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New sanctions of the European Union and United States against Russia and their impact on Tajikistan's socio-economic development

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Abstract

The article examines the socio-economic relationship between Tajikistan and Russia, the new European Union and USA sanctions against Russia and their impact on the economy and well-being of Tajikistan, and the role of Society for Worldwide Interbank Financial Telecommunication (SWIFT) in Russian and Tajik banks, including the disconnection of SWIFT from Russian banks and its impact on remittances of migrant workers in Tajikistan. Attention is paid to Tajikistan's crisis management policy. After gaining independence, Tajikistan's economy suffered greatly from the civil war in the republic. Russia is one of the main donors to Tajikistan's economy. There are countries that are more connected to Russia than Tajikistan, but it is difficult to find a country that could compete with Tajikistan in terms of dependence on Russia. Almost all sectors of Tajikistan's economy depend on Russia: Tajikistan is a donor country for migrant workers, and remittances from migrant workers play an important role in Tajikistan's economy. Only, at the expense of money transfers of Tajik labor migrants, the banking sector of Tajikistan is supported. Over the years of independence, Tajikistan has not taken its economy out of the influence of Russia. The dependence of the Tajik economy on Russia manifested itself in the very first days of the conflict actions on the territory of Ukraine in February 2022. After the statement of Western countries on the introduction of new sanctions to restrict the access of some Russian banks to the SWIFT, the problems of the financial intermediation market of Tajikistan were exposed. An unprecedented package of sanctions by Western countries due to the situation with Ukraine has already led to a number of problems inside Tajikistan. European Union and USA sanctions against Russia have also had a strong impact on all sectors of Tajikistan's economy, from food prices to the banking sector. The aim of the article is to assess the role of the new European Union and USA sanctions against Russia in connection with the conflict in Ukraine and their impact on the economy and welfare of Tajikistan.

Keywords: economy, Tajikistan, European Union, Russia, economic sanctions, USA, money transfers, migrant workers, population welfare

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Новые санкции Европейского союза и США в отношении России и их влияние на социально-экономическое развитие Таджикистана

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Аннотация

В статье анализируются социально-экономические отношения между Таджикистаном и Россией, новые санкции стран Европейского союза и США в отношении России и их влияние на экономику и благополучие Таджикистана, а также роль системы передачи информации и совершения платежей SWIFT (англ. Society for Worldwide Interbank Financial Telecommunication – Общество всемирных межбанковских финансовых каналов связи) в российских и таджикских банках, включая отключение SWIFT от российских банков и его влияние на денежные переводы трудящихся-мигрантов в Таджикистане. Уделяется внимание политике Республики Таджикистан по противодействию кризису. После обретения независимости экономика Таджикистана сильно пострадала от гражданской войны в республике. Россия является одним из основных доноров экономики Таджикистана. Есть страны, которые более, чем Таджикистан, связаны с Россией, но трудно найти страну, которая могла бы конкурировать с Таджикистаном с точки зрения зависимости от России: от нее зависят почти все секторы экономики Таджикистана. Таджикистан является страной-донором трудовых мигрантов, и денежные переводы от трудящихся-мигрантов играют большую роль в экономике Таджикистана. Банковский сектор Таджикистана поддерживается за счет денежных переводов таджикских трудовых мигрантов. За годы независимости Таджикистан так и не вывел свою экономику из-под влияния России. Зависимость таджикской экономики от России проявилась в самые первые дни конфликтных действий на территории Украины в феврале 2022 г. После заявления западных стран о введении новых санкций по ограничению доступа некоторых российских банков к международной межбанковской системе SWIFT обнажились проблемы рынка финансового посредничества Таджикистана. Беспрецедентный пакет санкций со стороны западных стран из-за ситуации с Украиной уже привел к ряду проблем внутри Таджикистана. Санкции Европейского союза и США в отношении России также оказали сильное влияние на все секторы экономики Таджикистана – от цен на продовольствие до банковского сектора. Цель статьи – оценить роль обозначенных санкций в связи с конфликтом на территории Украины и их влияние на экономику и благосостояние Таджикистана.

Ключевые слова: экономика, Таджикистан, Европейский союз, Россия, экономические санкции, США, денежные переводы, трудовые мигранты, благосостояние населения

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Introduction

Socio-economic relations between Tajikistan and Russia

Diplomatic relations between the Republic of Tajikistan and the Russian Federation were established on April 8, 1992 [Rakhimov, 2015]. Russia was one of the first to recognize the independence and sovereignty of Tajikistan. The Protocol on the Establishment of Diplomatic Relations between the two states dated April 8, 1992 served as the basis for the development of relations between the Republic of Tajikistan and the Russian Federation in the conditions of independence [Nazarshoev, 2013].

On May 4, 1992, the Embassy of the Russian Federation was opened in Dushanbe. On June 8, 1993, the Permanent Mission of the Republic of Tajikistan in Moscow was transformed into the Permanent Mission of Tajikistan in the Russian Federation, and on December 18, 1993, the Embassy of the Republic of Tajikistan in the Russian Federation was opened on its basis.¹

Currently, Consulates-General of the Republic of Tajikistan are functioning in Moscow, St. Petersburg, Yekaterinburg, Ufa and Novosibirsk. The Consulate General of Russia operates in the city of Khujand.²

Economic cooperation

Individuals in Tajikistan receive money transfers from Russia: in 2012, in the amount of 3.595 billion USD, which is about 48 % of Tajikistan's gross domestic product (GDP). About 1.5 million Tajiks work abroad, mainly in Russia. The trade turnover of the two countries in 1995–2009 increased from 357 million USD to 785 million USD [Shtollenwerk, 2011]. In 2014, the mutual trade turnover amounted to 1,251 million USD [Ulmasov, 2015].

