the Pamirs, although parliament only ratified the transfer at the start of 2011. Once behind its neighbor

Kyrgyzstan in terms of trade with China, today Tajikistan enjoys the same commercial dynamic. In 2010, China was Dushanbe's largest trade partner with 33 percent of total trade, while Tajik commerce with Russia made up only 19 percent. Significantly, Tajikistan receives two-thirds of total Chinese loans to Central Asia. Tajikistan's largest creditor is China and its debt levels toward its neighbor have reached dramatic proportions: more than a third of Tajik debt is tied to Chinese credits, amounting to more than \$700,000 million at the end of 2010. More than 80 percent of Chinese investments in the country are offered in the form of credit.



Chinese credit institutions particularly spoil Tajik authorities because the country is seen by Beijing as the missing link in its access to Afghanistan. The direct Wakhan Corridor between China and Afghanistan is difficult to access. Chinese products destined for the north of Afghanistan arrive via Tajikistan. The wholesale Chinese bazaars that have opened on Tajik territory serve not just the national market, but also neighboring Uzbekistan and Afghanistan. Two routes rival each other for control of Chinese products, one route going on to Uzbekistan and the second to Afghanistan. The first route passes through the great bazaar of the Kyrgyz south, Kara-Suu, in the direction of Khujand (in northern Tajikistan), and then onto Dushanbe. After the route undergoes renovations, it will be able to split into two and also traverse Tajikistan's Rasht Valley. The second is direct, passing through the only Tajik-Chinese border post located at the Kulma Pass (Kalasu on the Chinese side), situated at an altitude of 4,300 meters in the Pamir Mountains.

The largest Chinese investments in Tajikistan are in the transportation sector, with the construction of roads, tunnels, bridges, earthworks, and shipment terminals. Investments come from the China Import-Export Bank or from large international organizations such as the Asian Development Bank, the Islamic Development Bank, or the OPEC Fund. Beijing's objectives are twofold: 1) to improve the link between Dushanbe and large provincial towns, such as Kulyab, which are viewed as key elements in the country's political stability; and 2) to develop trade relations with bordering countries – Kyrgyzstan, Uzbekistan, Afghanistan, and China. In particular, China wants to integrate Tajikistan into its already ancient partnership with Pakistan via the Karakoram Highway as well as into its more recent trade and investment relationship with Afghanistan.

### **The Border Trade between Gorno-Badakhshan and Afghanistan**

In the framework of the growing triangular relationship between Tajikistan, China, and

Afghanistan, the Gorno-Badakhshan Autonomous Region plays a specific role as a crossroads. Geographically isolated from the rest of the country, Gorno-Badakhshan is populated by Pamiris, members of the Ismaili sect of Shia Islam (other Tajiks are Sunni). Gorno-Badakhshan benefits from the support of the Aga Khan Development Network (AKDN). The AKDN is probably one of the most marked elements of the transformation of the post-Soviet social fabric in Gorno-Badakhshan. It focuses on reducing poverty through development and advocating partnership between the state and private sectors. It disseminates an ideology of private enterprise that invites isolated and impoverished communities to participate in their own development as a way of “nationalizing” or “regionalizing” the market economy system.

The main AKDN program, the Mountain Society Development Support Program, fosters agricultural self-sufficiency but also trade relations between Gorno-Badakhshan and the northern provinces of Afghanistan. Between 2002 and 2008, the AKDN spent nearly \$2 billion to build or renovate several Tajik-Afghan bridges across the Panj River. It also participated in the renovation of the Murghab-Kulma and Darvaz-Kuliab roads, which connect Tajikistan to China and Afghanistan, respectively. At the national level, bridges in Gorno-Badakhshan have gradually declined in economic importance with the opening in 2007 of the Nizhny-Panj bridge, which links Tajikistan to the small Afghan town of Shir Khan Bandar, and which was built by the U.S. Army Corps of Engineers. But at the local level in Gorno-Badakhshan, AKDN bridges play an increasingly important role in fostering trade exchanges.

