

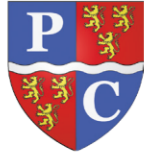
**Pozières
Consulting**

SITUATION REPORT



TAJIK ELECTIONS

OCTOBER 2013



SITUATION REPORT – TAJIK ELECTIONS

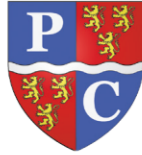
Executive Summary

- Elections are to be held on November 6th.
- Six Tajik citizens including Alamurod Makhanov were detained on September 21st in Dushanbe on suspicion of plotting a series of terrorist attacks;
- Tajik businessman and leader of the unregistered New Tajikistan party, Zayd Saidov has gone on trial in Dushanbe following his May arrest;
- Growing tensions between the government and the Islamic Renaissance Party of Tajikistan (IRPT);
- Further unrest in the autonomous region of Gorno-Badakhshan;
- The withdrawal of coalition forces in 2014 from neighboring Afghanistan may increase cross-border conflict and illicit trade;
- Large scale investment projects linked to the ‘New Silk Road’ remain the priority despite short term uncertainty;

Context

The upcoming Tajik elections are going to test the resilience of President Emomali Rakhmon’s leadership as he faces challenges on a number of fronts.

The recent arrest of six Tajik citizens including Alamurod Makhanov in Dushanbe on suspicion of plotting a series of terrorist attacks has brought the on-going conflict between the government and the Islamic Renaissance Party of Tajikistan into full view. The Islamic Renaissance Party of Tajikistan is one



of the strongest challengers to the re-election of President Emomali Rakhmon and support for the party has been steadily growing over the course of the last few years. Having watched religiosity grow in recent years, the Rakhmon government has attempted to suppress religion, particularly the rise of Islam, through a number of draconian measures. The government has also detained several members of the Islamic Renaissance Party of Tajikistan over the past year, often under the auspice of counter-terrorism measures.

The Islamic Renaissance Party of Tajikistan has been a major rival to the regime of Rakhmon since Tajikistan's civil war (1992-1997) and recent crackdowns have served to increase rather than decrease their support, especially in the autonomous region of Gorno-Badakhshan. The death last year of a top security official in Khorog in Gorno-Badakhshan prompted the Tajik military to deploy troops to the region, which saw violent clashes between residents and security forces. And while the volatile situation in Gorno-Badakhshan seems to have eased since the leader of the rebellion, Toleb Ayembekov, surrendered to authorities back in August, the risk of the resumption of hostilities in the lead up to the election are high.

The recent arrest of prominent Tajik businessman and leader of the unregistered New Tajikistan party, Zayd Saidov in May as well as accusations by opposition Tajik presidential candidate, Oinihol Bobonazarova, that police have been interfering in her campaign by arresting 10 members of her election team without explanation, shows that the government is continuing its strategy using its significant power to affect the outcome of the election.

Rakhmon dominated the two presidential elections held since the end of the war, purportedly gaining 97 percent of the vote in 1999 and nearly 80 percent in 2006. Both elections were deemed unfair by independent observers and lacked participation from numerous opposition parties and recent events demonstrate that Rakhmon's commitment to open democratic elections is superficial at best. The regime continues to confirm its willingness to use violence, coercion and political marginalisation to consolidate power.



Having finally agreed a deal to extend Russia's presence in the country for another 40 years, Rakhmon has also secured the on-going backing of his largest supporter and made it clear that he's taking no chances.

Analysis

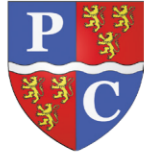
It is highly unlikely that Rakhmon will lose the November election. The risks to investors and NGO's remains the instability leading up to the election as politically motivated arrests and suppression likely increases across Tajikistan. The risk of a flare up in Gorno-Badakhshan both before and after the election remains high and it is likely that the passage of goods through this area as well as normal business operations could be disrupted. NGO's are advised to take extra security measures and ensure staff avoid political demonstrations.

The pullout of US and NATO troops in 2014 from Afghanistan will further increase security risks in Tajikistan, especially Gorno-Badakhshan, as tensions in the region limit the impact of Russian and Tajik government forces to counter cross-border movement of terrorists and illicit drugs.

Our own analysis on the ground in Tajikistan and Afghanistan has demonstrated that the border between Tajikistan and Afghanistan is extremely porous. The threat of the free movement between the two countries of potentially radicalized terrorists as well as well organized criminal organisations is real and will add to the regions instability.

Moving into 2014

How Rakhmon handles the post-election fall out will determine much of Tajikistan's trajectory for 2014. We believe that the election will produce only short term instability and that order will be maintained at all costs by the regime with emphasis put on ensuring the on-going investment in projects linked to the 'New Silk Road' to China and the proposed Tajik-Turkmen-Afghan railway link goes ahead.