Russia and Russian energy companies have invested about 16 billion rubles in the construction of the Sangtuda HPP-1, located in Dushanbe.

In 2021, Russia's trade turnover with Tajikistan amounted to more than 1.2 billion USD, an increase of 44.66 % (more than 374.3 million USD) compared to 2020.³ Russia's exports to Tajikistan in 2021 amounted to 1 billion 114 million USD, which is 40 % more than in 2020. The trade balance has developed in the amount of more than 1 billion USD in favor of Russia.

Tajikistan's share in foreign trade turnover was 0.1545 % against 0.1476 % in 2020. In terms of the share of Russian trade turnover in 2021, Tajikistan took 66th place (in 2020 – 69th place).⁴

In the structure of Russia's exports to Tajikistan in 2021, the main share of supplies fell on fuel and mineral products, foodstuffs and agricultural raw materials, wood and pulp and paper products, metals and products made from them, chemical industry products, machinery, equipment and vehicles.

Cooperation in the field of education

The Russian-Tajik (Slavic) University operates in Dushanbe, which is jointly administered by Russia and Tajikistan. In addition, Russia provides support to Tajikistan in the field of school education. In 2017, the first batch of teachers from Russia arrived in Tajikistan, who should teach in schools in Tajikistan, and the salary of each teacher consists of two parts – 12 thousand rubles are paid by the Tajik side, and 60 thousand rubles are issued by the Ministry of Science and Higher Education of the Russian Federation.⁵

In June 2020, Russia allocated 21.2 million USD for the development of the school nutrition system in Tajikistan. The allocated funds were used to repair and re-equip canteens, improve the skills of school staff and conduct an information campaign for healthy eating. Since 2014, Russia has been helping Tajikistan jointly with the UN Food Programme.⁶

Results

The impact of sanctions against Russia on the economy of Tajikistan

Over the years of independence, Tajikistan has not brought its economy out from under the influence of Russia. An unprecedented package of sanctions by Western countries, due to the situation with Ukraine, has already led to a number of problems inside Tajikistan [Kurbanov, 2020]. First of all, the banking sector, import-export relations and families of migrant workers suffer.

⁴ Karaev S. (Monday 14 March 2022), "Russia has banned the export of grain and sugar: how it will affect the Tajik market", *Asia-Plus*, available at: <https://asiaplus.tj.info/ru/news/tajikistan/economic/20220314/rossiya-zapretila-eksport-zerna-i-sahara-kak-eto-povliyaet-na-tadzhikskii-rinok#> (accessed 15.07.2022).

⁵ Kommersant (Monday 14 September 2017), *Substitute teachers = Uchitelya na zamenu*, available at: <https://www.kommersant.ru/doc/3384472> (accessed 15.08.2022).

⁶ MK.ru (Tuesday 16 June 2020), *Russia has decided to allocate 21.2 million USD to feed schoolchildren in Tajikistan*, available at: <https://www.mk.ru/economics/2020/06/16/rossiya-reshila-vydelit-212-mln-dollarov-na-pitanie-shkolnikov-v-tadzhikistane.html> (accessed 15.08.2022).

¹ Ministry of Foreign Affairs of the Republic of Tajikistan (2022). *Relations between the Republic of Tajikistan and the Russian Federation*, available at: <https://mfa.tj/ru/main/view/142/otnosheniya-tadzhikistana-s-rossiei> (accessed 20.08.2022).

² Ibid.

³ TASS (Monday 27 December 2021), *The trade turnover between Russia and Tajikistan in 2021 increased by 45 % = Tovaroborot Rossii i Tadzhikistana v 2021 godu vyros na 45 %*, available at: <https://tass.ru/ekonomika/13309771> (accessed 15.08.2022).

In addition, the collapse of the ruble exchange rate is a big problem for the economy of Tajikistan, which has depreciated by almost 30 % against the somoni since the beginning of the conflict actions in Ukraine.⁷ If before February 24, 2022 migrant families received 146.6 somoni for every 1,000 rubles, then on March 9 it was 90–95 somoni.⁸

Migrant families use most of the money for consumption – payment for goods and services [Ulmasov, 2015]. A reduction in consumption leads to a decrease in trade turnover, which means a decrease in tax revenues and, consequently, budget expenditures and, thus, a chain reaction across all sectors of the economy in repeated waves if the authorities do not take effective measures.

And also, according to official statistics, the Russian Federation occupies a fifth of Tajikistan's foreign trade turnover, provides a third of the republic's imports, while supplying the most important products. For example, 85 % of petroleum products are supplied from Russia on a preferential basis – without paying any export customs duties.⁹

Russian capital, according to the State Investment Committee of the Republic of Tajikistan, covers 15 % (about 1.7 billion USD) of the total volume of foreign investments in the economy of Tajikistan.¹⁰ However, all this is nothing compared to the dependence on remittances that come to the republic from migrant workers.¹¹ These transfers provide two-thirds of the currency for the import of goods.

The volume of remittances of Tajik labor migrants will decrease. Currently, about 30 % of Tajikistan's GDP is made up of migrant remittances.¹² Official authorities consider only official transfers through banks. But official transfers make up no more than a third of all transfers

coming into the country. The bulk of the money goes to the country unofficially and is not registered anywhere.¹³

Practice shows that any crisis related to economic sanctions against Russia will primarily affect Tajik migrant workers and their families [Dadabayeva, 2019]. Local media report that the fall in the ruble exchange rate is already affecting the incomes of migrant workers' families.