The bridges in Khorog, Ishkashim, and Darvaz already have established markets on either side of the border, while the Langar and Vanch bridges are expected to get theirs in 2011. Market days are every Saturday and allow for small-scale trade: Afghans sell potatoes, cattle, diverted humanitarian aid, Iranian and Pakistani products (dishes, leather, and shoes), precious stones, gold, and carpets, while the Pamiris sell pastries, bread, and Kazakh and Chinese products. Each vendor pays for a license to the market administration and each client registers to cross the bridge. Up to \$1,110 dollars in tax-free goods are authorized; nonetheless, this figure is rarely reached, except by representatives of prominent businessmen from Kunduz, Fayzabad, or Mazar e-Sharif. In 2010, the Tajik government declared Ishkashim a free trade area, hoping to bring in foreign investors.

**Figure 1: Growing Tajik-Afghan Bazaars<sup>1</sup>**

Bazaar	Number of registered customers, 2007	Number of registered customers, 2009	Revenue generated weekly in 2007, in somoni	Revenue generated weekly in 2009, in somoni
Khorog	1,500	2,300	50,000	120,000
Ishkashim	2,300	3,000	60,000	180,000
Darvaz	1,000	1,300	15,000	65,000

<sup>1</sup> I am grateful to the Pamir business association Milal-Inter for providing these figures. The Gorno-Badakhshan administration has charged Milal-Inter with monitoring the number of visitors to bazaars and the revenues generated.

As Figure 1 shows, not all markets are equally important. Some are destined to remain small because there are few inhabitants on its Afghan side; the area is extremely mountainous, and local trade has been traditionally limited to livestock and food products. The markets at Khorog and especially those at Ishkashim play a more regional role. The markets offer non-negligible commercial opportunities to the local populations, some of whom hope to profit from the border openings to get out of the rather unprofitable agricultural sector and avoid migration to Russia, which has become one of the main professional prospects for working-age Tajik men, and also for a growing number of women. Small commercial niches are thereby created, with Pamiri traders aiming to become intermediaries in China-Afghanistan trade.

### **Pro-Chinese and Pro-Afghan Business Lobbies in Tajikistan**

In addition to their impact on the lives of local populations, new trade linkages have had direct implications for Tajik elites. Private economic interests drive geopolitical strategies, and nearly the entire Central Asian trading system is based on corruption schemes. The so-called “red” (*krasnyi*) trade involves high-ranking political figures, while the “black” one (*chernyi*) goes through underground schemes, but also relies on influential ruling persons. Some members of the presidential family, directly involved in the most profitable sectors of the national economy, have Chinese-linked interests. One of Tajik President Emomali Rakhmon’s sons-in-law has built a partnership with a Chinese-Uyghur businessman, whose trade he facilitates in exchange for a cut of the profits. The main Tajik oligarch, the president’s brother-in-law Khassan Sadulloev, controls some sixty companies and has Chinese-directed economic interests, such as in the building materials sector.

Afghan business lobbies in Tajikistan are less directly linked with the presidential family. Chinese-Afghan-Pamiri commerce is controlled in part by Milal-Inter, an association of sixty Pamiri businessmen headed by the influential *apparatchik* Boymamad Alibakhshov, a former member of the Communist Party committee and head of the Soviet-era state investment committee. Milal-Inter has positioned itself as a mediator of trade between China and Afghanistan and lobbies on behalf of Afghan businessmen who wish to operate more easily in Tajikistan.

The association has set up real lobbying strategies at the institutional level. Several of its members belong to the Committee for the Development of Border Cooperation in Tajikistan’s Ministry of Economy and have entered into the provincial administrative organs of Gorno-Badakhshan. The association is, for instance, in charge of the secretariat of a joint GBAO-Fayzabad committee established to resolve customs issues and will also manage a joint GBAO-Osh Committee that is planned for 2011. The association has also managed to position itself as an essential intermediary for international organizations like the OSCE (Organization for Security and Cooperation in Europe), the Eurasia Foundation, and Germany’s GTZ, through activities like tourism promotion and the management of resource centers at Tajik-Afghan bazaars, where it offers free legal advice to settle disputes between vendors and customers.

