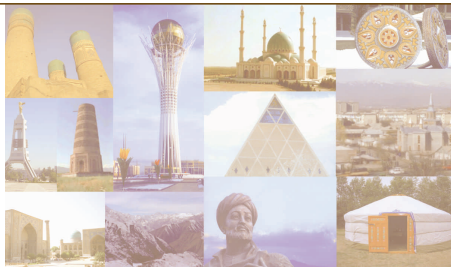


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The Central Asia Observatory (CAO) was established in 2007 by three institutions that are interested in the area: Casa Asia, CIDOB Foundation and Royal Institute Elcano



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SEPTEMBER 2011



UZBEKISTAN



JULY - AUGUST 2011

Bimonthly article

Prof. Farkhod Tolipov*

Highlights

The July-August period in Uzbekistan was the run-up to the celebrations of the country's 20-year anniversary of independence. Most events in that period were directly or indirectly associated with this great holiday. Official rhetoric and the propaganda machine were fully concentrated on the country's achievements and failed to address existing socio-economic problems, the accent being on highlighting how impressive the reforms are and how attractive Uzbekistan is for foreign investors.

Internal affairs

On 15 July the "unique" hearings were held in the Oliy Majlis (parliament) of Uzbekistan where the joint session of the legislative chamber and the senate listened to the prime minister's report on the measures taken by the cabinet to increase democratic reforms and economic liberalization. These hearings were the first of their kind in terms of making executive power answerable to legislative power and demonstrating the checks-and-balances system at work. Parliament made a critical evaluation of the cabinet's work, concluding that it did not comply with the President's demands. The expected non-confidence vote for the prime minister appears to have been postponed.

It is symptomatic and not accidental that, although the report was devoted to the issue of "further deepening democratic reforms and economic liberalization", both the prime minister's report and the Oliy Majlis' resolution focused mostly on economic issues rather than democratic reforms. Both documents contained evaluations concerning economic liberalization but bypassed the problems of democratization.

The fact that these hearings took place and the presentation of the prime minister's report to parliament should clearly be regarded as a democratic motion. On the other hand, however, this halfway performance of the agenda of parliamentary hearings attests to the existence of a hidden agenda unrelated to economy or democracy as such, but more likely linked with a reshaping of political power structures.

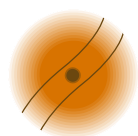
The official Independence Day ceremony took place on 31 August. President Islam Karimov made his traditional speech for the occasion, mentioning some of the greatest achievements of independent Uzbekistan, among which: the size of the national economy, which has increased 3.4-fold in the last 20 years; the average salary, 14 times higher; total earnings of the population – 9 times higher. He pointed out that Uzbekistan has managed to escape the negative impact of the global financial-economic crisis and is maintaining a sustainable development pace. The GDP growth rate in the last 5 years remains at an average level of 8.5%.

On the occasion of Independence Day, Central Asia's first high-speed train -christened Afrosiyob- and bought from Spain started its first run from Tashkent to Samarkand. It fully meets modern requirements in terms of technical characteristics. The train will cover a distance of 658 kilometres in two hours. The comfort and high speed of the train have made it very popular among the population right from the start. The authorities of Uzbekistan popularized this train as the first in the region and very unique.

Foreign and international policy

Uzbekistan's foreign policy was not dynamic or active during this period in which the Independence Day celebrations took precedence over everything else.

*Department of Political Science, the National University of Uzbekistan.



Only a few foreign policy events deserve mention in this respect.

On 28 July a meeting was held at the foreign affairs ministry between the advisors of the OSCE high commissioner for national minorities Sabine Machl and Andrei Hanjin. The two sides discussed questions related to the implementation of agreements reached during the visit of OSCE high commissioner for national minorities Knut Vollebaek to Uzbekistan in March 2011. They also discussed regional issues. The delegation visited the education ministry and the national centre for human rights. It should be noted that the OSCE is gradually taking steps to raise the organization's profile in Uzbekistan.

On 20 July a meeting took place at the foreign affairs ministry with Karolos Gadis, director of the department on cooperation with Russia and countries of Eurasia at the Greek foreign ministry. The sides expressed their interest in developing bilateral relations and cooperation, based today on 18 international treaties and agreements. They noted that bilateral trade amounts to \$86.1 million and that there are now 18 joint Uzbek-Greek companies in Uzbekistan.

On 15 July the special envoy of the US State Department for global women's issues Melanne Verveer visited Uzbekistan where she discussed questions included in the Uzbek-American agenda, such as socio-political changes in Uzbekistan, the role of women in strengthening civil society as well as other areas of cooperation. The sides also discussed the role of Uzbekistan concerning reconstruction and reconciliation in Afghanistan. The special envoy also visited the office of the ombudsman, the Senate Committee for legislation and court-legal issues, the council of the federation of trade unions, and the committee of women of Uzbekistan.

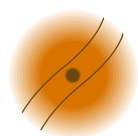
Economy and business enterprise

On 24 August the President of South Korea Li Men Bak made a state visit to Uzbekistan where the two states signed an agreement for the launching of the investment project for the construction of the Ustyurt gas-chemical complex at the Surgil gas field. The total amount of contracts between Uzbekistan and South Korea on the working gas well and construction of the new plant is \$4 billion. Proposed Korean investments in the Uzbek economy amount to \$5 billion and realized direct investments to \$2 billion.

The government of Uzbekistan and the World Bank signed a loan agreement on 18 August on the \$25 million project that is designed to increase the energy effectiveness of industrial factories. The government announced that the increase of energy effectiveness is one of the key priorities of developing the economy, which will help increase the competitiveness of the Uzbek industry as well as reduce the amount of carbon dioxide. This is a pressing problem because Uzbekistan consumes and wastes a lot of energy – three times more than average energy spending of the CIS states and six times more than Germany's energy spending. The project will last 5 years.

By a decision of the government, car petrol prices rose 10% as of 1 August. From now on the price for petrol Ai-80 is 90 cents, for Ai 91 - \$1.06, for Ai-95 – \$1.12, and for Premium Euro-95 - \$1.85. This is the second increase in the price of fuel this year. Meanwhile, salaries of state employees rose 15%, also as of 1 August. The minimum salary is now 57,200 Som (\$1=1,725 Som).

The Russian oil company LUKOIL started drilling the third well in northwest Uzbekistan as part of the joint project "Kandym-Khauzak-Shady-Kugrad". Financial-economic calculations showed that the oil field can be economically effective. LUKOIL signed the contract with Uzbekistan on extraction of gas in 2004 for a period of 35 years and by 2010 the company reached



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production levels of 3 billion cubic metres on this project. The company envisions reaching the 4 billion mark. LUKOIL is currently working on three projects in Uzbekistan: “Kandym-Khauzak-Shady-Kungrad”, southwest Gissar well and the Uzbek section of the Aral Sea. In the scope of the first two projects, the company plans to extract 18 billion cubic metres of gas by 2017, to which end it has already invested \$1.5 billion and plans to invest \$5 billion by 2017.

On 15 July Uzbekistan signed agreements with the ABD whereby the bank will implement 29 projects for a total amount of \$3.8 billion. The bank has issued long-term credit until 2013. The agreements encompass projects in four spheres: agriculture; private entrepreneurship, regional cooperation in the sphere of transport and custom transit, as well as improving the quality of social services with the emphasis on the protection of children and basic education.

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