Zainiddin Shodiev, a migrant from Dushanbe, travels to the Leningrad region of the Russian Federation every year, where he works as a builder. He is the sole breadwinner in a family of five people. Every month he sent home about five thousand rubles. This amount, which until February 24, 2022 was 750 somoni (about 67 USD), was enough for his family to buy basic food. Now, after the fall of the ruble, this amount is no more than 40 USD. According to him: "Now my family will have to save and buy fewer goods. I do not know how long I will be working. While we're working. But there is talk that construction sites may be frozen".¹⁴

According to various sources, every year from 400 thousand to 1 million Tajik citizens go to work in the Russian Federation [Karamyslova, 1999].

According to the Central Bank of Russia, labor migrants transferred 1.3 billion USD from Russia to Tajikistan in 9 months of 2021.¹⁵ Due to the sanctions, more than half of Tajik migrants will lose their jobs, and the income of the remaining half will decrease several times. This is another blow to the economy of Tajikistan. Tajikistan's economy is heavily dependent on migrant remittances [Khramova et al., 2020]. In parallel, the economist expects an acceleration of inflation against the background of rising world prices for oil, grain and other goods.

A week before the Russian – Ukrainian conflict, the international rating agency Moody's ranked Tajikistan among the countries that are most vulnerable in the event of the introduction of tough Western sanctions

⁷ Dialog (Tuesday 1 March 2022), *The ruble has updated the historical minimum. The exchange rate of the Russian currency continues to decline in Tajikistan*, available at: <http://www.dialog.tj/news/rubl-obnovil-istoricheskij-minimum-kurs-rossijskoj-valyuty-prodolzhaet-snizhatsya-i-v-tadzhikistane> (accessed 15.08.2022).

⁸ Ibid.

⁹ Asia-Plus (Monday 7 March 2022), *Tajikistan is considering the possibility of importing Iranian oil products*, available at: <https://www.asiaplustj.info/ru/news/tajikistan/economic/20220307/tadzhikistan-rassmatrivaet-vozmozhnosti-importa-iranskih-nefteproduktov> (accessed 15.08.2022).

¹⁰ TASS (Wednesday 29 December 2021), *Russian investments in Tajikistan for 13 years exceeded 1.6 billion USD*, available at: <https://tass.ru/ekonomika/13326421> (accessed 15.08.2022).

¹¹ World Bank (2021), *Report on the economy of Tajikistan – summer 2021*, available at: <https://www.vsemirnyjbank.org/ru/country/tajikistan/publication/economic-update-summer-2021> (accessed 15.08.2022).

¹² World Bank (2021), *Overview of Tajikistan. Economy*, available at: <https://www.vsemirnyjbank.org/ru/country/tajikistan/overview#3> (accessed 15.08.2022).

¹³ Asia-Plus (Wednesday 16 March 2021), *Sanctions against Russia are increasing: What will become of the Tajik economy?* Available at: <https://www.asiaplustj.info/ru/news/tajikistan/economic/20220316/sanktsii-protiv-rossii-chto-stanet-s-tadzhikskoi-ekonomikoi> (accessed 15.08.2022).

¹⁴ Ibid.

¹⁵ Bobohodzhiyev M. (Wednesday 9 February 2022), "The Ministry of Labor of Tajikistan told how it helped migrants in Russia to return unpaid salaries", *Asia-Plus*, available at: <https://asiaplustj.info/ru/news/tajikistan/society/20220209/mintruda-migrantam-v-rossii-vozvratshenobolee-187-mln-rublei-neviplachennoi-zarplati> (accessed 15.08.2022).

against Russia.¹⁶ Moody's experts admit negative influence through various channels "due to economic, financial and energy ties with Russia, and due to their weak liquid and external positions of Tajikistan".¹⁷

Among the main risks is a reduction in remittances from migrant workers in the event of a downturn in the Russian economy. A possible slowdown in the Russian economy will hit the creditworthiness of Kyrgyzstan and Tajikistan due to a reduction in remittances from migrant workers.

The weakening of the ruble, which may have negative side effects for the Tajik currency and increase liquidity risks for servicing foreign debt denominated in foreign currency [Oliphant, 2013]. According to Western experts, Russia's GDP will decrease by 7 % this year. This means that jobs will be cut. The Russian Federation will take some measures to ensure that job cuts do not have a significant impact on the state of internal employment of its own citizens of the Russian Federation. To a greater extent, Tajik labor migrants will feel the negative effect on themselves.¹⁸

Due to the focus of the Tajik market on imports, the sanctions imposed on the Russian Federation and the fall in the ruble exchange rate will raise prices for all imported goods, primarily those supplied from Russia and Belarus. These are fuel, building materials, machine tools, cars, office equipment, medicines and other essential products.

There will also be problems with goods that are re-exported from Russia to Tajikistan. There are a lot of such goods in Tajikistan. For example, the same bananas arrive at the western ports of the Russian Federation and, after undergoing technological processing, arrive at consumers both in Russia and in the Commonwealth of Independent States (CIS).

Manufacturers of computer products are also leaving Russia, creating a stir in the market. According to experts, this automatically raised the prices of computer parts in Tajikistan by 30 %.

We can also pay attention to the logistical problem, since some of the raw materials for the manufacture of Russian products will be purchased in other countries. Due to the refusal of European countries to provide vessels to Russia, goods will arrive in Tajikistan with a long delay or will not arrive at all. Energy prices will rise, now analysts say that the price of 1 barrel of oil will

gradually reach 150 USD, and this means that the prices of all other goods will also rise.