The results obtained by Milal-Inter have confirmed the effectiveness of its lobbying, thanks to some support among the presidential family and the Aga Khan network. In 2009, the association managed to get restrictions lifted on the list of approved products for sale at bazaars, and it campaigned in 2010 for the opening of bazaars for two or three days a week. It asks the authorities to open flights to Kabul and Kashgar, China, from Ishkashim's small airport, so that Pamiri traders are not at a disadvantage compared to those from Dushanbe. It has attempted to put pressure on Dushanbe to ask the Chinese government to grant Tajik trucks the right to enter Chinese territory and thus prevent Chinese companies from having full control over transit. Last but not least, Milal-Inter intensively lobbied the Tajik authorities to allow foreigners to cross at the Kulma checkpoint – limited to nationals from both states – giving an obvious nod to its Afghan partners. This facilitation of administrative procedures for Afghans will increase the competition they will exert on Pamiris, but it will also, more importantly, serve to prevent them from having to go to China via Dushanbe, which will ultimately ensure a transit role for Gorno-Badakhshan. In addition, through personal contacts established by Alibakhshov in Afghanistan, Milal-Inter is the only Tajik organization to have directly signed a cooperation agreement to develop trade relations with the administration of Afghanistan's neighboring Fayzabad province.

Naturally, the association also runs its own business, and Alibakhshov fully occupies the trade niche between China and Afghanistan. In order to avoid local intermediaries, it has opened offices in Kashgar and Kabul, responsible for facilitating transactions with local businessmen and mainly cajoling central governments. In the Xinjiang-Uyghur Autonomous Region, Pamiri businessmen go to Kashgar (in the western part of Xinjiang) but rarely to Urumqi (the capital of the Autonomous Region) and are therefore subject to the whim of their Chinese partners, who charter the goods to Kashgar. It has also set up a branch office in Urumqi for transport: a score of trucks carries Chinese goods to Afghanistan in the summer, as well as to Russia and the Far East in the winter.<sup>2</sup> Milal-Inter's Afghan connections fuel suspicions about the funding the association received to start its major commercial projects. Some local experts suspect Alibakhshov of being close to some Afghan businessmen from Fayzabad, known to be involved in drug trafficking and suspected of laundering their money in trade with Tajikistan and China.

## **Conclusions**

Tajik society has minimal revenues: agriculture is rather unprofitable, it has few industrial riches (aluminum), and only labor migration, mainly toward Russia, furnishes remittances, which are now key to the survival of Tajik households. The tertiary sector, in particular the trade of Chinese goods, is also booming, as it is in neighboring Kyrgyzstan. In this framework, Tajikistan's proximity to Afghanistan, and the Chinese desire to connect the two countries, provides new economic opportunities

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<sup>2</sup> Information provided by Boymamad Alibakhshov and other Milal-Inter members during interviews with the author in Khorog, June 2010.

for a still restricted circle of Tajik traders. For Tajik elites, China presents itself as a new and unavoidable ally in comparison with Russia, judged too assertive on the strategic level and too hesitant on the economic level, and Iran, which remains a limited economic partner and a cumbersome neighbor on the geopolitical level. Tajikistan's relations with Afghanistan are driven in large part by the underground interconnections of drug trafficking, which makes up a significant part of the revenues circulating in the country, the Tajik drug barons clearly displaying their *nouveaux riches* status. The Tajik regime is thus caught in a vice between two contradictory logics: while it seeks to secure its borders and avoid any destabilization spillover from its Afghan neighbor – a discourse in keeping with that of the international community – it also hopes to benefit from new regional economic patterns, both legal and illegal.