

TAJIKISTAN

By Interfax-CNA

Tajikistan is one of the weakest economies in Central Asia. Cotton production is the core of agriculture in Tajikistan and accounts for a large proportion of exports. Tajikistan exports mainly raw materials, and the Tajik Aluminum Plant provides about 55% of exports. Because of Tajikistan's mountainous terrain, rail transport is not highly developed and trucking by road is the most popular form of transport in the country.

Tajikistan increased its GDP by 9.1% in current prices in 2002. Industrial output increased by 8.2% and agricultural output rose by 15%. The rate of inflation increased to 14.5% in 2002. Foreign debt decreased by 3.1% in 2002 to US\$985 million, equivalent to 82% of the country's annual GDP.

Tajikistan has significant resources of hydro energy, precious metals, polymetallic ores, precious stones and bituminous coal. A report on investment projects is published each year in an effort to attract foreign capital. The report highlights the most interesting investment projects. The priority areas for investment are the completion of the Rogunsk and Sangtudinsk hydroelectric plants, production of precious metals and polymetallic ores, development of telecommunications, cotton processing and processing of agricultural products.

The government has introduced special terms for large investors in an effort to attract foreign capital. For example, any joint venture in which the foreign partner holds at least 30% is exempt from profits tax for the first two years. The exemption is also granted to those foreign partners investing US\$100,000 - US\$500,000 in a Tajik enterprise. If a foreign partner holds US\$0.5 - US\$2.0 million in a joint venture, the tax exemptions are provided for three years, and a five-year exemption is provided if foreign investment exceeds US\$5 million. Despite these exemptions, however, foreign investment remains extremely low because of concerns about the unstable social and political conditions in the country. Foreign investors are also concerned because of Tajikistan's proximity to Afghanistan and tend to prefer committing small sums in northern Tajikistan, which is more stable.

The largest foreign investors are companies from Canada, the US, the UK, Korea, Germany, Switzerland, Italy, Hungary and Russia. They include: Nelson Gold Corp. (gold and silver), Gulf International Minerals (gold), Credit Suisse First Boston (cotton futures), Kabool Textiles and Adjind International (textiles). Joint venture projects include Zeravshan, Darvaz, Aprelevka, Dzhavoni, Tajikkabooltextiles, Rishta, Khudzhand Packaging, Marmar and Obi Zulol.

The European Bank for Reconstruction and Development (EBRD) has offered €37 million in assistance to Tajikistan over the past ten years. A new three-

year EBRD strategy has been discussed and Tajikistan has spoken in favor of expanding EBRD activities in the construction of energy facilities as well as in the mining industry, transportation and tourism.

The Tajik Government has finalised a strategic state property privatisation programme for 2002-2004 and is to compile a list of properties for privatisation on an annual basis. Through 2004, it is planned to privatise Tajik Railways, Tajikistan Airlines, Tajik Aluminum Combine, the Dushanbe Meat Processing Plant and the Tajiktekstil textile enterprise.

Meanwhile, Russia and Tajikistan are considering prospects for industrial, scientific and technological co-operation. In particular, the establishment of joint ventures to develop the country's extensive reserves of tungsten and silver is under consideration.

Aluminium

Tajikistan operates the only primary aluminium smelter in the central Asian republics. The TadAZ smelter in Tursun-zade receives most of its raw materials from Russia, from Ansol and Russian Aluminum, and pays for it with aluminum and aluminum products. The plant has a capacity to produce 517,000 t/y of primary aluminium, and operates 12 electrolysis and three pre-baked anode units. Production peaked in 1989 at 460,000 t of aluminium. In 2002, TadAZ produced 307,589 t of aluminium, an increase of 6.4% over 2001, and exported 305,400 t worth US\$396.6 million. This year, the smelter is expected to produce 325,000 t.

An inadequate power supply restricts production at the TadAZ smelter. It would be capable of producing 500,000 t/y, if the supply of electricity were to be increased, and under a contract signed in October 2002, Turkmenistan is to supply the Tajik smelter with electricity. Meanwhile, Russian investors will finance the completion of the Rogunsk and Sangtudinsk hydroelectric plants in Tajikistan under an agreement reached at the session of the Russian-Tajik intergovernmental commission on economic cooperation. The hydroelectric plants produce 96-98% of Tajikistan's electricity, but less than 10% of the country's hydro resources are utilised.

Gold

In September, 2002, Avocet Mining plc of the UK signed a heads of agreement to acquire the Tajik gold assets of Toronto-based Nelson Resources Ltd held through Nelson's subsidiary, Commonwealth and British Minerals Ltd. The assets included a 44% interest in Zeravshan Gold Co. (ZGC) which holds rights to 3,000 km² in northern Tajikistan, including the Jilau open-pit gold mine. In April 2003, Avocet purchased the 5% interest in ZGC held by the International Finance Corp. and the company reported that it was in negotiations with the Tajik Government, which holds a 51% interest in ZGC, concerning the restructuring of ZGC's total debts of US\$90 million.

Past work in the Zeravshan area during the Soviet era identified a gold resource of 8.0 Moz and since 1995, under Nelson's management, the Jilau operation has produced 0.5 Moz of gold. Future production envisages an

underground mine at Jilau, plus open-pit operations at two satellite deposits. Total measured and indicated resources at the Jilau complex amounted to 521,000 oz at the end of 2001. In 2002, ZGC produced 80,000 oz of gold at a cash operating cost of US\$218/oz.