Disabling of SWIFT in Russian banks and its impact on remittances of Tajik migrant to Tajikistan

Society for Worldwide Interbank Financial Telecommunication (SWIFT) is an international organisation – operator of the eponymous system for exchanging information about transactions and making payments between banks in different countries. It is considered the most massive and processes more than 40 million messages from thousands of financial institutions around the world every day. SWIFT charges about 1–2 % commission for each transaction.¹⁹

The SWIFT financial messaging system has stopped providing services to a number of Russian banks that have been sanctioned by the European Union (EU) since March 12, 2022. We are talking about VTB, Promsvyazbank, Sovcombank, Novikombank, banks Rossiya, Otkritie and the state corporation VEB.RF.²⁰

The dependence of the Tajik economy on Russia manifested itself in the very first days of conflict actions on the territory of Ukraine. After the statement of Western countries on the introduction of new sanctions to restrict the access of certain Russian banks to the SWIFT international interbank system, the problems of the financial intermediation market of Tajikistan were exposed.²¹

Tajik banks are directly connected to the SWIFT system, and there are alternative channels for working with Russian banks that have been disconnected. Problems may arise with cross-border transfers without opening a bank account with non-CIS countries.²²

Most banks in Tajikistan do not have correspondent relations with banks abroad. To make such transfers, Tajik banks use the services of Russian banks, mainly Sberbank, which is already under Western sanctions and announced its withdrawal from the European market on March 2, 2022.

Experts consider it is problematic for Tajik banks to establish direct correspondent relations with Western banks for two reasons:

¹⁹ Alipova E. (Saturday 26 February 2022), "What will happen if the West agrees on sanctions and disconnects Russia from SWIFT", *RB.RU*, available at: <https://rb.ru/news/ru-swift/> (accessed 15.08.2022).

²⁰ BFM.RU (Saturday 12 March 2022), *Sanctioned Russian banks are being disconnected from SWIFT today*, available at: <https://www.bfm.ru/news/495049> (accessed 15.07.2022).

²¹ Chorshanбиеv P. and Fatullaev F. (Monday 28 February 2022), "How will the disconnection of Russia from the SWIFT system affect the banks of Tajikistan?", *Asia-Plus*, available at: <https://asiaplustj.info/ru/news/tajikistan/economic/20220228/kak-otrazitsya-otklyuchenie-rossii-ot-sistemi-swift-na-banki-tadzhikistana> (accessed 15.08.2022).

²² Ibid.

¹⁶ Asia-Plus (Monday 21 February 2022), *Moody's: Western sanctions against Russia may have an impact on Tajikistan*, available at: <https://asiaplustj.info/ru/news/tajikistan/politics/20220221/moodys-zapadnie-sanktsii-protiv-rossii-mogut-okazat-vliyanie-na-tadzhikistan> (accessed 15.08.2022).

¹⁷ Ibid.

¹⁸ Asia-Plus (2021), *Sanctions against Russia are increasing...*

- they are not interested in working with small financial markets where expenses may be more than income;
- they are cautious about untested markets, as they fear possible money laundering through transfers.

But Western countries and the United States do not want to stop there, according to British Foreign ex-Minister Liz Truss: “We must strengthen our sanctions, including the complete disconnection of Russia from SWIFT, and the refusal of the G7 countries from using Russian oil and gas.”²³

Tajikistan fears a negative impact on the work of Tajik banks from the possible disconnection of Russia from SWIFT. But there are alternative channels for working with Russian banks that may fall under the shutdown. Since 2014, there has been a channel for transmitting electronic messages on financial transactions – the Financial Message Transmission System (FMTS). This system was created to transfer payments within Russia by banks under sanctions. Individual banks of Armenia, Belarus, Kazakhstan, Kyrgyzstan, as well as Tajikistan joined it.²⁴

As it turned out, some banks in Tajikistan have noticed “temporary problems” with money transfers. For example, at the moment Alef Bank has technical difficulties with money transfers from the Russian Federation. Technical specialists of Alef Bank and Russian banks are now trying to fix this problem. So far, everything is being studied and considered.

Kazakh Bank “Halyk Bank” and JSC “Commerzbank of Tajikistan” reported that their money transfer system temporarily does not work.²⁵

Eschat Bank has money transfers through the SWIFT system, but for now it is possible only to send money, and receive funds through the following systems: Western Union, Unistream, etc. At the moment, the receipt of funds is carried out only through an invoice, and not through passport data, as before.²⁶

²³ INTERFAX (Wednesday 9 March 2022), *The head of the British Foreign Ministry called for a complete disconnection of Russia from SWIFT*, available at: <https://www.interfax.ru/world/827231> (accessed 15.08.2022).

²⁴ Asia-Plus (Tuesday 1 March 2022), *SWIFT spoke: Give us someone to disable, and we will disable*, available at: <https://www.asiaplustj.info/ru/news/tajikistan/economic/20220301/swift-zagovoril-daite-nam-kogo-otklyuchit-i-mi-otklyuchim> (accessed 15.08.2022).

²⁵ KubNews.Ru (Thursday 10 March 2022), *The Bank of Russia told in which countries it is possible to use the Mir card*, available at: <https://kubnews.ru/panorama/2022/03/10/bank-rossii-rasskazal-v-kakikh-stranakh-mozhno-polzovatsya-kartoy-mir-> (accessed 15.08.2022).

²⁶ Asia-Plus (Tuesday 1 March 2022), *In Tajikistan, the ruble depreciated by 17.4 % per day*, available at: <https://asiaplustj.info/ru/news/tajikistan/economic/20220301/v-tadzhikistane-rubl-za-sutki-obestsenilsya-na-174> (accessed 15.08.2022).

Everything is working properly in Orienbank. They explained here that their clients work through Sberbank of Russia, and other UniStream, Western Union, Contact and others systems. In the First Microfinance Bank, the money transfer system is also working properly, according to employees. Both sending and receiving funds work except for sending via credit cards and Sberbank systems.

