Prior to the Soviet era, the population of the Pamir Mountains lived from a form of subsistence agriculture that did not differ from the predominant way of life in neighbouring mountain areas. With the integration of the Gorno Badakhshan oblast into the Soviet Union, extensive delivery of goods and services led to a much higher standard of living, representing the beginnings of modest industrialisation and the development of a fairly small service sector.

Inherited structures

The industry that developed during the years of Soviet rule was largely characterised by two features: it was planned as a source of supply for the Russian industrial apparatus, and it was not designed to function autonomously at the regional level. Given the remote location of Gorno Badakhshan, production was only possible thanks to a well-developed supply and transportation system that did not have to account for transportation costs. The result was a lopsided and fragmentary industrial structure that consisted of power production, stone processing enterprises, factories processing agricultural products, and some light industry. With the collapse of the Soviet Union, the influx of goods and raw materials was abruptly stopped, and vital economic relations with neighbouring republics deteriorated. The result was greatly reduced industrial production.

In terms of supply, the tertiary sector focused almost exclusively on the development of public services, such as education and health services, along with local administration. Service enterprises, for instance in the tourism, trade and financial sectors, barely existed.

The region has experienced modest economic transformation since the time it was on the verge of widespread famine in the early 1990s. Markets have developed, and the first private small-scale enterprises have emerged. There are great expectations that measures will be implemented to stimulate the development of such enterprises. But persistently rigid legislative regulations and the difficulty of coming up with appropriate credit schemes have been obstacles to success. To counteract this stalemate, development agencies have initiated business support programmes that provide a considerable volume of badly needed start-up credits. Public services in the education and health sectors have been maintained at minimal levels, thanks to support programmes run by NGOs working in the region.

Despite some progress, long-term material security remains uncertain, while the economic situation and the condition of public services leaves the population highly vulnerable to any crisis.

The region still lacks a sound industrial base, and only a few remnants of the fragmentary Russian industrial structures continue production – all of which are in desperate condition. Most large plants were unable to survive under the new economic conditions: they have great overcapacity and rely in most cases on raw material deliveries from abroad. Moreover, little has changed in the unbalanced industrial structure in the oblast – almost 90% of the proceeds of industry originate from power production, an economic sector that employs only a small percentage of the available labour force. The number of jobs registered in the service sector was maintained at the same level as in the Soviet era – almost 18,000 (2000). However, these jobs have lost much of their attraction and importance to the local economy. Deteriorating infrastructure and minimal wages, often paid in arrears, have led to an alarming erosion of public services. This has been felt especially in the health and education sectors. The private service sector is gaining momentum, but is currently dependent largely on general economic performance, and is far from becoming a driving force in economic development.

Diversification of industrial production, maintenance of public services, and strengthening of the private service sector all appear to be needed. The creation of new jobs would also make it easier to tackle the problem of unemployment, which has long been one of the most serious problems in the Pamir Mountains. The total number of jobs registered in all economic sectors has been almost halved over the
last seven years. Despite extensive restructuring of the state sector, the oblast remains the most important employer in the region. The shock of the drastic reduction in jobs was partially compensated by a steady growth in the number of people working in the informal sector, and by the fact that many people have returned to self-sufficient forms of agriculture.

Diversification and regional integration

With a limited potential to increase agricultural production, development options in the secondary and tertiary sectors represent the most promising ways of strengthening the local economy. Such options need to make use of those resources in the region that have remained largely unexploited to date. This includes processing and refinement of local raw materials in the region, and fuller exploitation of geographic particularities. The region has an obvious potential for many types of tourist activities. The strategic location and relative remoteness of the Tajik Pamirs need not be an obstacle to economic development. The GBAO could also serve as a bridge to facilitate exchange in the region between China, Afghanistan, Kyrgyzstan and Pakistan. These assets and opportunities, coupled with the comparatively high level of education and the entrepreneurial spirit among much of the population, could be a good basis for economic development. But major obstacles remain: geographical remoteness and distance to markets in neighbouring areas hamper trade relations and have a negative influence on the region’s competitiveness. Secondly, despite progressive attitudes towards new ideas and approaches, economic leaders have a regional, isolationist attitude and a tendency to stick to traditional schemes. A major challenge, particularly for political leaders, is to further develop the legal framework and law enforcement mechanisms required to support the business environment.

In all likelihood, better regional integration and diversification of economic options in the Tajik Pamirs will be the key to future economic development. It was the greatly revered Aga Khan IV who demonstrated that improved regional integration appears to be a more beneficial strategy than continuing to view the region as a secluded unit cut off from the rest of the world by its peripheral location. Economic and political integration at a supra-regional level are inseparably linked. This assessment can also be understood as an appeal to formerly antagonistic republics for political rapprochement, which often lags behind economic rapprochement.

Revenue generated by each branch of the industrial sector in Gorno Badakshan for the year 2000. (Source: Islomkhaja 2002)