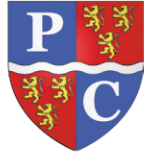
Inflow of remittances from Tajik workers abroad, estimated to be \$4.14 billion a year, almost 48% of GDP, should remain stable as links with Russia remain strong. Any change to this dynamic would cause far greater instability than what can be expected from the upcoming election.

Cross-Border issues with Afghanistan will start to have an impact on overall stability however with so many large scale projects at stake, expect to see stability restored at the point of a gun and growth continuing unabated.

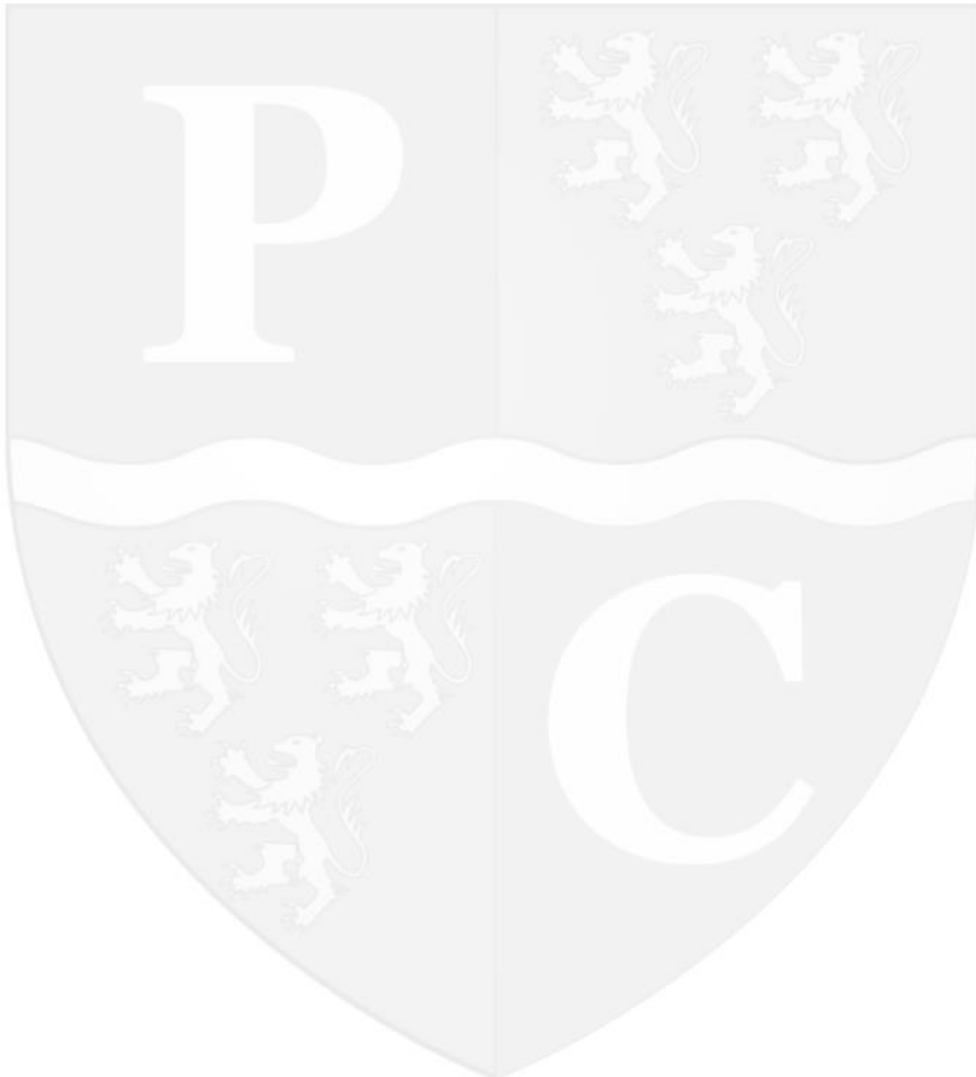
Overall we expect the Rakhmon regime to consolidate power and concentrate his considerable political capital on ensuring a level of stability necessary to carry forward the large infrastructure investment projects being presently proposed.

Investors should remain vigilant on a micro level of local/clan political developments which will continue to have an impact on the ease of doing business. Relationships with politically connected partners or political elites should also be monitored closely as sharp shifts in the political landscape remain a concern. Investors should also remain aware of the continuing high risk of currency convertibility risk, expropriation risk and contract enforcement risk. Moving into 2014 and with the withdrawal of coalition troops from Afghanistan, firms and investors should also ensure that business contingency plans incorporate relevant terrorist response strategies.

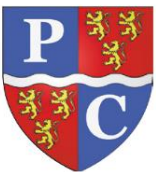
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