The International Bank of Tajikistan’s system for receiving and sending funds with Russia temporarily does not work, but the bank’s customers can make a transaction through their other system – Trans Capital Bank. The sharp depreciation of the ruble against all other currencies has devalued the remittances of migrants from Russia. Officially, the ruble exchange rate has decreased against the national currency, the somoni, by 20 %.²⁷

The process of receiving bank transfers has become more complicated due to the disconnection of Russian banks from the SWIFT system that have fallen under sanctions. On March 4, local media reported that Tajik banks stopped trading Russian rubles and US dollars. The dollar exchange rate against the somoni in Tajikistan also increased sharply by 15–20 %. On March 9, 2022 the National Bank (NBT) set the dollar exchange rate at 13 somoni per 1 dollar. The national currency also depreciated against the euro, 14.31 somoni for 1 euro.²⁸

Banks in Tajikistan note the following advantages of the SWIFT system:

- the system is available worldwide, money can be received anywhere in the world within a few minutes;
- easy transfer of large amounts;
- the ability to send money to individuals and legal entities;
- the ability to send money in different currencies.

To transfer currency through the SWIFT system, the sender must provide bank details, the transfer amount, and payment information. Also need to fill out a payment order form.

The rates for sending money depend on the transfer amount. Tajikistan’s banks need to establish new correspondent relationships with banks in other countries. And before that, the difficulties will only increase.

Discussion

The role of sanctions of EU countries and USA against Russia on the welfare of Tajikistan

After the introduction of new EU and USA sanctions against Russia, prices in Tajikistan have increased for

²⁷ Asia-Plus (Wednesday 9 March 2022), *Dollar and euro exchange rates in Tajikistan soared by 15 %*, available at: <https://www.asiaplustj.info/ru/news/tajikistan/economic/20220309/kursi-dollar-i-evro-v-tadzhikistane-vzleteli-na-15> (accessed 15.08.2022).

²⁸ Ibid.

almost all food products. For example, a bag of flour that costed 280 somoni two days ago in Dushanbe has risen to 325–330 somoni, in some regions the price of this product has reached 350 somoni for a 50 kg bag.²⁹

On March 8–9, 2022 wholesalers stopped selling sugar, pasta, butter and other essential products for retail trade, expecting a rise in price. In retail outlets, sugar is sold from their stocks at a price of 13–14 somoni per 1 kg, eggs – 1 somoni, butter – 25 somoni per liter.³⁰ In the markets, the prices of local rice rose by 1–2 somoni.

The reasons for this were the appreciation of the US dollar, the collapse of the Russian ruble, the inflation of the somoni, the anxiety of wholesalers for possible disruptions in the supply of products from abroad in connection with sanctions against Russia.

The average price of essential food products throughout the republic increased over the month (table 1). Among the main products for which prices have increased are butter (+10 somoni), boiled sausage (+10 somoni), cottonseed oil (+5 somoni), sunflower oil (+5 somoni), etc. From all the goods whose prices have increased, about 90 % of these goods are imported from Russia to Tajikistan (Fig. 1).

²⁹ Sputnik Tajikistan (Saturday 14 May 2022), *In Tajikistan, the price of flour soared in a day*, available at: <https://tj.sputniknews.ru/20220514/tajikistan-tseny-muka-rost-prichina-1048449529.html> (accessed 15.08.2022).

³⁰ TJ. VESTI.NEWS (Sunday 27 February 2022), *A privileged agency, or why can't the privileges for the import of flour, oil, gasoline keep prices down?* Available at: <https://tj.vesti.news/privilegirovannoe-agentstvo-ili-pochemu-igoty-vvoz-22022713002639.htm> (accessed 15.08.2022).

In addition, prices for local products traditionally rise in spring, due to the fact that during this period the stocks of agricultural products are exhausted, and there is still time before the new harvest. According to the farmer, Asadullo Khabibov: “Fertilizers and fuels and lubricants have become much more expensive, there are no subsidies from the state, this will affect the cost of agricultural products, so the new crop will be more expensive”.³¹ It should also be considered that some entrepreneurs artificially inflate prices before Ramadan. Many in Tajikistan are sure that there are enough stocks of products in Tajikistan, and prices are rising from certain circles interested in rapid enrichment. It should be noted that Tajikistan cannot fully provide itself with any essential food: grain, meat, sugar, vegetable oil.

The level of production of milk, eggs, potatoes, vegetables and fruits is slightly more than 50 % of the total demand from consumers. According to the Customs Service, in 2021 Tajikistan spent about 1 billion USD on the purchase of food from other countries. The lion's share of this money went to grain, sugar and vegetable oil.³²

In recent days, the Russian currency has significantly lost weight against the dollar and the euro. Despite the more than doubling of the key rate of the Bank

³¹ Karaev S. (Thursday 10 March 2022), “Products have become more expensive in Tajikistan, a bag of flour costs 350 somoni already”, *Asia-Plus*, available at: <https://www.asiaplustj.info/ru/news/tajikistan/society/20220310/v-tadzhikistane-podorozhali-produkti-meshok-mukistoit-uzhe-350-somoni> (accessed 15.08.2022).

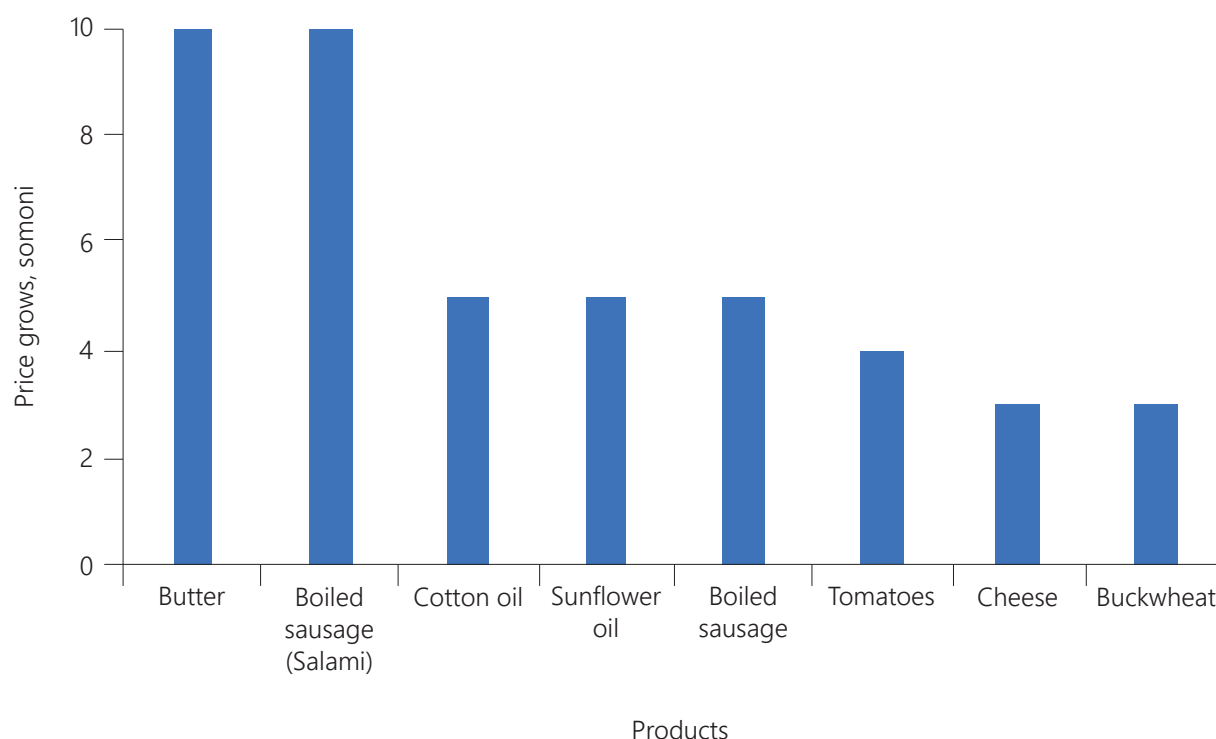
³² Ibid.

Table 1

Average price of products in the Republic of Tajikistan in the period of February 17 – March 17, 2022

Product, amount	Price, somoni		Growth in price, somoni	Product, amount	Price, somoni		Growth in price, somoni
	17 February	17 March			17 February	17 March	
Wheat flour, 1 kg	5,4	6,5	+1,1	Buckwheat, 1 kg	17	20	+3
Tortilla, 150 g	2,5	3	+0,5	Rice, 1 kg	12	15	+3
Bread, 150 g	3	3,5	+0,5	Sugar, 1 kg	10	12	+2
Pasta, 1 kg	12	13	+1	Egg, 1 pcs	0,8	1	+0,2
Cotton oil, 1 L	21	26	+5	Cheese, 1 kg	52	55	+3
Sunflower oil, 1 L	22	27	+5	Cabbage, 1 kg	5	6	+1
Butter, 1 kg	80	90	+10	Potatoes, 1 kg	3,8	4,3	+0,5
Lamb, 1 kg	67	70	+3	Onion, 1 kg	3	3,5	+0,5
Beef, 1 kg	63	65	+2	Carrots, 1 kg	2	2,5	+0,5
Chicken meat, 1 kg	33	35	+2	Beetroot, 1 kg	3,5	4	+0,5
Boiled sausage, 1 kg	35	40	+5	Tomatoes, 1 kg	16	20	+4
Boiled sausage (Salami), 1 kg	60	70	+10	Cucumbers, 1 kg	15	16	+1

Compiled by the author on the materials of the study



Compiled by the author on the materials of the study

Fig. 1. Products on which prices have increased more in Tajikistan for the period February 17 – March 17, 2022

of Russia (it was raised to 20 % per annum), the dollar is growing day by day. By March 9, 2022 the US dollar had risen to 118 rubles, the euro was trading up to 127 rubles.³³ As for the somoni exchange rate, according to the National Bank of Tajikistan, as of March 10, 2022, one US dollar 13 somoni, and one euro costs 14.2 somoni. On the black market, of course, they are more expensive because of the shortage of currency.³⁴ In addition to the EU and US sanctions against Russia, another reason why prices for basic products and medicines in Tajikistan have increased is Russia's ban on grain and sugar exports to other countries, including Tajikistan.³⁵ The Russian government has banned the export of grain, sugar, medicines, fertilizers, as well as more than 200 items of technological, telecommunications, medical equipment and agricultural machinery.³⁶

³³ Komsomolskaya Pravda (Wednesday 9 March 2022), *The euro exchange rate has updated the historical maximum on the Moscow Exchange on March 9, 2022*, available at: <https://www.kp.ru/online/news/4657330/> (accessed 15.08.2022).

³⁴ Radio Ozodi (Wednesday 9 March 2022), *The dollar exchange rate has sharply increased in Tajikistan*, available at: <https://rus.ozodi.org/a/31744058.html> (accessed 15.08.2022).

³⁵ Sekret Firmy (Tuesday 9 March 2022), *Russia has temporarily banned the export of sugar and grain*, available at: <https://secretmag.ru/news/v-rossii-vremenno-zapretili-eksport-sakhara-i-zerna-15-03-2022.htm> (accessed 15.08.2022).

³⁶ Ibid.

But, in our opinion, the increase in food prices in Tajikistan was influenced by fuel prices and inflation, but not by the ban. Of course, Russia is the largest exporter to Tajikistan, but there are other countries from which basic foodstuffs are imported.

Russia's share in sugar imports to Tajikistan is only 15 %, the deficit of this product can be filled by increasing its imports from other countries, for example, from Pakistan.³⁷ According to Russian foreign trade data, in 2021 Tajikistan reduced imports of sugar and sugar confectionery from Russia by almost 20 million USD. Tajikistan buys the bulk of grain in Kazakhstan, and products from cereals that have not been banned are imported to the republic from Russia.

It should be noted that it is the goods of this category: cereals, bakery and confectionery products, starch and other raw materials, and semi-finished products that make up the lion's share of the total volume of Russian imports – 48.2%.³⁸ Given the increase in transport costs, these goods may rise in price by 10–15 %, but there will be no shortage, as Russia will continue to supply them.

Tajikistan is most dependent on the supply of Russian vegetable oil, the import of which accounts for more

³⁷ Trade Portal of Tajikistan (2022), *Trade partners of the Republic of Tajikistan*, available at: <https://tajtrade.tj/menu/28?l=ru> (accessed 15.07.2022). (Further – Trade partners of the Republic of Tajikistan...).

³⁸ Ibid.

than 60 % of its total imports.³⁹ In addition, Russia has temporarily banned the export of medicines and mineral fertilizers, but it does not affect the Tajik market at all, since Russia's share in the supply of these goods to Tajikistan is 12 % and 6 %, respectively.⁴⁰

Another reason why food prices have increased in Tajikistan is the increase in food prices on the world market. In February 2022, food prices on the world market rose by almost 4 % compared to January 2022 and by 21 % over the year. The most significant increase was demonstrated by the prices of vegetable oils, dairy products and cereals, according to a press release from the Food and Agriculture Organization of the United Nations (FAO UN).⁴¹ The value of the Vegetable Oil Price Index has increased most of all over the month – by 8.5 %, mainly due to the increase in quotations of palm, soybean and sunflower oils.⁴² World prices for dairy products at the end of February turned out to be 6.4% higher than January values. The FAO grain price index increased by 3 %.⁴³ World wheat prices rose by 2.1 %, mainly due to uncertainty with supplies from the Black Sea ports. Meat prices on the world market increased by 1.1 % due to the rise in feed prices.⁴⁴

The policy of the Republic of Tajikistan on countering the crisis

In the context of the conflict in Ukraine and economic sanctions by Western countries against Tajikistan's main trading partner, Russia, the Government of the republic proposes to create an interdepartmental headquarters to prevent possible risks to the national economy.

The Tajik government does not have many tools to deal with the crisis. Firstly, the country's authorities are unable to influence political processes abroad. Secondly, during the entire period of Tajikistan's independence, there has not been a single crisis from which the authorities would have learned a lesson. For example, after 2014⁴⁵, the authorities did not draw any conclusions and did not take measures to diversify exports and imports.

³⁹ AgroVestnik (Saturday 11 December 2021), *Agriculture of Tajikistan*, available at: <https://agrovesti.net/lib/advices/selskoe-khozyajstvo-tadzhikistana.html> (accessed 15.08.2022).

⁴⁰ *Trade partners of the Republic of Tajikistan...*

⁴¹ FiNE NEWS (Friday 18 February 2022), *Food prices: why the big jump in inflation is still ahead*, available at: <https://fine-news.ru/tseny-na-produkty-pitaniya-pochemu-bolshoy-skachok-inflyatsii-esche-vpered/> (accessed 15.08.2022).

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Itskhoki O. (Monday 12 January 2015), "The 2014–2015 currency crisis", *Vedomosti*, available at: <https://www.vedomosti.ru/opinion/articles/2015/01/12/valyutnyj-krizis-20142015-gg> (accessed 15.08.2022)..

The government should reduce Tajikistan's economic dependence on Russia, China and Kazakhstan [Wilson, 2021] in order to avoid similar crises in the future. And within one year to carry out targeted reforms of export-import relations. In addition, Tajikistan's external debt should be diversified.

In times of crisis, the government should strengthen its influence on the country's economy in order to reduce artificially induced price spikes. The high level of monopolization of the market has already led to an increase in prices for goods.

Monopolists in Tajikistan, who are responsible for the import and export of goods to/through the Russian Federation, will seek to take advantage of the situation that has developed due to sanctions. Prices are already rising for goods that have not yet been affected by restrictive measures and are supplied to Tajikistan. The government needs to moderate the appetites of these monopolies.

Nevertheless, the Governments of Tajikistan have developed a plan to overcome the crisis.

According to the Ministry, from February 26 to March 4, 2022, the special interdepartmental headquarters held more than five meetings with the participation of heads of ministries and departments, domestic producers, associations of producers and importers of grain and petroleum products, importers of essential goods, the private sector, development partners and, considering their opinions and recommendations, an action Plan was developed.⁴⁶

The plan should prevent unjustified price increases. To support the vulnerable segment of the population, labor migrant and entrepreneurship, and timely ensure the fulfillment of social obligations of the state.

It talks about preventing possible risks in the banking system, reducing pressure on the exchange rate, providing loans to industrial entrepreneurs at low interest rates. On improving the investment climate, postponing non-tax inspections, attracting additional financial assistance and other measures.

At the same time, international financial institutions expressed their readiness to provide financial assistance in order to prevent the impact of possible risks on the sectors of the national economy.

Various scenarios of possible impact of external factors on the economy of the republic are regularly evaluated using econometric models and appropriate measures are taken to prevent and reduce their impact on the

⁴⁶ Fatulloev F. (Tuesday 22 March 2022), "Tajikistan has created a plan on how to get out of the crisis due to the military conflict in Ukraine", *Asia-Plus*, available at: <https://www.asiaplustj.info/ru/news/tajikistan/economic/20220322/v-tadzhikistane-sozdali-plan-kak-vihodit-iz-krizisa-iz-za-voennogo-konflikta-v-ukraine> (accessed 15.08.2022).

national economy and ensure sustainable macroeconomic development.

It is not specified what specific steps will be taken to achieve the objectives set. In the coming days, the Ministry will give a list of clear decisions on all the above points – to whom and how to help, what benefits entrepreneurs will receive, loans at what interest and when they will be able to receive, what will be the expression of assistance to the population, and so on.⁴⁷

The action plan also notes that, thanks to the efforts of farmers and domestic producers, the necessary stocks of food products have been created in the country. In 2021 alone, industrial and agricultural products totaling about 80 billion were produced, somoni, including⁴⁸: flour production amounted to 828 thousand tons; wheat – 876 thousand tons; bread and bakery products – 415 thousand tons; beef – 284 thousand tons; poultry – 44.1 thousand tons; fish – 4.4 thousand tons; vegetable oil – 23.5 thousand tons; milk – 1 million and 43 thousand tons; eggs – 1 billion and 54 million pieces; confectionery products – 32.4 thousand tons; pasta – 9.5 thousand tons; potatoes – 1 million and 41 thousand tons; rice – 18 thousand tons; vegetables – 2.6 million tons; fruit – 712 thousand tons; honey – 4.4 thousand tons. In 2021, fruit and vegetable products in excess of domestic demand were exported in the amount of 208 thousand tons.

Therefore, domestic resources and capacities can provide the needs of the consumer market with essential products at the necessary level, including flour, bread and bakery products, pasta, meat and meat products, vegetable oil, milk, eggs, cereals and legumes, rice and other products. At the same time, the import of certain types of raw materials and semi-finished products, such as wheat, oilseeds, sugar, petroleum products and others for the production of final products within the country continues unhindered in accordance with existing agreements with trading partners.

As for the banking sector of Tajikistan⁴⁹, the banks need to establish new correspondent relationships with banks of other countries. And before that, the difficulties will only increase. According to the author, the only way out in this situation is to establish cooperation in this direction with Uzbek and Kazakh banks that have direct

correspondent relations with financial institutions of Western countries.

Experts believe that the conflict situation in Ukraine will continue for a long time, as well as sanctions similar to those imposed against North Korea and Iran.⁵⁰ In this regard, the Government of Tajikistan should radically reconsider all plans for economic cooperation with Russia, it is quite logical to close the topic of possible accession to the Eurasian Economic Union (EAEU), which makes no sense in the new geopolitical reality.

It is also necessary to radically revise transport and aviation communications, to accelerate the development of new directions so as not to end up in a complete deadlock. Since it is already obvious that the Russian air transportation market, due to the withdrawal of leasing aircraft and sanctions on all airlines, will soon rise.

In addition, disruptions in trade, transport, logistics and the financial sector, affecting banking and money transfer systems, supply chain and communications, can become systemic and commonplace for businesses and citizens of Tajikistan.

Conclusions

Since the collapse of the Soviet Union, trade and economic relations between Tajikistan and Russia have occupied a dominant (important) role in the system of bilateral “strategic” relations, the purpose of which is to strengthen and increase the volume, nomenclature, quality of goods, products and raw materials supplied to each other.

There are countries that are more connected with Russia than Tajikistan, but it is difficult to find a country that could compete with Tajikistan in terms of dependence on Russia [Juraev, 2015]. According to analysts, the government of Tajikistan needs to revise its economic policy and reduce dependence on Russia [Alimov, 2013].

In February 2022, the EU and the United States began imposing full-scale sanctions on the Russian economy after the beginning of the conflict situation on the territory of Ukraine. Russia’s partners, primarily countries that depend on Russia, such as Tajikistan, have also suffered greatly from this.

In recent years, Russia has become one of the main donors to Tajikistan’s economy. Almost all sectors of Tajikistan’s economy depend on Russia, from exports to migrant remittances. Today, Russia is the largest exporter to Tajikistan.

In addition, up to one million residents of the Republic of Tajikistan work in the Russian Federation

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Chorshanбиеv P., Fatullaev F. (Monday 28 February 2022), “How will the disconnection of Russia from the SWIFT system affect the banks of Tajikistan?”, *Asia-Plus*, available at: <https://asiaplustj.info/ru/news/tajikistan/economic/20220228/kak-otrazitsya-otklyuchenie-rossii-ot-sistemi-swift-na-ban-ki-tadzhikistana> (accessed 15.08.2022).

⁵⁰ Asia-Plus (Wednesday 9 March 2022), *Chained together. How will sanctions against Russia affect Tajikistan?* Available at: <https://asiaplustj.info/ru/news/tajikistan/economic/20220309/skovannie-odnoi-tsepyu-kak-sanktsii-protiv-rossii-otrazyatsya-na-tadzhikistane> (accessed 15.08.2022).

every year. About 30 % of Tajikistan's GDP is made up of remittances from Tajik labor migrants from Russia.

Based on all this, we can say that all the sanctions imposed by the EU and the United States against Russia also have a strong impact on the economy of Tajik-

istan, including the welfare of its population. The government should reduce Tajikistan's economic dependence on Russia, China and Kazakhstan to avoid similar crises in the future. And within one year to carry out targeted reforms of export-import relations.

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